The Ontario Securities Commission

OSC Bulletin

September 1, 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)

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

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(416)597-0681 (416) 362-5211 or 1-(800) 387-2689
Fax: 8th Floor - 416-593-8122 (Office of the Secretary / Corporate Relations)
Fax: 8th Floor - 416-593-8252 (Corporate Finance: Admin. & Document Management)
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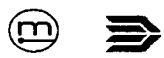

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Chapter 1

Notices / News Releases

1.1 Notices/News Releases

1.1.1 Current Proceedings Before The Ontario Securities Commission

September 1, 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 Telecopiers: 416-593-8348

CDS **TDX 76**

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

- -

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

SCHEDULED OSC HEARINGS

Date to be announced	**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
Date to be announced	**Patrick Joseph Kinlin** s. 127 Mr. I. Smith in attendance for staff. Panel: TBA
Sep27/2000 10:00 a.m.	**Philip Services Corp., Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey, Colin Soule, Robert Waxman and John Woodcroft** s. 127 Ms. K. Manarin in attendance for staff. Panel: TBA
Sep28/2000 10:00 a.m. Pre-Hearing Conference	**Noram Capital Management, Inc. and Andrew Willman** s. 127 Ms. K. Wootton in attendance for staff. Panel: JAG

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 Dellosa, François Deschamps, Marie-Louise Donald, Kelly Elwood, David Ferguson, Louis Fournier, Jean Gauvin, Jeffrey Gerstein, Benny Golan, Menachem Hafsari, Amir Halevy, Jerry Hargadon, Karen Hilderbrand, Jorn Jessen, Bruce J. Kaufman, Mohamed Hafiz Khan, Kathy Kelley, Phillip Kelley, Lori Evans Lama, Patricia Lavoie, Michael Légaré, Pierre H. Lessard, Carol Lobissier, Raymond McManus, Michael Mayberry, Sharon Mayberry, Peter Moss, Mark Neiss, Gideon Nimoy, Hasanain Panju, Andrew Porporino, Stephen F. Reitman, John Reynolds, Mario Ricci, Louise Sansregret, Cassandra Schafhausen, Andrew Tait, Lesley Taylor, Kim M. Thompson, Daniel Tierney, Barrie Usher, Ronald A. Weinberg, Lawrence P. Yelin and Kath Yelland

PROVINCIAL DIVISION PROCEEDINGS

Date to be announced	**Michael Cowpland and M.C.J.C. Holdings Inc.** s. 122 Ms. M. Sopinka in attendance for staff. Ottawa
Sept 18/2000 10:00 a.m.	**Glen Harvey Harper** s.122(1)(c) Mr. J. Naster in attendance for staff. Courtroom M, Provincial Offences Court Old City Hall, Toronto
Sep 20/2000 9:00 a.m.	**Arnold Guettler, Neo-Form North America Corp. and Neo-Form Corporation** s. 122(1)(c) Mr. D. Ferris in attendance for staff. Court Room No. 111, Provincial Offences Court Old City Hall, Toronto
Oct 10/2000 - Nov 3/2000 Trial	**Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall** s. 122 Ms. J. Superina in attendance for staff. Court Room No. 9 114 Worsley Street Barrie, Ontario
Oct 16/2000 - Dec 22/2000 10:00 a.m.	**John Bernard Felderhof** Mssrs. J. Naster and I. Smith for staff. Courtroom TBA, Provincial Offences Court Old City Hall, Toronto

Dec 4/2000 Dec 5/2000 Dec 6/2000 Dec 7/2000 9:00 a.m. Courtroom N	**1173219 Ontario Limited c.o.b. as TAC (The Alternate Choice), TAC International Limited, Douglas R. Walker, David C. Drennan, Steven Peck, Don Gutoski, Ray Ricks, Al Johnson and Gerald McLeod** s. 122 Mr. D. Ferris in attendance for staff. Provincial Offences Court Old City Hall, Toronto
Jan 29/2001 - Feb 2/2001 9:00 a.m.	**Einar Bellfield** s. 122 Ms. K. Manarin in attendance for staff. Courtroom C, Provincial Offences Court Old City Hall, Toronto

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

1.1.2 Dialogue with the OSC

July 4, 2000

Dialogue with the OSC

Dear Colleague:

Each year the Ontario Securities Commission sponsors an all-day conference designed to bring the staff of the Commission together with professionals from the financial services industry.

I would like to take this opportunity to invite you to participate in this year's ***Dialogue with the OSC*** event, now in its sixth successful year, which will take place at the Toronto Sheraton Centre Hotel on October 31st, 2000.

This year, the agenda for Dialogue again focuses on the significant regulatory issues and events that have emerged over the past year, including the Ontario Government's plan to merge the OSC with the Financial Services Commission of Ontario. Topics will also include **A Market Regulation Update, Financial Planning, Mutual Funds and the Launch of the MFDA, Enforcement Issues and Current Financial Reporting and Auditing Issues,** among many other interesting and timely items.

The proposed agenda for ***Dialogue with the OSC 2000*** is attached.

The cost to attend this conference is $400.00 and for those registering before September 11th we are offering an early bird special of $350.00. To reserve your place, return the attached agenda with your business card and concurrent session choices by facsimile to (416) 593-0249. An invoice will follow. If you have any questions please call ***Dialogue with the OSC*** registration at (416) 593-7352 before October 20, 2000. Or you may register on-line through the OSC website at www.osc.gov.on.ca.

New This Year

The 2000 edition of ***Dialogue with the OSC*** will introduce a new and very exciting element to the program. In order to bring our staff and this important event to a greater number of our constituents, we are offering a modified version of Dialogue through a satellite feed to the following locations:

- London
- Sudbury
- Ottawa

During the satellite broadcast, participants at each of the above locations will be able to watch and listen to the presentations as well as ask questions of the panelists in Toronto.

If you are interested in attending Dialogue at one of these locations call (416) 593-7352.

I hope you are able to join us either in Toronto, or at one of the other locations across Ontario, for this exciting and informative conference.

Sincerely,

David Brown Q.C.
Chair

Encl.

DIALOGUE WITH THE OSC

Preliminary Agenda & Early Registration

9:00 a.m. **Welcoming Address**
Charlie F. Macfarlane, Executive Director, OSC

9:10 a.m. **Opening Remarks**
David A. Brown, Q.C., Chair of the OSC

9:30 a.m. **Executive Panel**
David Brown, Ontario Securities Commission; Dina Palozzi, Ontario Insurance Commission; Securities Market Participant and FSCO Participant

10:00 a.m. **Panel of Chairs**
Chairs of the Ontario, Alberta, British Columbia and Quebec Securities Commissions

11:00 a.m. **Break-Out Session 1**
(Please check one (1) box only on registration form to indicate concurrent session choice)

- **Market Regulation Update: Including ATS and the New Markets**
  A discussion of the changes in the Canadian marketplace including the OSC and the reorganization of the Canadian exchanges and regulatory approaches to advances in electronic trading technology.
- **Enforcement Issues**
  Current themes in enforcement reflecting a more aggressive approach to enforcing the Ontario Securities Act.
- **Corporate Finance: An Update**
  Included in this update are a review of developments in recent filings issues and a report on small business financing.

11:50 a.m. **Break-Out Session 2**
(Please check one (1) box only on registration form to indicate concurrent session choice)

- **Mutual Funds: The Launch of the MFDA**
  An update on the launch of the Mutual Funds Dealers Association and the issues surrounding the question of distribution structures for the mutual fund dealer.
- **Strengthening the Secondary Market: Enhancing the Quality of Continuous Disclosure by Reporting Issuers**
  A discussion of legislative, regulatory and operational changes including the developments in Continuous and Integrated Disclosure. Also reviewed SEDI, the System for Electronic Data on Insiders.
- **International Issues: The OSC and the International Securities Regulators**
  A look at the critical issues facing regulators as electronic trading makes borders irrelevant in the age of e-trades and electronic communication. Also included will be a review of the work of the International Accounting Standards Committee.

12:30 p.m. **Lunch**

1:30 p.m. **Luncheon Address**
Dr. Sherry Cooper, Chief Economist, Nesbitt Burns

Tuesday, October 31, 2000 • Sheraton Centre Hotel • Toronto

Dialogue with the OSC • Tuesday, October 31, 2000 • Sheraton Centre Hotel, Toronto

2:00 p.m. **Break-Out Session 3**
(Please check one (1) box only on registration form to indicate concurrent session choice)

- **Financial Planning Update: The Re-regulation of Advice Project**
  A review of the products and services delivered to customers in view of the retail securities industry's shift in focus from stock trading to financial advice and asset management.
- **Current Financial Reporting and Auditing Issues at the OSC**
  A review of staff positions and current policy directions including a look at GAAP and GAAS.
- **The Latest Developments in Mergers and Acquisitions**
  The Takeover/Issuer Bids team from the OSC will highlight the issues and latest developments under discussion at the OSC.

3:30 p.m. **Break-Out Session 4**
(Please check one (1) box only on registration form to indicate concurrent session choice)

- **SRO Oversight**
  A review of the Commission's efforts to strengthen protocols for SRO oversight through the development of oversight agreements and the planned national compliance review.
- **Investor Education**
  A look at the products developed by the OSC to enhance investor understanding of the securities industry.

4:45 p.m. **Closing Remarks**

5:00 p.m. **Conference Conclusion**

DIALOGUE WITH THE OSC • REGISTRATION FORM

DIALOGUE BREAKOUT SESSIONS

You will be able to attend one breakout session for each time slot (Please check one (1) box for each Breakout Session)

11:00 - 11:40 Break Out Session 1

- ☐ Market Regulation Update
- ☐ Enforcement Issues
- ☐ Corporate Finance: An Update

11:50 - 12:30 Break Out Session 2

- ☐ Mutual Funds
- ☐ Strengthening the Secondary Market
- ☐ International Issues

2:00 - 3:15 Break Out Session 3

- ☐ Financial Planning Update
- ☐ Current Financial Reporting/Auditing
- ☐ Latest Developments in Mergers/Acquisitions

3:30 - 4:45 Break Out Session 4

- ☐ SRO Oversight
- ☐ Investor Education

Registration Fee: $400 (after September 11, 2000)
Earlybird Fee: $350 (before September 11, 2000)

To register, please attach your business card to this form and Fax to: "Dialogue with the OSC" at (416) 593-0249 An invoice for the registration fee will follow in the mail.

For a Detailed Program or Further Information:
Call (416) 593-7352 or visit our website at www.osc.gov.on.ca

Please Place your Business Card Here

DIALOGUE WITH THE OSC - SUDBURY

Preliminary Agenda & Early Registration

All morning sessions and the Luncheon Address will be broadcast from Toronto to Sudbury by satellite link followed by a live panel entitled, **Mining Regulations - After the Mining Standards Task Force Report**. This panel will look at the effect of the report on the mining industry. During the morning program, participants will be able to watch and listen to the presentations as well as ask questions of the panelists in Toronto.

9:00 a.m. **Welcoming Address**
Charlie F. Macfarlane, Executive Director, OSC

9:10 a.m. **Opening Remarks**
David A. Brown, Q.C., Chair of the OSC

9:30 a.m. **Executive Panel**
David Brown, Ontario Securities Commission; Dina Palozzi, Financial Services Commission of Ontario; Securities Market Participant and FSCO Participant

10:00 a.m. **Panel of Chairs**
Chairs of the Ontario, Alberta, British Columbia and Quebec Securities Commissions

11:00 a.m. **Market Regulation Update: Including ATS and the New Markets**
A discussion of the changes in the Canadian marketplace including the OSC and the reorganization of the Canadian exchanges and regulatory approaches to advances in electronic trading technology.

11:50 a.m. **Mutual Funds: The Launch of the MFDA**
An update on the launch of the Mutual Funds Dealers Association and the issues surrounding the question of distribution structures for the mutual fund dealer.

12:30 p.m. **Lunch and Luncheon Address**
Dr. Sherry Cooper, Chief Economist, Nesbitt Burns

2:00 p.m. **Live Panel in Sudbury**
Mining Regulations - After the Mining Standards Task Force Report
Deborah McCombe, Senior Mining Consultant, OSC
This panel will look at what the Mining Standards Task Force Report means to the mining industry.

3:00 p.m. **Closing Remarks**

DIALOGUE WITH THE OSC • REGISTRATION FORM

Registration Fee: $300 (after September 11, 2000)
Earlybird Fee: $250 (before September 11, 2000)

To register, please attach your business card to this form and Fax to: "Dialogue with the OSC" at (416) 593-0249
An invoice for the registration fee will follow in the mail.

Please Place your Business Card Here

For a Detailed Program or Further Information:
Call (416) 593-7352 or visit our website at www.osc.gov.on.ca

Tuesday, October 31, 2000 • Sudbury

DIALOGUE WITH THE OSC - OTTAWA

Preliminary Agenda & Early Registration

All morning sessions and the Luncheon Address will be broadcast from Toronto to Ottawa by satellite link followed by a live panel entitled, **Small Business Financing - A Progress Report**. This panel will give a progress report on the regulatory issues surrounding small business financing. During the morning program, participants will be able to watch and listen to the presentations as well as ask questions of the panelists in Toronto.

9:00 a.m. **Welcoming Address**
Charlie F. Macfarlane, Executive Director, OSC

9:10 a.m. **Opening Remarks**
David A. Brown, Q.C., Chair of the OSC

9:30 a.m. **Executive Panel**
David Brown, Ontario Securities Commission; Dina Palozzi, Financial Services Commission of Ontario; Securities Market Participant and FSCO Participant

10:00 a.m. **Panel of Chairs**
Chairs of the Ontario, Alberta, British Columbia and Quebec Securities Commissions

11:00 a.m. **Market Regulation Update: Including ATS and the New Markets**
A discussion of the changes in the Canadian marketplace including the OSC and the reorganization of the Canadian exchanges and regulatory approaches to advances in electronic trading technology.

11:50 a.m. **Mutual Funds: The Launch of the MFDA**
An update on the launch of the Mutual Funds Dealers Association and the issues surrounding the question of distribution structures for the mutual fund dealer.

12:30 p.m. **Lunch and Luncheon Address**
Dr. Sherry Cooper, Chief Economist, Nesbitt Burns

2:00 p.m. **Live Panel in Ottawa**
Small Business Financing - A Progress Report
This panel will provide a progress report on the regulatory issues surrounding small business financing.

3:00 p.m. **Closing Remarks**

DIALOGUE WITH THE OSC • REGISTRATION FORM

Registration Fee: $300 (after September 11, 2000)
Earlybird Fee: $250 (before September 11, 2000)

To register, please attach your business card to this form and Fax to: "Dialogue with the OSC" at (416) 593-0249
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For a Detailed Program or Further Information:
Call (416) 593-7352 or visit our website at www.osc.gov.on.ca

Tuesday, October 31, 2000 • Ottawa

DIALOGUE WITH THE OSC - LONDON

Preliminary Agenda & Early Registration

All morning sessions and the Luncheon Address will be broadcast from Toronto to London by satellite link followed by a live panel entitled, **Financial Planning - A Review of OSC/CSA Initiatives**. This panel will look at the current regulatory model governing advice. During the morning program, participants will be able to watch and listen to the presentations as well as ask questions of the panelists in Toronto.

9:00 a.m. **Welcoming Address**
Charlie F. Macfarlane, Executive Director, OSC

9:10 a.m. **Opening Remarks**
David A. Brown, Q.C., Chair of the OSC

9:30 a.m. **Executive Panel**
David Brown, Ontario Securities Commission; Dina Palozzi, Financial Services Commission of Ontario; Securities Market Participant and FSCO Participant

10:00 a.m. **Panel of Chairs**
Chairs of the Ontario, Alberta, British Columbia and Quebec Securities Commissions

11:00 a.m. **Market Regulation Update: Including ATS and the New Markets**
A discussion of the changes in the Canadian marketplace including the OSC and the reorganization of the Canadian exchanges and regulatory approaches to advances in electronic trading technology.

11:50 a.m. **Mutual Funds: The Launch of the MFDA**
An update on the launch of the Mutual Funds Dealers Association and the issues surrounding the question of distribution structures for the mutual fund dealer.

12:30 p.m. **Lunch and Luncheon Address**
Dr. Sherry Cooper, Chief Economist, Nesbitt Burns

2:00 p.m. **Live Panel in London**
Financial Planning - A Review of OSC/CSA Initiatives
Julia Dublin, Chair, CSA Financial Planning Committee
A look at the current regulatory model governing advice.

3:00 p.m. **Closing Remarks**

DIALOGUE WITH THE OSC • REGISTRATION FORM

Registration Fee: $300 (after September 11, 2000)
Earlybird Fee: $250 (before September 11, 2000)

To register, please attach your business card to this form and Fax to: "Dialogue with the OSC" at (416) 593-0249
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Tuesday, October 31, 2000 • London

1.1.3 Canadian Venture Exchange, Inc.'s Request for an Exemption from Recognition as a Stock Exchange under S. 21 of the Securities Act - Notice of Publication of Materials

NOTICE OF PUBLICATION OF MATERIALS RELATING TO CANADIAN VENTURE EXCHANGE, INC.'S REQUEST FOR AN EXEMPTION FROM RECOGNITION AS A STOCK EXCHANGE UNDER S. 21 OF THE SECURITIES ACT

AND

NOTICE REGARDING CHANGE TO QUOTATION AND TRADE REPORTING OBLIGATIONS UNDER PART IV OF THE REGULATION

As part of the application of the Canadian Venture Exchange's ("CDNX") application for an exemption from recognition as a stock exchange under S. 21 of the Securities Act, the following documents are being published in Part 13 of this Bulletin:

A. An order granting the Canadian Venture Exchange ("CDNX") a temporary exemption from recognition stock exchange under s.21 of the Act (the "Temporary Exemption Order").

B. The application for exemption from recognition with a proposed final order ("proposed final order") exempting CDNX from recognition along with its attachments: Schedule A - Alberta Securities Commission ("ASC") Recognition Order, Schedule B - British Columbia Securities Commission ("BCSC") Recognition Order, Schedule C - a Memorandum of Understanding regarding Oversight (MOU), Schedule D - a term sheet regarding the operation of the reported market for over-the-counter ("OTC") trading, Schedule E - Amendments to Policies relating to becoming a reporting issuer in Ontario, and Schedule - Policy regarding related party transactions, Schedule F - Insider bids, issuer bids, going private transactions and related party transactions - Policy 5.9.

C. The Commission has approved for signature the Memorandum of Understanding among the ASC, BCSC, and Ontario Securities Commission (the "OSC") for oversight of CDNX, that is attached as Schedule C to the application. After execution by all three Commissions the MOU will be delivered to the Minister of Finance and published.

D. The order recognizing CDNX for purposes of certain sections of the Securities Act ("S. 72 Order").

E. A Notice which will describe the restructuring of the CDN market with the Invitation for Listing from CDNX and the new user agreement to be used by the Canadian Unlisted Board ("CUB"), a subsidiary of CDNX, are being published in Chapter 13 of this Bulletin.

Background

As part of the Memorandum of Agreement between the Canadian exchanges announced in March 1999, CDNX was to become the sole junior exchange in Canada. CDNX was the product of the merger between the Alberta Stock Exchange and the Vancouver Stock Exchange. The Toronto Stock Exchange was to transfer its operation of the Canadian Dealing Network ("CDN") to CDNX and CDNX was to set up offices in Ontario as part of its mandate to be a national junior issuer exchange.

A. Recognition and Oversight of CDNX by ASC and BCSC

CDNX is a recognized exchange in Alberta and British Columbia and is subject to the direct oversight of the ASC and BCSC. CDNX applied for recognition in those provinces at the time of the merger in November 1999. As direct regulators, the ASC and BCSC have divided oversight of CDNX between them along functional lines, pursuant to an agreement which is attached as Appendix A to the MOU.

In order to obtain recognition, CDNX's bylaws and policies, its corporate governance structure and its operations were reviewed and approved by the ASC and BCSC.

Staff of the ASC, BCSC, and OSC have developed a Memorandum of Understanding regarding oversight of CDNX. See Schedule "C" to the proposed final order. The MOU sets out a minimum standard of oversight to be undertaken by the ASC and BCSC, including performing examinations and rule review. If an exemption from recognition is granted to CDNX, the Commission would rely on the oversight performed by the ASC and BCSC as recognizing regulators. The ASC and BCSC, as lead regulators, would have an obligation to report to the OSC on their oversight activities on a quarterly basis as well as annually to the CSA Chairs.

B. Reporting Issuers

(i) Reporting Issuer Status in Ontario:

Since CDNX issuers are likely to have a large number of Ontario investors even if they do not offer securities directly into Ontario, the proposed Order maintains some of the investor protections that go with Ontario reporting issuer status such as the continuous disclosure requirements.

CDNX has proposed rules and provisions that would require each CDNX listed issuer with a "significant connection" to Ontario to become a reporting issuer in Ontario. An issuer would have a significant connection to Ontario if: (a) 20% of its non-objecting beneficial owners (as defined in proposed National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*) ("NOBOS") reside in Ontario, or (ii) 10% of the NOBOs and the mind and management (CEO, head office, CFO) of the issuer are located in Ontario. The proposed amendments to effect this requirement are set out in Schedule E to the proposed final order.

The amendments will take effect June 30, 2001. This date was chosen to give issuers a transition time and because it coincides with the BC and Alberta requirements that CDNX issuers become reporting issuers in those provinces.

All CDNX issuers must determine whether they meet the significant connection test by June 30, 2001. If an issuer meets the test, it must promptly apply to be deemed a reporting issuer in Ontario and must achieve that status within six months of June 30, 2001. On an ongoing basis, all CDNX issuers must undertake an annual assessment to determine whether they meet the connection test and, if so, must become Ontario reporting issuers. CDNX, as a condition of initial listing, approval of a reverse take-over transaction and approval of a qualifying transaction under the Capital Pool Companies program, will require issuers with a significant connection to Ontario to be reporting issuers in Ontario.

(ii) OSC Rule 61-501

Those issuers that are or become reporting issuers in Ontario will, of course, comply with Rule 61-501. However, there was a concern that issuers with less than 20% Ontario ownership, yet with a large number of Ontario shareholders (perhaps 19%) would not be subject to the Rule. CDNX has agreed to enact a policy similar to that of OSC Rule 61-501. CDNX Policy 5.9 is intended to establish requirements similar to OSC Rule 61-501. Policy 5.9 is attached as Schedule F to the proposed final order.

CDNX believes that certain transactions carried out by its issuers should be exempt from the formal independent valuation requirements in the Policy. Policy 5.9, therefore, provides additional exemptions for transactions where:

1. the fair market value of the assets, business or securities is "indeterminate";
2. the transaction constitutes the acquisition or disposition of an oil & gas or mineral resource property and suitable reports are prepared;
3. a small issuer or capital pool company is conducting an equity financing involving unrelated investors concurrently with certain acquisition transactions; or
4. the issuer is carrying out a private placement with related parties but cannot meet the liquid market thresholds set out in Rule 61-501 which were designed to apply to more senior issuers, but instead meets other safeguards, namely significant investment by unrelated parties in the private placement and no increase in the pro rata ownership by related parties.

C. Section 72 Order

Subsection 72(4) of the Act contains restrictions on the resale of securities initially acquired in reliance upon certain specified exemptions from the prospectus requirement. Under subclauses 72(4)(b)(i) and 72(4)(b)(iii) of the Act, the relevant restrictions on resale are dependent upon whether the issuer's securities are "listed and posted for trading on a stock exchange recognized for this purpose by the Commission". Generally, if the securities are listed on an exchange recognized for the purpose of these sections, the securities are subject to a 12 month hold period. Otherwise, the hold period is 18 months.

Subclause 72(7)(b)(i) of the Act requires that any seller relying on that subclause for the purpose of effecting a trade from a control block must file certain information with "any stock exchange recognized by the Commission for this purpose on which the securities are listed".

Commission Recognition Order 21-901 Stock Exchange Recognition Order (the "SER Order") recognizes The Toronto Stock Exchange (the "TSE") and the Montreal Exchange (the "ME") for the purpose of subclauses 72(4)(b)(i), 72(4)(b)(iii) and 72(7)(b)(i) of the Act. The VSE and the ASE were not so recognized.

The rationalization of the Canadian stock exchanges from regional marketplaces into a "national" junior, senior and derivatives market requires that, where appropriate, we take a national, harmonized approach to regulation. This has led many in the CSA to recommend the adoption of more harmonized restrictions on resale as set out in proposed Multilateral Instrument 45-102 Resale of Securities.

An order which amends the SER Order to effect these changes is being published in Chapter 13. As a housekeeping matter, the SER order also replaces the references to the ASE and the VSE in the context of recognition for the purpose of clauses 93(1)(a) and 93(3)(e) of the Act.

D. CDN Transfer

As part of the realignment of the Canadian exchanges, the Canadian Dealing Network is to be transferred from the TSE to CDNX. The transfer requires Commission approval.

CDNX has agreed to assume the operation and the development of an appropriate system for reporting trades of dealers. CDNX has drafted an initial term sheet setting out the terms of an agreement between the Commission, CDNX and the Canadian Unlisted Board Inc. ("CUB") a wholly owned subsidiary of CDNX. A copy of the term sheet is attached as Schedule D to the proposed final order. CDNX has proposed that the CDN reported market be maintained as a separate web-based reporting system with a separate name. A more detailed notice regarding the transfer is being published in Part 13 of this Bulletin.

Comments and Questions

Parties who are interested in making comments regarding the application for exemption from recognition should respond by October 1, 2000.

Comments should be sent, in duplicate to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3H8
E-mail: jstevenson@osc.gov.on.ca

A diskette containing comments (in DOS or Windows format, preferably WordPerfect) should also be submitted.

Questions may be referred to:

Randee Pavalow
Manager, Market Regulation
Ontario Securities Commission
(416) 593-8257

Jennifer Elliot
Legal Counsel, Market Regulation
Ontario Securities Commission
(416) 593-8109

1.1.4 National Instrument 54-101 - Communication with Beneficial Owners of Securities of a Reporting Issuer

**PROPOSED NATIONAL INSTRUMENT 54-101
FORMS 54-101F1 to 54-101F9,
COMPANION POLICY 54-101CP
AND RESCISSION OF
NATIONAL POLICY STATEMENT NO. 41
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER**

The Commission is publishing in Chapter 6 of today's Bulletin a Notice requesting comment on the Canadian Securities Administrator ("CSA") Proposed National Instrument 54-101 (including related Forms 54-101F1 to 54-101F9), together with the proposed rescission of National Policy Statement No. 41 Shareholder Communication ("NP41"), effective upon the date the proposed National Instrument 54-101 comes into force.

Through the proposed Instrument and related Forms, the CSA seek to continue, with some changes, the regulatory regime concerning communication with beneficial owners of securities of a reporting issuer currently embodied in NP41, which the Instrument and Forms are intended to replace.

In Ontario, the requirements of NP41 are contained in a rule (the "Current Ontario Rule"), which replaced a deemed rule, entitled *In the Matter of Certain Reporting Issuers* [including National Policy Statement], (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6437 and (1999), 20 OSCB 6301.

The Current Ontario Rule expires on the earlier of the date on which a new rule intended to replace it comes into force and December 31, 2000.

In order to accommodate a later in force date for the rule intended to replace NP41 -- being the proposed National Instrument, which the Notice has proposed to be July 1, 2001 -- the Commission will be recommending to the Minister an amendment to the Current Ontario Rule, so as to extend the expiry date of the Current Ontario Rule.

Reference:

Robert F. Kohl
Senior Legal Counsel
Corporate Finance
(416) 593-8233

1.2 Notice of Hearings

1.2.1 Philip Services Corp. et al. - s. 127

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

AND

IN THE MATTER OF PHILIP SERVICES CORP., ALLEN FRACASSI, PHILIP FRACASSI, MARVIN BOUGHTON, GRAHAM HOEY, COLIN SOULE, ROBERT WAXMAN AND JOHN WOODCROFT

NOTICE OF HEARING (Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") at the offices of the Commission, on the 17th Floor, Large Hearing Room , 20 Queen St. West, Toronto, Ontario commencing on Wednesday, September 27, 2000 at 10:00 a.m. or as soon thereafter as the hearing can be held:

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

(a) the Respondents cease trading in securities, permanently or for such period as the Commission may direct;

(b) the individual Respondents be prohibited from becoming or acting as a director or officer of any issuer, permanently or for such period as the Commission may direct;

(c) the individual Respondents resign any positions they may have as a director and/or officer of any issuer;

(d) the Respondents be reprimanded;

(e) the Respondents, or any of them, pay the costs of the Commission's investigation and this proceeding; and/or

(f) contains such other terms and conditions as the Commission may deem appropriate.

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

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

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

August 30th, 2000.

"John Stevenson"

1.2.2 Philip Services Corp. et al. - Statement of Allegations

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

AND

IN THE MATTER OF PHILIP SERVICES CORP., ALLEN FRACASSI, PHILIP FRACASSI, MARVIN BOUGHTON, GRAHAM HOEY, COLIN SOULE, ROBERT WAXMAN AND JOHN WOODCROFT

STATEMENT OF ALLEGATIONS

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

I THE RESPONDENTS

1. Philip Services Corp. ("Philip" or the "Company") was, at all material times, a reporting issuer in Ontario, Alberta, British Columbia, Quebec, Saskatchewan, Nova Scotia and Newfoundland. Philip's common shares were listed for trading on the Toronto Stock Exchange (the "TSE"), the Montreal Exchange and the New York Stock Exchange under the symbol PHV. At all material times, Philip was a corporation amalgamated under the laws of the Province of Ontario, with its head office in the City of Hamilton, in the Province of Ontario. Prior to May, 1997, Philip operated its business under the name of Philip Environmental Inc.

2. Philip was, at all material times, an integrated resource recovery and industrial services company providing metal recovery and processing services to major industry sectors throughout North America. According to Philip's Annual Report (the "Form 10-K"), Philip "was one of North America's leading suppliers of metals recovery and industrial services". For the year ended December 31, 1997, Philip reported revenues of US $1.75 billion, of which US $1.1 billion was attributed to the Company's Metals Recovery Group (the "Metals Group"). On or around September 29, 1995, the President and Chief Executive Officer ("CEO") advised the Company's Board of Directors that the Company expected consolidated revenue to reach Cdn $1.5 billion by the end of 1997 as a result of internal growth and acquisitions. At all material times, Philip's fiscal year-end was December 31. All amounts referred to hereinafter are in U.S. dollars, unless otherwise indicated.

3. Allen Fracassi ("A. Fracassi") was, at all material times, the President, CEO and a Director of Philip.

4. Philip Fracassi ("P. Fracassi") was, at all material times, the Executive Vice-President, Chief Operating Officer and a Director of Philip. P. Fracassi and A. Fracassi are brothers and are the founders of the Company.

5. Marvin Boughton ("Boughton") was, at all material times, the Executive Vice-President and Chief Financial Officer ("CFO") of Philip. Boughton is a chartered accountant. Prior to joining Philip in or around 1991, Boughton was a partner in the accounting firm of Deloitte & Touche ("Deloitte"), in its Hamilton, Ontario office and had been employed by Deloitte for approximately 32 years.

6. Graham Hoey ("Hoey") was, at all material times, Senior Vice-President, Finance of Philip. Prior to joining Philip in 1996, Hoey was a partner with Deloitte.

7. Colin Soule ("Soule") was, at all material times, the General Counsel, Executive Vice-President and Corporate Secretary of Philip.

8. Robert Waxman ("Waxman") became a Director of the Company in January, 1994 and was the President of the Metals Group from February, 1996 until September, 1997, when he was relieved of all his duties and operating authority. Waxman's alleged resignation as a Director of Philip and as President of the Metals Group was publicly announced in a press release dated January 5, 1998. Details surrounding Waxman's departure from the Company are more fully described below in Part VI.

9. John Woodcroft ("Woodcroft") was, at all material times, the Executive Vice-President, Operations of Philip. Woodcroft is a chartered accountant.

II BACKGROUND

10. In 1997, Philip's business was organized into two operating divisions - the Metals Group and the Industrial Services Group ("ISG"). Both of these divisions reported to Philip's head office, hereinafter referred to as "Corporate".

11. The Metals Group was Philip's largest operating division, accounting for more than 60% of the Company's revenue in 1997. The Metals Group was comprised of three key divisions - copper, ferrous and aluminum processing and recycling. As indicated above, Waxman was President of the Metals Group at all material times.

12. Deloitte, a firm of chartered accountants, was Philip's external auditor from 1990 until December, 1999. During 1997, the partners from Deloitte who were assigned to the Philip audit engagement included the following: the Lead Client Services Partner 1997, the U.S. Audit Partner 1997, the Quality Control/Audit Partner 1997 and the National Office Partner 1997.

III OVERVIEW OF STAFF'S ALLEGATIONS

13. The following allegations are being advanced by Staff of the Commission:

Failure to provide full, true and plain disclosure in a prospectus, dated November 5, 1997, (the "Prospectus") of material facts concerning Robert

Waxman, a Director and President of Philip's Metals Group

1) Philip filed and Messrs. A. Fracassi, P. Fracassi, Soule, Waxman and Woodcroft authorized, permitted or acquiesced in Philip filing the Prospectus, with the Ontario Securities Commission (the "Commission"), which failed to contain full, true and plain disclosure of all material facts relating to the securities offered, specifically, material facts relating to:

   (i) financial losses incurred by Philip, in the amount of approximately $20 million, which were allegedly caused by Waxman in connection with various unauthorized transactions;

   (ii) Waxman being relieved of his duties and all operating authority he had at Philip in or around mid-September, 1997;

   (iii) the $10 million promissory note executed by Waxman on or about October 28, 1997, in favour of Philip (the "Waxman Promissory Note"); and

   (iv) Waxman's admission in or around mid-September, 1997 that he had derived a personal benefit of approximately $2 million from certain unauthorized transactions that he had instituted on behalf of the Company.

Failure to provide full, true and plain disclosure in the Prospectus of material facts in respect of the Special Charges - the restructuring charge

2) Philip filed and Messrs. A. Fracassi, P. Fracassi, Boughton, Hoey and Woodcroft authorized, permitted or acquiesced in Philip filing the Prospectus, with the Commission, which failed to contain full, true and plain disclosure of all material facts relating to the securities offered, specifically, material facts relating to a restructuring charge in the amount of $155.720 million, which was not disclosed by Philip until 1998.

Failure to provide full, true and plain disclosure in the Prospectus of material facts in respect of the Special Charges - the material financial transactions

3) These material financial transactions amount to approximately $110 million of the total $234.992 million in charges taken by Philip, and are as follows:

   (i) that Philip filed and Messrs. A. Fracassi, P. Fracassi, Boughton, Soule, Waxman, and Woodcroft authorized, permitted or acquiesced in Philip filing financial statements contained in the Prospectus which failed to contain full, true and plain disclosure of approximately $31 million for holding certificates in respect of inventory, which were issued by Philip in 1996 and were improperly recorded because Philip failed to record the underlying transactions as liabilities or, alternatively, failed to remove the inventory from the accounting records;

   (ii) that Philip filed and Messrs. A. Fracassi, P. Fracassi, Boughton, Waxman and Woodcroft authorized, permitted or acquiesced in Philip filing financial statements contained in the Prospectus which failed to contain full, true and plain disclosure of approximately $29 million of unrecorded liabilities for invoices issued by its customer, Pechiney World Trade Inc., in 1996 and settled by Philip in 1997;

   (iii) that Philip filed and Messrs. A. Fracassi, P. Fracassi, Boughton, Waxman and Woodcroft authorized, permitted or acquiesced in Philip filing financial statements contained in the Prospectus which failed to contain full, true and plain disclosure of approximately $30.222 million regarding a financing arrangement between Philip and Commodity Capital Group, finalized on or about August 13, 1997, which was not properly recorded in the financial statements;

   (iv) that Philip filed and Messrs. A. Fracassi, P. Fracassi, Boughton, Hoey and Woodcroft authorized, permitted or acquiesced in Philip filing financial statements contained in the Prospectus which failed to contain full, true and plain disclosure of approximately $10 million regarding a financing arrangement between Philip and Canadian Imperial Bank of Commerce, finalized on or about June 27, 1997, which was not properly recorded in the financial statements; and

   (v) that Philip filed and Messrs. P. Fracassi and Woodcroft authorized, permitted or acquiesced in Philip filing financial statements contained in the Prospectus which failed to contain full, true and plain disclosure of the $10 million Waxman Promissory Note which was improperly recorded in the financial statements in inventory.

IV THE NOVEMBER 1997 OFFERING

14. On November 6, 1997, Philip made a public offering of 20 million common shares (the "November Offering"), 15 million of which were sold in the United States and 5 million of which were sold in Canada and internationally. The November Offering raised approximately $364 million and closed on or about

November 12, 1997. The price per each offered common share was $16.50.

15. In connection with the November Offering, Philip filed a Prospectus with the Commission and obtained a final receipt on November 6, 1997. As required pursuant to section 58 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), the Prospectus contained an Issuer's Certificate signed by A. Fracassi, the CEO, and Boughton, the CFO and two directors, Waxman and Herman Turkstra, on behalf of Philip's Board of Directors. A registration statement (the "Registration Statement") was filed with the United States Securities and Exchange Commission (the "SEC") on or about November 6, 1997.

16. The Prospectus included audited financial statements for the Company for the years ended December 31, 1996 and December 31, 1995, for which Deloitte had issued unqualified audit opinions. Deloitte consented to the inclusion of these audit opinions in the Prospectus. Furthermore, the Prospectus contained unaudited interim financial statements for the six month periods ended June 30, 1997 and June 30, 1996. Deloitte provided a letter of comfort to the Commission dated November 5, 1997, with respect to the inclusion of the unaudited interim financial statements in the Prospectus. The Prospectus also included unaudited third quarter results for the three and nine month periods ended September 30, 1997.

17. In connection with the November Offering, Philip entered into a U.S. Underwriting Agreement dated November 6, 1997 with a syndicate of underwriters, which provided for the sale by the Company of 15 million common shares in the United States. Salomon Brothers Inc. and Merrill Lynch & Co. acted as the co-lead underwriters on behalf of the syndicate of underwriters. Philip also entered into an International Underwriting Agreement, dated November 6, 1997 with a syndicate of international underwriters, which provided for the sale by the Company of 5 million common shares internationally, including Canada. Salomon Brothers International Limited and Merrill Lynch International acted as representatives on behalf of the international underwriters. The Canadian underwriters that participated in the international underwriting were as follows: Salomon Brothers Canada Inc., Merrill Lynch Canada Inc., CIBC Wood Gundy Securities Inc., Midland Walwyn Capital Inc., First Marathon Securities Inc., Gordon Capital Corporation, RBC Dominion Securities Inc. and TD Securities Inc. (the "Underwriters").

V PUBLIC DISCLOSURES AND REGULATORY FILINGS

18. In a press release dated September 29, 1997, Philip announced that it had filed a Registration Statement in the United States and a preliminary prospectus ("Preliminary Prospectus") in Canada with respect to an offering of 20 million of its common shares.

19. On or about October 24, 1997, Philip filed an amended Preliminary Prospectus with the Commission.

20. In a press release dated November 5, 1997, Philip reported record net earnings of $25.4 million for the three month period ended September 30, 1997, a 105% increase over the $12.4 million from continuing operations for the same period in 1996. It also reported that its revenues for the three month period ended September 30, 1997 increased 246% to $502.2 million from $145.2 million for the same quarter in 1996. The financial information released on November 5, 1997 was incorporated into the Prospectus.

21. On or about November 6, 1997, Philip obtained a receipt for the Prospectus from the Commission.

22. In a press release dated November 18, 1997, Philip reported that total net proceeds from the November Offering amounted to approximately $364 million.

23. In a press release dated January 5, 1998, Philip announced the resignation of Waxman as a Director and President of the Company's Metal Group.

24. Philip issued a press release dated January 26, 1998, approximately 11 weeks after the November Offering closed, announcing the following:

> *... the Company will record a one time year end charge to earnings of between US $250 million and US $275 million, which on an after-tax basis, is between US $175 million to US $200 million. This one time charge will be comprised of two items. One item will be in the form of a restructuring charge, which on an after-tax basis will amount to between US $100 million and US $120 million. This restructuring charge includes a write-down of goodwill, which makes up 60% to 70% of this charge, severance payments, relocation costs and a variety of other items. The second component being US $75 million to US $80 million after-tax relates primarily to physical inventory adjustments and also to trading losses and charges relating to a market revaluation of inventory held for resale by our Metals Recovery Group.*

25. In a press release dated January 27, 1998, Philip clarified its January 26, 1998 announcement, stating that the goodwill write-down related to a number of acquisitions the Company concluded over the period from 1993 to 1996. It also stated that the physical inventory adjustment of approximately $60 million after-tax involved the difference between book inventory and physical inventory in the Metals Group copper yard business.

26. On Friday, January 23, 1998, the closing price for Philip's shares on the TSE was $18.90. On January 27,

1998, following the announcements of January 26 and 27, Philip's common shares on the TSE closed at $12.00.

27. In a press release dated March 5, 1998, Philip announced its financial results for the year ending December 31, 1997 and the results of an audit conducted by external auditors into the copper inventory discrepancy. In this press release Philip made a number of disclosures, including that:

    (i) its 1997 year-end audited financial results included a $185.4 million (pre-tax), one-time special and non-recurring charge related to the write-down of certain assets;

    (ii) it reported a loss of $95.8 million for its 1997 year-end;

    (iii) it was restating its earnings for fiscal year 1995 to $3.2 million (rather than approximately Cdn $32.7 million as originally disclosed) and for fiscal year 1996 to a $20 million loss (rather than a profit of approximately Cdn $39 million as originally disclosed); and

    (iv) there was a discrepancy in the copper inventory in the audited financial statements for the year ended December 31, 1997 in the amount of approximately $92 million (pre-tax) resulting from trading losses and a further amount of approximately $32.9 million (pre-tax) caused by incorrect recording of copper transactions, which losses were incurred over a three year period as a result of speculative transactions done outside of Philip's normal business practices.

28. On or about March 31, 1998, Philip, pursuant to the United States *Securities Exchange Act of 1934*, filed the Form 10-K for its 1997 fiscal year with the SEC. The Form 10-K included an unqualified audit opinion signed by Deloitte on March 4, 1998.

29. In a press release dated April 1, 1998, Philip announced that on March 31, 1998, Philip had filed its Form 10-K for its 1997 fiscal year-end financial statements and reported that "as part of its final audit review" it was determined that an additional charge of $13.6 million had to be added to the special and non-recurring charges of $185.4 million (pre-tax), disclosed in its news release of March 5, 1998. These additional charges included $10 million in unrealized losses from copper swap contracts and $3.6 million in "other" costs relating to copper operations.

30. In a press release dated April 23, 1998, Philip announced that its 1997 Audited Financial Statements previously filed with its Annual Report on Form 10-K with the SEC "did not properly reflect the results of transactions in the Company's copper operation and as a result underestimated the Company's liabilities by an amount estimated to be approximately $30 million". It also announced an adjustment to "certain balance sheet accounts" of approximately $5 million.

31. On or about May 5, 1998, Philip filed a Material Change Report with the Commission, pursuant to section 75(2) of the Act, with respect to its announcement on April 23, 1998 as described in paragraph 30.

32. On or about May 14, 1998, Philip filed an amended Form 10-K (the "Form 10-K/A") with the SEC which reflected the further adjustments required to its 1997 audited financial statements as announced in its press release dated April 23, 1998.

33. On or about May 22, 1998, Philip filed its Annual Financial Statements for its fiscal year ended December 31, 1997 with the Commission.

VI ALLEGATIONS RELATING TO ROBERT WAXMAN - Paragraph 13 1)

Background Facts

34. In 1973, Waxman began working in the scrap metals industry for I. Waxman & Sons Limited, the Waxman family business. In or around September, 1993, I. Waxman & Sons Limited rolled all of its active operating assets into Waxman Resources Inc. ("Resources") and then sold all of the shares of Resources to Philip. At the time Philip purchased the shares of Resources, Waxman was the President and Chief Executive Officer of Resources.

35. In light of his substantial experience and contacts in the metals industry, Philip gave Waxman the responsibility of running the operations it had acquired from the Waxman family interests as well as other metals holdings of Philip. Waxman performed an integral role for Philip in both the operations of the Metals Group and the strategic planning for the numerous acquisitions by Philip in the metals industry.

36. In January, 1994, Waxman became a Director of Philip. On February 28, 1996, Waxman was appointed President of the Company's Metals Group.

37. At all material times, Waxman reported to A. Fracassi. On a day-to-day basis, Waxman also reported to P. Fracassi and Woodcroft.

38. In 1996 and 1997 the Metals Group accounted for approximately 60% of Philip's revenues.

Relevant Portions of the Prospectus

39. Page 5 of the Prospectus states the following under the heading "Forward-Looking Statements":

> *Factors that may cause actual results to differ materially from those contemplated or projected, forecast estimated or budgeted in such forward-looking statements include among others, the following possibilities...(6) loss of key executives...* [Emphasis added.]

40. Page 18 of the Prospectus states the following under the heading "Reliance on Key Personnel":

> *The Company's operations are dependent on the abilities, experience and efforts of its senior management. While the Company has entered into employment agreements with certain members of its senior management, should any of these persons be unable or unwilling to continue his employment with the Company, the business prospects of the Company could be materially and adversely affected.* [Emphasis added.]

41. Robert Waxman is described on page 67 of the Prospectus under the heading "Management" as "President, Metals Recovery Group and Director". On page 68 of the Prospectus, Waxman is further discussed as follows:

> *Mr. Waxman has been a director of Philip since January, 1994. Mr. Waxman has been the President, Metals Recovery Group, since February 28, 1996. Since September 1993, Mr. Waxman has been President and Chief Executive Officer of Waxman Resources Inc. From 1989 to 1993, Mr. Waxman was Chief Operating Officer of I. Waxman & Sons Limited.*

42. The only disclosure provided in the Prospectus regarding indebtedness to Philip by any person who is or was during the relevant time period an executive officer or senior officer of Philip is set out on page 7 as follows:

> *As at November 4, 1997, the aggregate amount of indebtedness (other than routine indebtedness) due to the Company from all current or former officers, directors and employees was Cdn $737,200, consisting of the outstanding balance of a loan made to Allen Fracassi, the President and Chief Executive Officer of the Company for the purpose of purchasing a home ... the largest aggregate amount outstanding under the loan during the fiscal year ended December 31, 1996 was Cdn $787,200.*

43. As indicated in paragraph 15, Waxman was one of the directors who executed the Certificate of the Company (the "Certificate"), at page C-1 of the Prospectus, on behalf of the Board of Directors. The Certificate was in the form required pursuant to s.58(1) of the Act as follows:

> *The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the Securities Act and the regulations thereunder.*

Allegations Relating to Waxman's Unauthorized Transactions

44. In early 1997, the Vice-President of Finance in the Metals Group ("VP Finance") commenced an investigation (the "Copper Investigation") into various copper cathode transactions entered into by the Metals Group. In June of 1997, after completion of the Copper Investigation, Woodcroft and A. Fracassi were advised of the VP Finance's suspicions about Waxman's involvement in the removal of approximately $10 million worth of copper cathode from Philip's account.

45. At or around the same time as the Copper Investigation, an investigation was being conducted into Waxman's company expense account. By memo dated May 22, 1997, P. Fracassi and Woodcroft were advised that Waxman had improperly obtained payment from Philip for a number of expenses unrelated to Philip, and with no legitimate business purpose, such as: golf, rare wines and airfare for his wife on the Concorde. On or about July 7, 1997, Philip cancelled Waxman's Visa Corporate expense credit card.

46. In or around June, 1997, the Executive Vice-President, Corporate and Government Affairs received information from a senior employee of the Metals Group about the attempted establishment of a "shrinkage programme" by Waxman and an employee of Philip who reported to Waxman (the "Waxman Employee") to improperly divert Philip inventory.

47. In or around July, 1997, the Executive Vice-President, Corporate and Government Affairs became aware that the financial records of the Metals Group had been falsified in that they purported to acknowledge receipt of a higher grade of metal than Philip had in fact received, thereby causing Philip to pay for the higher grade.

48. In or around October, 1997, the Executive Vice-President, Corporate and Government Affairs, advised Messrs. A. Fracassi, P. Fracassi, Boughton, Soule and Woodcroft about the matters discussed in paragraphs 46 and 47.

49. At around the same time, the VP, Financial Operations of Philip was preparing a report for A. Fracassi regarding potential inappropriate copper cathode transactions being effected in the Metals Group. At the same time, the VP, Financial Operations was also advised of the details regarding the Copper Investigation.

50. As a result, the VP, Financial Operations prepared a handwritten memo dated September 12, 1997 to A. Fracassi (the "VP, Financial Operations' Memo"), advising of four transactions "controlled by Bob Waxman which appear[ed] to be of a fraudulent nature" as follows:

> *(1) During late 96 and early 97, we borrowed 9.6 million lbs of cathode from GM. Of this, 5.4 million lbs was given to Pechiney but never invoiced. The balance was sold and properly invoiced. However, we paid Pechiney for 3.0 million lbs and MIT for 1.2 million lbs of cathode which was not received by us. The total loss on the scam at US 1.00 per lb is US 9.6 million.*
>
> *(2) During the one year period ended March 97 we lost US 10.0 million on cathode sales to Parametal Trading. These were predominantly paper, non-physical transactions. There is no valid reason, including borrowing, hedging or outright speculating that could explain a loss of this size based upon the average monthly trading volume of US 10.0 million. The only logical conclusion is that money is being taken from the Company.*
>
> *(3) In April of 97, we started buying UBC's from Pechiney. We brokered the scrap to various customers at market prices. The loss to date on these transactions is US 275,000. Madesker has modified the Pechiney invoices to reduce the loss to us. Experience has shown that this is just a delay tactic. Eventually the full amount of the loss will be realized. Initially, we sold to the UBC customers directly. Now MIT has been introduced as a middleman between us and our customers. A bad deal is about to get worse. There is no reason for these transactions other than to put money in other people's pockets.*
>
> *(4) In May 97, we started selling #2 copper scrap to MIT who in turn sells it to Southwire. We are supposed to be paid on the basis of copper recovered by Southwire. By accident, we have discovered that Southwire's recoveries are twice the amount reported to us by MIT. Based upon the initial order alone, we have been cheated out of US 175,000. It is clear that the reason for using a broker is to divert money to the principal of MIT...*

The memo concludes as follows:

> *I have more examples as does [the Executive Vice-President, Corporate & Government Affairs] who has information on yard theft. But without going into more detail we are already up to CAD 27.0 million.*
>
> *Bob must not be allowed to enter into any transactions. All people loyal to him should be fired and we should try to recover whatever we can without having the whole thing blow up.*

51. The VP, Financial Operations' Memo was provided to Woodcroft. Woodcroft advised the VP, Financial Operations that he had discussed the matters raised in the VP, Financial Operations' Memo with A. Fracassi. The VP, Financial Operations also provided a copy of the Memo to his wife.

52. As is more fully discussed at paragraphs 61 to 63, in or around mid-September, 1997, Waxman admitted to Woodcroft that he had derived a personal benefit of $2 million from certain transactions that he had instituted.

53. As a result of the matters concerning Waxman discussed in paragraphs 44 to 52 (the "Waxman Issues"), in or around September/October, 1997, A. Fracassi, P. Fracassi, Soule and Woodcroft caused Philip to take a number of steps as follows:

(a) Waxman was relieved of his duties and all operating authority that he had at Philip on or around September 16, 1997;

(b) Waxman's signing authority was removed;

(c) The VP, Financial Operations was re-positioned as head of the Metals Group, reporting to P. Fracassi and Woodcroft, on or around September 16, 1997;

(d) The Waxman Employee was terminated in or around late September or early October, 1997, and was paid $120,000 in return for his agreement not to compete with Philip for three years;

(e) the Waxman Promissory Note was obtained from Waxman; and

(f) legal advice was sought with respect to Philip's prospectus disclosure obligations regarding issues concerning Waxman (as is more fully discussed in paragraphs 55 to 57).

54. Notwithstanding that Waxman had been relieved of his duties and all operating authority, he continued to be held out, by Messrs. A. Fracassi, P. Fracassi, Soule, Waxman and Woodcroft, as President of the Metals Group to the remaining members of Philip's Board of Directors, other members of senior management, the employees of Philip and the general public. In fact, Waxman continued to attend Board meetings, represented the Company in connection with the finalization of certain acquisitions and executed the Certificate, on behalf of the Board of Directors.

55. A letter dated October 30, 1997 from a Toronto law firm (the "Toronto Law Firm") to Soule (the "Canadian Legal Opinion") states the following with respect to instructions and information it received from Philip:

You requested our views in relation to recent events which have occurred within Philip Services Corp. (the Company) and which may be summarized as follows: As a result of information received from an employee, senior management of the Company learned that a senior officer and other employees had been defrauding the Company. The fraud took the form of fraudulent invoices and record-keeping, theft of property and misrepresentation. The total loss to the Company was approximately $20 million; and it involved activities of the fraudulent employees in Canada, the United States and elsewhere.

We understand that, upon being confronted by senior management of the Company, the fraudulent employees admitted their wrongdoing and resigned. The senior officer agreed to repay to the Company approximately $10 million. You advised that the Company was of the opinion that this was the most that could be recovered from this individual.

You have asked for our advice as to whether there is a specific legal requirement for the Company to disclose the above events publicly or to any public authority. In this regard, you advised that senior management of the Company, having considered the issue, does not believe that the above events are "material facts", "material changes" or "material information" under applicable Ontario & Toronto Stock Exchange securities regulatory requirements. You have indicated, however that the Company is currently in the "waiting period" in respect of a public offering of common shares in the United States and internationally, a preliminary prospectus dated September 26, 1997 having been filed in Ontario and a corresponding registration statement having been filed with the Securities & Exchange Commission in the United States.

56. The Canadian Legal Opinion expressed the following views:

(a) *Item 23 of Form 12 ... under the Regulations to the Securities Act (Ontario) requires disclosure of indebtedness to the Company by any person who is an executive officer or senior officer of the Company. In the broadest meaning of the term "indebtedness", an agreement by the senior officer involved to pay the Company $10 million may be considered indebtedness, whether or not the senior officer executes and delivers a promissory note for the amount.*

(b) *Item 29 of Form 12 requires disclosure of the amount of any material interest of a senior officer within the three years prior to the date of the preliminary prospectus, or in any proposed transaction, which has materially affected or will materially affect the issuer or any of its subsidiaries. While you have indicated that the Company does not view the matter as material, we would point out that the de minimis exception contained in paragraph 5(iv) of the Item is $50,000. We would also point out that if the transaction is material to a subsidiary, it may be caught. We understand that the activities involved took place within one of the Company's operating subsidiaries.*

(c) *As a related point, there may be disclosure requirements in relation to the Company's audited financial statements. While the $10-million and $20-million amounts may not be material overall, in the context of a particular line item or note disclosure, the amounts may well*

be material. There may also be an issue as to the integrity of the Company's financial systems and reporting which would require mention in the notes. These issues, and potentially others, would have to be addressed by your auditors.

57. The Toronto Law Firm, on behalf of Philip, also obtained a legal opinion from an American law firm, dated October 23, 1997 (the "American Legal Opinion"), with respect to Philip's Registration Statement disclosure obligation regarding the "Company['s] discover[y] that one of its executive officers has been involved in embezzlement activities in the amount of Cdn $20,000,000". The American Legal Opinion expressed similar views to those expressed in the Canadian Legal Opinion, including the following statement:

> *I found no item specifically requiring disclosure of this situation. However, the executive in question may be a significant contributor to the Company either on the management team or in production or in research and development. As such any significant changes in management should be disclosed. Moreover, the circumstances surrounding the departure of the employee in question should be disclosed if he or she is an executive officer, director or a significant employee because it would be considered material to a prospective investor. The handling of this situation reflects on the company's business ethics and practices. Many investors today will invest only in ethical investments and as a result the omission of this situation could be material. In addition, this situation will probably be very difficult to keep confidential. Any possible leak of this information could have an even more detrimental affect on the Company than simply revealing the information forthright.* [Emphasis added.]

58. The matters described in paragraphs 44 to 57 were known to Messrs. A. Fracassi, P. Fracassi, Soule, Waxman and Woodcroft prior to filing the Prospectus.

59. Messrs. A. Fracassi, P. Fracassi, Soule, Waxman and Woodcroft failed, and caused Philip to fail, to advise the following:

(a) Philip's Board of Directors;

(b) Philip's auditor, Deloitte;

(c) the Underwriters; and

(d) the public,

of the Waxman Issues, the Waxman Promissory Note and of Waxman being relieved of his duties and all operating authority prior to filing the Prospectus.

60. In fact, with respect to Philip's auditor, a representation letter dated November 6, 1997 (the "Representation Letter"), the same date that the Prospectus was filed, states: "No shortages or irregularities have been discovered that have not been disclosed to you and to our knowledge there is nothing reflecting upon the honesty or integrity of personnel of our organization". [Emphasis added.] The Representation Letter is signed by A. Fracassi and Boughton.

Allegations Relating to the Waxman Admission

61. In or around mid-September, 1997, Waxman admitted to Woodcroft that he had derived a personal benefit of $2 million from certain transactions that he had instituted (the "Waxman Admission").

62. The day after the Waxman Admission, Woodcroft advised Soule and A. Fracassi about what Waxman had confessed to him. Immediately after the Waxman Admission, Waxman was relieved of his duties and any operating authority that he had at Philip. Messrs. P. Fracassi and Soule were also advised of the Waxman Admission and that Waxman had been relieved of his duties and operating authority prior to the issuance of the Prospectus.

63. The Board of Directors was not advised about the Waxman Admission until December 23, 1997, at a meeting of the Board of Directors. The minutes of this meeting reflect the following with respect to the circumstances surrounding the Waxman Admission:

> *Allen Fracassi advised the Board that in the late spring of 1997, the Company became concerned about certain copper transactions that Robert Waxman, the President of the Company's Metal Recovery Operations had entered into. The Company had commenced a review of the transactions and though questionable in nature, the Company had been unable to conclude that the transactions were anything other than bad business judgement or poor management. Subsequently, in mid-September of 1997, Mr. Waxman admitted to Mr. John Woodcroft, Executive Vice-President, Operations, that he had derived a personal benefit of US $2 million from certain transactions*

that he had instituted. Mr. Woodcroft reported Mr. Waxman's admission to Mr. Fracassi. Mr. Waxman was immediately relieved of his duties and any operating authority that he had. The Company intensified its review of Mr. Waxman's actions. Pending the completion of the review, Mr. Waxman as an indication of his willingness to reimburse the Company, executed a US $10 million promissory note. Mr. Fracassi apprised [the Chairman of the Board of Directors], [and two outside directors] of the Waxman admission.

Mr. Fracassi advised that the Company's subsequent review of the Waxman transactions indicated that invoices for approximately US $5 million had not been rendered. H[e] noted that Mr. Waxman had caused US $1.5 million of the un-invoiced transactions to be repaid and was prepared to guaranty an additional US $2.5 million of receivables due from Parametals.

... The Board concluded that the Company should request Mr. Waxman's immediate resignation from his position as an officer and director. [Emphasis added.]

64. Messrs. A. Fracassi, P. Fracassi, Soule, Waxman and Woodcroft failed, and caused Philip to fail, to advise the following:

(a) Philip's Board of Directors;

(b) Philip's auditor, Deloitte;

(c) the Underwriters; and

(d) the public,

of the Waxman Admission and of Waxman being relieved of his duties and all operating authority prior to filing the Prospectus.

65. Allegations concerning the adjustments which were taken to the Company's financial statements as a result of the Waxman irregularities are more fully discussed at paragraphs 175 and 176.

Waxman's Alleged Departure from Philip

66. Almost four months after Waxman had been relieved of his duties and operating authority, Philip issued the following misleading press release dated January 5, 1998 relating to Waxman's "departure" from Philip:

Philip Services Corp. ("Philip") today announced that as part of the Company's consolidation and restructuring program, a senior management structure has been established within each of the four key divisions of its metals operations ... As part of this consolidation, Philip has accepted the resignation of Robert Waxman, as a Director & President of the Company's Metals Services Group, effective January 5, 1998. [Emphasis added.]

VII ALLEGATIONS RELATING TO THE SPECIAL CHARGES - Paragraph 13 2) and 3)

Background Facts

67. The second deficiency in the disclosure made in the Prospectus involved the financial statements. In particular, Philip failed to disclose in the Prospectus that the Company had identified and quantified items to be included in the restructuring charge. Philip's process of identifying and calculating items to be included in the restructuring charge commenced in the late summer of 1997. Also, the financial statements contained in the Prospectus were incorrect because of inappropriate accounting treatments for many material transactions. They were subsequently corrected in 1998 as part of the Special Charges.

68. On January 17, 1998, the *Globe and Mail* reported that Philip would be taking a one-time restructuring charge and would disclose the amount of the restructuring charge on January 26, 1998.

69. On January 26 and 27, 1998, only 11 weeks after the Prospectus was filed with the Commission, Philip issued two press releases announcing that the Company would be taking a restructuring charge. As set out in paragraph 24, in a January 26, 1998 press release, Philip disclosed that it would be taking a restructuring charge and a charge relating to material transactions (the "Special Charges"). According to the press release:

...the company will record a one time year end charge to earnings of between US $250 million and US $275 million, which on an after tax basis is between US $175 million to US $200 million. This one time charge will be comprised of two items. One item will be in the form of a restructuring charge, which on an after tax basis will amount to between US $100 million and US $120 million. This restructuring charge includes a write-down of goodwill, which makes up 60% to 70% of this

charge, severance payments, relocation costs and a variety of other items. The second component being US $75 million to US $80 million after tax relates primarily to physical inventory adjustments, and also to trading losses and charges relating to a market revaluation of inventory held for resale by our Metals Recovery Group.

70. In the late summer of 1997, Philip commenced a process to identify and calculate items to be included in a restructuring charge. The restructuring charge calculated during the course of this process is very similar to the amounts announced on January 26 and 27, 1998, as set out in paragraph 106.

71. In the final audited financial statements for the year ended December 31, 1997, Philip recorded various Special Charges relating primarily to its copper business, including a restructuring charge of $155.720 million and Special Charges relating to material transactions of $234.992 million.

72. The Special Charges relating to material transactions impacted on previously reported earnings by Philip in the years ended December 31, 1995 and 1996 and the three quarters ended March 31, June 30 and September 30, 1997 respectively.

THE RESTRUCTURING CHARGE - Paragraph 13 2)

Background Facts

73. In the 10-K filed with the SEC on April 1, 1998, Philip explained the restructuring charge as follows:

> *As at December 31, 1997, the Company recorded a pre-tax charge of $155.7 million ($117.1 million after tax) reflecting the effects of (i) restructuring decision made in its Industrial Services Group following the mergers of All Waste and Serv-Tech, (ii) integration decisions in various of its acquired Metals Services Group businesses, the most significant of which were acquired in late October 1997 and (iii) impairments of fixed assets and related goodwill resulting both from decisions to exit various business locations and dispose of the related assets, as well as assessments of the recoverability of fixed assets and related goodwill of business units in continuing use.*
>
> *All businesses assessed for asset impairment were acquired in purchase business combinations and, accordingly, the goodwill that arose in those transactions was included in the test for recoverability. Assets to be disposed of were valued at the estimated net realizable value while the assets of the business units to be continued were assessed at fair value principally using discounted cash flow methods.*
>
> *Special and non-recurring charges relate to the impairment of fixed assets and related goodwill and comprised of the following items:*

	($US '000)
Business units, locations or activities to be exited:	
Goodwill written off	$10,032
Fixed assets written down to estimated net realizable value of $4,843K	47584
Unavoidable future lease and other costs associated with properties	9358
Other assets to be disposed, including $7,800K accrued disposal costs	17740
Business units to be continued:	
Goodwill impairment	49558
Fixed assets written down to estimated net realizable value of $8,810K	10984
Severance, $2,000K paid before year-end	4464
Accrued costs	6000
TOTAL	$ 155,720

74. Philip had identified and quantified most of these items that were written off as a restructuring charge prior to filing the Prospectus. However, there was no specific disclosure in the Prospectus that Philip intended to take a restructuring charge or in the alternative, the minimal disclosure provided was not representative of what was known at the time the Prospectus was filed.

75. Deloitte's management letters, prepared at the conclusion of the 1994 and 1995 engagements, indicate that the accounting for acquisitions, the capitalization of costs (especially start-up costs and losses) and the recognition of accounting for goodwill were serious concerns for its auditor on an annual basis.

Relevant Portions of the Prospectus

76. The following excerpts from the Prospectus are the only references made by Philip that may possibly relate to the restructuring charge that the Company was contemplating:

(a) The Preamble to the Financial Information

> *The selected historical consolidated financial data ... is derived from the audited Consolidated Financial Statements ... and ... is from the unaudited interim consolidated financial statements of Philip, which in the opinion of management include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such periods.* [Emphasis added.]

(b) Risk Factors

The Prospectus noted that Philip may record additional charges, at a later date, resulting from acquisition or integration issues. However, the Prospectus does not disclose that the Company had already quantified the significant components of the restructuring charge.

> *In particular, reserves established or charges recorded in connection with acquisitions or the integration thereof may be insufficient and the Company may be required to establish additional reserves or record additional charges at a later date.* [Emphasis added.]

(c) Notes to the Unaudited Pro Forma Consolidated Financial Statements - Note 8

The following Note to the Unaudited Pro Forma Consolidated Financial Statements contemplated non-recurring costs, but only in relation to integration costs arising from the AllWaste and Serv-Tech acquisitions and not to the restructuring charge that was being contemplated by Philip during 1997.

> *Philip expects that it will incur non-recurring costs relating to severance, relocation and other integration costs. These costs are not quantifiable at this time.* [Emphasis added.]

The Quantification of the Restructuring Charge during 1997

77. In January and/or February of 1997, during the course of the finalization of the 1996 engagement, the Lead Client Services Partner 1997 advised A. Fracassi to consider a restructuring charge as synergies would be realized from the previous pattern of acquisitions, and the United States marketplace was not reacting adversely to restructuring charges at the time.

78. In early 1997, at least P. Fracassi, Woodcroft and the VP Finance were aware that inappropriate accounting had taken place in finalizing the 1996 results. It was agreed that earnings targets for 1997 would be reduced in order to manage the expectations of the public and enable corrective accounting action to be taken. The expectations, however, were not reduced and it was decided that the corrections would take place as part of the restructuring charge being considered.

79. On February 24, 1997, a meeting was held to discuss the finalization of the 1996 audit engagement. In attendance were A. Fracassi, Boughton, the Partner - National Office and the Lead Client Services Partner 1997. Notes of the meeting record that, amongst other points,

> . *"divisions" structure going forward[:] services - metals, and*
>
> *[o]ut of this 're-org' - the Company is contemplating a restructuring charge in Q2/3 [of] 97.*

80. During the course of the next few months, Deloitte continued to provide advice to Philip on the issue of a restructuring charge and discussed the charge with Philip on a conceptual basis.

During the late spring or summer of 1997, various staff of Philip were made aware that a restructuring charge was going to take place. At the same time, in the early summer of 1997, the Underwriters began meeting with Philip to discuss equity financing.

81. On August 1, 1997, the Executive Vice-President, Corporate Development received a fax from Merrill Lynch containing an analysis of the impact of extraordinary charges on the stock price of other publicly listed companies. Attached to the fax were graphs illustrating the impact of "extraordinary charges" on the price of three separate public companies.

82. Shortly after August 5, 1997, Deloitte became aware that a prospectus was going to be issued in the United States and that Deloitte would be required to provide an opinion on the Philip financial results for January to June, 1997 (the "Q2 Review"). The Q2 Review was conducted by Deloitte in September, 1997. The main participants from Philip in the Q2 Review were Boughton, Hoey, the Corporate Controller and the Manager, Financial Reporting.

83. Deloitte, however, was not aware that staff at Philip were attempting to quantify the charge.

84. By August 25, 1997, Philip had decided to raise an equity financing.

85. Prior to August 25, 1997, the Corporate Controller met with at least Boughton and the VP Finance to identify and quantify items to be included in a restructuring charge. At the meeting, Boughton assigned the Corporate Controller the responsibility of identifying items in Corporate and ISG to be included in the restructuring charge. Boughton asked the VP Finance to provide suggestions of components that may form part of a possible restructuring charge in the Metals Group.

86. On August 25, 1997, the VP Finance submitted a memo addressed to Waxman, and copied Boughton and the Corporate Controller. In the memo entitled "Write-off", the VP Finance summarized what had been discussed at the meeting. The memo included a list of "items to consider" for a restructuring charge/write-off. The VP Finance included the following on the list: the "closure of Centennial yard" and the "cost of exiting the solids copper business in Hamilton. Take hit on inventory".

87. Shortly after August 25, 1997, the VP Finance gave the Financial Analyst this memo and asked her to complete a restructuring charge based on the items in it.

88. In early September, 1997, the Financial Analyst prepared schedules quantifying the items to be included in the restructuring charge. The Financial Analyst prepared several iterations of a list comprising items that the Metals Group were suggesting should be included in a restructuring charge or write-down. In spreadsheets dated September 2, 1997, the Financial Analyst quantified the "Metals Recovery Restructure Costs" as at July 31, 1997. The spreadsheets included the amount of Cdn $127 million under the heading of "cathode". The items that the Financial Analyst included in this category were primarily losses that had been inappropriately deferred on the books of the Metals Group and improperly recorded as an asset. These items would ultimately form part of the Special Charges disclosed by Philip in 1998. The Financial Analyst submitted the analysis, totalling Cdn $158 million, to the VP Finance.

89. On September 4, 1997, the VP Finance prepared a second memo. This memo, addressed to Boughton and copied to Waxman, was entitled "Restructuring". The memo commences with the sentence "... these are a number of items we would consider as part of a restructuring charge". The schedule attached to the memo, totalling Cdn $193 million, refers to several items that were later included in the restructuring and Special Charges subsequently recorded in the 1997 annual financial statements.

90. The VP Finance's estimate of Cdn $193 million included an amount of Cdn $167 million for inventory at Centennial. Items related to inventory at Centennial comprised most of the Special Charges which were subsequently recorded in the 1997 financial statements. Originally, all these accounting irregularities formed part of the proposed restructuring charge. It was not until January of 1998 that these items were accounted for separately as a Special Charge and not as a restructuring charge. Most of the items other than Centennial were much smaller, and had come from assorted plans to consolidate yards and operations, and to move out of certain businesses.

91. In September of 1997, at the time that the Waxman Issues discussed in Part VI were being dealt with, Philip management was considering exiting the cathode trading and copper brokerage business located at Centennial. Since early 1997, Philip had been exploring whether they could replace the Centennial yard with another location. Waxman and Woodcroft would have been aware of these significant changes to the business. Waxman's operational authority was removed on or about September 16, 1997 and the Waxman Employee was terminated on September 23, 1997. When the Treasurer was re-positioned as head of the Metals Group (the "New President of the Metals Group"), he was instructed to close out all cathode trades and not enter into any new ones. The New President of the Metals Group reported to P. Fracassi and Woodcroft.

92. During the first week of September, 1997, the Financial Analyst received the VP Finance's second memo dated September 4, 1997. At that time, the Financial Analyst prepared another list of items in the Metals Group to be included in the restructuring charge. On approximately September 9, 1997, the VP Finance and the Financial Analyst met briefly with Hoey and the Corporate Controller. The VP Finance distributed copies of one of the Financial Analyst's list of items totalling Cdn $194 million, which was based on the estimates at July 31, 1997.

93. On September 5, 1997, a spreadsheet totalling $137 million in respect of restructuring items for ISG was prepared by the Corporate Controller and given to Boughton. The Corporate Controller continued to refine the list and faxed a slightly revised version to the President, ISG Group on September 30, 1997. The list faxed to the President, ISG Group totalled $128 million.

The Prospectus & The Continuing Effort at Philip to Quantify the Restructuring Charge

94. On September 24, 1997, a due diligence conference call session was held concerning the Preliminary Prospectus. Philip management was represented by Boughton, Hoey and the Corporate Controller. The participants (the representatives of the Underwriters) were told that Philip was going to take charges to write off goodwill. They were also advised that while the amount was not quantifiable, it would be sizeable. No further explanation of the approximate magnitude was given.

95. On September 25, 1997, the Board of Directors of Philip discussed and approved the share offering.

96. On September 26, 1997, the Preliminary Prospectus was filed with the Commission.

97. As noted at paragraphs 93 and 94, at September 30, 1997, Philip had identified approximately Cdn $194 million for the Metals Group and $128 million for ISG in respect of a potential restructuring charge.

98. In October, 1997, the Financial Analyst, on the instructions of the VP Finance, made certain recalculations to the restructuring schedules as at September 30, 1997. Subsequently, the Financial Analyst gave this analysis to the VP Finance.

99. In mid-October 1997, A. Fracassi advised Deloitte that Philip was considering a charge.

100. On November 5, 1997, Philip held a due diligence session by conference call concerning the Prospectus. During the conference call, Hoey advised that Philip was considering a restructuring charge but was not close to a decision. Boughton's notes of the conference call indicate that he informed the meeting that there "may be write-downs - looking at it - W/B of size".

101. At the time of the Prospectus, the U.S. Audit Partner 1997 had discussions with Soule and Hoey regarding the restructuring charge. In fact, Deloitte continually inquired as to the status of the restructuring charge. Soule and Hoey confirmed that the decision of whether to take a restructuring charge had not been made and that the asset impairments had not yet occurred. Deloitte was advised that Philip had consulted legal counsel regarding the appropriate disclosure of the possible charge in the Prospectus.

102. The schedules prepared by the Financial Analyst and the VP Finance were not disclosed to Deloitte prior to 1998.

103. Prior to filing its Prospectus on November 5, 1997, Philip had sufficient information to conclude that it would be taking a material charge to earnings but did not disclose this fact to Deloitte, its auditor, or the Underwriters in connection with the public offering and did not disclose that it would be taking a material charge to its earnings, in the Prospectus.

104. The final restructuring charge taken by the two operating divisions, ISG and the Metals Group, amounted to $101.298 million and $54.422 million respectively for a total of $155.720 million. Many of these restructuring costs were identified prior to September 30, 1997.

105. In particular, the following items were identified as of September 30, 1997, as of January 26, 1998 (the date of a press release by Philip regarding the charge), and actually recorded for the December 31, 1997 year-end and prior years:

$US '000	Quantification at September 30, 1997	Press Release January 26, 1998	Adjustment Recorded for December 31, 1997 and prior years
Industrial Services Group			
Quebec	$ 20,000	$ 10,400	$ 17,532
Tech Services	26,000	23,700	21,868
Burlington	40,000	31,500	29,000
Environmental	11,000	11,400	9,897
Kansas City	31,400	27,400	23,001
Other			
TOTAL	$ 128,400	$ 104,400	$ 101,298
Metals Group			
Centennial	(Cdn	122,214	45600	3,775
Plant Closure	$168,900)	17,200		50,647
Other	(Cdn $			
	23,770)			
	(Cdn $192,670)	139414	45600	$ 54,422
Special Charge - Restructuring		$ 267,814	$ 150,000	$155,720
Special Charge - Inventory and related accounts			125,000	234,992
	Total Special Charges (pre-tax)	$ 267,814	$ 275,000	$ 390,712

November to December 1997

107. The VP Finance prepared a spreadsheet dated November 27, 1997 which calculated the restructuring charge for the Metals Group at approximately Cdn $201.599 million. The Corporate Controller relied on this spreadsheet in preparing her list. The Corporate Controller's list consolidated the spreadsheet of the Metals Group with the ISG list. It also contained an item for "Metals" as $146.087 million (Cdn $201.599 million) and the amount of approximately $128 million for ISG. This was also noted in the list that the Corporate Controller faxed to the ISG President on September 30, 1997. The Corporate Controller gave the spreadsheet to Boughton and Hoey on November 27, 1997.

108. Subsequently, the Corporate Controller met with Boughton and Hoey to discuss the spreadsheet.

109. On December 2, 1997, Boughton and Hoey attended a meeting to discuss a list entitled "Restructuring Charge", listing charges totalling $267 million. An amount of $121 million is included in the list and is described as "Centennial Redundant Assets". Handwritten notes on two separate copies of the list reflect the amount being changed to $100 million, suggesting that this item was discussed at the meeting.

110. In late December, 1997, Boughton informed the Lead Client Services Partner 1997 of "ball-park" numbers of the restructuring charge ($200 million). On December 22, 1997, the Lead Client Services Partner 1997, the U.S. Audit Partner 1997, Boughton and Hoey attended a meeting held in Boughton's office. Boughton outlined the proposed restructuring charge in general terms, but did not provide supporting detail. Boughton indicated that a charge would be taken of approximately $100 million for ISG and $100 million for Metals.

111. On December 23, 1997 the Corporate Controller distributed a memo and schedule at a meeting attended by P. Fracassi, Boughton, Woodcroft, the New President of the Metals Group and Hoey. This meeting was convened to discuss the restructuring charge. According to the spreadsheet, Centennial is noted as having redundant assets of $150 million with the action required being to "close yard and liquidate inventory".

January 1998

112. As indicated above at paragraph 106, a significant component of the restructuring charge initially related to inventory at the Centennial yard. According to the minutes of an Audit Committee meeting held on January 19, 1998, Boughton argued that Centennial was a "discontinued" operation and therefore should be dealt with as a separate charge outside of normal operations. However, Deloitte disagreed. As set out in paragraph 27, on March 5, 1998, Philip issued a press release which stated that the trading losses that were incurred were due to "speculative transactions done outside of Philip's normal business procedures".

113. By March, 1998, the items at Centennial had been eliminated from the restructuring charge and were as written in the Special Charges.

Philip Discloses the Restructuring Charge

114. On January 26, 1998, Philip issued a news release, as described at paragraph 24, announcing that Philip planned to take a "one-time year-end charge to earnings" of approximately $250 million to $275 million. One component of the charge related to a copper inventory adjustment of approximately $60 million after tax.

115. On January 27, 1998, as described at paragraph 25, Philip issued another news release explaining a $90 million inventory loss in its scrap operations in Hamilton.

116. The matters described in paragraphs 73 - 106 were known to Messrs. A. Fracassi, P. Fracassi, Boughton, Hoey and Woodcroft, prior to filing the Prospectus.

THE SPECIAL CHARGES IN RESPECT OF MATERIAL FINANCIAL TRANSACTIONS - Paragraph 13 3)

117. In the final audited financial statements for the year ended December 31, 1997, Philip recorded Special Charges relating primarily to its copper business. In addition to the restructuring charge, the major components of the Special Charges regarding the Inventory and Related Accounts (the "material financial transactions"), disclosed by Philip in the Form 10-K and the Form 10-K/A, are detailed as follows:

	($US '000)
Non-recurring charges recorded as operating expenses **(including CIBC $10 million and CCG $30 million)**	$ 78,260
Costing errors recorded as operating expenses	32875
Previously incurred but unrecorded trading losses resulting from speculative trading of copper cathode, recorded as special charges **(including Holding Certificates $31 million, Pechiney $29 million and other "Cathode Trading Losses" (including Waxman Promissory Note) $32.13 million)**	92235
Overstatement of revenue and accounts receivable, recorded as adjustments to revenue, of which $22.114 million is separately identified.	31622
TOTAL	$ 234,992

118. The Special Charges caused Philip to restate its comparative financials for the fiscal years ending December 31, 1996 and December 31, 1995, as they were inaccurate. The inaccurate financial statements for the fiscal years ending December 31, 1996 and December 31, 1995 were contained in the Prospectus.

Discovery of an Inventory Shortfall

119. The Special Charges were discovered by Deloitte as a result of the significant "shortfall" in the inventory of the Metals Group, of which Deloitte was informed in January of 1998.

120. Deloitte and another accounting firm, which was also conducting an investigation into the inventory discrepancy, identified many significant accounting irregularities which accounted for the

inventory shortfall and also other accounting irregularities which did not impact on the inventory account. Some of these are outlined below.

121. The accounting irregularities amount to approximately $110 million of the total $234.992 million, noted at paragraph 117 and are discussed as follows:

- Holding Certificates
- Reversal of Invoices from Pechiney World Trade (USA), Inc. ("Pechiney")
- Commodity Capital Group Metals Inc. ("CCG")
- Canadian Imperial Bank of Commerce ("CIBC")
- Waxman Promissory Note

122. None of the items that are discussed below was properly disclosed in the financial statements that were contained in the Prospectus.

1. Holding Certificates

123. At various times during the material time, Philip financed its operations with the use of holding certificates. Philip issued holding certificates signifying that the inventory being held by Philip was the property of the customer. The holding certificates issued in 1996 represented a total invoice value of approximately $31 million and were issued to the following customers: $8.8 million to Conversion Resources; $7.2 million to Pechiney; $3.5 million to Pechiney; $1.2 million to MIT International LLC; $3.4 million to Parametal Trading Inc. ("Parametal"); $1.9 million to Kataman Metals Inc. ("Kataman") and $4.7 million to Southwire Company.

124. The majority of the holding certificates were signed by Waxman and Woodcroft. Soule, on behalf of Philip, executed a "Purchase Money Security Agreement (Inventory)" in respect of Kataman.

125. The inventory was never sold and never left the premises of Philip. Philip issued holding certificates to these customers. Philip recorded each transaction involving the holding certificates as a "sale", despite the fact that these were financing transactions.

126. These transactions were not properly recorded in the Company's financial statements for the year ended December 31, 1996.

127. The financial statements that were contained in the Prospectus were misleading and not accurate due to the inappropriate accounting treatment of the holding certificates, recorded in 1996. A special charge to the 1996 statement of earnings was required to be made because either, a) the liability to repurchase this inventory was not recorded, or b) the inventory remained in the books and records as being owned by Philip, at the date of the Prospectus.

128. The matters described in paragraphs 123 - 127 in respect of the holding certificates were known to Messrs. A. Fracassi, P. Fracassi, Boughton, Soule, Waxman and Woodcroft, prior to filing the Prospectus.

2. Reversal of Invoices - Pechiney

129. Philip bought and sold copper cathode at various times during the material time.

130. In early 1997, the VP Finance made an adjustment to the 1996 results in the amount of approximately $29 million. He did so to increase profits pursuant to a request by Woodcroft. The VP Finance achieved this by reversing seven invoices for the purchase of copper cathode from Pechiney. The invoices were not recorded as liabilities in the results for 1996, despite the fact that the inventory had been received and was recorded as an asset in the 1996 results.

131. In April of 1997, Philip paid these invoices, but the unrecorded liability continued to be deferred until written-off at year-end, when their write-off formed part of the Special Charges.

132. The purchases and repayments involving Pechiney were not properly recorded in the Company's financial statements for the year ended December 31, 1996 and for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997.

133. A special charge to the 1996 statement of earnings was required in respect of these transactions because the liability to purchase this inventory was not recorded.

134. The financial statements that were contained in the Prospectus were misleading and not accurate due to the inappropriate accounting treatment of the Pechiney purchases and repayment in 1996 and 1997.

135. The matters described in paragraphs 129 - 134 were known to Messrs. A. Fracassi, P. Fracassi, Boughton, Waxman and Woodcroft prior to the filing of the Prospectus.

3. Commodity Capital Group Metals Inc. ("CCG")

136. In early 1997, Philip began negotiating a financing transaction with CCG, a corporation based in New York. In August and September of 1997, CCG provided approximately $31 million in financing to Philip. In addition to the amount advanced from CCG, Philip also paid to CCG interest payments totalling approximately $1.6 million.

The Agreements

137. On or about August 13, 1997, Philip finalized the financing arrangement with CCG. In summary, the arrangement consisted of the following:

(a) Philip agreed to sell "commodity lots" (scrap metal) to CCG at the market value of the commodity;

(b) In the "letter of assurance" addressed to the consortium of banks, Philip also acknowledged that it was aware that CCG financed these purchases by obtaining loans from a consortium of banks;

(c) Philip was obliged to repurchase the commodity lots from CCG at the same prices at which Philip sold the commodity lots to CCG, plus interest. Philip's obligation to repurchase the commodity lots was "absolute and unconditional". Philip also acknowledged that CCG's obligations to Philip were, at all times, subordinated to CCG's obligations to the banks; and,

(d) According to the holding certificates, "Philip agrees to indemnify and hold harmless CCG, the agent, the banks... from and against all claims and liabilities... as a result of holding such commodity lot at the location referred to above."

138. The invoices, backdated to June 30, 1997, were issued by Philip to CCG for the sale of 27 million pounds of inventory. On the same date, June 30, 1997, Philip issued holding certificates for 27 million pounds of inventory held on behalf of CCG.

The August 19, 1997 and September 16, 1997 Transactions

139. On August 19, 1997, (the "first transaction"), Philip "sold" 27 million pounds of various inventory (commodity lots) to CCG for US $26.550 million, by invoice dated June 30, 1997. In return, on August 22, 1997, CCG paid Philip US $25.225 million, which represented 95% of the purchase price. The 5% balance (net of interest and handling fees) was retained by CCG as a hold-back and was to be paid to Philip at the date Philip "repurchased" the commodity lot from CCG.

140. According to the Treasurer's memo, he was,

> *...requested by Marvin Boughton to control the receipt of funds at Corporate and ensure other liabilities of the Metals Recovery group were extinguished with the funds, namely amounts due to Pechiney Inc.*

141. On the same day, CCG issued a postdated invoice to Philip for the sale to Philip of the same quantity of inventory and for the same price, with a due date of November 19, 1997. This invoice, dated August 19, 1997, was "approved for payment" by Woodcroft and Waxman. On November 19, 1997, as agreed to in the Purchase and Sale Agreement, Philip was obligated to repurchase the inventory from CCG.

142. On September 16, 1997, (the "second transaction") Philip "sold" 5.4 million pounds of various inventory (commodity lots) to CCG for approximately US $4.752 million. In return, Philip received approximately US $4.5 million which represented 95% of the purchase price. The balance was retained by CCG as a hold-back.

143. On the same day, CCG invoiced Philip for the sale to Philip of the same quantity of inventory and for the same price, due on December 17, 1997.

144. Prior to December 17, 1997, the VP Finance alerted Hoey that repayment to CCG would create a charge of approximately $29 million which would have to be taken to earnings or otherwise dealt with. This arose when, in accounting for the loans from CCG, Philip offset an amount of approximately $29 million which had arisen in 1997 when a payment of a previously unrecorded and unrelated liability was made (the unrecorded Pechiney invoices discussed at paragraphs 129 - 134). As a result of this offset, no liability to CCG was apparent.

145. In November, 1997, Messrs. A. Fracassi, Boughton and Hoey made certain representations to Deloitte for the purposes of the Prospectus. At that time, Philip management did not disclose the liability to CCG.

146. On November 19, 1997, Philip and CCG "rolled" the first transaction; that is, Philip received an extension of the repayment of the loan. Philip and CCG agreed to repeat a transaction that was identical in its terms to the transaction executed on August 19, 1997.

147. On November 19, 1997, according to the Treasurer's memo,

> *I [the Treasurer] co-ordinated the movement of funds to facilitate the roll of the transaction by Bob Waxman for another 90 days to February 17, 1998.*
>
> *I also facilitated the transfer of funds on December 17, 1997 to close out the second transaction as I was*

informed by [VP Finance] it was not to be rolled.

148. On December 17, 1997, Philip repurchased the inventory underlying the "second transaction", from CCG for approximately $4.7 million.

149. A December, 1997 journal entry processed a payment to CCG but inappropriately capitalized the payment by charging it to acquisition expenses. The journal entry was authorized by Hoey.

1998

150. On or about February 17, 1998, Philip was obligated to repurchase the inventory underlying the "first transaction" from CCG. Philip paid to CCG the resulting interest and fees and a new agreement was put in place, resulting in the rolling of the transaction. The new agreement required Philip to provide a greater amount of inventory and pay an additional hold-back of $393,694.

151. On March 19, 1998, Philip terminated its involvement with CCG and repurchased the remaining inventory (58.2 million pounds) from CCG. Philip paid approximately $150,000 in interest and fees.

Deloitte's Discovery of the Transaction

152. In early February, 1998, at the time that he resigned from Philip, the VP Finance informed A. Fracassi and Hoey that Deloitte was unaware of two further adjustments that should be taken by Philip. One of these related to the CCG transaction.

153. In mid-February and again in mid-March, 1998, the new President of Metals informed Hoey that there was no liability recorded for CCG.

154. Prior to the end of March of 1998, A. Fracassi and Hoey were made aware that there was no liability on the books of the Metals Group for the CCG transaction. Sometime in mid-April, 1998, Deloitte was informed of the unrecorded liability.

The Adjustment

155. The financial statements that were contained in the Prospectus were misleading and not accurate due to the inappropriate accounting treatment of the CCG transaction.

156. After Philip filed its Form 10-K in March of 1998, an adjustment of approximately $30 million was taken by Philip regarding the CCG transaction. The discovery of the unrecorded liability relating to the CCG transaction triggered the recall of Philip's Form 10-K and Deloitte's opinion on the financial statements contained in the Form 10-K.

157. The matters described in paragraphs 136 - 149 were known to Messrs. A. Fracassi, P. Fracassi, Boughton, Waxman and Woodcroft prior to the filing of the Prospectus.

4. Canadian Imperial Bank of Commerce ("CIBC")

158. In or around May of 1997, Philip and CIBC began negotiation of a complex financing arrangement, the purpose of which was to provide Philip with funds as a result of the "sale" of copper inventory to CIBC. At the same time, Philip agreed to:

(a) process the inventory and store it on its premises; and

(b) market and sell the inventory on behalf of CIBC, remitting the proceeds to the bank.

159. Philip wanted to record this series of agreements as a sale of inventory despite the fact that this was a financing transaction.

160. The fact that CIBC also insisted that Philip enter into swap agreements effectively meant that all of the risks of ownership of the inventory remained with Philip. As a result, the transaction should properly have been recorded as a financing transaction.

161. On or about June 27, 1997, Philip finalized a financing agreement with CIBC. The Purchase, Sales Agency and Processing agreements ("the Agreements") were signed by the Treasurer and Hoey on behalf of Philip. Pursuant to the Agreements,

(a) Philip agreed to sell to CIBC "commodities" (unprocessed copper) representing the equivalent of 31.5 million pounds of finished product;

(b) Philip agreed to retain physical possession of the inventory;

(c) CIBC "directed" Philip to process the commodities pursuant to a prescribed schedule - 2 million pounds per month between July 1997 and April, 1998 and 11½ million pounds in May, 1998;

(d) CIBC "authorized and directed" Philip to sell the commodities in 11 monthly tranches - 2 million pounds per month between July, 1997 and April, 1998 and 11½ million pounds in May, 1998;

(e) CIBC "directed" Philip to remit the sales proceeds, at the COMEX price at the date of the sale, to CIBC, on each settlement date; and,

(f) Philip received $26.8 million in cash, net of prepaid interest and net of a hold-back of

the processing and sales agency fees due to Philip.

162. Simultaneously, on June 27, 1997, Philip entered into a swap agreement with CIBC. The swap agreement was signed by the Treasurer on behalf of Philip. The swap contract ensured that Philip would remit to CIBC proceeds of at least the amount initially paid by CIBC, plus interest, thus eliminating the risk to CIBC of future fluctuations in the copper prices.

163. CIBC provided Philip with an accounting opinion indicating that the transaction, as initially contemplated, could be recorded as a sale.

164. Philip sought Deloitte's advice on the accounting of this transaction. On the basis of the information that was provided to Deloitte, and after considerable debate, they found that recording the transaction as a sale was acceptable. The existence of the swap agreement was not disclosed to Deloitte.

The Accounting for the Transaction

165. Philip did not process any of the inventory, as required pursuant to the agreements. Rather, as swap agreements came due every month, Philip "rolled" the transaction. The "rolls" necessitated a net payment from Philip to CIBC or vice-versa.

166. Hoey instructed the VP Finance to record the transaction as a sale with a corresponding reduction in inventory which would result in an increase in the cost of sales. The VP Finance also recorded the accounting for the swaps and the rolls.

167. Philip recorded the sale of its inventory and did not record the transaction as a finance arrangement. As a result, a gross profit of $3.2 million in the second quarter of 1997 was realized due to the manner in which the transaction was recorded.

The Disclosure of the Swap Agreements to Deloitte

168. During that time, Philip continued to fail to disclose the existence of the swap agreements to Deloitte.

169. In early February, 1998, at the time that he resigned from Philip, the VP Finance informed A. Fracassi and Hoey that Deloitte was unaware of two further adjustments that should be taken by Philip. One of these related to the CIBC transaction.

170. On March 5, 1998, Philip issued a press release indicating that,

> *[t]he amount of the discrepancy was confirmed at $92.2 million pre-tax caused by trading losses and $32.9 million pre-tax caused by the incorrect recording of copper transactions within the copper division.*

These figures did not include an adjustment for CIBC.

171. On or about March 19, 1998, while finalizing the audit, Deloitte discovered that there were no accounting entries for certain transactions. In particular, Deloitte identified the swap agreements, their impact on the CIBC transaction and the lack of recognition of a liability. As a result, further adjustments to the financial statements were made by Philip.

The Adjustments

172. As a result, the financial statements that were contained in the Prospectus were misleading and not accurate due to the inappropriate accounting treatment of the CIBC transaction.

173. In the Form 10-K, the financing arrangement with CIBC formed a component of the adjustments, the Special Charges, announced by Philip and made to its financial statements for the year-end December 31, 1997. The adjustment was in the amount of $10 million.

174. The matters described in paragraphs 158 - 168 were known to Messrs. A. Fracassi, P. Fracassi, Boughton Hoey and Woodcroft, prior to filing the Prospectus.

5. Waxman Promissory Note

175. As indicated in paragraph 13 1) iii), the Waxman Promissory Note was in the amount of $10 million. On the instructions of Woodcroft, the Waxman Promissory Note was improperly recorded in the 1997 Q3 financial statements in inventory. The Waxman Promissory Note was, however, later written off as uncollectible and was also not included as an amount due from, or guaranteed by Waxman in his termination agreement dated January 5, 1998. Messrs. Woodcroft and P. Fracassi were aware that the Waxman Promissory Note had been improperly recorded in the financial statements which were contained in the Prospectus.

176. The Waxman Promissory Note was included in the Special Charges as an item relating to cathode trading activities.

VIII CONDUCT CONTRARY TO THE PUBLIC INTEREST

177. The Respondents' conduct, as set out above, contravened sections 56 and 122 of the Act and was contrary to the public interest.

IX OTHER

178. Such further and other allegations as Staff may make and the Commission may permit.

DATED AT TORONTO this 30th day of August, 2000.

1.3 News Releases

1.3.1 Philip Services Corp.

August 30, 2000

Ontario Securities Commission Commences Proceedings against Philip Services Corp.

Toronto - The Ontario Securities Commission (the "Commission") has commenced proceedings against Philip Services Corp. ("Philip") and seven individuals, all former officers and/or directors of Philip. The individual Respondents are: Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey, Colin Soule, Robert Waxman and John Woodcroft.

Staff of the Commission allege that Philip filed and the individual Respondents authorized, permitted or acquiesced in Philip filing a prospectus in November 1997 with the Commission that failed to provide full, true and plain disclosure of all material facts relating to the securities offered. It is alleged that Philip and the individual Respondents failed to disclose material facts relating to a restructuring charge, various financial transactions and issues relating to Robert Waxman, a former officer and director of Philip.

The first hearing date in the matter is scheduled for September 27, 2000 at 10:00 am in the Commission's Main Hearing Room, 17th floor, 20 Queen Street West, Toronto, Ontario. The Notice of Hearing and Statement of Allegations are available at www.osc.gov.on.ca.

References:

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

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

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Kazakhstan Minerals Corporation - MRRS Decision

Headnote

Subsection 74(1) - Application pursuant to Mutual Reliance Review System for Exemptive Relief Applications - Relief granted from registration and prospectus requirement in connection with first trades of a spun off issuer subject to certain conditions.

Section 83.1 - Issuer spun off from a reporting issuer in connection with a plan of arrangement deemed to be a reporting issuer where parent company has been a reporting issuer for more than 12 months and the assets that will make up the business of the spin off issuer (and comprised the core assets of the parent company) have been subject to reporting in the continuous disclosure filings of the parent company. Prospectus level disclosure of the spun off entity to be provided in the information circular.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(5), 74(1), & 83.1.

Business Corporations Act, R.S.O. 1990, c. B.16, as am.

Rules Cited

Rule 45-501 Exempt Distributions

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

AND

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

AND

IN THE MATTER OF
KAZAKHSTAN MINERALS CORPORATION

MRRS DECISION DOCUMENT

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

(1) the registration and prospectus requirements of the Legislation shall not apply to certain trades made in connection with or subsequent to a proposed plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Yukon) (the "YBCA") involving Kazakhstan and ARDS Resources Corporation ("ARDS"); and

(2) in Ontario, British Columbia, Alberta and Nova Scotia, ARDS shall be deemed to be a reporting issuer as of the effective time of the Arrangement;

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

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

1. KazMinCo was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on October 13, 1987 and was continued under the YBCA on November 1, 1995. KazMinCo's administrative office is located in England. It is a reporting issuer in British Columbia, Alberta and Ontario, is subject to the continuous disclosure requirements in the Yukon Territory and is not in default of any requirements of the Legislation. Its common shares (the "KazMinCo Common Shares") are listed on The Toronto Stock Exchange.

2. The authorized share capital of KazMinCo consists of an unlimited number of common shares with no par value. As at June 12, 2000, 29,771,156 KazMinCo Common Shares were issued and outstanding, of which 3,275,027 KazMinCo Common Shares were held in escrow pending release on September 28, 2000. In addition, there are outstanding options to purchase an aggregate of 805,000 KazMinCo Common Shares granted in the ordinary course to directors, officers, employees and consultants under KazMinCo's stock option plan (the "KazMinCo Option Plan").

3. KazMinCo is a junior resource company engaged in the acquisition, exploration and evaluation of natural resources such as minerals and oil through its ownership of its principal subsidiaries, Three K Exploration and Mining Limited (a Barbados corporation), 3K Exploration and Mining Limited (a United Kingdom corporation), Almaty Exploration Limited (a British Virgin Islands corporation), Kazminco Oil Limited (a British Virgin Islands corporation) and KMC Mineral Exploration Ltd. (a Hungarian corporation) (collectively, the "Principal Subsidiaries").

4. ARDS was incorporated under the YBCA on July 6, 2000 and its registered office is located in the Yukon Territory. The authorized capital of ARDS consists of an unlimited number of common shares without par or nominal value. As of July 12, 2000, the issued and outstanding share capital of ARDS consisted of one ARDS share held by KazMinCo.

5. Pursuant to the Arrangement, the steps set forth below will occur in the following order:

   (a) KazMinCo will transfer to ARDS all of its assets including all outstanding shares of certain of its subsidiaries (collectively the "Mineral Business"), other than cash amounting to approximately £950,000, shares of TradeReach Limited ("TradeReach") and loans advanced by KazMinCo to TradeReach. ARDS will issue to KazMinCo that number of ARDS common shares (the "ARDS Shares") equal to the aggregate number of KazMinCo Common Shares issued and outstanding as at the close of business on the Arrangement record date (excluding the number of KazMinCo Common Shares in respect of which KazMinCo shareholders have duly exercised dissent rights in accordance with the plan of arrangement) less one share;

   (b) KazMinCo and 31927 Yukon Inc. ("Subco") will be amalgamated to form TradeReach Group Holdings Limited ("Amalco"), and on such amalgamation each KazMinCo shareholder (a "KazMinCo Shareholder") will exchange its KazMinCo Common Shares for Amalco common shares (the "Amalco Common Shares") on the basis of one Amalco Common Share for each KazMinCo Common Share held, and each outstanding share of Subco will be cancelled without any repayment of capital in respect thereof;

   (c) the stated capital account maintained by Amalco for the Amalco Common Shares will be reduced by an amount equal to the fair market value of all of the issued and outstanding ARDS Shares held by Amalco, as determined by the board of directors of KazMinCo as at the close of business on the Arrangement record date and, on such reduction of stated capital, Amalco will distribute the ARDS Shares to the KazMinCo Shareholders of record as at the close of business on the Arrangement record date; and

   (d) each of Amalco and ARDS will be continued as a corporation under the laws of the British Virgin Islands.

6. The Arrangement must be approved by the Supreme Court of the Yukon Territory and by the KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan.

7. Pursuant to an acquisition agreement among KazMinCo, TradeReach and Norbert Baumker, Roger Selman and Salahi Ozturk dated as of July 19, 2000 (the "Acquisition Agreement"), KazMinCo has agreed to acquire all of the outstanding shares of TradeReach and all of the outstanding options of TradeReach will be surrendered for cancellation. TradeReach is a private corporation governed by the laws of England and Wales. TradeReach is developing a business-to-business ("B2B") e-commerce sector project which consists of an international trading platform within the B2B marketplace.

8. Pursuant to the Acquisition Agreement and related agreements, KazMinCo will acquire all of the outstanding shares of TradeReach (other than those shares of TradeReach owned by KazMinCo) in consideration for, in the case of TradeReach shares held by Norbert G. Baumker and Roger M. Selman, either KazMinCo Common Shares or debentures convertible into KazMinCo Common Shares, and in the case of TradeReach shares held by all other TradeReach shareholders, KazMinCo Common Shares, and KazMinCo will issue options to purchase KazMinCo Common Shares in consideration of the surrender and cancellation of the outstanding TradeReach options such that, after completion of the Acquisition, the shareholders and optionholders of TradeReach will own and have the right to acquire 50% of the issued and outstanding KazMinCo Common Shares, plus one share (with a right to increase such percentage to a maximum of 60% if certain conditions are met) and the KazMinCo Shareholders will own and have the right to acquire the remaining approximately 50% (40% if certain conditions are met), calculated, in both cases, on a fully-diluted basis. It is a condition of the transaction that, at closing, KazMinCo will have approximately £950,000 in cash, after payment of all costs associated with the transaction.

9. The Mineral Business will be transferred by KazMinCo to ARDS, and the shares of ARDS distributed to the KazMinCo Shareholders, because KazMinCo intends to segregate the Mineral Business from the B2B e-commerce business to provide the KazMinCo Shareholders with the opportunity to maximize the value of their investment in each business and facilitate the ongoing funding of each business.

10. ARDS will be managed and operated in a fashion which will endeavour to realize the maximum value of ARDS' assets.

11. ARDS has applied to have the ARDS Shares listed on the Canadian Venture Exchange ("CDNX") as of the effective time of the Arrangement. KazMinCo has

applied to have the KazMinCo Common Shares and the Amalco Common Shares listed on CDNX and to cease to have the KazMinCo Common Shares listed on the TSE as of the closing of the Acquisition.

12. The Management Information Circular (the "Circular") that will be provided to all KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan, and filed in each of the Jurisdictions in connection with the Arrangement, will contain prospectus-level disclosure of ARDS (including a detailed description of the ARDS Shares) and of TradeReach, which disclosure will ensure that an adequate public information record will exist with respect thereto.

13. The Mineral Business has been the subject of financial and descriptive disclosure on an ongoing basis in KazMinCo's continuous disclosure documents for more than twelve months pursuant to KazMinCo's obligations as a reporting issuer, including disclosure in KazMinCo's interim and annual financial statements, annual reports, annual information forms and management's discussion and analysis. It is intended that pro forma financial statements for ARDS will be included in the Circular.

14. Pursuant to the Acquisition Agreement it was agreed that KazMinCo will not file the Articles of Arrangement to give effect to the Arrangement unless, among other things, it has obtained the decisions requested by this application that ARDS be deemed to be a reporting issuer in each of the provinces of Ontario, British Columbia and Alberta and that the first trade of the ARDS Shares by KazMinCo Shareholders shall not be a distribution under applicable securities legislation.

15. The Arrangement must be approved by the KazMinCo Shareholders and holders of options of KazMinCo granted under the KazMinCo Option Plan, and by the Superior Court of the Yukon Territory which will consider, among other things, the fairness and reasonableness of the Arrangement to the KazMinCo Shareholders.

16. The KazMinCo Shareholders, will have the right to dissent from the Arrangement under section 195 of the YBCA, and the Circular will disclose full particulars of this right in accordance with applicable law.

17. Exemptions from registration and prospectus requirements of the Legislation in respect of trades made in connection with the Arrangement, and exemptions from prospectus requirements of the Legislation in respect of the first trades in Amalco Common Shares and ARDS shares following the Arrangement, are not otherwise available in all Jurisdictions.

18. ARDS will not be a reporting issuer within the definition of all of the applicable Jurisdictions at the time the Arrangement becomes effective.

19. In respect of the Yukon Territory, a Jurisdiction in which an issuer cannot be deemed to be a reporting issuer under the Legislation, ARDS will, from and after the completion of the Arrangement, make the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer, subject to any exemptive relief granted.

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

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

THE DECISION of the Decision Makers under the Legislation is that:

(a) all trades in connection with the Arrangement shall not be subject to the registration and prospectus requirements of the Legislation;

(b) except in Manitoba, the first trade of Amalco Common Shares and the first trade of ARDS Shares acquired by KazMinCo Shareholders in connection with the Arrangement in a Jurisdiction shall be deemed distributions or distributions to the public, as the case may be, under the Legislation of such Jurisdiction except that where:

(i) if such first trade occurs in whole or in part in Ontario, British Columbia, Alberta or Nova Scotia, Amalco or ARDS, as the case may be, is a reporting issuer in such Jurisdiction at the time of such first trade and if the seller is in a special relationship (where such term is defined in the Legislation of such Jurisdiction) with Amalco or ARDS, as the case may be, the seller has reasonable grounds to believe that Amalco or ARDS, as the case may be, is not in default of any requirement of the Legislation of such Jurisdiction;

(ii) no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the first trade; and

(iii) if such first trade occurs in whole or in part in Saskatchewan, Quebec, New Brunswick, Prince Edward Island, Newfoundland, Northwest Territories, the Yukon Territory or Nunavut, such trade is executed through the facilities of a stock exchange located outside such Jurisdiction,

then such a first trade shall be a distribution or distribution to the public, as the case may be, in a Jurisdiction (except Quebec) only if it is from

the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Amalco or ARDS, as the case may be, to affect materially the control of such company but any holding of more than 20 per cent of the outstanding voting securities of such company shall, in the absence of evidence to the contrary, be deemed to affect materially the control of such company; and

(c) in Ontario, British Columbia, Alberta and Nova Scotia, that ARDS be deemed to be a reporting issuer as of the effective time of the Arrangement.

August 16th, 2000.

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

2.1.2 Mawer Investments Management Funds et al. - MRRS Decision

Headnote

Subsection 62(5) - Extension of lapse date sought to permit the filer to deal with outstanding issues raised in the renewal comment process. Cancellation rights granted new investor who purchased after the previous lapse date.

Statute Cited

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

Rules Cited

National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications.

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

AND

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

AND

IN THE MATTER OF
MAWER INVESTMENT MANAGEMENT FUNDS, BEING COMPRISED OF: CANADIAN MONEY MARKET FUND,
CANADIAN BOND FUND,
CANADIAN EQUITY FUND, CANADIAN BALANCED RETIREMENT SAVINGS FUND,
NEW CANADA FUND, CANADIAN INCOME FUND,
CANADIAN DIVERSIFIED INVESTMENT FUND, U.S. EQUITY FUND,
WORLD INVESTMENT FUND AND HIGH YIELD BOND FUND
(COLLECTIVELY, THE "MAWER FUNDS")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authorities or regulators (the "Decision Makers") in each of the provinces and territories of Canada (collectively, the "Jurisdictions") have received an application (the "Application") from Mawer Investment Management Funds ("Mawer") in its capacity as the manager and principal distributor of the Mawer Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") to extend the time period for filing a renewal prospectus in respect of the Mawer Funds to August 14, 2000 (the "New Filing Date") and to extend the time period for the issuance of a receipt for such renewal

prospectus to within 10 days following the New Filing Date to permit the continued distribution of securities of each of the Mawer Funds.

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

AND WHEREAS it has been represented by Mawer to the Decision Maker that:

1. Each of the Mawer Funds is an open-end mutual fund established under the laws of Alberta pursuant to a declaration of trust dated July 16, 1987, as amended. The Royal Trust Company is trustee under the declaration of trust for each of the Mawer Funds. The Canadian Balanced Retirement Savings Fund, the Canadian Diversified Investment Fund, the Canadian Money Market Fund, the New Canada Fund and the World Investment Fund were each established on July 16, 1987, while the Canadian Bond Fund and Canadian Equity Fund were established on April 8, 1991, the Canadian Income Fund and the U.S. Equity Fund were established on November 11, 1992 and the High Yield Bond Fund was established on March 6, 1996;.

2. Mawer is a general partnership, organized under the laws of Alberta. Mawer is the manager and principal distributor of each of the Mawer Funds;

3. Each of the Mawer Funds is a reporting issuer or equivalent under the securities laws of each of the Jurisdictions. None of the Mawer Funds is in default of any requirements of the Legislation in each of the Jurisdictions, except in respect to the continued distribution of units of the Mawer Funds after their lapse date, which is the subject of the Application;

4. The most recent prospectus qualifying for distribution mutual fund units of the Mawer Funds is a Simplified Prospectus dated June 3, 1999 for which a receipt was issued by the Alberta Securities Commission on June 4, 1999. Receipts were issued by the British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission, Nova Scotia Securities Commission, New Brunswick Office of the Administrator, the Government of Newfoundland and Labrador Securities Division, Prince Edward Island Registrar of Securities, Northwest Territories Securities Registries, and the Yukon Territory Registrar of Securities on June 4, 1999 and with the Saskatchewan Securities Commission and the Commission des valuers mobilieres du Quebec on June 7, 1999. Accordingly, pursuant to the Legislation, the earliest "lapse date" for the Simplified Prospectus in the Jurisdictions is June 3, 2000;

5. A Pro Forma Simplified Prospectus and Pro Forma Annual Information Form of the Mawer Funds was filed with each of the securities commissions or similar regulatory authorities on April 28, 2000 pursuant to the requirements of Legislation;

6. First and second comments in respect of the Pro Forma Simplified Prospectus and Pro Forma Annual Information Form have been received from the Alberta Securities Commission on May 12, 2000 and May 19, 2000, respectively, as the principal regulator in respect of this filing.

7. Mawer provided a response to these comments on June 13, 2000 and is currently involved in resolving these comments with the Staff of the Alberta Securities Commission. As a result, the Mawer Fund were not cleared for the filing of final materials prior to June 13, 2000, the date which is 10 days following the lapse date; and

8. there have been no material changes in the affairs of either of the Funds since the date of the Simplified Prospectus, being June 3, 1999;

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

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

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

1. the time period for filing a new prospectus in respect of the Mawer Funds shall be extended to August 14, 2000;

2. the time period for the issuance of a receipt for the new prospectus in respect of the Mawer Funds shall be extended to August 24, 2000;

provided that:

3. all unitholders of record of the Mawer Funds in the Jurisdictions (the "Affected Unitholders") who purchased units of any Mawer Fund following the lapse date for the Mawer Funds' Prospectus and before the date of this Decision Document are provided with the right (the "Cancellation Right") to cancel such trades within 90 days of the date on which a statement (the "Statement") describing the Cancellation Right is mailed by Mawer to Affected Unitholders and to receive, upon the exercise of a Cancellation Right, the purchase price paid on the acquisition of such units and all fees and expenses incurred in effecting such purchase (the net asset value per unit on the date of such a purchase by an Affected Unitholder is hereinafter defined as the "Purchase Price per Unit");

4. once a receipt has been granted for a new simplified prospectus, the Mawer Funds mail the Statement, a copy of the simplified prospectus and a copy of this Decision Document to Affected Unitholders no later than 10 business days after the date of the receipt for the new simplified prospectus; and

5. if the net asset per value per unit of the relevant Mawer Fund on the date that an Affected Unitholder exercises the Cancellation Right is less than the Purchase Price per Unit, Mawer shall reimburse the relevant Fund the difference between the Purchase Price per Unit and the net asset value per unit on the date on which such Affected Unitholder exercises the Cancellation Right.

DATED at Edmonton, Alberta on July 7, 2000.

"Original signed by Agnes Lau"
Agnes Lau, CA
Deputy Director, Capital Markets

2.1.3 MD Funds Management Inc., MD International Growth RSP Fund and MD US Large Cap Value RSP Fund - MRRS Decision

Headnote

Investment by mutual funds in securities of another mutual fund that is under common management for specified purpose exempted from the requirements of clause 111(2)(b), subsection 111(3), clauses 117(1)(a), 117(1)(d) and 118(2)(a), subject to certain specified conditions.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c.S.5, as am. ss. 111(2)(b), 111(3), 113, 117(1)(a), 117(1)(d), 117(2), 118(2)(a) and 121(2)(a)(ii).

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

AND

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

AND

IN THE MATTER OF MD FUNDS MANAGEMENT INC. MD INTERNATIONAL GROWTH RSP FUND MD US LARGE CAP VALUE RSP FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from MD Funds Management Inc. ("MD Management") in its own capacity and on behalf of MD International Growth RSP Fund ("Growth RSP Fund") and MD US Large Cap Value RSP Fund ("Large Cap Value RSP Fund") and other mutual funds managed by MD Management after the date of this Decision (defined herein) having an investment objective or strategy that is linked to the returns or portfolio of another specified MD Management mutual fund (collectively referred to as the "RSP Funds"), for a decision by each Decision Maker (collectively, the "Decision") under the securities legislation of the Jurisdictions (the "Legislation") that the following prohibitions or requirements under the Legislation (the "Applicable Requirements") shall not apply to the RSP Funds, or MD Management, as the case may be, in respect of certain investments to be made by Growth RSP Fund in MD International Growth Fund ("Growth Fund"), by Large Cap Value RSP Fund in MD US Large Cap Value Fund ("Large Cap Value Fund") and by other RSP Funds in their applicable

corresponding MD Management mutual fund from time to time (collectively referred to as the "Underlying Funds"):

1. the prohibition against a mutual fund knowingly making and holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder;

2. the requirement that a management company of a mutual fund file a report relating to the purchase or sale of securities between the mutual fund and any related person or company, or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies; and

3. the prohibition against a portfolio manager knowingly causing an investment portfolio managed by it to invest in the securities of an issuer in which a "responsible person" (as that term is defined in the Legislation) is an officer or director unless, the specific fact is disclosed to the client, and if applicable, the written consent of the client to the investment is obtained before the purchase;

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

AND WHEREAS MD Management has made the following representations to the Decision Makers:

1. Each of the RSP Funds and Underlying Funds will be open-ended mutual fund trusts established under the laws of the Province of Ontario.

2. MD Management is a corporation established under the laws of Canada with its head office located in Ottawa, Ontario. MD Private Trust Company ("MD Private Trust"), a wholly owned subsidiary of MD Management, is a corporation established under the laws of Canada.

3. MD Management will be the manager, trustee and promoter of the RSP Funds and the Underlying Funds. MD Private Trust will be the portfolio manager of the RSP Funds. The portfolio manager of the Growth Fund will be Nicholas Applegate Capital Management of San Diego, California and MD Private Trust for the cash reserves of the investment portfolio. The portfolio manager of the Large Cap Value Fund will be Equinox Capital Management, LLC of New York, New York and MD Private Trust for the cash reserves of the investment portfolio. MD Private Trust, as an affiliate of MD Management and portfolio manager of the RSP Funds, and the directors and officers of MD Private Trust are "responsible persons" in respect of the RSP Funds. Certain directors and officers of MD Private Trust are also directors and officers of the Underlying Funds.

4. The RSP Funds and the Underlying Funds will be reporting issuers. The units of the RSP Funds and the Underlying Funds will be qualified under a simplified prospectus and annual information form (collectively, the "Prospectus") filed on May 15, 2000 in all the provinces and territories of Canada.

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

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

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

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

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

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

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

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

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

12. In the absence of the Decision, MD Management is prohibited from causing the RSP Funds to invest in their Underlying Funds, unless the fact that certain directors and officers of MD Private Trust are also directors and officers of the Underlying Funds is disclosed to the RSP Funds and, if applicable, the written consent of the RSP Funds is obtained before the purchase.

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

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

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

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

PROVIDED THAT:

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

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

a) the investment by each RSP Fund in its Underlying Fund is compatible with the fundamental investment objective of the RSP Fund;

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

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

d) the Prospectus of the RSP Funds describes the intent of the RSP Funds to invest in their Underlying Funds;

e) each RSP Fund may change the Permitted RSP Fund Investment if it changes its fundamental investment objective in accordance with NI 81-102;

f) there are compatible dates for the calculation of the net asset value of the RSP Funds and their Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;

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

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

i) no sales charges are payable by each of the RSP Funds in relation to its purchases of securities of its Underlying Fund;

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

k) no fees and charges of any sort are paid by each RSP Fund, its Underlying Fund, the manager or principal distributor of the RSP Funds or the Underlying Funds, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of each RSP Fund's purchase, holding or redemption of the securities of its Underlying Fund;

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

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

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

July 12th, 2000.

"Howard I. Wetston" "Robert W. Davis"

2.1.4 National Bank Securities Inc. - MRRS Decision

IN THE MATTER OF THE CANADIAN SECURITIES LEGISLATION OF QUÉBEC, ONTARIO AND NEW BRUNSWICK

AND

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

AND

IN THE MATTER OF NATIONAL BANK SECURITIES INC

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in Québec, Ontario and New Brunswick (the "Jurisdictions") have received an application from National Bank Securities Inc ("NBSI"), which act as the manager and principal distributor of the National Bank Funds (the "Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") in order that the distribution of units of the Funds pursuant to the current prospectus offering of the Funds, be extended to the time periods that would be applicable if the lapse date for distribution of these units pursuant to that current prospectus was August 31, 2000;

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

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

1. NBSI is the manager and principal distributor of the Funds;

2. Each of the Funds is an unincorporated open-end mutual fund trust created under the laws of Ontario by a separate declaration of trust;

3. Each Fund is a reporting issuer as defined in the Legislation and is not in default of any of the requirements of the Jurisdiction;

4. A receipt dated August 3, 2000 in Québec and in New Brunswick and dated August 4, 2000 in Ontario was issued by the Jurisdiction for the (final) simplified prospectus (the "Prospectus") and an annual information form, dated July 23, 1999;

5. The Funds filed pro forma simplified prospectus and pro forma annual information form with the Jurisdictions on May 19, 2000, June 21, 2000 and June 22, 2000.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the distribution of units of the Funds, pursuant to the Prospectus of the Funds, be extended to the time periods that would be applicable if the lapse date for distribution of these units pursuant to the Prospectus was August 31, 2000.

DATED August 2nd, 2000 in Montreal.

Le directeur des marchés des capitaux,
*(s) **Jean-François Bernier***
Jean-François Bernier

2.1.5 Navigator American Value Investment Fund et al. - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications - Extension of lapse date to permit the integration of the operation and administration of three groups of mutual funds and the consolidation of the disclosure materials of such funds.

Statutes Cited

Securities Act, R.S.O. 1990, c. S. 5, as am., ss 62(1), 62(2), and 62(5)

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

AND

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

AND

IN THE MATTER OF
NAVIGATOR AMERICAN VALUE INVESTMENT FUND
NAVIGATOR ASIA-PACIFIC FUND
NAVIGATOR CANADIAN FOCUSED GROWTH PORTFOLIO
NAVIGATOR CANADIAN GROWTH FUND
NAVIGATOR CANADIAN INCOME FUND
NAVIGATOR CANADIAN TECHNOLOGY FUND
NAVIGATOR EUROPEAN EQUITY FUND
NAVIGATOR JAPAN FUND
NAVIGATOR MONEY MARKET FUND
NAVIGATOR SAMI FUND
(collectively, the "Navigator Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia (the "Jurisdictions") has received an application from Navigator Fund Company Ltd. (the "Applicant") on behalf of the Navigator Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits prescribed by the Legislation for filing a simplified prospectus and annual information form in respect of the Navigator Funds be extended;

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

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

1. The Applicant is the manager of the Navigator Funds and is an indirect subsidiary of Nova Bancorp Group (Canada) Ltd.

2. The Navigator Funds comprise ten open-end mutual fund trusts, some of which were established under the laws of the Province of Manitoba and some of which were established under the laws of the Province of British Columbia.

3. Each of the Navigator Funds is a reporting issuer in the Jurisdictions, and is not in default of any requirements of the Legislation or the rules or regulations made thereunder.

4. Nova Bancorp Investment Management Ltd. ("NBIML"), an affiliate of the Applicant, is the manager of the Nova Funds which comprise five open-end mutual fund trusts, each of which was established under the laws of the Province of Ontario. The funds are the Nova Canadian Equity Fund, Nova International Equity Fund, Nova Balanced Fund, Nova Bond Fund and Nova Short Term Fund (collectively, the "Nova Funds").

5. On June 8, 2000, the arrangement among Strategic Value Corporation, Nova Bancorp Wealth Management Inc. and Nova Bancorp Group (Canada) Ltd. was completed, as a result of which StrategicNova Funds Management Inc. (then named SVC O'Donnell Funds Management Inc.) became an indirect subsidiary of Nova Bancorp Group (Canada) Ltd. and an affiliate of the Applicant.

6. StrategicNova Funds Management Inc. ("StrategicNova"), an affiliate of the Applicant, is the manager of the SVC O'Donnell Funds (hereinafter defined) which comprise thirty open-end mutual funds of which five are mutual fund corporations incorporated under the federal laws of Canada and twenty-five are trusts established under the laws of the Province of Ontario. The funds are O'Donnell American Sector Growth Fund, O'Donnell Balanced Fund, O'Donnell Canadian Emerging Growth Fund, O'Donnell Canadian Large-Cap Fund, O'Donnell Growth Fund, O'Donnell High Income Fund, O'Donnell Money Market Fund, O'Donnell U.S. High Income Fund, O'Donnell U.S. Mid-Cap Fund, O'Donnell U.S. Mid-Cap RSP Fund, O'Donnell World Equity Fund, O'Donnell World Equity RSP Fund, and O'Donnell World Precious Metals Fund, Strategic Value American Equity Fund Ltd., Strategic Value Asia and Emerging Markets Fund, Strategic Value Canadian Balanced Fund, Strategic Value Canadian Equity Fund Ltd., Strategic Value Canadian Equity Value Fund, Strategic Value Canadian Small Companies Fund, Strategic Value Commonwealth Fund Ltd., Strategic Value Dividend Fund Ltd., Strategic Value Europe Fund, Strategic Value Europe RSP Fund, Strategic Value Global Balanced RSP Fund, Strategic Value Government Bond Fund, Strategic Value Income Fund, Strategic Value International Fund Ltd., Strategic Value Money Market Fund, Strategic Value World

Balanced Fund and Strategic Value World Balanced RSP Fund.

7. Each of the Navigator Funds is qualified for distribution in the Jurisdictions by means of a simplified prospectus and annual information form dated August 24, 1999 (the "Prospectus").

8. Pursuant to the Legislation, the earliest lapse date in the Jurisdictions for the distribution of units under the Prospectus for the Navigator Funds is August 24, 2000.

9. Nova Bancorp Group (Canada) Ltd. and the Applicant, together with its other affiliates, NBIML and StrategicNova, are in the process of integrating the operation and administration of the Navigator Funds, the Nova Funds and the SVC O'Donnell Funds and propose to consolidate the disclosure materials of the Navigator Funds with those of the Nova Funds and the SVC O'Donnell Funds. The changes proposed to the operation and administration of such funds, which are anticipated to make the Part A sections of the simplified prospectus for the funds substantially similar thus permitting the simplified prospectuses to be consolidated under National Instrument 81-101 Mutual Fund Prospectus Disclosure, include the change of managers of the Navigator Funds and the Nova Funds from the Applicant and NBIML, respectively, in each case to their affiliate StrategicNova, the manager of the SVC O'Donnell Funds. In the case of the Nova Funds, it is anticipated that such change will be effected on or about August 15, 2000. In the case of the Navigator Funds, such change of manager requires not less than 90 days prior notice to unitholders under the constating documents of the Navigator Funds. It is anticipated that such change of manager will occur on or about November 4, 2000 after the expiry of the notice period to unitholders, unless the constating documents of the Navigator Funds are amended with the approval of the unitholders to abridge such time period. A proposed amendment to the constating documents of the Navigator Funds to permit the manager of the Navigator Funds to be changed to StrategicNova without the expiry of the 90 day notice period is to be voted upon by unitholders of the Navigator Funds at meetings of unitholders of the Navigator Funds scheduled for August 28, 2000. The relevant results of the unitholder meetings scheduled for August 28, 2000 will be included in the renewal prospectus and annual information form for the Navigator Funds.

10. The Applicant seeks to extend the lapse date for the Prospectus for the Navigator Funds to October 31, 2000 in order to facilitate the simultaneous renewal of the simplified prospectuses and annual information forms for all of the Navigator Funds, the Nova Funds and the SVC O'Donnell Funds, and thereby allow the unitholders of the Navigator Funds, the Nova Funds and the SVC O'Donnell Funds to benefit from the reduced costs attributable to the economies of scale associated with such a renewal.

11. A press release has been issued disclosing the forthcoming change of the manager of the Navigator Funds and the matters that would be significant changes (as defined in National Instrument 81-102 Mutual Funds) for the Navigator Funds that are being voted upon at unitholders meetings of the Navigator Funds scheduled for August 28, 2000. An amendment to the Prospectus for the Navigator Funds will shortly be filed describing such matters. There have been no other significant changes to the affairs of the Navigator Funds since the date of the Prospectus which requires an amendment to the Prospectus and in respect of which an amendment to the simplified prospectus has not been prepared and filed in accordance with the Legislation.

12. The Applicant will comply with the requirements in connection with the occurrence of a significant change with respect to the affairs of the Navigator Funds.

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of units under the Prospectus for the Navigator Funds are hereby extended to the time limits that would be applicable if the lapse date for the distribution of units under the Prospectus was October 31, 2000.

August 21st, 2000.

"William R. Gazzard"

2.1.6 Nova Canadian Equity Fund et al. - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications - Extension of lapse date to permit the integration of the operation and administration of three groups of mutual funds and the consolidation of the disclosure materials of such funds.

Statutes Cited

Securities Act, R.S.O. 1990, c. S. 5, as am., ss 62(1), 62(2), and 62(5)

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

AND

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

AND

IN THE MATTER OF
NOVA CANADIAN EQUITY FUND
NOVA INTERNATIONAL EQUITY FUND
NOVA BALANCED FUND
NOVA BOND FUND
NOVA SHORT TERM FUND
(collectively, the "Nova Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from Nova Bancorp Investment Management Ltd. (the "Applicant") on behalf of the Nova Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits prescribed by the Legislation for filing a simplified prospectus and annual information form in respect of the Nova Funds be extended;

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

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

1. The Applicant is the manager of the Nova Funds and is an indirect subsidiary of Nova Bancorp Group (Canada) Ltd.

2. The Nova Funds comprise five open-end mutual fund trusts, each of which was established under the laws of the Province of Ontario.

3. Each of the Nova Funds is a reporting issuer in the Jurisdictions, and is not in default of any requirements of the Legislation or the rules or regulations made thereunder.

4. Navigator Fund Company Ltd. ("Navigator"), an affiliate of the Applicant, is the manager of the Navigator Funds (hereinafter defined) which comprise ten open-end mutual fund trusts, some of which were established under the laws of the Province of Manitoba and some of which were established under the laws of the Province of British Columbia. The funds are the Navigator American Value Investment Fund, Navigator Asia-Pacific Fund, Navigator Canadian Focused Growth Portfolio, Navigator Canadian Growth Fund, Navigator Canadian Income Fund, Navigator Canadian Technology Fund, Navigator European Equity Fund, Navigator Japan Fund, Navigator Money Market Fund and Navigator SAMI Fund (collectively, the "Navigator Funds").

5. On June 8, 2000, the arrangement among Strategic Value Corporation, Nova Bancorp Wealth Management Inc. and Nova Bancorp Group (Canada) Ltd. was completed, as a result of which StrategicNova Funds Management Inc. (then named SVC O'Donnell Funds Management Inc.) became an indirect subsidiary of Nova Bancorp Group (Canada) Ltd. and an affiliate of the Applicant.

6. StrategicNova Funds Management Inc. ("StrategicNova"), an affiliate of the Applicant, is the manager of the SVC O'Donnell Funds (hereinafter defined) which comprise thirty open-end mutual funds of which five are mutual fund corporations incorporated under the federal laws of Canada and twenty-five are trusts established under the laws of the Province of Ontario. The funds are Strategic Value American Equity Fund Ltd., Strategic Value Asia and Emerging Markets Fund, Strategic Value Canadian Balanced Fund, Strategic Value Canadian Equity Fund Ltd., Strategic Value Canadian Equity Value Fund, Strategic Value Canadian Small Companies Fund, Strategic Value Commonwealth Fund Ltd., Strategic Value Dividend Fund Ltd., Strategic Value Europe Fund, Strategic Value Europe RSP Fund, Strategic Value Global Balanced RSP Fund, Strategic Value Government Bond Fund, Strategic Value Income Fund, Strategic Value International Fund Ltd., Strategic Value Money Market Fund, Strategic Value World Balanced Fund, Strategic Value World Balanced RSP Fund, O'Donnell American Sector Growth Fund, O'Donnell Balanced Fund, O'Donnell Canadian Emerging Growth Fund, O'Donnell Canadian Large-Cap Fund, O'Donnell Growth Fund, O'Donnell High Income Fund, O'Donnell Money Market Fund, O'Donnell U.S. High Income Fund, O'Donnell U.S. Mid-Cap Fund, O'Donnell U.S. Mid-Cap RSP Fund, O'Donnell World Equity Fund, O'Donnell World Equity RSP Fund, O'Donnell World Precious Metals Fund.

7. Each of the Nova Funds is qualified for distribution in the Jurisdictions by means of a simplified prospectus and an annual information form dated June 15, 1999 (the "Prospectus").

8. Pursuant to the Legislation and an MRRS Decision Document dated May 12, 2000 in respect of the Nova Funds, the lapse date in the Jurisdictions for the distribution of units under the Prospectus for the Nova Funds is August 24, 2000.

9. Nova Bancorp Group (Canada) Ltd. and the Applicant, together with its other affiliates, Navigator and StrategicNova, are in the process of integrating the operation and administration of the Nova Funds, the Navigator Funds and the SVC O'Donnell Funds and propose to consolidate the disclosure materials of the Nova Funds with those of the Navigator Funds and the SVC O'Donnell Funds. The changes proposed to the operation and administration of such funds, which are anticipated to make the Part A sections of the simplified prospectuses for the funds substantially similar thus permitting the simplified prospectuses to be consolidated under National Instrument 81-101, Mutual Fund Prospectus Disclosure include the change of managers of the Nova Funds and the Navigator Funds from the Applicant and Navigator, respectively, in each case to their affiliate StrategicNova, the manager of the SVC O'Donnell Funds. In the case of the Nova Funds, it is anticipated that such change will be effected on or about August 15, 2000. In the case of the Navigator Funds, such change of manager requires not less than 90 days prior notice to unitholders under the constating documents of the Navigator Funds. It is anticipated that such change of manager will occur on or about November 4, 2000 upon the expiry of the notice period to unitholders, unless the constating documents of the Navigator Funds are amended with the approval of the unitholders to abridge such time period. A proposed amendment to the constating documents of the Navigator Funds to permit the manager of the Navigator Funds to be changed to StrategicNova without the expiry of the 90 day notice period is to be voted upon by unitholders of the Navigator Funds at meetings of such unitholders scheduled for August 28, 2000. The relevant results of the unitholder meetings scheduled for August 28, 2000 will be included in the renewal prospectus and annual information form for the Nova Funds.

10. The Applicant seeks to extend the lapse date for the Prospectus for the Nova Funds to October 31, 2000 in order to facilitate the simultaneous renewal of the simplified prospectuses and annual information forms for all of the Nova Funds, the Navigator Funds and the SVC O'Donnell Funds, and thereby allow the unitholders of the Nova Funds, the Navigator Funds and the SVC O'Donnell Funds to benefit from the reduced costs attributable to the economies of scale associated with such a renewal.

11. A press release has been issued disclosing the forthcoming change of the manager of the Nova Funds and the matters that would be significant changes (as defined in National Instrument 81-102 Mutual Funds) for the Nova Funds that are being voted upon at unitholders meetings of the Nova Funds scheduled for August 28, 2000. An amendment to the Prospectus for the Nova Funds will shortly be filed describing such matters. There have been no other significant changes to the affairs of the Nova Funds since the date of the Prospectus which requires an amendment to the Prospectus and in respect of which an amendment to the simplified prospectus has not been prepared and filed in accordance with the Legislation.

12. The Applicant will comply with the requirements in connection with the occurrence of a significant change with respect to changes in the affairs of the Nova Funds.

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of units under the Prospectus for the Nova Funds are hereby extended to the time limits that would be applicable if the lapse date for the distribution of units under the Prospectus was October 31, 2000.

August 21st, 2000.

"William R. Gazzard"

2.1.7 Weatherford International, Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief under subsections 116(1), 123(c) and 184(2) of the Alberta Act from the requirements under sections 54 and 81 of the Alberta Act, the continuous disclosure requirements under Part 11 of the Alberta Act and the proxy solicitation requirements under Part 12 of the Alberta Act in connection with an arrangement conducted using a cross-border share exchange structure.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended - ss. 54, 81, 116(1), 116(1.1), Part 11, Part 12, 123(c) and 184(2).

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

AND

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

AND

IN THE MATTER OF WEATHERFORD INTERNATIONAL, INC.,
WEATHERFORD OIL SERVICES, INC., WEATHERFORD CANADA LTD.
AND ALPINE OIL SERVICES CORPORATION

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Newfoundland, Prince Edward Island, Northwest Territories, Nunavut and the Yukon (the "Jurisdictions") has received an application from Weatherford International, Inc. ("Weatherford"), Weatherford Oil Services, Inc. ("Services") and Weatherford Canada Ltd. ("WCL") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

   1.1 the requirements under the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement") shall not apply to certain trades and distributions of securities to be made in connection with an agreement to combine the businesses of Weatherford and Alpine Oil Services Corporation ("Alpine") through a plan of arrangement involving Weatherford, Services, WCL and Alpine; and

   1.2 the requirements under the Legislation for a reporting issuer or the equivalent to issue a press release and file a report upon the occurrence of a material change, file and deliver interim and annual financial statements, information circulars and annual information forms and provide management's discussion and analysis of financial conditions and results of operations (the "Continuous Disclosure Requirements") shall not apply to Services;

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** Weatherford, WCL and Services have represented to the Decision Makers that:

   3.1 Weatherford is a corporation incorporated under the laws of the State of Delaware, with its head office in Houston, Texas;

   3.2 the authorized capital of Weatherford includes 250,000,000 shares of common stock ("Weatherford Common Stock"), of which 109,188,797 were issued and outstanding as of June 26, 2000;

   3.3 the Weatherford Common Stock is listed and posted for trading on The New York Stock Exchange (the "NYSE");

   3.4 Weatherford is subject to the reporting requirements under the *Securities Exchange Act of 1934* (the "1934 Act") in the United States of America;

   3.5 Weatherford is not a reporting issuer or the equivalent in any of the Jurisdictions;

   3.6 Services is a corporation incorporated under the *Business Corporations Act* (Alberta) (the "ABCA"), with its head office in Edmonton, Alberta;

   3.7 Services was incorporated on June 15, 2000 and has not carried on any business to date;

   3.8 the authorized capital of Services consists of an unlimited number of common shares and an unlimited number of exchangeable shares, issuable in series;

   3.9 there are currently 1,000 common shares of Services issued and outstanding, all of which are held by wholly-owned subsidiaries of Weatherford;

3.10 Services is not a reporting issuer or the equivalent in any of the Jurisdictions;

3.11 WCL is a corporation incorporated under the ABCA, with its head office in Edmonton, Alberta;

3.12 all of the currently issued and outstanding securities of WCL are held by wholly- owned subsidiaries of Weatherford;

3.13 WCL is not a reporting issuer or the equivalent in any of the Jurisdictions;

3.14 Alpine is a corporation incorporated under the ABCA, with it head office in Calgary, Alberta;

3.15 the authorized capital of Alpine consists of an unlimited number of common shares ("Alpine Shares") and an unlimited number of preferred shares;

3.16 28,838,261 Alpine Shares and 645,500 options to purchase Alpine Shares ("Alpine Options") were issued and outstanding as of June 23, 2000;

3.17 the Alpine Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE");

3.18 Alpine is a reporting issuer or the equivalent in Alberta, British Columbia, Ontario and Québec;

3.19 Alpine is not in default of any requirements of the Legislation;

3.20 Services, Weatherford, WCL and Alpine have entered into an agreement which provides for the combination of the businesses of Weatherford and Alpine (the "Combination");

3.21 the Combination will be effected through an arrangement under section 186 of the ABCA involving Services, Weatherford, WCL and Alpine (the "Arrangement");

3.22 the Arrangement is subject to the approval of the holders of Alpine Shares and Alpine Options (the "Alpine Security Holders") and the Court of Queen's Bench of Alberta;

3.23 a meeting (the "Meeting") of the Alpine Security Holders has been scheduled for August 4, 2000;

3.24 an information circular (the "Circular") prepared in accordance with the Legislation has been provided to the Alpine Security Holders in connection with the Meeting and filed with each of the Decision Makers;

3.25 the Circular contains prospectus-level disclosure concerning the Combination, the Arrangement and the businesses of Weatherford and Alpine;

3.26 under the Arrangement:

3.26.1 the articles of incorporation of Services will be amended to designate a series of exchangeable shares of Services as Series 1 Exchangeable Shares (the "Exchangeable Shares");

3.26.2 the Alpine Security Holders will transfer their Alpine Shares and Alpine Options to Services in consideration for a number of Exchangeable Shares determined in accordance with formulas described in the Circular;

3.26.3 Services will transfer the Alpine Shares and Alpine Options to WCL in consideration for a number of preferred shares of WCL;

3.27 under the terms of the Exchangeable Shares, and certain rights to be granted in connection with the Arrangement, holders of Exchangeable Shares will be able to exchange them at their option for Weatherford Common Stock on a one for one basis;

3.28 under the terms of the Exchangeable Shares, and certain rights to be granted in connection with the Arrangement, Weatherford or Services will be able to redeem, retract or acquire Exchangeable Shares in exchange for Weatherford Common Stock in certain circumstances;

3.29 in order to ensure that the Exchangeable Shares remain the economic equivalent of Weatherford Common Stock prior to their exchange, the Arrangement provides for:

3.29.1 a support agreement to be entered into between Weatherford and Services which will, among other things, restrict Weatherford from declaring or paying dividends on Weatherford Common Stock unless equivalent dividends are declared and paid on the Exchangeable Shares and from subdividing, consolidating or reclassifying Weatherford Common Stock unless economically equivalent changes are made to the Exchangeable Shares;

3.29.2 an exchange trust agreement to be entered into between Weatherford, Services and a depository (the "Depositary") which will, among other things, grant to the Depository, for the benefit of holders of Exchangeable Shares, the right to require Weatherford to indirectly exchange the Exchangeable Shares for Weatherford Common Stock upon the occurrence of certain specified events (the "Exchange Rights");

3.29.3 the deposit by Weatherford of a special voting share (the "Voting Share") with

the Depositary which will effectively provide holders of Exchangeable Shares with voting rights equivalent to those attached to Weatherford Common Stock;

3.30 the terms of the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement may result in the following trades or distributions, or the equivalent, under the Legislation (collectively, the "Trades"):

3.30.1 the issuance by Services of Exchangeable Shares to the Alpine Security Holders in consideration for the Alpine Shares and Alpine Options;

3.30.2 the transfer by the Alpine Security Holders of the Alpine Shares and Alpine Options to Services in consideration for Exchangeable Shares;

3.30.3 the grant by Weatherford of the Exchange Right to the Depository;

3.30.4 the issuance by Weatherford and delivery by Services of Weatherford Common Stock to holders of Exchangeable Shares upon the exercise of the Exchange Right;

3.30.5 the issuance by Weatherford of the Voting Share to the Depositary;

3.30.6 the grant by holders of Exchangeable Shares to Weatherford of certain rights to purchase Exchangeable Shares for Weatherford Common Stock (the "Call Rights");

3.30.7 the grant by Weatherford to the holders of the Exchangeable Shares of certain rights to require Weatherford to purchase the Exchangeable Shares for Weatherford Common Stock (the "Put Rights");

3.30.8 the issuance by Weatherford of Weatherford Common Stock to holders of Exchangeable Shares upon the exercise of the Call Rights or Put Rights;

3.30.9 the issuance by Weatherford and delivery by Services of Weatherford Common Stock to holders of Exchangeable Shares upon the exchange, redemption or retraction of the Exchangeable Shares under their terms; and

3.30.10 the transfer of Exchangeable Shares by the holders therof to Weatherford or Services in connection with the exercise of the Exchange Right, the Call Rights or the Put Rights or upon the exchange, redemption or retraction of the Exchangeable Shares under their terms;

3.31 Services has applied to have the Exchangeable Shares listed on the TSE following the Arrangement;

3.32 Services will be a reporting issuer or the equivalent in Alberta, British Columbia, Ontario and Québec following the Arrangement. Services has also applied to be declared a reporting issuer in Nova Scotia following the Arrangement. Services will not be, and does not intend to become, a reporting issuer or the equivalent in any other Jurisdiction;

3.33 the Circular discloses that Weatherford and Services have applied for relief from the Registration and Prospectus Requirements and the Continuous Disclosure Requirements. The Circular also identifies the limitations imposed on any resale of Exchangeable Shares or Weatherford Common Stock and the continuous disclosure that will be provided to holders of Exchangeable Shares if the requested relief is granted;

3.34 Weatherford will concurrently send to holders of Weatherford Common Stock resident in the Jurisdictions all disclosure material it sends to holders of Weatherford Common Stock resident in the United States;

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

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

6. **THE DECISION** of the Decision Makers under the Legislation is that:

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

6.2 the first trade of Exchangeable Shares acquired under the Arrangement shall be subject to the Prospectus Requirement unless:

6.2.1 the trade is exempt from the Prospectus Requirement under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Jurisdiction"); or

6.2.2 Services is a reporting issuer or the equivalent in the Applicable Jurisdiction or, if Services is not a reporting issuer or the equivalent in the Applicable Jurisdiction, the requirements described

in paragraph 6.4 have been met in the Applicable Jurisdiction;

6.2.3 if the seller is in a special relationship with Services or Weatherford, as defined in the Legislation of the Applicable Jurisdiction, the seller has reasonable grounds to believe that Services and Weatherford are not in default of any requirement of the Legislation of the Applicable Jurisdiction or of this Decision;

6.2.4 no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares and no extraordinary commission or consideration is paid in respect of the trade; and

6.2.5 the trade is not a trade from the holdings of any person, company or combination of persons or companies that holds a sufficient number of securities of Services or Weatherford, or a combination of securities of Services and Weatherford, to affect materially the control of Services or Weatherford or holds, in the absence of evidence showing that the holding of those securities does not affect materially the control of Services or Weatherford, more than 20 percent of the outstanding voting securities of Services or Weatherford;

6.3 the first trade of Weatherford Common Stock acquired upon the exercise of the Exchange Right, the Call Rights, the Put Rights or upon the exchange, redemption or retraction of the Exchangeable Shares under their terms shall be subject to the Prospectus Requirement unless:

6.3.1 the trade is exempt from the Prospectus Requirement under the Legislation of the Jurisdiction where the trade takes place; or

6.3.2 the trade is made through the facilities of the NYSE, or such other market or exchange outside of Canada on which the Weatherford Common Stock may be quoted or listed for trading at the time that the trade occurs, in accordance with the rules and regulations applicable to that market or exchange;

6.4 the Continuous Disclosure Requirements shall not apply to Services for as long as:

6.4.1 Weatherford sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Weatherford Common Stock resident in the United States;

6.4.2 Weatherford files with each of the Decision Makers copies of all documents filed by it with the United States Securities and Exchange Commission under the 1934 Act;

6.4.3 Weatherford complies with the requirements of the NYSE, or such other market or exchange on which the Weatherford Common Stock may be quoted or listed, in respect of making public disclosure of material information on a timely basis and forthwith issues in the Jurisdictions and files with the Decision Makers any press release that discloses a material change in the affairs of Weatherford;

6.4.4 Services has provided each recipient or proposed recipient of Exchangeable Shares resident in the Jurisdictions with a statement indicating that, as a consequence of this Decision, Services will be exempt from certain disclosure requirements applicable to reporting issuers or the equivalent, specifying those requirements that Services has been exempted from and identifying the disclosure that will be made in substitution therefor;

6.4.5 Services complies with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change in the affairs of Services that is not also a material change in the affairs of Weatherford;

6.4.6 Weatherford includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to Weatherford and not to Services, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Weatherford Common Stock and the right to vote at meetings of shareholders of Weatherford;

6.4.7 Weatherford remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of Services; and

6.4.8 Services does not conduct any business or any offering of securities unconnected with the Combination, the Arrangement or the fulfilling of the terms of the Exchangeable Shares.

August 3rd, 2000.

"Original signed by"
Glenda A. Campbell, Vice-Chair

"Original signed by"
James E. Allard, Member

2.2 Orders

2.2.1 MD International Growth Fund et al. - ss. 59(1), Schedule 1, Regulation

Headnote

Exemption from the fees otherwise due under subsection 14(1) of Schedule 1 of the Regulation to the *Securities Act* on a distribution of units made by an "underlying" fund directly (i) to a "clone" fund, (ii) to the "clone" fund's counterparties for hedging purposes and (iii) on the reinvestment of redistributions on such units.

Regulations Cited

Regulation made under the *Securities Act*, R.R.O 1990, Reg, 1015, as am., Schedule 1, ss. 14(1), 14(4) and 59(1)

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

AND

IN THE MATTER OF MD INTERNATIONAL GROWTH FUND MD US LARGE CAP VALUE FUND MD GROWTH INVESTMENTS LIMITED MD US LARGE CAP GROWTH FUND (formerly MD US Equity Fund)

ORDER

(Subsection 59(1) of Schedule 1 of the Regulation made under the above statute (the "Regulation"))

UPON the application of MD Funds Management Inc. ("MD Management"), the manager of MD International Growth RSP Fund, MD US Large Cap Value RSP Fund, MD Growth RSP Fund and MD US Large Cap Growth RSP Fund (formerly MD US Equity RSP Fund) and other similar funds established by MD Management from time to time (collectively, the "RSP Funds") and MD International Growth Fund, MD US Large Cap Value Fund, MD Growth Investments Limited and MD US Large Cap Growth Fund (formerly MD US Equity Fund) and other similar funds established by MD Management from time to time (collectively, the "Underlying Funds") to the Ontario Securities Commission (the "Commission") for an order pursuant to subsection 59(1) of Schedule 1 of the Regulation exempting the Underlying Funds from paying duplicate filing fees on an annual basis in respect of the distribution of units of the Underlying Funds to the RSP Funds, the distribution of units of the Underlying Funds to counterparties with whom the RSP Funds have entered into forward contracts and on the reinvestment of distributions on such units;

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

AND UPON MD Management having represented to the Commission that:

1. MD Management is the manager and trustee of the RSP Funds and of MD International Growth Fund, MD US Large Cap Value Fund and MD US Large Cap Growth Fund (formerly MD US Equity Fund). MD Management is also the manager of MD Growth Investments Limited ("MD Growth"). MD Management is a corporation established under the laws of Canada.

2. Each of the RSP Funds and MD International Growth Fund, MD US Large Cap Value Fund and MD US Large Cap Growth Fund (formerly MD US Equity Fund) is, or will be, an open-ended unincorporated mutual fund trust established under the laws of Ontario. MD Growth is a mutual fund corporation established under the laws of Ontario.

3. The units of the RSP Funds and the Underlying Funds are, or will be, qualified for distribution pursuant to simplified prospectuses and annual information forms filed across Canada.

4. Each of the RSP Funds and the Underlying Funds is, or will be a reporting issuer under the securities laws of each of the provinces and territories of Canada. None of the RSP Funds or the Underlying Funds is in default of any requirements of the securities legislation, regulations or rules applicable in each of the provinces and territories of Canada.

5. As part of their investment strategy, the RSP Funds enter into forward contracts with one or more financial institutions (the "Counterparties") that link the returns to an Underlying Fund.

6. A Counterparty may hedge its obligations under a forward contract by investing in units (the "Hedge Units") of the applicable Underlying Fund.

7. As part of their investment strategy, the RSP Funds may purchase units of the Underlying Funds (the "Fund on Fund Investments").

8. Applicable securities regulatory approvals for the Fund on Fund Investments and the RSP Funds' investment strategies have been obtained.

9. Annually, each of the RSP Funds will be required to pay filing fees to the Commission in respect of the distribution of its units in Ontario pursuant to section 14 of Schedule 1 of the Regulation and will similarly be required to pay fees based on the distribution of its units in other relevant Canadian jurisdictions pursuant to the applicable securities legislation in each of those jurisdictions.

10. Annually, each of the Underlying Funds will be required to pay filing fees in respect of the distribution of its units in Ontario, including units issued to the RSP Funds and the Hedge Units, pursuant to section 14 of Schedule 1 of the Regulation and will similarly be required to pay fees based on the distribution of its units in other relevant Canadian jurisdictions pursuant to the applicable securities legislation in each of those jurisdictions.

11. A duplication of filing fees pursuant to Section 14 of Schedule 1 of the Regulation may result when (a) assets of an RSP Fund are invested in the applicable Underlying Fund, (b) Hedge Units are distributed, and (c) a distribution is paid by an Underlying Fund on units of the Underlying Fund held by the applicable RSP Fund or Hedge Units which are reinvested in additional units of the Underlying Fund (the "Reinvested Units").

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

IT IS ORDERED by the Commission pursuant to subsection 59(1) of Schedule 1 of the Regulation that the Underlying Funds are exempt from the payment of duplicate filing fees on an annual basis pursuant to section 14 of Schedule 1 of the Regulation in respect of the distribution of units of the Underlying Funds to the RSP Funds, the distribution of Hedge Units to Counterparties and the distribution of Reinvested Units, provided that each Underlying Fund shall include in its notice filed under subsection 14(4) of Schedule 1 of the Regulation a statement of the aggregate gross proceeds realized in Ontario as a result of the issuance by the Underlying Funds of (1) units distributed to the RSP Fund, (2) Hedge Units and (3) Reinvested Units; together with a calculation of the fees that would have been payable in the absence of this order.

July 12th, 2000.

"Howard I. Wetston" "Robert W. Davis"

2.3 Rulings

2.3.1 Yamana Resources Inc. and Trilon Financial Corporation - ss. 74(1)

Headnote

Subsection 74(1) - issuance of warrant to acquire common shares of issuer to sophisticated purchaser in consideration of arrangement of credit facility exempt from sections 25 and 53; transfer of warrant by sophisticated purchaser to wholly owned subsidiary exempt from section 25; first trades of shares on exercise of warrant subject to s. 6.4 of Rule 45-501 as if option acquired under a 72(4) trade.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)12.iii, 53, 72(1)(f)(iii), 72(4), 74(1).

Rule Cited

Rule 45-501 Exempt Distributions.

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

AND

IN THE MATTER OF
YAMANA RESOURCES INC.
AND TRILON FINANCIAL CORPORATION

RULING
(Section 74(1))

UPON the application of Yamana Resources Inc. ("Yamana") and Trilon Financial Corporation ("Trilon") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act that the grant of a warrant to acquire common shares of Yamana and certain subsequent trades are not subject to sections 25 or 53 of the Act, subject to certain terms and conditions;

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

AND UPON Yamana having represented to the Commission that:

1. Yamana is a corporation continued under the *Canada Business Corporations Act*. The authorized capital of Yamana consists of an unlimited number of preference shares ("Preference Shares") without par value and an unlimited number of common shares ("Common Shares") of which, as of December 10, 1999, no Preference Shares and 40,523,414 Common Shares are issued and outstanding.

2. Yamana is a reporting issuer under the Act and is not in default of any of the requirements of the Act or the regulation thereunder ("Regulation"). Yamana is also a reporting issuer or has comparable status in each of the other provinces of Canada.

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

4. Trilon is a corporation continued under the *Business Corporations Act* (Ontario) and a reporting issuer within the meaning of the Act, and has comparable status in each of the other provinces of Canada. Trilon's outstanding Class A Shares, Class I Preferred Shares Series A, Class II Series Two Shares and Class II Series Three Shares are listed and posted for trading on the TSE.

5. Trilon is a Canadian financial and management services company which directly, and through its subsidiaries, provides institutional and corporate clients and high net worth individuals with a broad range of financial, advisory and management services.

6. As at December 31, 1999, the approximate value of the total assets of Trilon and its subsidiaries was $3.3 billion.

7. Trilon Securities Corporation, a wholly-owned subsidiary of Trilon is registered under the Act as a dealer in the categories of broker and investment dealer.

8. Trilon is an arm's length party to Yamana. In December 1999, Trilon arranged for a credit facility in the principal amount of U.S. $4,000,000 (the "Credit Facility") to be established by Northgate Exploration (BVI) Limited (35% indirectly held by Trilon) for Polimet (BVI) Ltd. (an indirect subsidiary of Yamana).

9. In consideration of the arrangment of the Credit Facility by Trilon, on December 22, 1999 Yamana entered into an arrangement fee agreement (the "Agreement") with Trilon whereby Yamana has agreed to grant to Trilon a warrant ("Warrant") to acquire up to 2,000,000 Common Shares (the "Warrant Shares"). The Warrant may only be transferred to wholly owned subsidiaries of Trilon.

10. Assuming the full exercise of the Warrant and the issuance of all of the Warrant Shares, the issuance of the Warrant Shares would represent approximately 4.9% of the issued and outstanding capital of Yamana calculated on an undiluted basis. The issuance of such shares will not materially affect control of Yamana.

11. Trilon does not currently own any Common Shares.

12. Yamana will not be providing any financial assistance or other incentive to Trilon in connection with the exercise of the Warrant and no voting trust or similar agreement has or will be entered into by Yamana or any of its affiliates with Trilon.

13. Yamana considers Trilon to be a sophisticated purchaser with substantial financial knowledge and experience because of Trilon's business activities and because of its lending relationship with Yamana.

14. The TSE has conditionally approved the grant of the Warrant, subject to the filing of customary documentation.

15. The issuance of the Warrant Shares to Trilon or a wholly owned subsidiary of Trilon will be made in reliance on the exemptions from registration and prospectus requirements contained in paragraph 35(1)12.iii and subclause 72(1)(f)(iii) of the Act (collectively, the "Exercise Exemptions").

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

IT IS RULED pursuant to subsection 74(1) of the Act that the grant of the Warrant by Yamana to Trilon shall not be subject to section 25 or 53 of the Act and that the trade of the Warrant by Trilon to a wholly owned subsidiary of Trilon shall not be subject to section 25 of the Act provided that the first trades in the Warrant Shares acquired by Trilon or a wholly owned subsidiary of Trilon pursuant to the Exercise Exemptions shall be made in accordance with the provisions of section 6.4 of Rule 45-501 "Exempt Distributions" as if the Warrant had been acquired by Trilon or a wholly owned subsidiary of Trilon under a 72(4) trade (as defined in Rule 45-501).

August 25th, 2000.

"Howard I. Wetston" "Theresa McLeod"

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Chapter 3

Reasons: Decisions, Orders and Rulings

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Chapter 4

Cease Trading Orders

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Chapter 5

Rules and Policies

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Chapter 6

Request for Comments

6.1 Request for Comments

6.1.1 NI 54-101 and Related Instruments - Communication with Beneficial Owners of Securities of a Reporting Issuer

NOTICE OF PROPOSED CHANGES TO PROPOSED NATIONAL INSTRUMENT 54-101 FORMS 54-101F1, 54-101F2, 54-101F3, 54-101F4, 54-101F5, 54-101F6, 54-101F7, 54-101F8 AND 54-101F9 AND COMPANION POLICY 54-101CP AND RESCISSION OF NATIONAL POLICY STATEMENT NO. 41 COMMUNICATION WITH BENEFICIAL OWNERS OF SECURITIES OF A REPORTING ISSUER

Introduction

On February 27, 1998, the Canadian Securities Administrators (the "CSA") published for comment proposed National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer (the "National Instrument"), the related forms (the "Forms), consisting of Forms 54-101F1, 54-101F2, 54-101F3, 54-101F4, 54-101F5, 54-101F6, 54-101F7 and 54-101F8, the proposed Companion Policy 54-101CP (the "Companion Policy") and, in Ontario, the proposed Implementing Rule 54-801.[1]

Following a review of the comments received, the CSA published on July 17, 1998 a second draft of the proposed National Instrument, proposed Forms and proposed Companion Policy.[2] The comment period for this second draft expired on September 15, 1998.

In this Notice, the versions of these materials published in February are called the "February Draft National Instrument", the "February Draft Forms" and the "February Draft Companion Policy" respectively. The versions of these materials published in July are referred to in this notice as the "July Draft National Instrument", the "July Draft Forms" and the "July Draft Companion Policy" respectively.

During the comment period on the July Drafts, the CSA received submissions from a broad range of commenters. The list of commenters is contained in Appendix A of this Notice, and the summary of their comments, together with the CSA responses to those comments, are contained in Appendix B of this Notice. As the result of consideration of the comments, the CSA are proposing a number of amendments to the materials published in July, and are therefore republishing for a third comment period the proposed National Instrument, the Forms and the Companion Policy.

Through these proposed instruments, the CSA seek to continue, with some changes, the regulatory regime concerning communication with beneficial owners of securities of a reporting issuer currently embodied in National Policy Statement No. 41 ("NP41"), which the instruments will replace.

Proposed Implementing Rule 54-801 was proposed in Ontario for the purpose of prescribing the forms to be used in connection with the proposed National Instrument. The CSA have elected to include the form requirements in the proposed National Instrument, so that there will be no need for Implementing Rule 54-801; that proposed rule will not be proceeded with.

The CSA are not publishing with this Notice, proposed National Instrument 54-102 Supplemental Mailing List and Interim Financial Statement Exemption, which replaces the provisions of NP41 and associated rules and blanket orders pertaining to supplemental mailing lists. That instrument was published for comment in February with the proposed National Instrument, but will not be republished for comment. National Instrument 54-102 is expected to be adopted by the CSA at the same time as the proposed National Instrument, without material changes from the version that was published on February 27, 1998.

The proposed National Instrument and Companion Policy are initiatives of the CSA, and the proposed National Instrument is expected to be adopted as a rule in each of 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 proposed Forms will be adopted as rules in Ontario. The proposed Companion Policy is expected to be implemented as a policy in all of the jurisdictions of the CSA.

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[1] In Ontario, at (1998), 21 OSCB 1388.

[2] In Ontario, at (1998), 21 OSCB 4491.

Substance and Purpose of the Proposed National Instrument, Forms and Companion Policy

The substance and purpose of the proposed National Instrument, Forms and Companion Policy are to establish an obligation on reporting issuers to send proxy-related materials to the beneficial owners of its securities who are not registered holders of its securities, to provide a procedure for the sending of proxy-related materials and other securityholder material to beneficial owners, and, to impose obligations on various parties in the securityholder communication process.

For additional information concerning the background of the proposed National Instrument, Forms and Companion Policy, reference should be made to the notice (the "February Notice") that accompanied the publication of the February Draft National Instrument, February Draft Forms and February Draft Companion Policy and to the Notice (the "July Notice") that accompanied the publication of the July Draft National Instrument, the July Draft Forms and the July Draft Companion Policy.

Summary of Changes to the Proposed National Instrument from the July Draft National Instrument

This section describes the substantive changes made in the proposed National Instrument from the July Draft National Instrument. Minor changes made for drafting or technical reasons are generally not described in this summary. For a detailed summary of the contents of the July Draft National Instrument, reference should be made to the July Notice.

Definitions

Changes from the July Draft National Instrument

The definition of *"client response card"* in the July Draft has been replaced by a definition of *"client response form"*. This change reflects the recognition that the response provided by clients may be provided by electronic means as an alternative to a paper response. Conforming changes have been made throughout the proposed National Instrument.

The definition *"beneficial owner determination date"* has been changed to *"beneficial ownership determination date"* to reflect the fact that this date is used to determine not just the relevant beneficial owners, but also their ownership positions.

The definition of *"intermediary"* has been amended to clarify that the exclusion from the definition of a person or company that holds the security only as a custodian is limited to circumstances where that person or company is not the registered securityholder nor holding as a participant in a depository.

A definition of *"legal proxy"* has been added in conjunction with changes to section 4.5 of the proposed National Instrument. The proposed National Instrument clarifies that beneficial owners that receive proxy-related material may either provide voting instructions or acquire a legal proxy and attend the meeting to vote. The legal proxy ensures that such persons who attend a meeting have legal authority to vote the securities that they beneficially own. Legal proxy is defined as a voting power of attorney in the required form granted by an intermediary or reporting issuer to a beneficial owner. The form of the legal proxy is set out in Form 54-101F8.

The definition of a *"non-objecting beneficial owner"* has been amended to delete the reference to persons who fail to provide instructions. This change has been made in conjunction with the deletion of section 3.6 of the July Draft National Instrument which provided that in the absence of instructions, a beneficial owner was deemed to be a non-objecting beneficial owner. In light of the obligation in section 3.2 to obtain instructions from all new clients and the changes to section 3.3 with respect to transitional provisions concerning previously obtained instructions from existing clients, such default provisions are considered unnecessary. The definition, like the definition of *"objecting beneficial owner"* has also been amended to clarify that instructions by beneficial owners are given on an account-by-account basis.

The definition of *"non-objecting beneficial owner list"* has been amended to clarify that a list prepared in non-electronic form is to contain the same information as is required by the form prescribed for a list in electronic form (Form 54-101F5).

The definition of *"ownership information"* has been amended to include the electronic mail address of the beneficial owner, if known. This change has been made in conjunction with changes to section 3.2, which now requires an intermediary to obtain the electronic address, if available, from new clients, as well as enquire whether the client wishes to consent and if so obtain the consent of the client to electronic delivery of documents. The change is also made in conjunction with changes to a Request for Beneficial Ownership Information (Form 54-101F2) which provide for the request and receipt of information with respect to the aggregate number of beneficial owners that have consented to the electronic delivery of documents through the intermediary, and, the information prescribed for a NOBO list in Form 54-101F5, which now provides for an identification of e-mail addresses, where available, for each NOBO and whether the NOBO has consented to electronic delivery of securityholder materials by the intermediary.

The definition of *"participant list"* has been deleted as that term does not appear in either the July Draft National Instrument or in the proposed draft National Instrument.

The definition of *"send"* has been revised to delete an express requirement for consent of the recipient to electronic form of delivery. This is consistent with the principles set out in National Policy 11-201, which suggests, but does not require, that consent be obtained in order to satisfy the principles. The CSA do, however, request specific comment on whether, in the case of this Instrument, there should be a requirement for specific consent[3].

A definition of *"transfer agent"* has been added in conjunction with the addition of the new requirement in subsection 2.5(4), that requires those seeking beneficial ownership information to do so through a transfer agent. The term *"transfer agent"* is

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3 As is the case with proposed section 252.3(2) to the *Canada Business Corporations Act* as set out in Bill S-19, 2000 *An Act to amend the Canada Business Corporations Act and the Canada Cooperatives Act and to amend other Acts in consequence.*

defined as a person or company that carries on the business of a transfer agent.

Section 1.4

Changes from the July Draft National Instrument

Subsection 1.4(2) has been amended from the July Draft National Instrument to permit an alternative form of electronic NOBO list to be used where both the party requesting and the party receiving the list agree. This will allow parties who mutually agree, to adopt a form that takes advantage of improvements in technology without awaiting an amendment to the proposed National Instrument.

Section 1.5

Section 1.5 provides that fees payable under the proposed National Instrument shall be the amounts prescribed by the applicable regulator or securities regulatory authority or, where no amount is prescribed, a reasonable amount.

Changes from the July Draft National Instrument

Section 1.5 has been amended and the appendix referred to in section 1.5 of the July Draft National Instrument has been eliminated. As a result of these changes, the proposed National Instrument does not make reference to specific fees, nor does the proposed Companion Policy. The proposed National Instrument now permits fees to be prescribed, if desired and permitted, by individual jurisdictions. It continues to require fees to be reasonable in jurisdictions where no fees have been prescribed. The proposed Companion Policy no longer references any specific fee amounts the CSA consider to be reasonable.

Section 2.1

Changes from the July Draft National Instrument

Section 2.1 has been amended to reduce to 30 days the minimum time between the record date for notice of a meeting and the meeting date from the 35 days provided for in the July Draft National Instrument. This reflects the shorter time period for mailing now contained in sections 2.9 and 2.12 as compared to NP41. The change has been made to facilitate the calling of meetings on a more expedited basis than under NP41 and to conform more closely to timing requirements for mailings to registered holders under corporate law.

Section 2.2

Changes from the July Draft National Instrument

Section 2.2 has been amended to specify that, subject to section 2.20, notification of a meeting must be given at least 25 days before the record date for notice. The July Draft National Instrument was silent with respect to this timing issue. This is a return to the requirement contained in NP41.

This change was made in conjunction with the addition of section 2.20, which provides a mechanism for the shortening of this time period if other requirements of the proposed National Instrument are satisfied in the shorter time period.

This change is proposed to respond to comments that expressed concern that the omission of the time periods now contained in subsections 2.2(1) and 2.5(1) would lead to reporting issuers not allowing sufficient time to ensure that all the requirements of the proposed National Instrument would be satisfied before a meeting date. The proposed National Instrument reinstates the time periods contained in NP41, but allows for the abridgement of them if the reporting issuer complies with section 2.20.

Section 2.3

Section 2.3 requires a reporting issuer to make an intermediary search request when it sends a notification of meeting and record date and specifies the content of an intermediary search request.

Changes from the July Draft National Instrument

Subsection 2.3(1) has been amended to conform with section 5.3 by adding paragraph (a) to specify that the intermediary search request shall include a request for the identity of each entity that holds the specified securities on behalf of the depository and the respective holdings of each such entity. Conforming changes have been made to subsection 2.3(2) and section 2.4.

Paragraph 2.3(1)(b) has been amended to clarify that, like paragraph 2.3(1)(c), it is subject to the provisions of section 2.4.

Subsection 2.5(1)

Changes from the July Draft National Instrument

Section 2.5(1) has been amended from the July Draft National Instrument to specify that reporting issuers are required to send requests for beneficial ownership information to proximate intermediaries at least 20 days before the record date for notice of a meeting. The July Draft National Instrument was silent with respect to this timing issue. This is a return to the corresponding requirement contained in NP41 and is made in conjunction with the addition of section 2.20, which provides a mechanism for the shortening of this requirement if arrangements are made for other requirements of the proposed National Instrument to be satisfied in the shorter time period.

This change is proposed to respond to comments that expressed concern that the omission of the time periods now contained in subsections 2.2(1) and 2.5(1) would lead to reporting issuers not allowing sufficient time to ensure that all the requirements of the proposed National Instrument would be satisfied before a meeting date. The proposed National Instrument reinstates the time periods contained in NP41, but allows for the abridgement of them if the reporting issuer complies with section 2.20.

Subsection 2.5(2)

Changes from the July Draft National Instrument

Subsection 2.5(2) has been amended from the July Draft National Instrument to clarify that a Request for Beneficial Ownership Information that is not in connection with a meeting

may be for any class or series of securities (not just those with a right to receive notice of a meeting or to vote) and need not necessarily be addressed to all proximate intermediaries holding that class or series of securities.

Subsection 2.5(3)

Changes from the July Draft National Instrument

Subsection 2.5(3) has been amended to require that an undertaking confirming obligations with respect to beneficial owner lists be given with a Request for Beneficial Ownership Information that includes a request for a NOBO list rather than a statutory declaration as was provided for in the July Draft National Instrument. This is a return to the proposal in the February Draft National Instrument. This change recognizes that a statutory declaration is not the most appropriate means of addressing promises with respect to future conduct as distinct from statements of past conduct.

Subsection 2.5(4)

Subsection 2.5(4) requires that requests for beneficial ownership information be made through a transfer agent.

Changes from the July Draft National Instrument

Subsection 2.5(4) is new. It has been added to ensure that proximate intermediaries need deal with only a limited number of entities with respect to requests for beneficial ownership information. By limiting the number of parties requesting and receiving this information from proximate intermediaries, greater efficiencies and economies of scale may be realized.

Section 2.6

Changes from the July Draft National Instrument

Section 2.6 has been amended from the July Draft National Instrument to excuse reporting issuers from having to make intermediary search requests and requests for beneficial ownership information where they already have all of the information which would be provided in response to a Request for Beneficial Ownership Information. This amendment will, for example, excuse mutual fund issuers that maintain such information from complying with sections 2.3 and 2.5. The previous reference in the section excusing compliance with section 2.7 has been deleted.

Section 2.12

Changes from the July Draft National Instrument

Subsection 2.12(1) has been amended from the July Draft National Instrument to require a reporting issuer that wishes to indirectly send proxy-related material by prepaid mail other than first-class mail to send the material to the proximate intermediary one day earlier than would be the case if the material is to be sent by other means. This change is intended to provide proximate intermediaries one extra day to complete the extra steps required when securityholder materials are to be sent by mail and the mail is other than first-class mail. This amendment has been made in response to a comment received. A corresponding change has been made to section 4.2.

Subsection 2.12(3) has been amended since the July Draft National Instrument to indicate that it applies not only where the law of a foreign jurisdiction prohibits the reporting issuer from sending securityholder material directly to NOBOs but also where the proximate intermediary has stated in response to the Request for Beneficial Ownership Information that the law in the foreign jurisdiction requires the proximate intermediary to deliver securityholder materials to beneficial owners. The subsection also has been amended to clarify that if the conditions in the subsection apply, the reporting issuer shall not send securityholder materials to the NOBOs.

Section 2.14

Section 2.14 provides for the sending of securityholder materials indirectly through a proximate intermediary to beneficial owners.

Changes from the July Draft National Instrument

References to a "certificate of mailing" or "other satisfactory proof of sending" have been simplified to refer to a "certificate of sending".

Section 2.16

Section 2.16 requires that proxy-related material sent to a beneficial owner of securities explain, in plain language, how the beneficial owner may exercise voting rights attached to the securities.

Changes from the July Draft National Instrument

Section 2.16 has been amended since the July Draft National Instrument to specifically provide that the explanation provided with proxy-related materials sent to beneficial owners must include an explanation of the right of the beneficial owner to attend and vote the securities directly at a meeting and a description of how those rights may be exercised.

Section 2.18

Section 2.18 provides that if a reporting issuer that has sent proxy-related materials directly to NOBOs receives a written request from a NOBO for a legal proxy, the reporting issuer will arrange at no cost to the NOBO to deliver a legal proxy to the NOBO.

Changes from the July Draft National Instrument

Section 2.18 is a new section. It confirms that a NOBO that receives proxy-related material for a meeting directly from a reporting issuer may request and receive a legal proxy and exercise its right to vote at the meeting. The legal proxy ensures that such persons who attend a meeting have legal authority to vote the securities that they beneficially own and to change any voting instructions previously given. This provision implements, in relation to reporting issuers that deal directly with NOBOs for a meeting, an obligation analogous to that imposed on registrants or custodians by Canadian

securities legislation of some jurisdictions (including subsection 49(5) of the *Securities Act* (Ontario)).

Section 2.20

Section 2.20 provides that an issuer may abridge the time for providing notification under subsection 2.2(1), or requesting beneficial ownership information under subsection 2.5(1), by filing with the regulator at the time it files its proxy-related material a certificate of one of its officers, reporting that it is relying upon section 2.20 and that it has arranged to have proxy-related materials for the meeting sent in compliance with the Instrument to all beneficial owners at least 21 days before the date fixed for the meeting, and to have carried out all of the other requirements of the proposed National Instrument.

Changes from the July Draft National Instrument

Section 2.20 is new. It has been added in connection with the amendments made to sections 2.2(1) and 2.5(1) wherein specific time frames were reinstituted for providing notification of a meeting and requesting beneficial ownership information. Section 2.20 allows the time frames prescribed in section 2.2(1) and 2.5(1) to be abridged by filing the required officer's certificate.

Section 3.2

Section 3.2 establishes obligations on intermediaries that open an account for a client to send to the client an explanation to clients and a client response form and obtain instructions from the client on the matters to which the response form pertains, before the intermediary holds securities on behalf of the client in the account.

Changes from the July Draft National Instrument

Section 3.2 has been revised to also include a requirement that the intermediary obtain the electronic mail address of the client, if available, and, enquire whether the client wishes to consent, and if so, obtain consent of the client, to electronic delivery of documents.

Section 3.3

Changes from the July Draft National Instrument

Section 3.3 has been amended since the July 1998 Draft National Instrument. The July 1998 Draft National Instrument contemplated that a proximate intermediary that wished to seek new instructions from existing clients would do so using Form 54-101F1. This section has been changed to delete the requirement that Form 54-101F1 be used when new instructions are sought so as to allow proximate intermediaries greater flexibility in seeking new instructions from existing clients. This is in conformity with the new provisions in section 3.4 that address the ability of a client to change at any time the choices it made, or was deemed to have made, in the client response form. An existing client that does not respond to a new request for instructions will continue to be governed by the instructions previously given or deemed to have been given under NP41. This is a change from the July 1998 Draft National Instrument in which a failure to respond to a new request for instructions would have resulted in the client having been deemed to have made the default elections set out in section 3.6 of the July 1998 Draft National Instrument. This section has also been amended from the July 1998 Draft National Instrument to clarify that a securityholder that is deemed to have elected not to receive all securityholder materials pursuant to NP41 will not receive annual reports or financial statements that are part of proxy-related materials for meetings at which only routine business is to be conducted.

This section has also been changed to provide that a beneficial owner that is deemed to be a NOBO under subparagraph 2 of paragraph 3.3(b) (i.e. the beneficial owner did not respond to a client response card provided under NP41) will be deemed to be a NOBO for three years after the proposed National Instrument comes into force. Paragraph 3.3(c) provides that the intermediary shall seek new instructions from that client before the expiry of the three year period. This change has been made to ensure that the proposed National Instrument conforms with the spirit of the *Personal Information Protection and Electronic Documents Act* (Canada) by placing limits on the extent to which personal information may be provided without explicit instructions from the relevant beneficial owner.

The CSA note that intermediaries that seek instructions from clients under NP41 should advise the clients of the implications under the proposed National Instrument of the choices they make under NP41.

Section 3.4

Section 3.4 provides that a client may at any time change the choices it made concerning disclosure of ownership information and receipt of securityholder materials by advising the intermediary that holds securities on the client's behalf.

Changes from the July Draft National Instrument

Section 3.4 is new. It makes explicit the ability of a client to change the choices it has previously made or is deemed to have made with respect to the matters addressed in the client response form.

Deletions from Part 3

Section 3.5 of the July Draft National Instrument provided that a client that is itself an intermediary is not required to return any client response [form] received by it in connection with securities of which it is an intermediary. This provision has been deleted to reflect the fact that the Instrument itself does not require that a client return the client response form.

Section 3.6 of the July Draft National Instrument, which prescribed the default consequences if a beneficial owner failed to provide instructions in the matters addressed in the client response form, has been deleted. In light of the obligation in section 3.2 to obtain instructions from all new clients and the changes to section 3.3 with respect to transitional provisions concerning previously obtained instructions from existing clients, such default provisions are considered unnecessary.

Section 3.7 of the July Draft National Instrument, which provided that OBOs bore the costs of confidentiality in connection with the sending of securityholder materials to them, has also been deleted. The CSA have resolved to be

silent on that issue and permit the market to determine how the costs of delivery to OBOs will be borne where the matter is not addressed by local rule.

Section 4.1

Changes from the July Draft National Instrument

Subsections 4.1(1) and 4.1(2) have been reordered. Paragraphs 4.1(1)(b) and (c) have been revised to provide that the reference date used for calculating the three business days for response should be the "beneficial ownership determination date", and not the "record date for notice", to account for the fact that the information is to be prepared "as at the beneficial ownership determination date".

Subsection 4.1(3) has been amended to clarify that it pertains to requests for beneficial ownership information that relate to neither a meeting nor the sending of securityholder materials. The July Draft National Instrument indicated the subsection only applied to requests that did not relate to a meeting.

Section 4.1 has also been amended to delete the requirement that a NOBO list requested in connection with a meeting be provided in electronic format. Amendments to the Request for Beneficial Ownership Information form, however, specify that if a proximate intermediary is able to do so, it must respond to requests for a NOBO list by providing the list in electronic format.

Section 4.2

Changes from the July Draft National Instrument

A new subsection (2) has been added since the July National Instrument. This subsection has been added in conjunction with the amendment of section 2.12. The change extends from three business days to four business days the time within which a proximate intermediary must send securityholder materials where the materials are being sent by prepaid mail other than first class mail. This change is intended to provide proximate intermediaries one extra day to complete the extra steps required when securityholder materials are to be sent by mail and the mail is not first class mail.

Section 4.3

Changes from the July Draft National Instrument

The introductory phrase, "Except as required by securities legislation", that appeared in the July Draft National Instrument has been deleted. This condition is no longer considered necessary.

Section 4.5

Section 4.5 requires an intermediary that receives a written request from a beneficial owner for a legal proxy to provide a legal proxy in the prescribed form at no cost to the beneficial owner.

Changes from the July Draft National Instrument

Section 4.5 is new. It is designed to ensure that beneficial owners that receive proxy-related material may, as an alternative to providing voting instructions, request a legal proxy and exercise their right to vote at the meeting. The legal proxy ensures that such persons who attend a meeting have legal authority to vote the securities that they beneficially own, and to change any voting instructions previously given.

Section 4.7

Section 4.7 clarifies that nothing in Part 4 requires a person or company to send securityholder materials to a beneficial owner if securities legislation specifically permits the person or company to decline to do so.

Changes from the July Draft National Instrument

Section 4.7 is new, and recognizes that the provisions of the securities legislation of some jurisdictions specifically permit intermediaries to decline to forward securityholder materials to beneficial owners unless arrangements have been made for the payment to the intermediary for so doing. The CSA do not intend to override these provisions in this Instrument. This change is made in conjunction with the deletion of section 3.7 of the July Draft National Instrument, which provided that OBOs were required to bear the costs of confidentiality. The CSA have resolved to be silent on that issue and permit the market to determine how the costs of delivery to OBOs will be borne where the matter is not addressed by local rule.

Section 5.3

Changes from the July Draft National Instrument

Section 5.3 has been amended since the July Draft to clarify that the response to an intermediary search request must identify each entity that holds the specified securities on behalf of the depository and must identify the respective holdings of each such entity.

Part 6

Changes from the July Draft National Instrument

Subsection 6.1(1) has been amended to address the circumstance where a person or company does not require all of the NOBO lists in the reporting issuer's possession to provide for specific NOBO list requests. This change is consistent with the ability of a reporting issuer to make specific NOBO list requests under subsection 2.5(2) of the Instrument.

Subsection 6.1(2) has been amended. It now requires that a request for a NOBO list be accompanied by an undertaking in the form of Form 54-101F9 confirming the obligations with respect to a NOBO list. This replaces the requirement in the July Draft National Instrument for a statutory declaration in the required form. As noted above, this is a return to the proposal in the February Draft National Instrument and recognizes that a statutory declaration is not the most appropriate means of addressing promises with respect to future conduct as distinct from statements of existing fact. A similar change has been made to subsection 6.2(5). Subsection 6.1(3) has been added

to specifically provide for the fee to be paid to reporting issuers that provide NOBO lists; this fee was already referred to in subsection 6.1(4). The time for a reporting issuer to respond to a requirement for existing NOBO lists has been extended from three business days to ten days, which is consistent with the time prescribed by the *Canada Business Corporations Act* for responding to requests for a securityholder list.

Part 9

Section 9.1

Section 9.1 of the July Draft National Instrument provided that the time periods applicable to send the proxy-related materials prescribed in the Instrument do not apply to the sending of annual financial statements or annual reports if the statement or report is sent by the reporting issuer to beneficial owners of the securities within the time limitations established within applicable corporate law and securities legislation for sending to registered holders of the securities.

Changes from the July Draft National Instrument

Section 9.1 has been amended to clarify that the reference to sending, including the applicable time limitations, means direct or indirect sending in accordance with the Instrument.

Part 10

Part 10 has been amended to provide updated transitional provisions. The CSA are proposing that the proposed National Instrument come into force on July 1, 2001 but will apply to the sending of proxy-related materials only for meetings held on or after January 1, 2002. It is proposed that the proposed National Instrument apply to the sending of securityholder materials other than proxy-related materials occurring on or after July 1, 2001. The sending of proxy-related materials for meetings held between July 1, 2001 and January 1, 2002 are exempt from the proposed National Instrument so long as they are sent in accordance with NP41.

In addition, no person or company shall be obliged to furnish a NOBO list under the proposed Instrument before September 1, 2001.

These changes are designed to permit participants in the securityholders materials distribution process adequate time to make necessary systems and operational changes.

Summary of Changes to the Proposed Forms

A number of changes were made to the proposed Forms in order to conform the Forms to amendments made to the proposed National Instrument.

The Client Response Form (Form 54-101F1) has been amended to remove all references to default elections in the event the form is not completed. In light of the obligation on intermediaries to obtain the instructions referred to in the form, the default provisions prescribed in the July Draft National Instrument were considered unnecessary and have been deleted. Conforming changes to the Client Response Form have also been made to clarify that a beneficial owner that declines to receive all securityholder materials will not receive annual reports and financial statements that are part of proxy-related materials for meetings at which only routine business is to be conducted, unless the reporting issuer elects, at its expense, and otherwise in accordance with the Instrument, to send these materials to all beneficial owners. This form has also been revised to provide for disclosure of any fees or charges the intermediary may require a client that is an OBO to pay in connection with the sending of security holder material. The definition of routine business in this form has been revised to restate the definition in the proposed National Instrument.

Provision has also been made in Form 54-101F1 for the intermediary, at its option, to advise OBOs that it may elect not to forward securityholder materials unless the beneficial owner or the relevant issuer pays the costs of delivery.

Provision has been made in Form 54-101F1 for the intermediary to obtain the electronic mail address of its client if the client has one.

Provision has also been made in the form to permit a consent to electronic delivery of documents to be obtained in the manner contemplated by National Policy 11-201 Delivery of Documents by Electronic Means.

References on the Client Response Form to an OBO being required to pay for the costs of delivery of securityholder materials have been deleted. The client response form may contain a place where an OBO can indicate its agreement to pay costs of delivery of securityholder materials that are not borne, or required to be borne, by another person or company.

The Request for Beneficial Ownership Information (Form 54-101F2) has been amended to make some provisions more clear and to conform with changes in the proposed National Instrument. The form now requires enclosure of an undertaking, rather than a statutory declaration, relating to use of any NOBO list provided in response to the request. The form has also been amended to remove the ability of a party requesting a NOBO list to indicate whether or not it wishes the list to be in electronic or non-electronic format. The response has been amended to require that if a proximate intermediary is able to do so, it must respond to a request for a NOBO list by providing it in electronic format.

The Request for Beneficial Ownership Information requires the reporting issuer to state whether the reporting issuer will pay the costs associated with the delivery of the securityholder materials to OBOs by intermediaries.

The Request for Beneficial Ownership Information has been revised to more specifically address the sending of materials other than by mail. It has also been revised to facilitate the request of information from intermediaries on the number of OBOs and NOBOs that have declined to receive the materials to the extent applicable, and on the aggregate number of beneficial owners who have consented to electronic delivery of documents by the intermediary to the beneficial owner. The form has also been revised to require the intermediary to state the number of OBOs with addresses, as shown in the records of the intermediary through which the OBO holds securities, in each jurisdiction, so as to facilitate the potential allocation of the costs of sending securityholder materials which may be dependant upon the jurisdiction in which the OBO is resident.

The Proximate Intermediary Response (also part of Form 54-101F2) has also been amended to require a warning on the response to the effect that it is an offence to use a NOBO list for purposes other than those provided for in the proposed National Instrument. A similar warning has been added to the Electronic Format for NOBO List (Form 54-101F5).

The Proximate Intermediary Response now also specifies that if a proximate intermediary is in a foreign jurisdiction and the law in that jurisdiction requires the proximate intermediary to deliver securityholder materials to beneficial owners including NOBOs, this fact may be stated in the response. This change conforms with the amendment to subsection 2.12(3) of the proposed National Instrument.

The Proximate Intermediary Response requires a proximate intermediary to state whether there are any intermediaries, that are entitled to decline to forward and who will not forward securityholder materials to an OBO, unless the OBO, or the relevant issuer, pays the costs of delivery.

The Omnibus Proxy (Depositories) (Form 54-101F3) and the Omnibus Proxy (Intermediaries) (Form 54-101F4) have been amended to delete certain restrictions that previously appeared on the face of the form of proxy. They have also been amended to clarify that the proxies are given as at the beneficial ownership determination date for the meeting, with the inclusion of instructions to date and to sign the forms of proxy.

The prescribed electronic format for NOBO lists, Form 54-101F5, has been revised to use full calendar years in dates. It has also been reordered somewhat and amended to add space for NOBO's e-mail addresses, and to provide space to indicate if consent was given for electronic delivery by the intermediary to the beneficial owners, as contemplated by National Policy 11-201; except in respect of new clients, there is no existing obligation to collect this information, and it is recognized that these fields may not be completed for all NOBOs.

The form has also been amended to provide fields that disclose whether beneficial owners have consented to electronic delivery of documents and, in the case of OBOs, agreed to pay the costs of delivery of documents to them.

Request for Voting Instructions Made by a Reporting Issuer (Form 54-101F6) and the Request for Voting Instructions Made by an Intermediary (Form 54-101F7) have been amended to clarify the right of beneficial owners to attend meetings and vote in person by obtaining a legal proxy. These forms have also been amended to provide for inclusion of instructions for appointing an alternate proxy and to delete the previous references to the provision of return envelopes, reflecting the fact that the instructions may not be transmitted by mail.

The new proposed Form 54-101F8 is a legal proxy that can be used by a beneficial owner that receives proxy-related material and wishes to attend a meeting of securityholders rather than providing voting instructions. It has also been amended to require identification of not just the registered holder of the subject securities, but any intermediaries from whom the proxy is derived, in order to facilitate reconciliation.

Form 54-101F9 (previously Form 54-101F8) now consists of an undertaking rather than a form of statutory declaration.

Summary of Changes to the Proposed Companion Policy

This section describes changes made in the proposed Companion Policy from the July Draft Companion Policy. For a detailed summary of the contents of the July Draft Companion Policy, reference should be made to the July Notice.

Section 2.2

Subsection (1) of this section has been amended to reflect the changes to the terms of subsection 2.12(3) of the proposed National Instrument. It notes that if a reporting issuer is precluded from sending securityholder materials directly to NOBOs because of conflicting requirements of foreign law, it must send the materials indirectly through proximate intermediaries.

Section 3.1

Changes to the Draft Companion Policy

This section has been amended to reflect the changes to the timing requirements stipulated in sections 2.2, 2.3 and 2.5 of the proposed National Instrument and the addition of section 2.20 to the proposed National Instrument. It has also been amended to note that the minimum time frames in sections 2.9 and 2.12 of the National Instrument for the sending of proxy-related materials are minimum requirements and that good corporate practice dictates that certain materials be sent earlier than the minimum required dates in the Instrument.

Deletions from Part 3

Section 3.2 of the July Draft Companion Policy referred to the fee schedule identified in section 1.5 of the July Draft National Instrument, attached as an Appendix to the July Draft National Instrument, and explained that the July Draft National Instrument required payment of fees in a reasonable amount, or in the case of British Columbia, a fixed amount. Section 3.2 also stated that the CSA considered the fees fixed by British Columbia to be reasonable, in light of current procedures and technology. As a result of the amendment of section 1.5, which eliminated the reference to an Appendix in the proposed National Instrument, the proposed National Instrument no longer contains a fee schedule. Section 3.2 of the July Draft Companion Policy has been deleted with the elimination of the Appendix.

Section 3.3 of the July Draft National Policy summarized sections 6.1 and 6.2 of the July Draft National Instrument. This was considered unnecessary and has been deleted. A new subsection 3.3(1) clarifies that a Request for Beneficial Ownership Information under subsection 2.5(2) of the proposed National Instrument may be for any class or series of securities, not just those with a right to receive notice of, or to vote at, a meeting, and need not necessarily be sent to all proximate intermediaries holding that class or series of securities. A new subsection 3.3(2) addresses the fact that a proximate intermediary must, if it is able to do so, respond to a request for a NOBO list by providing the list in electronic format. The new subsection 3.3(2) indicates that a reporting

issuer that wishes a hard copy of a NOBO list should make arrangements for its transfer agent to convert the electronic format of NOBO lists that the transfer agent receives to a paper copy.

Section 4.1

Section 4.1 has been amended to provide that it is expected that proximate intermediaries will alert their clients to the costs and other consequences of the options in the client response form.

Section 4.3

Subsection 4.3(2) has been amended to clarify that the obligation of an intermediary to reconcile positions applies both to securities that are held directly and those held through nominees, depositories and other intermediaries.

Section 4.5

Section 4.5 is new and notes the obligations of an intermediary to notify each depository of changes in any information previously provided by it under section 3.1 of the Instrument within five business days of the change. This section notes that the five business days is a maximum and that it is expected that intermediaries will provide notice of such changes as soon as possible, and if possible, in advance.

Section 4.7

Section 4.7 is new and has been added to discuss the responsibilities of intermediaries to their beneficial owners apart from the sending of securityholder material. It restates paragraph (ii) of Part IX of NP41.

Section 5.4

Subsection 5.4(4) has been added. It encourages proximate intermediaries to request e-mail addresses and consents from clients to permit the electronic sending of securityholder materials.

Subsection 5.4(5) has also been added. It refers to the obligation for intermediaries to seek from new clients their consent to electronic delivery of documents or to enquire as to whether or not the client would like to give their consent. It also clarifies the significance of information to be included in NOBO lists concerning whether or not the NOBO has consented to the electronic delivery of securityholder materials. It notes that this information may be of interest to a reporting issuer in connection with the reporting issuer's decision on whether to send materials directly to NOBOs and whether electronic delivery should be used for the sending. It cautions, however, that any consent of a beneficial owner restricted to its intermediary cannot be used by the reporting issuer.

Section 5.5

Section 5.5 is new. It concerns the "householding" of materials and suggests that the delivery of a single set of securityholder materials to a single investor who holds securities of the same class and two or more accounts with the same address would satisfy the delivery requirements under the Instrument. It states that the sending of a single document in those circumstances is encouraged in order to reduce the costs of securityholder communications.

Section 6.3

Section 6.3 has been amended to delete the reference to materials being furnished "in bulk" to reflect the fact that materials may not always be transmitted in physical form.

Comments on proposed National Instrument, Forms and Companion Policy

Interested parties are invited to make written submissions with respect to the proposed National Instrument, Forms and Companion Policy.

The CSA request specific comment on whether the Instrument should in the definition of "send" contemplate electronic delivery only where consent is first obtained, or whether the Instrument should in this respect conform to National Policy 11-201, which suggests, but does not specifically mandate, consent.

Submissions received by November 1, 2000, will be considered.

Submissions should be sent, in duplicate, to all of the Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission 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
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
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, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 17th Floor
Montréal, Québec H4Z 1G3

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in certain provinces requires that a summary of the written comments received during the

comment period be published, confidentiality of submissions received cannot be maintained.

Questions may be referred to any of:

Diane Joly
Directrice de la recherche et du développement des marchés
Commission des valeurs mobilières du Québec
(514) 940-2199, Ext. 2150
email: Diane.Joly@cvmq.com

Glenda A. Campbell
Vice Chair
Alberta Securities Commission
(403) 297-6454
e-mail: Glenda.Campbell@seccom.ab.ca

Robert Hudson
Manager and Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6691
or (800) 373-6393 (in B.C.)
e-mail: rhudson@bcsc.bc.ca

Veronica Armstrong
Senior Policy Advisor
British Columbia Securities Commission
(604) 899-6738
or (800) 373-6393 (in B.C.)
e-mail: varmstrong@bcsc.bc.ca

Robert F. Kohl
Senior Legal Counsel, Corporate Finance
Ontario Securities Commission
(416) 593-8233
e-mail: rkohl@osc.gov.on.ca

Rescission of National Policy Statement No. 41

NP41 is replaced by the proposed National Instrument. The text of the proposed rescission is:

> "National Policy Statement No. 41 Shareholder Communication is rescinded effective upon the date proposed National Instrument 54-101 comes into force."

Text of Proposed National Instrument, Forms and Companion Policy

The text of the proposed National Instrument, Forms and Companion Policy follow, together with footnotes that are not part of the National Instrument, Forms or Companion Policy, as applicable, but have been included to provide background and explanation.

DATED: September 1, 2000

APPENDIX A

LIST OF COMMENTERS ON PROPOSED NATIONAL INSTRUMENT, FORMS AND COMPANION POLICY

1. Caledonia Mining Corporation dated February 24, 1999
2. Canada Trust dated September 10, 1998
3. Canadian Investor Relations Institute dated September 18, 1998
4. Canadian Bankers Association dated September 15, 1998
5. Canadian Depository for Securities dated September 8, 1998
6. Canadian Corporate Shareholders Services Association dated September 15, 1998
7. Independent Investor Communications Corporation dated August 11, 1998
8. Investment Dealers Association of Canada dated August 20, 1998
9. Investors Group Financial Services Inc. dated September 14, 1998
10. Royal Trust dated September 15, 1998
11. Marketing News Publishing Inc. dated February 15, 1999
12. Security Transfer Association of Canada September 15, 1998

*13. Canadian Shareowners Association dated May 26, 1998

*14. Fairvest Investments dated June 19, 1998

* These letters contained comments on the February Draft National Instrument but were received following expiry of the comment period for that draft.

APPENDIX B

SUMMARY OF COMMENTS RECEIVED ON DRAFT NATIONAL INSTRUMENT 54-101, DRAFT FORMS 54-101F1, 54-101F2, 54-101F3, 54-101F4, 54-101F5, 54-101F6, 54-101F7 AND 54-101F8 AND DRAFT POLICY 54-101CP AND RESPONSE OF THE CANADIAN SECURITIES ADMINISTRATORS

1. INTRODUCTION

On February 27, 1998, the Canadian Securities Administrators (the "CSA") published for comment proposed National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer (the "National Instrument"), Forms 54-101F1, 54-101F2, 54-101F3, 54-101F4, 54-101F5, 54-101F6, 54-101F7 and 54-101F8 (the "Forms"), the proposed Companion Policy 54-101CP (the "Companion Policy") and, in Ontario, the proposed Implementing Rule 54-801.[4]

Following a review of the comments received, the CSA published on July 17, 1998 a second draft of the proposed National Instrument, proposed Forms and proposed Companion Policy. The comment period for this second draft expired on September 15, 1998.

In this Notice, the version of these materials published in February are called the "February Draft National Instrument", the "February Draft Forms" and the "February Draft Companion Policy" respectively. The version of these materials published in July are referred to in this notice as the "July Draft National Instrument", the "July Draft Forms" and the "July Draft Companion Policy" respectively.

CSA received 12 submissions on the July Draft National Instrument. The commenters providing the submissions can be grouped as follows:

Mutual Fund Companies/Registrants	1
- Investors Group Financial Services Inc. ("IG")	
Trade Associations	4
- Canadian Bankers Association ("CBA")	
- Canadian Investor Relations Institute ("CIRI")	
- Canadian Corporate Shareholders Services Association ("CCSSA")	
- Security Transfer Association of Canada ("STAC")	
Self-Regulatory Organizations	1
- Investment Dealers Association of Canada ("IDA")	
Financial Institutions	2
- Canada Trust ("CT")	
- Royal Trust ("RT")	
Others	4
- Canadian Depository for Securities Inc. ("CDS")	
- ADP Independent Investor Communications Corporation ("IICC"), whose comment adopted a letter of Stikeman, Elliott	
- Market News Publishing Inc. ("MNP")	
- Caledonia Mining Corporation ("Caledonia")	
TOTAL	**12**

Following expiry of the comment period for the February Draft National Instrument, CSA received comments on that draft from Canadian Shareowners Association ("CSha") and Fairvest Securities Corporation ("Fairvest"). Although the CSA consider that the points raised in those comments were adequately identified and addressed through the points raised by other comment letters in Appendix "B" to the July Notice, those two comment letters are also addressed specifically below.

Copies of the comment letters may be viewed at the office of Micromedia, 20 Victoria Street, Toronto, Ontario, (416) 312-5211 or (800) 387-2689; the office of the British Columbia Securities Commission, 200-865 Hornby Street, Vancouver, British Columbia, (604) 899-6660; the office of the Alberta Securities Commission, 10025 Jasper Avenue, Edmonton, Alberta, (780) 427-5201; and the office of the Commission des valeurs mobilières du Québec, Stock Exchange Tower, 800 Victoria Square, 22nd Floor, Montréal, Québec, (514) 940-2150.

The CSA have considered the comments received and thank all commenters for providing their comments. The July Draft National Instrument, July Draft Forms and July Draft Companion Policy have been amended to reflect a number of the comments, and are being republished for further comment.

The following is a summary of the comments received, together with the CSA's responses and, where applicable, the proposed changes in response to the comments. The republished versions of these instruments are called the "proposed National Instrument", the "proposed Forms" and "proposed Policy" in this Appendix. Terms used in this summary that are defined in the proposed National Instrument have the meanings ascribed to them in that Instrument.

2. GENERAL COMMENTS

Permitting Reporting Issuers to Send Material Directly to NOBOs.

The most controversial aspect of the July Draft National Instrument as evidenced by the comments received remained the proposal to permit reporting issuers to deliver securityholder materials that are proxy-related materials directly to NOBOs of their securities. The commenters that objected to this proposal continued to express the view that the proposal ran the risk of significant inefficiencies for those parties involved in the process of distributing securityholder materials. The comment repeated by several of the commenters, including the IDA, IICC, CT, CSha and the CBA, was that the existing shareholder communication process is operating efficiently and should not be changed (or that any

[4] (1998), 21 OSCB 1388.

changes should be within the NP41 framework). IDA noted that the number of complaints it received from shareholders had dropped to almost zero. These commenters raised concerns about short term dislocation, thereby raising costs and undermining investor confidence in the efficiency and integrity of the shareholder communication process. The IICC described the July Draft National Instrument as a "compromise with no objective criteria against which it can be measured [and] no disciplined analysis of costs and benefits". It commented that the proposed Instrument will harm ordinary investors. The CSA were also criticized for their failure to carefully analyze the current process and consider all of the available alternatives. RT expressed the view that the proposed National Instrument will make the system unnecessarily complex, confusing, inefficient and costly for all parties. CSha noted it does not receive complaints about receipt of disclosure information and voting processes from its 14,000 members and expressed concern that opening up the mailing process to "self-service" by issuers may make the delivery of information to retail investors less effective than it is today. CSha commented that permitting issuers to conduct the proxy process may well lead to problems in the voting process and noted that unless regulators standardize forms and procedures for issuers, they are likely to use different formats for proxy voting which will add confusion to voting and thereby result in lowered voting rate by retail investors.

CCSSA, in contrast, commented that issuers continue to wish to be able to communicate directly with all of their shareholders and to have a choice of service provider in a free market competitive system and indicated that the changes in this regard contemplated by the July Draft National Instrument had its wholehearted support. STAC commented that it was time to move the agenda forward and implement the new National Instrument for the benefit of Canadian beneficial shareholders. Caledonia sought to register "in the strongest possible terms" its support for the July Draft National Instrument and commented that the change is long overdue.

Response

The CSA continue to believe in the principle and importance of issuers having access to information about their beneficial owners combined with the right and ability to communicate directly with their beneficial owners. That is the relationship that exists under corporate law between reporting issuers and registered holders of securities. The CSA are attempting, to the extent possible and practical, to put beneficial owners of securities in the same position as registered holders of securities.

The CSA have considered the concerns expressed about the possibility of reduced efficiencies, compared to the existing communication process. However, the CSA believe that the objectives outlined above, and the benefits that could result, are so important that they outweigh efficiency concerns relating to the mailing process.

Some commenters submitted that there was no need to change NP41 because reporting issuers were satisfied with the existing policy. To investigate this submission, the CSA sent survey questionnaires, in English and French, to 200 reporting issuers that had been randomly selected, and to all reporting issuers comprising the TSE 35. This was followed by a second survey of the same issuers, containing a few slightly revised questions. A total of 78 and 83 issuers responded to the first and second surveys, respectively.

A majority of issuers that responded were either "unsatisfied" or "very unsatisfied" with the existing system of securityholder communications. They wanted the opportunity to communicate directly with beneficial owners of their securities. In response to a question about the likelihood that they would use a list of their beneficial owners to send out proxy-related materials, a substantial majority of the issuers replied that it was "somewhat" or "very likely" that they would do so. Two-thirds of the issuers would also use the list to send other materials, such as press releases, to beneficial owners. A detailed summary of responses may be viewed at the office of the British Columbia Securities Commission, 200-865 Hornby Street, Vancouver, British Columbia, (604) 899-6660.

In addition to conducting the survey, CSA staff, during on-site meetings, analyzed "back office" systems used by participants in the securityholder communications process. The results of this analysis have influenced the proposed National Instrument. However, the CSA have not been able to achieve a complete consensus concerning the proposed National Instrument, because certain market participants have mutually exclusive interests. The proposed National Instrument represents what the CSA believe is an appropriate balancing of interests.

Application to Non-Proxy-Materials

The IICC noted that the July Draft National Instrument did not make its procedures mandatory with respect to distribution of non-proxy materials and proposed that a uniform procedure should apply in respect of all shareholder materials and in particular corporate actions.

Response

The rationale for making the proposed National Instrument permissive rather than mandatory with respect to non-proxy materials, as is the case under NP41, was explained in the July Notice. While the CSA encourage the use of the regime established under the proposed National Instrument for non-proxy materials, they do not feel it is appropriate to make the use of that regime mandatory at this time for all distributions given the general lack of consensus on the point and the desire not to hold up the implementation of the proposed National Instrument.

Loss of Confidentiality

CT expressed the view that loss of confidentiality will result from the implementation of the proposed National Instrument. The concern expressed was that confidentiality could only be maintained if a beneficial owner opts to become an OBO, which imposes on the beneficial owner certain costs related to securityholder communications. CT also commented and expressed concern that it would have no control over how information required to be provided by it to others would be used.

Response

The confidentiality rights in the proposed National Instrument reflect those in NP41. The beneficial owner of securities will

continue to have the express right to remain anonymous to reporting issuers.

Loss of Control

CT commented that its clients should be able to expect that it would be in control of processes that affect their accounts but that under the proposed National Instrument it will lose the control it had under NP41 of the mailing process.

Response

If a trust company, for example, is uncomfortable with the concept of direct mailing by reporting issuers to the trust company's clients, it is open to the trust company to address this issue in its client agreements by requiring all of its clients to be OBOs and thus continue the process as it currently exists under NP41.

Non-Delivery of Material

The CBA suggested that further consideration be given to specifying in the proposed National Instrument that an intermediary is not responsible for the non-delivery of material to NOBOs where a reporting issuer has elected to distribute the material directly.

Response

The CSA regard this as a client relationship issue that may be addressed by each intermediary in a manner satisfactory to both it and its client.

Securities Lending

CBA proposed that the proposed National Instrument address the legal issue as to who, as between a borrower or lender of securities, is entitled to vote. CCSSA also identified this as a gap in the July Draft National Instrument.

Response

The proposed National Instrument addresses a process for securityholder communications, not the rights of securityholders. The CSA believe that the issue of who votes the securities that are subject to a securities lending arrangement is a contractual matter between the borrower or lender and beyond the scope of the proposed National Instrument. Market participants, however, cannot under the proposed National Instrument vote any securities that they are not lawfully entitled to vote. Where securities lending has occurred, section 4.3 of the proposed Companion Policy applies and in reconciling positions, the intermediary should only consider securities it or its clients have the right to vote.

Benefits of Competition and Economies of Scale

IDA in its comments commented that the proposed National Instrument provides no clear vision of how the proposed change will actually work and expressed scepticism that the benefits of competition anticipated by the proposed National Instrument will in fact be realized. It noted that the revenue of the "monopoly" provider of the proxy solicitation service was less than $8 million in 1997. IDA commented that if the revenue available for shareholder communications is fragmented among many providers, the likely result will be that existing systems will not continue to improve. RT commented that further analysis was required as to whether economies of scale would result from the introduction of the proposed Instrument. Similarly, IICC commented that it might be helpful to retain outside expertise to review whether there are additional economies of or efficiencies of scale that might be exploited in the shareholder communications process. IICC went on to critique the CSA analysis in the July Draft of the efficiencies of the proposed system. IICC criticized CSA for disregarding the cost and expense implications arising from the July Draft National Instrument which it believed disregards market realities, would hamstring current technology and remove incentives to develop and implement new technology. IICC commented that opportunities to automate using electronic communications will be lost under the draft instrument and that electronic links with CDS that currently provide all specifications necessary for initiating and completing the shareholder communication process in connection with meetings will no longer be possible. IICC commented that it was an obvious step backwards to require intermediaries to keep both hard copies and electronic forms of NOBO lists because "certain issuers and third parties may not have the technical capacity to receive an electronic list". CSha similarly commented that it was unclear whether issuers would have the resources to keep abreast of emerging electronic technology for distributing information and conducting voting or would have the inclination to develop new technology for delivering information and retrieving votes. CCSSA was supportive of the proposed National Instrument and indicated it would support an in-depth analysis of the current process and its true costs which might identify ways of reducing the complexity of the proposed National Instrument and increasing its cost effectiveness.

Response

Industry consultation with experts in securityholder communities has been ongoing since 1988 and continues.

The proposed National Instrument has been amended to require that all requests for beneficial ownership information must be made using the services of a transfer agent. The CSA believe this will better facilitate an efficient communications process and encourage a limited number of entities to make investment in changing technologies which will allow them to optimally perform the required task. The CSA also note that the proposed National Instrument permits the option of continued use of the existing system or the option of direct mailing to NOBOs; the CSA expect market forces will lead issuers to the system most appropriate for their own situation.

The proposed National Instrument has been drafted so as not to require manual transmission of information in documents and does not preclude reporting issuers (through their professional transfer agents) from exploiting innovations that can be developed in the registered holder environment. Transfer agents and other potential service providers can make use of efficiencies that they have developed in their existing business operations and may be able to piggyback on technologies used by their parents or affiliates.

With respect to the comment concerning the electronic links with CDS, the CSA have investigated this point with CDS and

have determined that the electronic link referred to is merely an early notice of record dates/meeting dates (not prescribed in NP41) that is also provided to "back-office" service providers. The CSA understand that CDS would continue to provide this linkage to IICC and would produce this linkage to other parties, including transfer agents, upon their request.

The CSA note that under the proposed National Instrument, intermediaries are only required to generate hard copies of NOBO lists on request. This parallels requirements under securities legislation that registrants be able to generate hard copies of computerized records. The proposed National Instrument contemplates recovery of reasonable costs to intermediaries required to provide a hard copy. There is no requirement in the proposed National Instrument to keep hard copies on hand.

Trust Companies' Fiduciary Responsibilities

RT commented that many institutional investors, including pension and mutual funds limit their trustee's power to vote to acting only on the direction of professional fund managers and at present it has retained IICC as its agent for the purpose of forwarding materials to these professionals, obtaining and tabulating the voting decisions, and then transmitting the vote on its behalf. RT expressed concern that issuers may expect that, under the proposed National Instrument, they can elect to replace the role of IICC and may not realize that the trustee votes the substantial holdings of institutional investors and that it is unlikely that the trustee will appoint issuers as agents to assist them with the trustee's duties.

Response

As with NP41, a beneficial owner holding securities through an intermediary is free to organize its account with an intermediary in whatever manner is most appropriate to it. In the situation raised by RT, a trustee that has made arrangements with portfolio managers concerning how securities are to be voted is free to be shown on the records of the intermediary as a "beneficial owner" of those securities under the proposed National Instrument. There is no requirement in the proposed National Instrument that an issuer be advised of the arrangements between the trustee and the portfolio managers. Therefore, even if the trustee elects to be a NOBO, the issuer would deal only with the trustee, as only the trustee's name would appear on a NOBO list. The issuer would not be involved in the relationship between the trustee and portfolio managers. Alternatively, the trustee could elect to be an OBO, in which case the trustee would not deal directly with any issuers at all.

Documentation

CCSSA expressed concern that an issuer that mails indirectly one year and directly another might inadvertently overlook its obligation to print, in addition to a proxy form for registered holders, a request for voting instructions for non-registered holders and include the prescribed wording in the proxy-related materials to the effect that the names of non-registered holders were obtained from intermediaries.

Response

Issuers that change their method of contacting NOBOs will have to be attentive to the requirements of the proposed National Instrument including the obligation to include the prescribed wording concerning the source of names of non-registered holders.

Gaps in the July Draft National Instrument

CCSSA commented that there are gaps in the July Draft National Instrument. It noted that it understood that most institutional holders will elect to be OBOs and therefore issuers will still not know who their major shareholders are and proxy returns will remain low. CCSSA also commented that the July Draft National Instrument did not provide for a proximate intermediary to obtain a certificate of mailing from all intermediaries down the chain and therefore the reporting issuer will not know if the integrity of the mailing was maintained.

Response

The proposed National Instrument has been structured to accommodate beneficial owners that choose to remain anonymous and the CSA believe the proposed National Instrument strikes an appropriate balance between privacy interests and achieving efficiencies in securityholder communications. Indeed, with respect to institutional owners that choose to remain anonymous, this choice may also be available to them in the registered environment if they use nominees to hold their position. The CSA understand that, in many circumstances, issuers are able to ascertain institutional ownership by other means, including circumstances in which the institution directly advises the issuer.

The absence of a requirement for a certificate of mailing by intermediaries that are not proximate intermediaries is not new to the proposed National Instrument. No such requirement exists under the current NP41 if there is a "tiering" of intermediaries. The provisions of the proposed National Instrument have been designed to deal most effectively with the more conventional circumstance in which the proximate intermediary holds securities on behalf of beneficial owners (rather than on behalf of other intermediaries that may in turn hold on behalf of beneficial owners or other intermediaries). While the proposed National Instrument might be able to achieve a theoretically pure result by establishing express provisions for certification and reimbursement of expenses at each tier of intermediary holdings, prescribing such additional administrative arrangements would likely be unnecessarily cumbersome and not justify the additional benefits; it would also preclude circumstance-specific arrangements being tailored for each multi-tiered situation. The CSA anticipate that, in the multi-tiered situations, intermediaries will make appropriate arrangements as between themselves for allocating delivery responsibilities to beneficial owners and the sharing of the corresponding amounts to be claimed through the proximate intermediary in certifying delivery to beneficial owners.

3. COMMENTS ON SPECIFIC PROVISIONS OF THE DRAFT NATIONAL INSTRUMENT[5]

Definition of intermediary (Section 1.1)

CCSSA questioned whether the CSA had completely satisfied themselves that the exclusions from the definition of intermediary will not further reduce the level of proxy returns and commented that it is important from a corporate governance perspective that issuers be able to raise their proxy returns. The CSA understand this concern to relate to the exclusion from the definition of persons or companies that hold securities only as custodians.

Response

The definition of intermediary in the proposed National Instrument has been clarified. Custodians that are excluded from the definition of "intermediary" are limited to those persons or companies that hold securities on behalf of other persons or companies where the securities are not registered in the name of the custodian on the books of the issuer or identified as being owned by the custodian as a participant in a depository.

Fees (Section 1.5)

The July Draft National Instrument contained as Appendix A, a fee schedule that stipulated the fees in British Columbia and required fees otherwise to be "a reasonable amount". Concerns were raised by IICC as to the clarity of these provisions and as to whether or not CSA were adopting the fees prescribed in B.C. as "reasonable". CIRI commented that it believed that the fees published in one jurisdiction would become the minimum benchmark in other jurisdictions. It indicated that it did not agree that third parties be required to pay a flat fee of $100 per NOBO list while issuers, particularly those with broad shareholder bases were exposed to significantly higher fees. CCSSA also expressed concern about the quantum of the fees set out in Appendix A to the July Draft National Instrument, including the fees to be paid to proximate intermediaries for sending materials to NOBOs and OBOs and the fee to be paid by a third party which requests a NOBO list from a reporting issuer.

Response

The fee provisions in the proposed National Instrument have been changed. Section 1.5 of the proposed National Instrument now simply indicates that fees shall be the amount prescribed by the applicable regulator or securities regulatory authority or, where no amount is so prescribed, a reasonable amount. Consequently, the only present restriction is that the fee be a "reasonable amount".

Timing Requirements (Sections 2.2, 2.5, 2.9, 2.12 and 4.2)

IICC and CCSSA noted the non-inclusion in the July Draft National Instrument of timing requirements applicable to notification of meeting and record dates and requests for beneficial ownership information. IICC expressed the view that mandatory deadlines, or at least some guidelines, were needed and that their absence would lead to strained relations among issuers, intermediaries and investors as well as compliance problems. CCSSA recognized that the intent of removing these timing requirements was to allow flexibility in calling meetings on shorter notice but expressed concern that the caution to issuers that they must start the process early enough, which was contained in the July Draft Companion Policy, should be more prominent since it is a natural tendency to push deadlines to the limit and some issuers could unwittingly be in default of giving adequate notice of their meetings. Other commenters, including CCSSA, commented that it was unrealistic to set the deadline for delivery of bulk materials to intermediaries for the latter to mail, at three business days plus 21 days before the day of the meeting with a proximate intermediary being required to mail the material within three business days and each intermediary down the chain required to mail the materials in one business day. The view was expressed that these requirements were unrealistic and could result in some materials being mailed to the ultimate recipient less than 21 days before the meeting.

Fairvest commented that the shortening of the deadline for reporting issuers to deliver proxy materials in bulk to intermediaries from 33 days to a minimum of 21 calendar days plus three business days before the meeting could have negative consequences, including making dissident campaigns more difficult. Fairvest noted that there will be less time for shareholders to understand details of contentious management proposals and less time for a shareholder who wishes to solicit votes against a proposal to mount an effective campaign.

Response

Subsections 2.2(1) and 2.5(1) have been amended to reinstate the timing requirements from NP41 for giving notification of meetings and requesting beneficial ownership information.

A new Section 2.20 has been added to the Instrument. It provides that an issuer may abridge the time for providing notification under subsection 2.2(1), or requesting beneficial ownership information under subsection 2.5(1), by filing with the regulator at the time it files its proxy-related material a certificate of one of its officers, reporting that it is relying upon section 2.20 and that it has arranged to have proxy-related materials for the meeting sent in compliance with the Instrument to all beneficial owners at least 21 days before the date fixed for the meeting, and to have carried out all of the other requirements of the proposed National Instrument. It has been added in connection with the amendments made to sections 2.2(1) and 2.5(1) wherein specific time frames were reinstituted for providing notification of a meeting and requesting beneficial ownership information. Section 2.20 allows the time frames prescribed in section 2.2(1) and 2.5(1) to be abridged by filing the required officer's certificate.

A new provision has been added to section 4.2 of the proposed National Instrument to require that a reporting issuer that wishes to send proxy-related material by prepaid mail other than first-class mail must send the material to the proximate intermediary one day earlier than would be the case if the material is to be sent by other means. This change is intended to provide proximate intermediaries one extra day to

[5] Section references are to section numbers in the proposed National Instrument.

complete the extra steps required when securityholder materials are to be sent by mail other than first-class mail. The CSA have not otherwise changed the requirement that the proximate intermediary be required to mail the materials within three business days of receipt and that each other intermediary down the chain be required to mail the materials in one business day. The proposed Companion Policy has been amended, however, to stipulate that intermediaries should make appropriate standing arrangements to ensure that any associated delay in sending material is minimized.

With respect to the reduction in the minimum window for review of materials by beneficial owners, the CSA note that issuers have routinely been able to obtain relief to permit the corresponding period to be reduced to 21 days under NP41. Moreover, the 21-day period exactly corresponds with the required period for review by registered holders under certain corporate law and certain securities legislation. The Companion Policy has, however, been amended to make clear that the 21-day period should be considered an absolute minimum.

Omnibus Proxy vs. Omnibus Power of Attorney (Paragraph 2.3(1)(d), Sections 2.16 and 2.17, Paragraph 4.1(1)(c), Sections 4.5 and 5.4 and Paragraph 8.2(b))

Stikeman, Elliott, on behalf of STAC, repeated a submission made by it in response to the February Draft National Instrument to the effect that the provisions of the July Draft National Instrument concerning voting by beneficial owners raise some legal and procedural concerns and fail to achieve the stated fundamental objective of equal treatment of registered and beneficial owners of securities.

In order to deal with this perceived problem, STAC proposed an alternative approach to that proposed in the July Draft. The major steps in the proposal were as follows:

- re-characterizing the omnibus proxy for depositories as an omnibus power of attorney to better reflect the function and legal effect of this delegation of voting authority. STAC commented that the use of the term "proxy" is a misnomer insofar as Form 54-101F3 does not really constitute a "proxy" as such term is defined under applicable corporate law;
- the substitution of a standing omnibus power of attorney for the sub-delegation of voting authority from intermediaries to beneficial owners in place of the omnibus proxy for intermediaries. STAC commented that this level of subdelegation, which is arguably necessary under corporate law to permit personal voting by beneficial owners, was not provided for under the July Draft National Instrument;
- the delivery of issuer proxies to NOBOs in respect of meetings where the issuer has elected to deliver proxy-related materials directly to NOBOs, the voting of which may be reconciled directly by issuers or their agents; and
- the introduction of a form of "legal proxy" similar to that currently in use in the United States to permit OBOs, and those NOBOs to whom proxy-related materials are not delivered directly, to attend and vote in person at meetings. STAC commented that such legal proxies permit intermediaries to reconcile beneficial owner voting prior to completing a combined proxy and allow holders thereof to be identified as securityholders at a meeting.

STAC commented that these proposals would make administration of the Instrument more efficient through elimination of the need to handle large quantities of intermediary omnibus proxies and would permit beneficial owners to attend and vote in person at shareholder meetings; STAC commented that this was consistent with the stated fundamental principle that all shareholders be treated alike wherever possible.

Response

This alternative has been examined extensively by CSA staff. Although the CSA consider the proposal attractive in a number of ways, the CSA have not adopted the proposal as they are concerned that some elements of the proposal cannot be reconciled with the approach prescribed by certain sections of the *Canada Business Corporations Act* ("CBCA"), particularly section 153 of the CBCA. The proposal may be revisited if the CBCA is in the future amended in such a way as to permit the proposal.

However, the CSA have introduced a form of legal proxy to permit a beneficial owner to attend and vote personally at meetings, following some of the suggestions of STAC.

Statutory Declaration in Requests for Beneficial Ownership Information (Subsection 2.5(3))

STAC commented that the requirement in the July Draft National Instrument for a statutory declaration from a party seeking beneficial ownership information when a NOBO List is requested serves no operational purpose, and is contrary to the stated fundamental principle that efficiency in the beneficial shareholder communication process should be encouraged.

Response

The CSA have concluded that it is preferable that an undertaking be used to confirm the obligation of persons or companies with respect to NOBO lists rather than a statutory declaration as contemplated in the July Draft National Instrument. This is a return to the proposal in the February Draft National Instrument. This change recognizes that a statutory declaration is not the most appropriate means of addressing promises with respect to future conduct as distinct from statements of existing fact. Consequential changes have been made to Forms 54-101F2 and 54-101F9.

Fees for Sending Materials Indirectly (Section 2.14)

CCSSA commented that if an issuer sends securityholder materials by admail, the issuer should not be required to pay the mailing agent's reasonable costs of the admail sort. CCSSA submitted that this should be the mailing agent's cost

of doing business. It further commented that the notion of "reasonable" is subjective. It noted that an issuer may request admail in an attempt to achieve some cost effectiveness and to promote shareholder value but if the issuer's savings were eroded by the cost of the admail sort, the object of using it would be defeated

Response

It is open to issuers to negotiate different arrangements with mailing agents.

Allocating Costs (Sections 2.14 and 3.7)

Objections were raised by several commenters to the provisions in the July Draft National Instrument that required OBOs to bear the cost of receiving securityholder materials indirectly when a reporting issuer sends such material directly to NOBOs. CT commented that the implementation of the July Draft National Instrument would lead to increased costs which would lead to increased fees to clients. CT expressed the view that costs of all mailings should continue to be the responsibility of the reporting issuers. CBA expressed the view that in order for the costs of confidentiality to be borne by OBOs, an extremely onerous process would need to be implemented including system changes, revised client agreements, Revenue Canada approval and revised fee schedules as well as detailed collection procedures. The CBA also commented that to be effective, the proposed National Instrument should prescribe how cost recovery is to be effected in the event an OBO fails to remit the fee. The IICC also challenged the CSA statement in the July Notice that the holding of securities by intermediaries and their requests for confidentiality increased communication costs throughout the system significantly and the use of this assumption by CSA as the basis for determining that OBOs should pay the costs associated with remaining anonymous; IICC commented that the CSA's premise was wrong and that in fact the common practice of holding securities by intermediaries substantially reduces the cost for issuers.

Response

The CSA have resolved to be silent on that issue and permit the market to determine how the costs of delivery to OBOs will be borne where the matter is not addressed by local rule.

Updates to Intermediary Master List (Subsection 3.1(2))

CDS noted that under the proposed National Instrument, which requires an intermediary to advise depositories of changes to information on the Intermediary Master List within five business days of the change, the list could be out of date for as long as five business days.

Response

The five-day period is a maximum requirement. A new section 4.5 to the proposed Companion Policy has been added to clarify the CSA's expectation that intermediaries will give notice of change as soon as possible and, if possible, in advance so as to avoid prejudice to their client.

Decline of Receipt of Materials (Section 3.2)

The CBA proposed that consideration be given to incorporating the option of allowing any shareholder to decline to receive all materials, including proxy-related materials for meetings at which non-routine business would be conducted. RT, by contrast, indicated it did not support the concept of beneficial owners being able to decline all materials and commented that it believed that in the case of corporate actions, all registered and beneficial holders must receive the material, whether or not they have requested it. RT also commented that the proposed definition of "routine materials" will probably result in more material being distributed to beneficial owners with an increase in costs for issuers.

Response

The CSA believe that the proposed National Instrument, by allowing beneficial owners to decline to receive some but not all securityholder material, reaches the appropriate balance. The CSA believe that all securityholders should receive proxy-related materials for meetings at which non-routine business will be conducted.

Deemed Elections (Section 3.3)

CIRI commented that the July Draft permits intermediaries to rely on choices previously made by shareholders under NP41 relating to receipt of materials and confidentiality. It noted that under the July Draft National Instrument no response is deemed to indicate the shareholder does not want to receive material. CIRI commented that the proposed National Instrument recognizes that the prior forms were very complicated and expressed the view that current NOBO lists are inaccurate. It recommended that intermediaries be required to request new instructions.

RT commented that in spite of the provision of the July Draft National Instrument permitting intermediaries to rely on their clients' instructions submitted pursuant to NP41, RT would feel compelled to canvass its entire client base for their instructions to preclude any possibility of breaching its fiduciary obligations to trusts or compromising its position on client confidentiality.

Response

The CSA view CIRI's and RT's comments as raising a client relationship issue. The proposed National Instrument does not compel an intermediary to conduct such a canvass. If an intermediary feels that it should conduct such a canvass, it is free under the proposed National Instrument to do so.

Index of Meeting and Record Dates (Section 5.2)

MNP noted the requirement that depositories disseminate information concerning company meeting dates and record dates through the national financial press. MNP noted that it is in the business of collecting and electronically distributing information on publicly traded companies and that its service is widely available to and used by brokers across Canada. It noted, however, that it cannot currently obtain information from CDS concerning meeting dates and record dates without paying CDS a $20 per day subscription fee. MNP commented that while publication of meeting and notice dates in a national financial newspaper represents broad dissemination to the

investing public, it requires that investors be diligent and proactive about obtaining such information. MNP indicated that it could make the list of meeting and record dates more easily accessible to brokers and investors and requested that it be included in the minimum publication requirements for distributing the list of meeting and notice dates.

Response

The proposed National Instrument has "codified" the long-standing existing practice established under NP41. The concern identified by the commenter has not previously been identified in comments received on previously-published versions of the proposed National Instrument. This is a point that can be revisited in the future. The CSA have instructed their NP41 Committee to investigate, including consideration of the feasibility of making meeting and record date information more accessible (e.g., on the SEDAR or other website).

Third Party Requests for NOBO Lists (Part 6)

CIRI indicated agreement with the change that permitted third parties to request NOBO lists directly from intermediaries with the proviso that issuers are provided with copies of such requests. It queried whether third parties were also to be free to obtain the most recent list from reporting issuers.

IG noted the absence in the proposed instrument of any requirement that an intermediary advise a reporting issuer of a request made by a third party for a NOBO list and commented that it believed that it was appropriate to include in the proposed National Instrument a provision for notification to be given by an intermediary to a reporting issuer if a NOBO list is requested directly by a third party.

CCSSA expressed concern that the July Draft National Instrument permitted third parties to obtain a NOBO list directly from proximate intermediaries and mail material directly to beneficial holders. Although the July Draft National Instrument required a third party to advise the issuer at the time of requesting a list, CCSSA commented that if there was no monitoring mechanism, the issuer may not be advised, or may be advised too late. CCSSA also expressed concern that intermediaries might supply NOBO lists indiscriminately without, for example, checking the Statutory Declaration contemplated by the July Draft National Instrument.

CCSSA also noted that the form of Statutory Declaration attached to the July Draft National Instrument facilitates the obtaining of a NOBO list compared with obtaining a registered holders list pursuant to the legislation and queried to whom the Statutory Declaration was to be sent. CCSSA also commented that the cost for a NOBO list should not be prescribed as $10 per intermediary but should be required to be "reasonable", which would be consistent with the provisions of corporate legislation. CCSSA also noted that if non-registered shareholders knew it was going to be easier for a third party to obtain a NOBO list, they might wish to become OBOs but that they may never know it will be easier because intermediaries will not be required to solicit new instructions and an annual reminder from the intermediary to the client concerning its existing instructions will no longer be required.

CCSSA also commented on the provision in Section 6.1(3) of the July Draft National Instrument which required a reporting issuer to send a NOBO list requested by a third party within three business days. CCSSA noted that the reporting issuer will have to remove the FINS numbers. It commented that the amount of work involved in this is unknown and that it is unclear whether this can be achieved within the required three business days.

Response

The proposed National Instrument allows a third party to request a NOBO list from either the reporting issuer or directly from intermediaries.

Section 6.2(4) of the proposed National Instrument requires that a copy of all intermediary search requests and all requests for beneficial ownership information be provided to the reporting issuer.

The CSA accept that it may be unreasonable, in certain circumstances, to expect an issuer to reply to a request for an on-hand NOBO list within 3 days. The CSA note that the timing for similar responses by an issuer to a request for a securityholder list under certain corporate legislation is ten days (e.g., section 21(3) of the CBCA). The CSA recognize that requests for on-hand NOBO lists may arise infrequently and that the issuer is not in the business of responding to such requests (and may not have the infrastructure to reply promptly). The CSA propose to harmonize the requirement in the Instrument to the CBCA.

Third Party Use of NOBO Lists (Part 6)

CIRI recommended that the proposed Instrument specify that NOBO lists can only be used by persons other than reporting issuers in proxy-related matters. It expressed concern that NOBO lists could be used by third parties for purposes other than those requiring the solicitation of securityholder votes. It indicated that it believed that the proposed National Instrument should state clearly that the use of the procedure set out in the Instrument by parties other than the issuer is mandatory.

Response

The CSA believe that the prohibitions on the misuse of NOBO list satisfactorily address concerns about their misuse. Any party seeking a NOBO list must undertake not to misuse it and all NOBO lists must contain a warning about their misuse. The potential for misuse has been limited by requiring FINS numbers to be deleted from NOBO lists not requested in relation to a meeting. The CSA do not believe that it is advisable to make the procedures set out in the proposed Instrument mandatory for parties other than issuers at this time given the general lack of consensus on the point and the desire not to hold up implementation of the proposed National Instrument

Y2K Issues and the Implementation Date (Part 10)

A number of commenters (CT, RT, CBA, IDA, IICC) raised concerns about the fact the proposed National Instrument would require significant systems changes during a time when many market participants will be preoccupied with the Y2K challenge. CBA urged that the transition period for proxy-related materials be extended to on or after March 1, 2001. CIRI commented that it believed the implementation date in the July Draft National Instrument was reasonable. CCSSA expressed disappointment that the July Draft National Instrument proposed to delay implementation from the earlier date contemplated by the February Draft.

Response

It is now proposed that the proposed National Instrument come into force on July 1, 2001 but that it not apply to meetings that take place before January 1, 2002 and that NOBO lists not be required to be prepared before September 1, 2001. The proposed National Instrument incorporates the procedures and requirements of NP41 for meetings held between July 1, 2001 and January 1, 2002.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS OF SECURITIES OF A REPORTING ISSUER

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NATIONAL INSTRUMENT 54-101 COMMUNICATION WITH BENEFICIAL OWNERS OF SECURITIES OF A REPORTING ISSUER[1]

PART 1 DEFINITIONS AND INTERPRETATION[2]

1.1 Definitions - In this Instrument

"affairs" means the relationship among a reporting issuer, its affiliates, and their securityholders, partners, directors and officers, other than the business carried on by the reporting issuer;

"annual report" means an annual report of a reporting issuer that includes the audited annual financial statements of the reporting issuer, and any other document required by Canadian securities legislation[3] to be included in or sent with an annual report;

"beneficial owner" means, for a security held by an intermediary in an account, the person or company that is identified as providing the instructions contained in a client response form or, if no instructions are provided, the person or company that has the authority to provide those instructions;

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1 This Instrument is based on National Policy Statement No. 41 ("NP41"). This Instrument is expected to be adopted as a rule in British Columbia, Alberta, Manitoba, Newfoundland, Ontario and Nova Scotia, as a Commission regulation in Saskatchewan, and as a policy in all other jurisdictions represented by the Canadian Securities Administrators ("CSA").

Earlier versions of this Instrument (the "February 1998 Draft" and the "July 1998 Draft") and the related Forms and Companion Policy were published for comment in February 1998 and July 1998. These versions reflect the consideration by the CSA of comments received on the February 1998 and July 1998 drafts.

2 A national definition instrument has been adopted as National Instrument 14-101 Definitions. It contains definitions of 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 that statute, unless the context otherwise requires. National Instrument 14-101 also provides that a provision or a reference within a provision of a national instrument that specifically refers by name to a jurisdiction, other than a local jurisdiction, shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

3 The term "Canadian securities legislation" is defined in National Instrument 14-101 Definitions as meaning the statutes and other legislative instruments set out in an appendix to that instrument and will generally include the statute, regulations and, in some cases, rules, forms, rulings and orders relating to securities.

"beneficial ownership determination date" means, for a meeting

(a) the record date for voting, or

(b) in the absence of a record date for voting, the record date for notice[4];

"business day" means a day other than a Saturday, Sunday or statutory holiday in the local jurisdiction[5];

"CDS" means the Canadian Depository for Securities Limited and any successor to its depository business;

"client" means a person or company on whose behalf an intermediary directly holds a security;

"client response form" means the form of response set out in Form 54-101F1[6];

"corporate law" means, for a reporting issuer, any legislation, constating instrument or agreement that governs the affairs of the reporting issuer;

"day" means a calendar day unless express reference is made to a business day;

"depository" means CDS and any other person or company recognized as a depository by the securities regulatory authority[7] for the purpose of this Instrument;

"explanation to clients" means an explanation to clients set out in the form of Form 54-101F1;

"FINS" means Financial Institution Numbering System;

"intermediary" means, for a security, a person or company that, in connection with its business, holds the security on behalf of another person or company, and that is not

(a) a person or company that holds the security only as a custodian, and is not the registered securityholder of the security nor holding the security as a participant in a depository[8],

(b) a depository, or

(c) a beneficial owner of the security;

"intermediary master list" means a list of intermediaries that a depository maintains under section 5.1;

"intermediary search request" means the request referred to in section 2.3;

"legal proxy" means a voting power of attorney, in the form of Form 54-101F8, granted to a beneficial owner by either an intermediary or a reporting issuer under a written request of the beneficial owner[9];

"meeting" means a meeting of securityholders of a reporting issuer;

"NOBO" means a non-objecting beneficial owner;

"NOBO list" means a non-objecting beneficial owner list;

"nominee" means a person or company that acts as a passive title-holder to hold securities and does not carry on business in its own right;

"non-objecting beneficial owner" means a beneficial owner of securities that

(a) has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner does not object, for that account, to the intermediary disclosing ownership information

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4 The definition "beneficial owner determination date" has been changed to "beneficial ownership determination date" to reflect the fact that this date is used to determine not just the relevant beneficial owners, but also their ownership positions.

5 The term "local jurisdiction" is defined in National Instrument 14-101 Definitions and is defined to mean "in a national instrument adopted or made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate".

6 The definition of "client response card" in the July 1998 Draft National Instrument has been replaced by a definition of "client response form". This change reflects the recognition that the response may be provided by electronic means as an alternative to a paper response. Conforming changes have been made to sections 3.2, 3.3, 3.4 and 3.5.

7 The term "securities regulatory authority" is defined in National Instrument 14-101 Definitions as meaning, for a local jurisdiction, the securities commission or similar regulatory authority set out in an appendix to that instrument opposite the name of the local jurisdiction.

8 The definition of "intermediary" has been amended by adding to paragraph (a) a reference that a custodian is excluded from the definition of "intermediary" only if it is not the registered securityholder nor holding as a participant in a depository. A custodian that was a registered securityholder or participant could be an intermediary.

9 This definition has been added in conjunction with the changes to section 4.5 and 2.18. A beneficial owner that receives proxy-related materials may, under the proposed Instrument, either provide voting instructions to an intermediary (or reporting issuer where it sends proxy-related materials directly to the beneficial owner) or acquire a legal proxy and attend the meeting to vote. The legal proxy ensures that such persons who attend a meeting have legal authority to vote the security they beneficially own.

about the beneficial owner under this Instrument, or

(b) is a non-objecting beneficial owner under subparagraph 1 or 2 of paragraph 3.3(b)[10];

"non-objecting beneficial owner list" means, for an intermediary, a list that includes ownership information concerning NOBOs on whose behalf the intermediary, or another intermediary holding directly or indirectly through the intermediary, holds securities and information regarding instructions from those NOBOs concerning receipt of securityholder materials and

(a) if prepared in non-electronic form, is in a clear and readable format and contains the information referred to in paragraph (b) below, or

(b) if prepared in electronic form, is prepared in the form of, and contains the information prescribed in, Form 54-101F5[11];

"notification of meeting and record dates" means the notification referred to in section 2.2;

"NP41" means National Policy Statement No. 41 or a rule based on National Policy Statement No. 41;

"objecting beneficial owner" means a beneficial owner of securities that

(a) has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner objects, for that account, to the intermediary disclosing ownership information about the beneficial owner under this Instrument, or

(b) is an objecting beneficial owner under subparagraph 3 of paragraph 3.3(b)[12];

"OBO" means an objecting beneficial owner;

"omnibus proxy" means, for a meeting

(a) for a depository, a proxy in the form of Form 54-101F3, and

(b) for an intermediary, a proxy in the form of Form 54-101F4;

"ownership information" means, for a beneficial owner of securities that holds the securities through an intermediary in an account of the intermediary, the beneficial owner's name, address, holdings of the securities in the account, preferred language of communication, if known, the electronic mail address of the beneficial owner, and whether the beneficial owner has given to the intermediary a currently valid consent to the electronic delivery of documents from the intermediary;[13]

"participant in a depository" means a person or company for whom a depository maintains an account in which entries may be made to effect a transfer or pledge of a security;

"preferred language of communication" means either the English language or the French language;

"proximate intermediary" means, for a security

(a) a participant in a depository holding the security, or

(b) an intermediary that is the registered holder of the security;

"proxy-related materials" means securityholder material relating to a meeting that the reporting issuer is required under corporate law or securities

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10 The definition of "non-objecting beneficial owner" has been amended from the July 1998 Draft National Instrument to delete the reference to persons who fail to provide instructions. This change has been made in conjunction with the deletion of section 3.6 of the July 1998 Draft National Instrument which provided that in the absence of instructions, a beneficial owner was deemed to be a non-objecting beneficial owner. In light of the absolute obligation in section 3.2 to the proposed National Instrument to obtain instructions from all new clients and the changes to section 3.3 with respect to transitional instructions from existing clients, such default provisions are considered unnecessary. The definition, like the definition of "objecting beneficial owner" has also been amended to clarify that instructions by beneficial owners are given on an account-by-account basis.

11 The definition of "non-objecting beneficial owner list" has been amended from the July 1998 Draft National Instrument to clarify that a list prepared in non-electronic form is to contain the same information as is required by the form prescribed for a list in electronic form (Form 54-101F5).

12 The definition of "objecting beneficial owner" has been amended from the July 1998 Draft National Instrument to clarify that instructions by beneficial owners are given an account-by-account basis.

13 Whether the beneficial owner has consented to the electronic delivery of documents from an intermediary may be of interest to a reporting issuer in connection with the reporting issuer's decision on whether to send materials directly to NOBOs and whether electronic delivery should be used for the sending. Any consent of a beneficial owner restricted to its intermediary cannot be used by a reporting issuer.

legislation[14] to send to the registered holders of the securities;

"record date for notice" means, for a meeting, the date established in accordance with corporate law for the determination of the registered holders of securities that are entitled to receive notice of the meeting;

"record date for voting" means, for a meeting, the date, if any, established in accordance with corporate law for the determination of the registered holders of securities that are entitled to vote at the meeting;

"registered holder" means, for a security, the person or company shown as the holder of the security on the books or records of the reporting issuer;

"request for beneficial ownership information" means, for a security, a request for beneficial ownership information in the form of Form 54-101F2 sent by a reporting issuer to a proximate intermediary holding the security;

"request for voting instructions" means, for a security that carries the right to vote at a meeting,

(a) if the request is made by the reporting issuer, a request for voting instructions from a beneficial owner of the security that is a NOBO, set out in the form of Form 54-101F6, and

(b) if the request is made by an intermediary, a request for voting instructions from the beneficial owner of the security on whose behalf the intermediary holds the security set out in the form of Form 54-101F7;

"routine business" means, for a meeting

(a) consideration of the minutes of an earlier meeting,

(b) consideration of the financial statements of the reporting issuer or an auditor's report on the financial statements of the reporting issuer,

(c) election of directors of the reporting issuer,

(d) setting or changing of the number of directors to be elected within a range permitted by corporate law, if no change to the constating documents of the reporting issuer is required in connection with that action, and

(e) reappointment of an incumbent auditor of the reporting issuer;

"security" means a security of a reporting issuer;

"securityholder" means, for a security, the registered holder of the security, the beneficial owner of the security, or both, depending upon the context;

"securityholder materials" means, for a reporting issuer, materials that are sent to registered holders of securities of the reporting issuer;

"send" means to deliver, send or forward or arrange to deliver, send or forward in any manner, including by prepaid mail, courier or by electronic means;[15] and

"transfer agent" means a person or company that carries on the business of a transfer agent.[16]

1.2 Agents and Nominees

(1) A reference in this Instrument to a depository, intermediary or reporting issuer includes a nominee or agent of the depository, intermediary or reporting issuer.

(2) A person or company that uses an agent remains fully responsible for its compliance with the requirements of this Instrument.

1.3 Holding of Security by Intermediary - In this Instrument, an intermediary is considered to hold a security if the security is held

(a) by the intermediary directly; or

(b) by the intermediary indirectly through another person or company on behalf of the intermediary.

1.4 Use of Required Forms

(1) A person or company required to send or use a required form under this Instrument may substitute another form or document or combine the required form with another form or document, so long as the form or document used requests or includes the same information contemplated by the required form.

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[14] 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, the rules, forms, rulings and orders relating to securities in the local jurisdiction.

[15] The July 1998 Draft required that delivery by electronic means could be made only with the consent of the recipient. The reference to this consent has been deleted in this draft, so that the principles contained in National Policy 11-201 Delivery of Documents by Electronic Means can apply to any such delivery.

[16] The definition of a "transfer agent" has been added since the July 1998 Draft National Instrument in conjunction with the addition of the new requirement in subsection 2.5(4) that requires those seeking beneficial ownership information to do so through a transfer agent.

(2) Subsection (1) does not apply to a NOBO list in the form of Form 54-101F5 unless both the party requesting and the party providing the NOBO list agree to an alternative form.[17]

1.5 Fees - Each fee payable under this Instrument shall be

(a) an amount prescribed by the regulator[18] or securities regulatory authority; or

(b) a reasonable amount, if the regulator or securities regulatory authority has not prescribed an amount.[19]

PART 2 REPORTING ISSUERS

2.1 Establishment of Meeting and Record Dates - A reporting issuer that is required to give notice of a meeting to the registered holders of any of its securities shall fix

(a) a date for the meeting;

(b) a record date for notice of the meeting, which shall be no fewer than 30 and no more than 60 days before the meeting date[20]; and

(c) if required or permitted by corporate law, a record date for voting at the meeting.

2.2 Notification of Meeting and Record Dates

(1) Subject to section 2.20, at least 25 days before the record date for notice of a meeting, the reporting issuer shall send a notification of meeting and record date for notice and for voting to

(a) all depositories;

(b) the securities regulatory authority in each jurisdiction[21] in which the reporting issuer is a reporting issuer; and

(c) each stock exchange in Canada on which securities of the reporting issuer are listed.[22]

(2) The notification of meeting and record date referred to in subsection (1) shall specify

(a) the name of the reporting issuer;

(b) the date fixed for the meeting;

(c) the record date for notice;

(d) the record date for voting, if any;

(e) the beneficial ownership determination date;

(f) the classes or series of securities that entitle the holder to receive notice of the meeting;

(g) the classes or series of securities that entitle the holder to vote at the meeting; and

(h) whether only routine business is to be conducted at the meeting.

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17 Subsection 1.4(2) has been amended from the July 1998 Draft National Instrument to permit an alternative form of electronic NOBO list to be used where both the party requesting and the party receiving the list agree. This will allow parties who mutually agree to adopt a form that takes advantage of improvements in technology without awaiting an amendment to the proposed National Instrument.

18 The term "regulator" is defined in National Instrument 14-101 Definitions as meaning, in a local jurisdiction, the person set out in an appendix to that instrument opposite the name of the local jurisdiction.

19 This section has been changed and the Appendix that was in the July 1998 Draft National Instrument has been eliminated. These changes remove the reference to specific fees that were contemplated by British Columbia in the July 1998 Draft National Instrument. The section permits fees to be prescribed, if desired and permitted, by individual jurisdictions. It continues to require fees to be reasonable in jurisdictions where no fees have been prescribed.

20 The minimum time between the record date for notice of a meeting and the meeting date has been reduced from 35 days, as provided for in the July 1998 Draft National Instrument, to 30 days. This reflects the shorter time period for sending now contained in sections 2.9 and 2.12 as compared to NP41. The change has been made to facilitate the calling of meetings on a more expedited basis than under NP41 and to conform more closely to timing requirements for sending to registered shareholders under corporate law.

21 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.

22 Section 2.2 has been amended from the July 1998 Draft National Instrument to specify the time for providing notification of a meeting. Subject to the provisions of section 2.20, this section requires that the notification be given at least 25 days before the record date for notice of a meeting. This is a return to the requirement contained in NP41.

Section 2.20 is new, and has been added to provide a mechanism for the shortening of some of the time periods contained in this Instrument. See the footnote to that section.

2.3 Intermediary Search Request - Request to Depository

(1) At the same time as a reporting issuer sends a notification of meeting and record dates for a meeting to a depository, the reporting issuer shall request the depository to send to the reporting issuer

(a) subject to section 2.4, a report that specifies the number of securities of the reporting issuer of each class or series that entitle the holder to receive notice of the meeting or to vote at the meeting that are currently registered in the name of the depository, the identity of any other person or company that holds securities of the reporting issuer of the series or class specified in the request on behalf of the depository and the number of those securities held by that other person or company;[23]

(b) subject to section 2.4, a list of all intermediaries and their nominees shown on the intermediary master list;

(c) subject to section 2.4, a list setting out the names, addresses, telephone numbers, fax numbers, any electronic mail addresses and respective holdings of participants in the depository of each class or series of securities that entitle the holder to receive notice of the meeting or to vote at the meeting; and

(d) the omnibus proxy required to be sent under subsection 5.4(1).

(2) In addition to making the request referred to in subsection (1) in connection with a meeting, a reporting issuer may request, at any time, a depository to send the information referred to in any or all of paragraphs (1)(a), (1)(b) and (1)(c) for any class or series of securities of the reporting issuer, and as of a date, specified by the reporting issuer in the request.

2.4 No Intermediary Search Request if Reporting Issuer has Electronic Access - A reporting issuer shall not request from the depository information referred to in paragraphs 2.3(1)(a), 2.3(1)(b) or 2.3(1)(c) if the information is included on a file maintained by the depository in electronic format and the reporting issuer has access to the file.

2.5 Request for Beneficial Ownership Information

(1) Subject to section 2.20, at least 20 days before the record date for notice of a meeting, the reporting issuer, using information provided by depositories under section 5.3 or referred to in section 2.4, shall complete Part 1 of a request for beneficial ownership information and send it to all proximate intermediaries identified by the depositories as holding the securities that entitle the holder to receive notice of the meeting or to vote at the meeting.[24]

(2) In addition to making the request referred to in subsection (1) in connection with a meeting, a reporting issuer, using information provided by depositories under section 5.3 or referred to in section 2.4, may make for any class or series of securities of the reporting issuer, at any time, a request for beneficial ownership information by completing Part 1 of a request for beneficial ownership information and sending it to any proximate intermediary identified as holding any securities of the reporting issuer.[25]

(3) A reporting issuer that makes a request for beneficial ownership information under either subsection (1) or subsection (2) that includes a request for NOBO lists shall provide a written undertaking to the proximate intermediary in the form of Form 54-101F9.[26]

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[23] Section 2.3 has been amended since the July 1998 Draft National Instrument to conform with section 5.3 by adding paragraph (a) to specify that the intermediary search request shall include a request for the identity of each entity that holds the specified securities on behalf of the depository and the respective holdings of each such entity. Conforming changes have been made to subsection 2.3(2) and section 2.4.

[24] Section 2.5 has been amended from the July 1998 Draft National Instrument to specify the time within which reporting issuers are required to send requests for beneficial ownership information to proximate intermediaries. Subject to the provisions of section 2.20, this section requires that the request be sent at least 20 days before the record dates for notice of a meeting.

[25] Subsection 2.5(2) has been amended from the July 1998 Draft National Instrument to clarify that a request for beneficial ownership information that is not in connection with a meeting may be for any class or series of securities (not just those carrying a right to receive notice of a meeting or to vote) and need not necessarily be addressed to all proximate intermediaries holding that class of securities.

[26] The CSA, in response to further consideration of comments received on both the February 1998 and July 1998 Drafts, have proposed that an undertaking be used to confirm the obligations of persons or companies with respect to beneficial owner lists, rather than a statutory declaration as contemplated in the July 1998 Draft. This is a return to the proposal in the February 1998 Draft. This change recognizes that a statutory declaration is not the most appropriate means of addressing promises with respect to future conduct as distinct from statements of existing fact.

(4) A reporting issuer that requests beneficial ownership information under this section shall do so through a transfer agent and shall be deemed to authorize the response to such request to be provided to the transfer agent.[27]

2.6 **No Depositories or Intermediaries are Registered Holders** - A reporting issuer is not subject to section 2.3 or 2.5 if none of the registered holders of its securities are depositories or intermediaries identified on the intermediary master list or if all of the information provided for in Part 2 of the request for beneficial ownership information is known to the reporting issuer.[28]

2.7 **Sending Proxy-Related Materials to Beneficial Owners** - A reporting issuer that is required by Canadian securities legislation to send proxy-related materials to the registered holders of any class or series of its securities shall, subject to section 2.10 and subsection 2.12(3) send the proxy-related materials to beneficial owners of the securities, by either sending

(a) directly to NOBOs, and indirectly under section 2.12 to OBOs; or

(b) indirectly under section 2.12 to beneficial owners.

2.8 **Other Securityholder Materials** - A reporting issuer may, but is not required by this Instrument to, send securityholder materials other than proxy-related materials to beneficial owners of its securities, by either sending

(a) directly to NOBOs, and indirectly under section 2.12 to OBOs; or

(b) indirectly under section 2.12 to beneficial owners.

2.9 **Direct Sending of Proxy-Related Materials to NOBOs by Reporting Issuer** - A reporting issuer that has stated in its request for beneficial ownership information sent in connection with a meeting that it will send proxy-related materials to, and seek voting instructions from, NOBOs shall, subject to section 2.10 and subsection 2.12(3), send, at its expense, at least 21 days before the date fixed for the meeting, the proxy-related materials for the meeting directly to the NOBOs on the NOBO lists received in response to the request.

2.10 **Sending Securityholder Materials Against Instructions** - Except as required by securities legislation, no reporting issuer that uses a NOBO list to send securityholder materials directly to NOBOs on the NOBO list shall send the securityholder materials to NOBOs that are identified on the NOBO list as having declined to receive those materials unless the reporting issuer has specified in the request for beneficial ownership information sent under section 2.5 in connection with the sending of materials that the securityholder materials will be sent to all beneficial owners of securities.[29]

2.11 **Disclose How Information Obtained** - A reporting issuer that uses a NOBO list to send securityholder materials directly to NOBOs on the NOBO list shall include in the materials the following statement:

> *"These securityholder materials are being sent to both registered and non-registered owners of the securities. The names and addresses of owners of the securities that are not registered holders, and information about their holdings of securities, have been obtained from intermediaries holding on behalf of those owners in accordance with applicable securities regulatory requirements."*

2.12 **Indirect Sending of Securityholder Materials by Reporting Issuer**

(1) A reporting issuer sending securityholder materials indirectly to beneficial owners shall send to each proximate intermediary that responded to the applicable request for beneficial ownership information the number of sets of those materials specified by that proximate intermediary

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[27] Subsection 2.5(4) is new and requires that requests for beneficial ownership information be made through a transfer agent. Transfer agent is defined in section 1.1. This change has been made to ensure that proximate intermediaries need deal with only a limited number of entities with respect to requests for beneficial ownership information. By limiting the number of parties requesting and receiving this information from proximate intermediaries greater efficiencies and economies of scale may be realized.

[28] Section 2.6 in the July 1998 Draft National Instrument referred to an "intermediary master register". This has been changed to refer to the "intermediary master list" to be consistent with the terminology used elsewhere in the proposed Instrument. Section 2.6 has also been amended to excuse reporting issuers from having to make intermediary search requests and requests for beneficial ownership information where they already have all of the information which would be provided in response to a request for beneficial ownership information. This amendment will, for example, excuse mutual fund issuers that maintain such information from complying with sections 2.3 and 2.5.

[29] The CSA are proposing to continue the approach contained in NP41 whereby reporting issuers may override the election of securityholders not to receive certain materials. A reporting issuer would state its intention in that regard in the request for beneficial ownership information sent in connection with the meeting.

(a) at least four business days before the twenty-first day before the date fixed for the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by prepaid mail other than first class mail[30];

(b) at least three business days before the twenty-first day before the date fixed for the meeting, in the case of all other proxy-related materials that are to be sent on by the proximate intermediary; or

(c) on the day specified in the request for beneficial ownership information, in the case of securityholder materials that are not proxy-related materials that are to be sent on by the proximate intermediary.

(2) A reporting issuer may satisfy its obligation to send securityholder materials to an intermediary under this section by sending the securityholder materials to a person or company designated by the intermediary.

(3) If a proximate intermediary in a foreign jurisdiction[31] holds securities on behalf of NOBOs and

(a) the law of the foreign jurisdiction prohibits the reporting issuer from sending securityholder materials directly to NOBOs; or

(b) the proximate intermediary has stated in response to a request for beneficial ownership information that the law in the foreign jurisdiction requires the proximate intermediary to deliver securityholder materials to beneficial owners,[32]

the reporting issuer shall not, in either case, send securityholder materials to those NOBOs and shall send to that proximate intermediary the number of sets of securityholder materials requested by the proximate intermediary in the response.

2.13 Fee for Search - A reporting issuer shall pay a fee to a proximate intermediary for furnishing the information requested in a request for beneficial ownership information made by the reporting issuer.

2.14 Fee for Sending Materials Indirectly

(1) A reporting issuer that sends securityholder materials indirectly to NOBOs through a proximate intermediary shall pay to the proximate intermediary, upon receipt by the reporting issuer of a certificate of sending to NOBOs in accordance with the instructions specified by the reporting issuer in the request for beneficial ownership information

(a) a fee for sending the securityholder materials to the NOBOs[33];

(b) the actual cost of any postage incurred by the proximate intermediary in sending the securityholder materials to the NOBOs in accordance with any mailing instructions specified by the reporting issuer in the request for beneficial ownership information; and

(c) if the securityholder materials were sent by mail other than first class mail in accordance with the mailing instructions specified by the reporting issuer in the request for beneficial ownership information, the reasonable additional handling costs associated with the preparation by the proximate intermediary of the securityholder materials for mailing to NOBOs.

(2) A reporting issuer that sends securityholder materials, indirectly through a proximate intermediary, to OBOs that have declined in accordance with this Instrument to receive those materials, shall pay to the proximate

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30 Paragraph 2.12(1)(a) has been added in conjunction with a change to section 4.2(2) in response to a comment received. It requires a reporting issuer that wishes to indirectly send proxy-related material by prepaid mail other than first-class mail to send the material to the proximate intermediary one day earlier than would be the case if the material is to be sent by other means. This change is intended to provide proximate intermediaries one extra day to complete the extra steps required when securityholder materials are to be sent by mail other than first-class mail.

31 The term "foreign jurisdiction" is defined in National Instrument 14-101 Definitions. The definition is "a country other than Canada, or political subdivision of a country other than Canada".

32 This section has been amended since the July 1998 Draft National Instrument to indicate that it applies not only where the law of a foreign jurisdiction prohibits the reporting issuer from sending securityholder material directly to NOBOs but also where the proximate intermediary has stated in response to a request for beneficial ownership information that the law in the foreign jurisdiction requires the proximate intermediary to deliver securityholder materials to beneficial owners. The section also has been amended to clarify that if the conditions in the section apply, the reporting issuer shall not send securityholder materials directly to the NOBOs.

33 An intermediary that sends documents electronically will be entitled to this fee, but not any charges referred to in paragraph (b). As provided by section 1.5, the fee must be reasonable.

intermediary, upon receipt by the reporting issuer of a certificate of sending to OBOs in accordance with the instructions specified by the reporting issuer in the request for beneficial information

(a) a fee for sending the securityholder materials to the OBOs;

(b) the actual cost of any postage incurred by the proximate intermediary in sending the securityholder materials to the OBOs in accordance with any mailing instructions specified by the reporting issuer in the request for beneficial ownership information; and

(c) if the securityholder materials were sent by mail other than first class mail in accordance with the mailing instructions specified by the reporting issuer in the request for beneficial information, the reasonable additional handling costs associated with the preparation by the proximate intermediary of the securityholder materials for mailing to OBOs.

2.15 Adjournment or Change in Meeting - A reporting issuer that is required to give a notice of adjournment or other change for a meeting to registered holders of its securities shall immediately send a notice of the adjournment or change, including any change in the beneficial ownership determination date, to

(a) each of the persons or companies referred to in subsection 2.2(1) and to the proximate intermediaries for the securities; and

(b) any other person or company to whom the reporting issuer sent the original notification of meeting and record dates under this Instrument.[34]

2.16 Explanation of Voting Rights - Proxy-related materials for a meeting sent to a beneficial owner of securities shall explain, in plain language, how the beneficial owner may exercise voting rights attached to the securities, including the right of the beneficial owner to attend and vote the securities directly at the meeting.[35]

2.17 Request for Voting Instructions - A reporting issuer that sends proxy-related materials that solicit votes or voting instructions directly to a NOBO shall prepare and include with the proxy-related materials, in substitution for the proxy otherwise contained in the proxy-related materials, a request for voting instructions for the matters to which the proxy-related materials relate for return to the reporting issuer.

2.18 Request for Legal Proxy - If a reporting issuer that has sent directly to a NOBO proxy-related materials for a meeting that solicit voting instructions receives a written request from the NOBO for a legal proxy for the meeting, the reporting issuer will arrange at no cost to the NOBO to deliver to the NOBO a legal proxy to the extent that the reporting issuer's management holds a proxy given directly by the registered holder or indirectly given by the registered holder through one or more other proxy holders in respect of the securities beneficially owned by the NOBO.[36]

2.19 Tabulation and Execution of Voting Instructions - A reporting issuer shall

(a) tabulate the voting instructions received from NOBOs in response to a request for voting instructions referred to in section 2.17; and

(b) through the actions of management of the reporting issuer, execute the voting instructions as instructed by the NOBOs, to the extent that the management of the reporting issuer holds the corresponding proxy.

2.20 Abridging Time - A reporting issuer may abridge the time prescribed in either or both of subsections 2.2(1) and 2.5(1) if the reporting issuer

(a) arranges

(i) to have proxy-related materials for the meeting sent in compliance with this Instrument to all beneficial owners at least 21 days before the date fixed for the meeting; and

(ii) to have carried out all of the requirements of this Instrument in addition to those described in subparagraph (i); and

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34 See section 3.2 of the proposed Companion Policy.

35 This section has been amended since the July 1998 Draft National Instrument to provide that the proxy-related material provided must include an explanation of the right of the beneficial owner to attend and vote the securities directly at the meeting and a description of how those rights may be exercised.

36 Form 54-101F8. Section 2.18 is a new section. It confirms that a NOBO that receives proxy-related material directly from a reporting issuer many request and receive a legal proxy and exercise its right to vote at a meeting. The legal proxy ensures that such persons who attend a meeting have legal authority to vote the securities that they beneficially own and to change any voting instructions previously given. This provision implements, in relation to reporting issuers that deal directly with NOBOs for a meeting, an obligation analogous to that imposed on registrants or custodians by Canadian securities legislation of some jurisdictions (including subsection 49(5) of the *Securities Act* (Ontario)).

(b) files at the time it files the proxy-related materials, a certificate of one of its officers reporting that it made the arrangements described in paragraph (a) and that the reporting issuer is relying upon this section.[37]

PART 3 INTERMEDIARIES' OBLIGATIONS CONCERNING THE OBTAINING OF BENEFICIAL OWNER INSTRUCTIONS

3.1 Intermediary Information to Depository

(1) An intermediary shall send, by the later of the date the intermediary commences business and the date this Instrument comes into force, notice to each depository of

(a) the intermediary's name and address;

(b) the name and address of each nominee of the intermediary in whose name the intermediary holds securities on behalf of beneficial owners; and

(c) the name, address, telephone number, fax number and any electronic mail address of a representative of the intermediary.

(2) An intermediary shall send notice to each depository of a change in the information contained in a notice given under this section within five business days after the change.

3.2 Instructions from New Clients - Subject to section 3.4, an intermediary that opens an account for a client shall, before the intermediary holds securities on behalf of the client in the account,

(a) send to the client an explanation to clients and a client response form and obtain instructions from the client on the matters to which the client response form pertains;

(b) obtain the electronic mail address of the client, if available; and

(c) enquire whether the client wishes to consent and if so, obtain consent of the client, to electronic delivery of documents[38].

3.3 Transitional - Instructions from Existing Clients - An intermediary that holds securities on behalf of a client in an account that was opened before this Instrument comes into force

(a) may seek new instructions from its client in relation to the matters to which the client response form pertains; and

(b) in the absence of new instructions from the client, shall rely on the instructions previously given or deemed to have been given by the client under NP41 in respect of that account, on the following basis:

1. If the client chose under NP41 to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is a NOBO under this Instrument.

2. If the intermediary was permitted under NP41 to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is a NOBO under this Instrument until the third anniversary of the date that this Instrument came into force.

3. If the client chose under NP41 not to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is an OBO under this Instrument.

4. If the client chose under NP41 not to receive material relating to annual or special meetings of securityholders or audited financial statements, or if the intermediary was permitted under NP41 not to provide that material to the client, the client is considered to have declined under this Instrument to receive

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[37] The changes to subsections 2.2(1) and 2.5(1) prescribe minimum periods for providing notification of a meeting and requesting beneficial ownership information. Section 2.20 is new. It allows the time frames in subsections 2.2(1) and 2.5(1) to be abridged where a reporting issuer files a certificate of one of its officers certifying that it has arranged to have carried out all of the requirements of the proposed National Instrument and to have proxy-related materials for the meeting sent to all beneficial owners at least 21 days before the date fixed for the meeting. Such arrangements must ensure that adequate time is allowed for intermediaries to receive, sort and send materials so that the materials are sent to the beneficial owners no later than 21 days before the relevant meeting.

[38] The CSA expect that intermediaries will review with their clients the costs and consequences associated with the options referred to in the client response from. Section 3.2 creates an obligation to seek instructions from all new clients. The default provisions in section 3.6 of the July 1998 Draft National Instrument that addressed the possibility that instructions might in some cases not be given have been deleted. In light of the absolute obligation in section 3.2 to obtain instructions for all new client accounts and the changes to section 3.3 with respect to transitional instructions for existing client accounts, such default provisions are considered unnecessary.

(a) proxy-related materials for meetings at which only routine business is to be conducted;

(b) annual reports and financial statements that are part of proxy-related materials for meetings referred to in paragraph (a); and

(c) materials sent to securityholders that are not required by corporate or securities law to be sent to registered securityholders.

5. If the client chose under NP41 to receive material relating to annual or special meetings of securityholders or audited financial statements, the client is considered to have chosen under this Instrument to receive all securityholder materials sent to beneficial owners of securities.

6. The client is considered to have chosen under this Instrument as the client's preferred language of communication the language that has been customarily used by the intermediary to communicate with the client; and

(c) shall obtain new instructions on the matters to which a client response form pertains from any client that is a NOBO under subparagraph 2 of paragraph (b) in sufficient time to obtain new instructions from the client before the third anniversary of the date that this Instrument came into force.[39]

3.4 Amending Client Instructions - A client may at any time change the instructions it has given or is deemed to have given in connection with any of the choices provided for in the client response form by advising the intermediary that holds securities on the client's behalf of the change.[40]

3.5 Application of Instructions to Accounts - The instructions given to an intermediary by a beneficial owner under this Part apply in respect of all securities held by the beneficial owner in the account of the intermediary identified in the client response form.

PART 4 INTERMEDIARIES' OTHER OBLIGATIONS

4.1 Request for Beneficial Ownership Information - Response

(1) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer, that pertains to a meeting, shall send to the reporting issuer, through the transfer agent of the reporting issuer that sent the request

(a) within three business days of receiving the request, the information referred to in Part 2 of the request for beneficial ownership information[41] other than Item 7; and

(b) if the request contains a request for a NOBO list, within three business days after the beneficial ownership determination date for the meeting specified in the request, the NOBO list and other information required in accordance with Item 7 of Part 2 of the

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[39] Section 3.3 has been amended since the July 1998 Draft National Instrument. The July 1998 Draft National Instrument contemplated that a proximate intermediary that wished to seek new instructions from existing clients would do so using Form 54-101F1. This section has been changed to delete the requirement that From 54-101F1 be used when new instructions are sought so as to allow proximate intermediaries greater flexibility in seeking new instructions from existing clients. This is in conformity with the new provisions in section 3.4 that address the ability of a client to change at any time the choices it made, or was deemed to have made, in the client response form. An existing client that does not respond to a new request for instructions will continue to be governed by the instructions previously given or deemed to have been given under NP41. This is a change from the July 1998 Draft National Instrument in which a failure to respond to a new request for instructions would have resulted in the client having been deemed to have made the default elections set out in section 3.6 of the July 1998 Draft National Instrument. This section has also been amended from the July 1998 Draft National Instrument to clarify that a securityholder that is deemed to have elected pursuant to NP41 not to receive all securityholder materials will not receive annual reports or financial statements that are part of proxy-related materials for meetings at which only routine business is to be conducted.

This section has also been changed to provide that a person that is deemed to be a NOBO under subparagraph 2 of paragraph 3.3(b) (i.e. the person did not respond to a client response card provided under NP41) will be deemed to be a NOBO for three years after this Instrument came into force. Paragraph 3.3(c) provides that the intermediary shall seek new instructions from that client before the expiry of the three year period. This change has been made to ensure that the Instrument conforms with the spirit of the *Personal Information Protection and Electronics Documents Act* (Canada) by placing limits on the extent to which personal information may be provided without explicit instructions from the relevant person.

[40] Section 3.4 is new. It makes explicit the ability of a client to change the instructions it has previously given or is deemed to have given with respect to the matters addressed in the client response form.

[41] Form 54-101F2.

request for beneficial ownership information as at the beneficial ownership determination date of the meeting[42]; and

(c) within three business days after the beneficial ownership determination date for the meeting specified in the request, if the request stated that the reporting issuer will send proxy-related materials to, and seek voting instructions from, NOBOs, a form of omnibus proxy that appoints management of the reporting issuer as the proximate intermediary's proxy holder for the securities held, as of the beneficial ownership determination date, on behalf of each NOBO identified on the NOBO list, in respect of which the proximate intermediary is either the registered holder or proxy holder.

(2) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer that pertains to the sending of securityholder materials other than in connection with a meeting shall, within three business days of receiving the request, send to the reporting issuer, through the transfer agent of the reporting issuer that sent the request, the NOBO lists if applicable and the other information referred to in Part 2 of the request for beneficial ownership information.

(3) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer that contains a request for a NOBO list but does not pertain to a meeting or the sending of securityholder materials shall, within three business days of receiving the request, send to the reporting issuer, through the transfer agent of the reporting issuer that sent the request, the NOBO lists if applicable and the other information referred to in Part 2 of the request for beneficial ownership information.[43]

(4) The response of a proximate intermediary to a reporting issuer given under this section shall be a consolidated response relating to all beneficial owners of each class and series of securities, specified in the request for beneficial ownership information, that hold, directly or indirectly, through the proximate intermediary.

(5) An intermediary holding securities, directly or indirectly, through a proximate intermediary, shall take all necessary steps to ensure that the proximate intermediary is provided with the information required to enable it to satisfy its obligations under this section within the times required by this section.

(6) An intermediary is not required under this Instrument to provide ownership information concerning an OBO to any person or company.

4.2 Sending of Securityholder Materials to Beneficial Owners by Intermediaries

(1) Subject to sections 4.3 and 4.7, a proximate intermediary that receives securityholder materials from a reporting issuer for sending to beneficial owners shall send

(a) one set of the materials to each OBO of the relevant securities that is a client of the proximate intermediary;

(b) one set of the materials to each NOBO of the relevant securities if the reporting issuer stated in the applicable request for beneficial ownership information, or otherwise advised the proximate intermediary, that the reporting issuer will send the materials to NOBOs indirectly through intermediaries; and

(c) appropriate quantities of materials to all intermediaries holding securities of the relevant class or series that are clients of the proximate intermediary, for sending by them under subsection (3).

(2) A proximate intermediary shall comply with subsection (1)

(a) within at least four business days after receipt in the case of securityholder materials to be sent by prepaid mail other than first class mail;

(b) within at least three business days after receipt in the case of securityholder materials to be sent by any other means.[44]

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[42] The requirement in the July 1998 Draft National Instrument that a NOBO list requested in connection with a meeting be in electronic form has been deleted. Amendments to the request for beneficial ownership information form, however, now specify that if a proximate intermediary is able to do so, it must respond to requests for a NOBO list by providing the list in electronic format.

[43] Subsection 4.1(3) has been amended to clarify that it pertains to requests that pertain to neither a meeting nor the sending of securityholder materials. The July 1998 Draft National Instrument indicated that this subsection only applied to requests that did not relate to a meeting.

[44] Subsection 4.2(2) has been added in conjunction with a change to section 2.12 in response to a comment received. It allows proximate intermediaries four business days rather than three business days to send securityholder materials where the materials are to be

(3) An intermediary that receives securityholder materials from another intermediary under this section shall send, within one business day of receipt

(a) one set of the materials to each OBO that is a client of the intermediary; and

(b) appropriate quantities of the materials to all intermediaries holding securities of the relevant class or series that are clients of the intermediary for sending by them under this subsection.

(4) The persons or companies to whom securityholder materials are sent under this section shall be determined

(a) as at the beneficial ownership determination date, in the case of proxy-related materials; and

(b) as at the date specified in the relevant request for beneficial ownership information, in the case of securityholder materials not sent in connection with a meeting.

(5) An intermediary may satisfy its obligation to send securityholder materials to another intermediary under this section by sending the securityholder materials to a person or company designated by the other intermediary.

4.3 Sending Securityholder Materials Against Instructions - An intermediary that receives securityholder materials that are to be sent to a beneficial owner of securities shall not send the securityholder materials to the beneficial owner if the beneficial owner has declined in accordance with this Instrument to receive those materials unless the reporting issuer has specified in the request for beneficial ownership information sent under section 2.5 in connection with the sending of the securityholder materials that the securityholder materials shall be sent to all beneficial owners of securities.[45]

4.4 Request for Voting Instructions - An intermediary that receives proxy-related materials that solicit votes or voting instructions from securityholders, for sending by the intermediary to beneficial owners of the securities, shall prepare and include with the proxy-related materials that it sends to the beneficial owners, in substitution for the proxy otherwise contained in the proxy-related materials, a request for voting instructions for the matters to which the proxy-related materials relate for return to the intermediary.

4.5 Request for Legal Proxy - An intermediary that receives a written request from a beneficial owner for a legal proxy for securities the intermediary holds on behalf of the beneficial owner as at the beneficial ownership determination date for a meeting shall send to the beneficial owner a legal proxy to the extent that the intermediary then holds a proxy directly given by the registered holder, or indirectly given by the registered holder through one or more other proxy holders, in connection with the securities held by the intermediary for the beneficial owner.[46]

4.6 Tabulation and Execution of Voting Instructions - An intermediary shall

(a) tabulate voting instructions received from beneficial owners of securities in response to a request for voting instructions sent by the intermediary under section 4.4; and

(b) for each beneficial owner, execute the voting instructions received from the beneficial owner to the extent that the intermediary holds a proxy directly given by the registered holder, or indirectly given by the registered holder through one or more other proxy holders, in respect of the securities held by the intermediary for the beneficial owner.

4.7 Securities Legislation - Despite any other provision of this Part, nothing in this Part requires a person or company to send securityholder materials to a beneficial owner if securities legislation specifically permits the person or company to decline to send those materials to the beneficial owner.[47]

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sent by mail other than first-class mail. This change is intended to provide proximate intermediaries one extra day to complete the extra steps required when securityholder materials are to be sent by mail other than first-class mail.

[45] When securityholder materials are sent indirectly to beneficial owners who have declined to receive them, the reporting issuer is required to pay the costs of sending under section 2.14.

[46] Form 54-101F8. This is a new section. It contemplates that a beneficial owner that receives proxy-related materials may, as an alternative to providing voting instructions, request a legal proxy and exercise its right to vote at the meeting. The legal proxy ensures that such a beneficial owner who attends a meeting has legal authority to vote the securities that it beneficially owns and to change any voting instructions previously given by the beneficial owner. Similar to section 2.18, this section imposes on intermediaries analogous obligations to those imposed on registrants and custodians by Canadian securities legislation of some jurisdictions (including subsection 49(5) of the *Securities Act* (Ontario)).

[47] Section 4.7 is new, and recognizes that the provisions of the securities legislation of some jurisdictions specifically permit intermediaries to decline to forward securityholder materials to beneficial owners unless arrangements have been made for the payment to the intermediary for so doing. The CSA do not intend to override these provisions in this Instrument. This change is made in conjunction with the deletion of section 3.7 of the July

PART 5 DEPOSITORIES

5.1 Intermediary Master List - A depository shall maintain a current list of intermediaries containing the information received by the depository from intermediaries under section 3.1 and shall send a copy of that list to any new depository recognized under this Instrument.

5.2 Index of Meeting and Record Dates

(1) A depository shall maintain an index of pending meetings containing the information that it receives from reporting issuers under section 2.2.

(2) A depository shall arrange for the timely publication of the information it receives from a reporting issuer under section 2.2 in the national financial press and may charge the reporting issuer a publication fee in a reasonable amount for the publication.

5.3 Depository Response to Intermediary Search Request by Reporting Issuer - Within two business days of its receipt of an intermediary search request from a reporting issuer, a depository shall send to the reporting issuer a report, containing information that is as current as possible[48], that

(a) specifies the number of securities of the reporting issuer of the series or class specified in the request that are registered in the name of the depository, the identity of any other person or company that holds on behalf of the depository securities of the reporting issuer of the series or class specified in the request and the number of such securities held by that other person or company[49];

(b) specifies the names, addresses, telephone numbers, fax numbers, any electronic mail addresses and respective holdings of participants in the depository of securities of the series or class specified in the request, on whose behalf the depository holds securities; and

(c) contains a copy of the intermediary master list.

5.4 Depository to send Participant Omnibus Proxy to Reporting Issuer

(1) Within two business days after the beneficial ownership determination date specified in the notification of meeting and record dates referred to in section 2.2, the depository shall send to the reporting issuer an omnibus proxy, appointing each participant, on whose behalf, and to the extent that, the depository holds, as of the beneficial ownership determination date, securities that entitle the holder to vote at the meeting, as the depository's proxy holder in respect of the securities held by the depository on behalf of the participant.

(2) The depository shall send to each of the participants named in an omnibus proxy referred to in subsection (1), at the same time as the depository sends the omnibus proxy to the reporting issuer, confirmation of the proxy given by the depository.

PART 6 OTHER PERSONS OR COMPANIES

6.1 Requests for NOBO Lists from a Reporting Issuer

(1) Any person or company may request from a reporting issuer the most recently prepared NOBO list, for any proximate intermediary holding securities of the reporting issuer, that is in the reporting issuer's possession.

(2) A request for a NOBO list under this section shall be accompanied by an undertaking in the form of Form 54-101F9[50] of the person or company making the request.

(3) The person or company making a request under subsection (1) shall pay a fee to the reporting issuer for preparing the NOBO list for sending under this section.[51]

(4) A reporting issuer shall send any NOBO list requested under this section, within ten days of receipt of both the request and the fee for

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conjunction with the deletion of section 3.7 of the July 1998 Draft National Instrument, which provided that OBOs were required to bear the costs of confidentiality. The CSA have resolved to be silent on that issue and allow the market to permit how the costs of delivery to OBOs will be borne where the matter is not addressed by local rule.

[48] Section 5.3 does not specify as of what date the required report is to be accurate. It is expected that the report will be reasonably current.

[49] Section 5.3 has been amended since the July 1998 Draft National Instrument to clarify that the response to an intermediary search request must specify each entity that holds the specified securities on behalf of the depository and the respective holdings of each such entity. The section has also been amended to stipulate that the response to an intermediary search request include the telephone numbers, fax numbers and electronic addresses of participants in the relevant depository.

[50] The form has been revised to be an undertaking rather than a statutory declaration.

[51] Subsection 6.1(3) is new and specifically provides for the fee referred to in subsection 6.1(4).

preparing the list for sending under this section[52].

(5) A reporting issuer shall delete from any NOBO list sent under this section any reference to FINS numbers referred to in any form and any other information that would identify the intermediary through which a NOBO holds securities.[53]

6.2 Other Rights and Obligations of Persons and Companies other than Reporting Issuers

(1) A person or company may take any action permitted under this Instrument to be taken by a reporting issuer and, in so doing, has all the rights, and is subject to all of the obligations, of a reporting issuer in connection with that action.

(2) In connection with actions taken under subsection (1) by a person or company, references in this Instrument and the forms referred to in this Instrument to a "reporting issuer" shall be read as references to that person or company and all other persons and companies will have the same obligations under this Instrument to that person or company as they would have if the person or company were a reporting issuer.

(3) Subsections (1) and (2) do not apply to sections 2.1, 2.2, subsections 2.3(1) and 2.5(1), section 2.18, paragraph 4.1(1)(c), section 5.4 and this Part.

(4) A person or company that sends an intermediary search request under subsection 2.3(2) or a request for beneficial ownership information under subsection 2.5(2) shall concurrently send a copy of that request to the reporting issuer of the securities to which the request relates.

(5) A person or company other than the reporting issuer to which the request relates that makes an intermediary search request under subsection 2.3(2) or a request for beneficial ownership information under subsection 2.5(2) shall provide an undertaking in the form of Form 54-101F9.[54]

PART 7 PROHIBITED USE

7.1 **Use of NOBO List** - No reporting issuer or other person or company shall use a NOBO list or a report prepared under section 5.3 relating to the reporting issuer and obtained under this Instrument, except in connection with

(a) sending securityholder materials to NOBOs in accordance with this Instrument;

(b) an effort to influence the voting of securityholders of the reporting issuer;

(c) an offer to acquire securities of the reporting issuer; or

(d) any other matter relating to the affairs of the reporting issuer.

7.2 **Trafficking in Information Prohibited** - Except as permitted by this Instrument, no person or company shall offer for sale or sell or purchase or otherwise traffic in any information obtained under this Instrument.

PART 8 MISCELLANEOUS

8.1 **Default of Party in Communication Chain** - If a person or company fails to send information or materials in accordance with the requirements of this Instrument, the person or company whose required response or action under this Instrument is dependent upon receiving the information or materials shall use reasonable efforts to obtain the information or materials from the other person or company, and in so doing is exempt from the timing provisions of this Instrument in connection with the response or action to the extent that the delay arose from the failure of the other person or company.

8.2 **Right to Proxy** - Nothing in this Instrument shall be interpreted to restrict in any way

(a) a beneficial owner's right to demand and to receive from an intermediary holding securities on behalf of the beneficial owner a proxy enabling the beneficial owner to vote the securities; or

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52 Subsection 6.1(4) has been amended from the July 1998 Draft National Instrument to extend to ten days from three business days the time within which the reporting issuer must respond to a request for an existing NOBO list. This is consistent with the time prescribed by the Canada Business Corporations Act for responding to requests for a securityholder list.

53 A NOBO list with FINS numbers will only be provided under section 6.2 where the list is sought by a reporting issuer in conjunction with a meeting of its securityholders in circumstances in which the issuer is sending proxy-related materials as per paragraph 4.1(1)(c). The FINS number should not be required in circumstances where it is not necessary to reconcile voting instructions and/or proxies.

54 The reference to statutory declaration which appeared in the July 1998 Draft National Instrument has been changed to undertaking to reflect the change made to Form 54-101F9.

(b) the right of a depository or intermediary to vary an omnibus proxy in respect of securities to properly reflect a change in the registered or beneficial ownership of the securities.

PART 9 EXCEPTIONS AND EXEMPTIONS

9.1 Audited Annual Financial Statements or Annual Report - The time periods applicable to sending of proxy-related materials prescribed in this Instrument do not apply to the sending of proxy-related materials that are annual financial statements or an annual report if the statements or report are sent directly or indirectly in accordance with the Instrument to beneficial owners of the securities within the time limitations established in applicable corporate law and securities legislation for the sending of the statements or report to registered holders of the securities.

9.2 Exemptions

(1) The regulator[55] 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.

PART 10 EFFECTIVE DATES

10.1 Effective Date of Instrument - This Instrument comes into force on July 1, 2001.

10.2 Sending of Proxy-Related Materials

(1) Proxy-related materials for a meeting held on or after July 1, 2001 and before January 1, 2002 shall be sent in accordance with NP41 as if NP41 were in force in the local jurisdiction.

(2) This Instrument applies to the sending of proxy-related materials for a meeting held on or after January 1, 2002.

10.3 Sending of Other Securityholder Materials - Subject to section 10.4, this Instrument applies to the sending of securityholder materials other than proxy-related materials on or after July 1, 2001.

10.4 NOBO Lists - No person or company shall be obliged to furnish a NOBO list under this Instrument before September 1, 2001.

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[55] The term "regulator" is defined in National Instrument 14-101 Definitions as meaning, in a local jurisdiction, the person set out in an appendix to that instrument opposite the name of the local jurisdiction.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F1
EXPLANATION TO CLIENTS AND CLIENT RESPONSE FORM

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.
The use of this Form is referenced in sections 1.1, 3.2, 3.3, 3.4 and 3.5 of National Instrument 54-101.

EXPLANATION TO CLIENTS

[Letterhead of Intermediary]

Based on your instructions, the securities in your account with us are not registered in your name but in our name or the name of another person or company holding your securities on our behalf. The issuers of the securities in your account may not know the identity of the beneficial owner of these securities.

We are required under securities law to obtain your instructions concerning various matters relating to your holding of securities in your account.

Disclosure of Beneficial Ownership Information

Securities law permits reporting issuers and other persons and companies to send materials related to the affairs of the reporting issuer directly to beneficial owners of the reporting issuer's securities if the beneficial owner does not object to having information about it disclosed to the reporting issuer or other persons and companies. Part 1 of the client response form allows you to tell us if you **OBJECT** to the disclosure by us to the reporting issuer or other persons or companies of your beneficial ownership information, consisting of your name, address, electronic mail address, securities holdings and preferred language of communication. Securities legislation restricts the use of your beneficial ownership information to matters relating to the affairs of the reporting issuer.

If you **DO NOT OBJECT** to the disclosure of your beneficial ownership information, please mark the second box on Part 1 of the form. In those circumstances, you will not be charged with any costs associated with sending securityholder materials to you.

If you **OBJECT** to the disclosure of your beneficial ownership information by us, please mark the first box in Part 1 of the form. If you do this, all materials to be delivered to you as a beneficial owner of securities will be delivered by us. *[**Instruction**: Disclose particulars of any fees or charges that the intermediary may require an objecting beneficial owner to pay in connection with the sending of securityholder materials.]*

Receiving Securityholder Materials

For securities that you hold through your account, you have the right to receive proxy-related materials sent by reporting issuers to registered holders of their securities in connection with meetings of such securityholders. Among other things, this permits you to receive the necessary information to allow you to have your securities voted in accordance with your instructions at a securityholder meeting. [***Optional**: Revise this paragraph, if appropriate, to state that objecting beneficial owners will not receive materials unless they or the relevant issuers bear the costs.*]

In addition, reporting issuers may choose to send other securityholder materials to beneficial owners, although they are not obliged to do so.

Securities law permits you to decline to receive three types of securityholder materials. Securities law does not provide for you to decline to receive other types of securityholder materials. The three types of material that you may decline to receive are:

(a) proxy-related materials that are sent in connection with a securityholder meeting at which only "routine business"[1] is to be conducted;

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[1] "Routine business" means:
(i) consideration of the minutes of an earlier meeting;
(ii) consideration of financial statements of the reporting issuer or an auditors' report on the financial statements of the reporting issuer;
(iii) election of directors of the reporting issuer;
(iv) the setting or changing of the number of directors to be elected within a range permitted by corporate law if no change to the

(b) annual reports and financial statements that are part of proxy-related materials sent in connection with a securityholder meeting at which only "routine" business is to be conducted; and

(c) materials that a reporting issuer or other person or company sends to securityholders that are not required by corporate or securities law to be sent to registered securityholders.

Part 2 of the client response form allows you to receive all materials sent to beneficial owners of securities or to decline to receive the three types of materials referred to above.

If you want to receive **ALL** materials that are sent to beneficial owners of securities, please mark the first box on Part 2 of the enclosed client response form. If you want to **DECLINE** to receive the three types of materials referred to above, please mark the second box in Part 2 of the form.

*(**Note**: Even if you decline to receive the three types of materials referred to above, a reporting issuer or other person or company is entitled to deliver these materials to you, provided that the reporting issuer or other person or company pays all costs associated with the sending of these materials. These materials would be delivered to you through your intermediary if you have objected to the disclosure of your beneficial ownership information to reporting issuers.)*

Preferred Language of Communication

Part 3 of the client response form allows you to tell us your preferred language of communication (English or French). You will receive materials in your preferred language of communication if the materials are available in that language.

Electronic Delivery of Documents

Securities law permits us to deliver some documents by electronic means if the consent of the recipient to the means of delivery has been obtained. Please provide your electronic mail address if you have one. *[**Instruction**: Either state (1) if the client wishes to receive documents by electronic delivery, the client should complete, sign and return the enclosed consent form with the client response form or (2) inform the client that electronic delivery of documents may be available upon his or her consent, and provide information as to how the client may provide that consent.]*

CONTACT

If you have any questions or want to change your instructions in the future, please contact [name] at [phone number] or [address, fax number, electronic mail address and/or website].

constating documents of the reporting issuer is required in connection with that action; and

(v) reappointment of an incumbent auditor of the reporting issuer.

CLIENT RESPONSE FORM

TO: [NAME OF INTERMEDIARY]

Account Number(s) _____

I have read and understand the explanation to clients that you have provided me in connection with this form and the choices indicated by me apply to all of the securities held in the above account(s).

PART 1 - Disclosure of Beneficial Ownership Information

*Please mark the corresponding box to show whether you **DO NOT OBJECT** or **OBJECT** to us disclosing your name, address, electronic mail address, securities holdings and preferred language of communication (English or French) to issuers of securities you hold with us and to other persons or companies in accordance with securities law. **[Optional:** For clients that **OBJECT**, disclose particulars of any fees or charges that the intermediary may require the client to pay in connection with the sending of securityholder materials.] **[Note:** The client response form may contain a place where an objecting beneficial owner can indicate its agreement to pay costs of delivery of securityholder materials that are not borne or required to be borne by another person or company.]*

☐ **I DO NOT OBJECT to you disclosing the information described above.**

☐ **I OBJECT to you disclosing the information described above.**

PART 2 - Receiving Securityholder Materials

*Please mark the corresponding box to show whether you **WANT** to receive **ALL** materials sent to beneficial owners of securities or whether you **DECLINE** to receive all of the following materials: (a) proxy-related materials for meetings at which only routine business is to be conducted; (b) annual reports and financial statements that are part of proxy-related materials for meetings referred to in paragraph (a); and (c) materials sent to securityholders that are not required by corporate or securities law to be sent.*

☐ **I WANT to receive ALL securityholder materials sent to beneficial owners of securities.**

☐ **I DECLINE to receive all of the following materials: (a) proxy-related materials for meetings at which only "routine business" is to be conducted; (b) annual reports and financial statements that are part of proxy-related materials for meetings referred to in paragraph (a); and (c) materials sent to securityholders that are not required by corporate or securities law to be sent. *(Even if I decline to receive these types of materials, I understand that a reporting issuer or other person or company is entitled to send these materials to me at its expense.)***

(Note: These instructions do not apply to any specific request you give or may have given to a reporting issuer concerning the sending of interim financial statements of the reporting issuer.)

PART 3 - Preferred Language of Communication

Please mark the corresponding box to show your preferred language of communication.

☐ **ENGLISH**

☐ **FRENCH**

I understand that the materials I receive will be in my preferred language of communication if the materials are available in that language.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F2
REQUEST FOR BENEFICIAL OWNERSHIP INFORMATION

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.
The use of this Form is referenced in sections 1.1, 2.5, 2.6, 2.9, 2,10, 2.12, 2.13, 2.14 and 4.1, 4.2, 4.3 and 6.2 of National Instrument 54-101.
References in this Form should be amended as appropriate to refer to any person or company using this Form in accordance with section 6.2 of National Instrument 54-101.

PART 1

REPORTING ISSUER INFORMATION

Item 1 - Name and address of the reporting issuer.

State the name and address of the reporting issuer.

Item 2 - Contact person(s)

State the name, address, telephone number, facsimile number and any electronic mail address or website of the contact person(s) of the reporting issuer, or of the reporting issuer's agent, if applicable, with whom the intermediary should deal.

State the billing address of the reporting issuer or of the reporting issuer's agent if different.

Item 3 - Name and ISIN[2] number of each class or series of securities to be searched

State the name and ISIN number of each class or series of securities of the reporting issuer for which information is requested.

Item 4 - Purpose of the request for beneficial ownership information

State whether the request is being made

(a) in connection with neither a meeting nor the sending of securityholder materials;

(b) for the purpose of obtaining a NOBO list, and in connection with sending securityholder materials, but not in connection with a meeting;

(c) for the purpose of obtaining a NOBO list, and in connection with a meeting;

(d) in connection with sending securityholder materials, not in connection with a meeting, and without a NOBO list being requested; or

(e) in connection with a meeting, without a NOBO list being requested.

Item 5 - Information to be Included or Requested if Item 4(a) is Applicable

5.1 If a NOBO list is desired, request a NOBO list without FINS number information.

5.2 If desired, request information on the number of OBOs and NOBOs of the reporting issuer, indicating the number of each that have declined to accept materials to the extent applicable and the number of OBOs and NOBOs who have consented to electronic delivery of documents.

5.3 Specify the date as of which the NOBO list or the information referred to in item 5.2 is to be prepared.

5.4 If a NOBO list is requested, confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

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2 "ISIN" means International Stock Identification Number.

Item 6 - Information to be Included or Requested if Item 4(b) is Applicable

6.1 Request a NOBO list without FINS number information.

6.2 Provide an itemized list of the securityholder materials to be sent.

6.3 Indicate whether the securityholder materials are available in English or French only or in both English and French.

6.4 State whether the reporting issuer will send the materials directly to NOBOs or whether the reporting issuer will send the materials to the proximate intermediary for sending to NOBOs.

6.5 State the date as of which information provided in response to the request, including the NOBO lists, is to be provided.

6.6 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 6.2.

6.7 State whether the materials are to be sent by first class mail to the beneficial owners of securities and if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201.]*

6.8 Confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

6.9 If the securityholder materials are to be sent to all beneficial owners of securities, including beneficial owners that have declined to receive them, so state.

Item 7 - Information to be Included or Requested if Item 4(c) is Applicable

7.1 Request a NOBO list. If the reporting issuer will send proxy-related materials directly to NOBOs and seek voting instructions from NOBOs, specify that the NOBO list will include FINS number information. Otherwise, specify that the NOBO list will exclude FINS number information.

7.2 Provide an itemized list of the proxy-related materials to be sent.

7.3 Indicate whether the proxy-related materials are available in English or French only or in both English and French.

7.4 State whether the reporting issuer will send the materials directly to NOBOs or whether the reporting issuer will send the materials to the proximate intermediary for sending to NOBOs. If the reporting issuer will send materials directly to NOBOs, state whether the reporting issuer will be seeking voting instructions from NOBOs in connection with the meeting.

7.5 State:

(a) the type of meeting (annual, special or annual and special) and whether only routine business is to be conducted at the meeting;

(b) the beneficial ownership determination date of the meeting;

(c) the date, time and place of meeting; and

(d) the cut-off date and time for proxy receipt, if applicable.

7.6 State the name and ISIN number of each class or series of securities that carry the right to receive notice of the meeting or the right to vote at the meeting.

7.7 State that the information to be provided in response to the request, including the NOBO list, is to be provided as at the beneficial ownership determination date of the meeting.

7.8 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 7.2.

7.9 State whether the materials are to be sent by first class mail to the beneficial owners of securities and if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201.]*

7.10 Confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

7.11 If the securityholder materials are to be sent to all beneficial owners of securities, including beneficial owners that have declined to receive them, so state.

Item 8 - Information to be Included or Requested if Item 4(d) is Applicable

8.1 Provide an itemized list of the securityholder materials to be sent.

8.2 Indicate whether the securityholder materials are available in English or French only or in both English and French.

8.3 State the date as at which information provided in response to the request is to be provided.

8.4 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 8.1.

8.5 State whether the materials are to be sent by first class mail to the beneficial owners of securities, and, if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201.]*

8.6 If the securityholder materials are to be sent to all beneficial owners of securities, including beneficial owners that have declined to receive them, so state.

Item 9 - Information to be Included or Requested if Item 4(e) is Applicable

9.1 Provide an itemized list of the proxy-related materials to be sent.

9.2 Indicate whether the proxy-related materials are available in English or French only or in both English and French.

9.3 State:

(a) the type of meeting (annual, special or annual and special) and whether only routine business is to be conducted at the meeting;

(b) the beneficial ownership determination date of the meeting;

(c) the date, time and place of meeting; and

(d) the cut-off date and time for proxy receipt, if applicable.

9.4 State the name and ISIN number of each class or series of securities that carry the right to receive notice of the meeting or the right to vote at the meeting.

9.5 State that the information to be provided in response to the request is to be provided as at the beneficial ownership determination date of the meeting.

9.6 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 9.1.

9.7 State whether the materials are to be sent by first class mail to the beneficial owners of securities and, if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201.]*

9.8 If the securityholder materials are to be sent to all beneficial owners of securities, including beneficial owners that have declined to receive them, so state.

Item 10 - Payment of Costs of Sending to OBOs

10.1 State whether the reporting issuer will pay the costs associated with the delivery of the securityholder materials to OBOs by intermediaries.

Part 2

PROXIMATE INTERMEDIARY RESPONSE

Item 1 - Name and address of proximate intermediary

State the name and address of the proximate intermediary.

Item 2 - Contact person

State the name, telephone number, fax number and any electronic mail address and website of the contact person(s) of the proximate intermediary, or of the proximate intermediary's agent, if applicable, with whom the reporting issuer should deal.

Item 3 - Consolidation of replies

3.1 If applicable, provide a list of

(a) all nominees and depositories who hold securities on behalf of the proximate intermediary; and

(b) all nominees, depositories and other intermediaries for whom the proximate intermediary, directly or indirectly, holds securities.

3.2 Provide a list showing the number and class of securities held by each of the persons or companies referred to in Item 3.1.

3.3 Confirm that the information provided in the response includes securities held through those nominees, depositories and intermediaries holding, directly or indirectly, through the proximate intermediary.

Item 4 - Address for receipt of materials

If the request for beneficial ownership information was made either in connection with sending securityholder materials apart from a meeting, or in connection with a meeting, provide, if different from the information provided under Item 2, the name and municipal address to which the materials are to be sent for forwarding by the intermediary to beneficial owners or other intermediaries.

Also provide the name, telephone number, fax number and any electronic mail address and website of the contact person at that address if different from the information provided under item 2.

Item 5 - Number of sets of materials required for forwarding by proximate intermediary to beneficial owners

5.1 Unless the request for beneficial ownership information was made only to obtain NOBO lists, state the number, including the number required in each case in English and French, of materials specified in Part 1 of this form required for forwarding by the proximate intermediary to beneficial owners. If the proximate intermediary is in a foreign jurisdiction and the law in that jurisdiction requires the proximate intermediary to send securityholder materials to beneficial owners including NOBOs, this fact may be stated and the number of sets of materials specified may include the number required for such NOBOs.

5.2 If the reporting issuer has specified that it will send documents electronically, state the

(a) aggregate number of beneficial owners that hold securities, directly or indirectly, through the proximate intermediary; and

(b) the aggregate number of the beneficial owners referred to in paragraph (a) that have consented to electronic delivery of the documents by the intermediary through whom they hold the relevant securities.

5.3 State the number of OBOs with addresses, as shown in the records of the intermediary through which the OBO holds securities, in each jurisdiction.

Item 6 - Preliminary Search Information

If the request for beneficial ownership information was made to receive information under item 5.2 of the request, provide information on the number of OBOs and NOBOs of the reporting issuer, indicating the number of each that have declined to receive materials in accordance with the Instrument.

Item 7 - NOBO Lists

If a NOBO list was requested and if the proximate intermediary is able to provide the list in electronic form in the form of Form 54-101F5, confirm that the proximate intermediary shall send it electronically in that form. If a NOBO list was requested and if the proximate intermediary is unable to provide the list electronically in the form of Form 54-101F5, enclose the list with the response. Unless the request for beneficial ownership information stated that the request was being made for the purpose of obtaining NOBO lists and in connection with a meeting where the reporting issuer would be sending materials to NOBOs and seeking voting instructions from NOBOs, exclude from the NOBO list the FINS number information.

Item 8 - Confirmation of the search

Confirm the completeness and accuracy of the foregoing information.

Item 9 - Warning

If NOBO lists were requested, the response shall contain the following statement:

WARNING: IT IS AN OFFENCE TO USE A NOBO LIST FOR PURPOSES OTHER THAN IN CONNECTION WITH:

a. sending securityholder materials to NOBOs in accordance with National Instrument 54-101;

b. an effort to influence the voting of securityholders of the reporting issuer;

c. an offer to acquire securities of the reporting issuer; or

d. any other matter relating to the affairs of the reporting issuer.

Item 10 - Non-Delivery to OBOs

10.1 State whether the proximate intermediary or any other intermediaries on whose behalf the proximate intermediary holds securities are entitled to decline to send, and will not send, securityholder materials to an OBO unless the OBO, or the relevant issuer, pay the costs of sending. *[This provision is not necessary if a reporting issuer has indicated in Form 54-102F2 that it will pay the costs of the intermediaries sending materials to OBOs.]*

10.2 Estimate the number of OBOs and their aggregate approximate holdings in securities of the reporting issuer that hold through the intermediaries referred to in item 10.1.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F3
OMNIBUS PROXY (DEPOSITORIES)

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 2.3, 5.4 and 8.2 of National Instrument 54-101.

[Letterhead of Depository]

OMNIBUS PROXY

Subject to the paragraph that follows, [the undersigned], being a registered holder or proxy holder in respect of securities of the reporting issuer specified below, as at the beneficial ownership determination date, hereby appoints each of the persons or companies identified in the attached schedule, in respect of the corresponding securities referred to below, with power of substitution in each, to attend, vote and otherwise act for and on behalf of [the undersigned] to the extent of the number of securities specified, in respect of all matters that may come before the meeting of securityholders described below, and at any adjournment or continuance thereof.

The appointees shall not vote, or give a proxy requiring or authorizing another person or company to vote, the securities represented by this omnibus proxy except in accordance with voting instructions received from the beneficial owners whose securities are represented by this omnibus proxy or in accordance with other legal authority to vote the securities.

This instrument supersedes and revokes any prior appointment of proxy made by [the undersigned] with respect to the voting of the securities specified below at such meeting, or at any adjournment thereof.

Reporting issuer: _____

Class/Series of Security: _____

ISIN Number: _____

Number of Securities: _____

Date of Meeting: _____

Beneficial Ownership Determination Date: _____

[Include date and signature]

Schedule to Form 54-101F3

[Letterhead of Depository]

SCHEDULE TO OMNIBUS PROXY

Participant Security Positions

Reporting issuer: _____

ISIN Number: _____

Effective Date/Beneficial Ownership Determination Date: _____

Participant	Total Number of Securities of the relevant class or series
[Name/address of participant]	[position held by participant]
[Name/address of participant]	[position held by participant]
[Name/address of participant]	[position held by participant]
Total Number of Securities held by Participants for the relevant class or series	[Total]

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F4
OMNIBUS PROXY (PROXIMATE INTERMEDIARIES)

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 4.1 and 8.2 of National Instrument 54-101.

[Letterhead of Proximate Intermediary]

OMNIBUS PROXY

Subject to the paragraph that follows, [the undersigned], being a registered holder or proxy holder in respect of securities of the reporting issuer specified below, as at the beneficial ownership determination date, hereby appoints [*insert names from reporting issuer's management proxy*], with power of substitution, to attend, vote and otherwise act for and on behalf of [the undersigned] to the extent of the number of securities specified, in respect of all matters that may come before the meeting of securityholders described below, and at any adjournment or continuance.

The appointees shall not vote, or give a proxy requiring or authorizing another person or company to vote, the securities represented by this omnibus proxy except in accordance with voting instructions received from the beneficial owners whose securities are represented by this omnibus proxy or in accordance with other legal authority to vote the securities.

This instrument supersedes and revokes any prior appointment of proxy made by [the undersigned] with respect to the voting of the securities specified below at such meeting, or at any adjournment thereof.

Reporting issuer: _____

Class/Series of Security: _____

ISIN Number: _____

Number of Securities: _____

Name of Registered Holder of Securities[3]: _____

Date of Meeting: _____

Beneficial Ownership Determination Date: _____

[Include date and signature]

[3] *[Instruction: Specify if securities are held through more than one registered holder, and specify the number of securities held through each registered holder.]*

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F5
ELECTRONIC FORMAT FOR NOBO LIST

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 1.4, 2.5, 2.9, 2.10, 2.11, 4.1, 6.1, 7.1 and 10.4 of National Instrument 54-101.

HEADER RECORD DESCRIPTION

	TYPE	LENGTH	COMMENTS
RECORD TYPE	A	1	Header record = A
FINS NUMBER	A	4	Prefix T, M, V or C
ISIN[1]	A	12	
FILLER	X	3	Blank
SECURITY DESC.	A	32	Security Description
RECORD DATE	N	8	Format YYYYMMDD
CREATION DATE	N	7	Format YYYYMMDD
FILLER	X	251	Blank

DETAIL RECORD DESCRIPTION	TYPE	LENGTH	COMMENTS
RECORD TYPE	A	1	Detail Record = B
FINS NUMBER	A	4	Same as in Header record
ISIN[1]	A	12	
FILLER	X	3	Blank
FILLER	X	20	Blank
NAME	A	32	Holder Name
ADDRESS	A	32 x6	Occurs 6 times
FILLER	X	32	Blank
POSTAL CODE	A	9	
POSTAL REGION	A	1	C-Canada; U-USA; F-Foreign (other than USA); H-Hand Deliver
FILLER	X	2	Blank
E-MAIL ADDRESS	A	32	
LANGUAGE CODE	A	1	E-English; F-French
NUMBER OF SHARES	N	9	Shareholder Position
RECEIVE ALL MATERIAL	A	1	Y/N
AGREE TO ELECTRONIC DELIVERY BY INTERMEDIARY	A	1	Y/N

TRAILER RECORD DESCRIPTION	TYPE	LENGTH	COMMENTS
RECORD TYPE	A	1	Trailer record = C
FINS NUMBER	A	4	Same as in Header record
ISIN[1]	A	12	
FILLER	X	3	Blank
TOTAL SHAREHOLDERS	N	7	Number of "B" type records
TOTAL SHARES	N	11	Total shares on "B" records
FILLER	X	280	Blank

[1] "ISIN" means International Stock Identification Number.

WARNING: IT IS AN OFFENCE TO USE A NOBO LIST FOR PURPOSES OTHER THAN IN CONNECTION WITH:

a. sending securityholder materials to NOBOs in accordance with National Instrument 54-101;

b. an effort to influence the voting of securityholders of the reporting issuer;

c. an offer to acquire securities of the reporting issuer; or

d. any other matter relating to the affairs of the reporting issuer.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F6
REQUEST FOR VOTING INSTRUCTIONS MADE BY REPORTING ISSUER

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 2.17 and 2.19 of National Instrument 54-101. References in this Form should be amended as appropriate to refer to the person or company using this Form, in accordance with section 6.2 of National Instrument 54-101.

[Letterhead of Reporting issuer]

REQUEST FOR VOTING INSTRUCTIONS

To our securityholders:

We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of the series or class of securities that are held on your behalf by the intermediary identified below. Unless you attend the meeting and vote in person, your securities can be voted only by management, as proxy holder of the registered holder, in accordance with your instructions.

[Include instructions for appointing alternative proxy.]

We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions. In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions**. Please complete and return the attached form to provide your voting instructions to us promptly.

Should you wish to attend the meeting and vote in person, please write your name in the place provided for that purpose in the voting instructions form provided to you and we will send to you a form of legal proxy which will grant you the right to attend the meeting and vote in person. If you require assistance in that regard, please contact [the undersigned].

[Insert proximate intermediary name, code or identifier; name, address and respective holdings of securities of the relevant series or class held for the NOBO.]

[Insert description of proposals to be voted upon, other instructions or explanations, etc.]

By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these securities.

(If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.)

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F7
REQUEST FOR VOTING INSTRUCTIONS MADE BY INTERMEDIARY

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 4.4 and 4.6 of National Instrument 54-101. References in this Form should be amended as appropriate to refer to the person or company using this Form, in accordance with section 6.2 of National Instrument 54-101.

[Letterhead of Intermediary]

REQUEST FOR VOTING INSTRUCTIONS

To our clients:

We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of securities of the series or class held by us in your account but not registered in your name. Unless you attend the meeting and vote in person, your securities can be voted only by us, as registered holder or proxy holder of the registered holder, in accordance with your written instructions.

[Include instructions for appointing alternative proxy.]

We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions. In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions**. Please complete and return the attached form to provide your voting instructions to us promptly.

Should you wish to attend the meeting and vote in person, please write your name in the place provided for that purpose in the voting instructions form provided to you and we will send to you a form of legal proxy which will grant you the right to attend the meeting and vote in person. If you require assistance in that regard, please contact [the undersigned].

[Insert intermediary name, code or identifier; name, address and respective holdings of securities of the relevant series or class held for the beneficial owner.]

[Insert description of proposals to be voted upon, other instructions or explanations, etc.]

By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these securities.

(If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.)

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F8
LEGAL PROXY

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 2.18 and 4.5 of National Instrument 54-101.

LEGAL PROXY

Subject to the paragraph that follows, the undersigned, being a registered holder or proxy holder in respect of securities of the reporting issuer specified below, hereby appoints [*insert name(s) from beneficial owner request for a legal proxy]*, with power of substitution, to attend, vote and otherwise act for and on behalf of the undersigned to the extent of the number of securities specified, in respect of all matters that may come before the meeting of securityholders specified below, and at any adjournment or continuance.

This instrument supersedes and revokes any prior proxy made by the undersigned with respect to the voting of the securities specified below at such meeting, or at any adjournment thereof.

Issuer:
Class/Series of Security:
ISIN Number:
Number of Securities:
Name of Registered Holder of Securities and any Intermediaries through whom proxy is derived:
Date of Meeting:
Place of Meeting:
Beneficial Ownership Determination Date of Meeting:

By voting the securities represented by this legal proxy, you will be acknowledging that you are the beneficial owner of, and are entitled to vote, such securities.

_____
Registered Holder of Securities or Proxy Holder

_____
Signing Officer

_____
Date

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F9
UNDERTAKING

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 2.5, 6.1 and 6.2 of National Instrument 54-101.

I, _____,

(Full Residence Address) _____,

(If this undertaking is made on behalf of a body corporate, set out the full legal name of the body corporate, position of person signing and address for service of the body corporate).

SOLEMNLY DECLARE AND UNDERTAKE THAT:

1. I require a list in the required format of the non-objecting beneficial owners of securities of [*insert name of the reporting issuer*] on whose behalf intermediaries hold securities (a NOBO list), as shown on the records of the intermediaries.

2. I undertake that the information set out on the NOBO list will be used only for the purpose of

   (a) sending securityholder materials to NOBOs in accordance with National Instrument 54-101;

   (b) an effort to influence the voting of securityholders of the reporting issuer;

   (c) an offer to acquire securities of the reporting issuer; or

   (d) any other matter relating to the affairs of the reporting issuer.

3. I undertake that, except as permitted under National Instrument 54-101, the NOBO list will not be used to send securityholder materials to those NOBOs that are identified on the NOBO list as having chosen not to receive the materials, and that the materials sent shall include the following statement:

   "These securityholder materials are being sent to both registered and non-registered beneficial owners of the securities. The names and addresses of beneficial owners of the securities that are not registered holders, and disclosure of their holdings of securities, have been obtained from intermediaries holding on behalf of the beneficial owners under applicable securities regulatory requirements."

4. I acknowledge that I am aware that it is an offence to use a NOBO list for purposes other than in connection with:

   (a) sending securityholder materials to NOBOs in accordance with National Instrument 54-101;

   (b) an effort to influence the voting of securityholders of the reporting issuer;

   (c) an offer to acquire securities of the reporting issuer; or

   (d) any other matter relating to the affairs of the reporting issuer.

_____
Signature

_____
Name of person signing

_____
Date

COMPANION POLICY 54-101CP
TO NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER

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COMPANION POLICY 54-101CP
TO NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER

PART 1 BACKGROUND

1.1 History

(1) Obligations imposed on reporting issuers under corporate law and securities legislation to communicate with securityholders are typically cast as obligations in respect of registered holders and not in respect of beneficial owners. For purposes of market efficiency, securities are increasingly not registered in the names of the beneficial owners but rather in the names of depositories, or their nominees, who hold on behalf of intermediaries, such as dealers, trust companies or banks, who, in turn, hold on behalf of the beneficial owners. Securities may also be registered directly in the names of intermediaries who hold on behalf of the beneficial owners.

(2) Corporate law and securities legislation require reporting issuers to send to their registered holders information and materials that enable such holders to exercise their right to vote. To address concerns that beneficial owners who hold their securities through intermediaries or their nominees may not receive the information and materials, in 1987, the CSA approved National Policy Statement No. 41 ("NP41"), which has since been replaced by National Instrument 54-101 (the "Instrument").

(3) The purpose of this Policy is to state the views of the Canadian securities regulatory authorities on various matters relating to the Instrument in order to provide guidance and interpretation to market participants in the practical application of the Instrument.

1.2 Fundamental Principles - The following fundamental principles have guided the preparation of the Instrument:

(a) all securityholders of a reporting issuer, whether registered holders or beneficial owners, should have the opportunity to be treated alike as far as is practicable;

(b) efficiency should be encouraged; and

(c) the obligations of each party in the securityholder communication process should be equitable and clearly defined.

PART 2 GENERAL

2.1 Application of Instrument

(1) The securityholder communication procedures contemplated by the Instrument are applicable to all securityholder materials sent by a reporting issuer to holders of securities of the reporting issuer under Canadian securities legislation including, but not limited to, proxy-related materials. Securityholder materials include materials required by securities legislation or applicable corporate law to be sent to registered holders of securities of a reporting issuer, such as interim financial statements and issuer bid and directors circulars. Securityholder materials can also include materials sent to registered holders absent any legal requirement to do so; an example of these types of materials would be corporate communications containing product information.

(2) As provided in section 2.7 of the Instrument, compliance with the procedures set out in the Instrument is mandatory for reporting issuers when sending proxy-related materials to beneficial owners, and, under section 2.8 of the Instrument, is optional for the sending of other materials. Once a reporting issuer, or another person or company pursuant to Part 6 of the Instrument, chooses to use the communications procedures specified in the Instrument for a reporting issuer, depositories, intermediaries and other persons or companies must comply with their corresponding obligations under the Instrument.

2.2 Application to Foreign Securityholders and U.S. Issuers

(1) As provided in subsection 2.12(3) of the Instrument, a reporting issuer that is precluded from sending securityholder materials directly to NOBOs because of conflicting legal requirements in the United States or elsewhere outside of Canada shall send the materials indirectly, i.e., by forwarding the materials to NOBOs through proximate intermediaries for those securities.

(2) National Instrument 71-101 The Multi-Jurisdictional Disclosure System provides, in Part 18, that a "U.S. issuer", as defined in that Instrument, is considered to satisfy the requirements of National Instrument 54-101, other than in respect of fees, if the issuer complies with the requirements of Rule 14a-13 under the 1934 Act for any Canadian clearing agency and any intermediary whose last address as shown on the books of the issuer is in the local jurisdiction. Those requirements are designed to achieve the same purpose as the requirements of the Instrument.

(3) A Canadian reporting issuer may be exempt from complying with U.S. requirements under a reciprocal provision in the U.S. Multi-Jurisdictional Disclosure regime.

2.3 Interim Financial Statements - Interim financial statements sent to beneficial owners in accordance with National Instrument 54-102 Supplemental Mailing List and Interim Financial Statement Exemption are "securityholder materials" under the Instrument. However, financial statements sent under National Instrument 54-102 need not be sent using the mechanisms of National Instrument 54-101 as the reporting issuer will send them directly to persons on a supplemental mailing list.

2.4 "Client" and "Intermediary" to be Distinguished From "Beneficial Owner"

(1) Section 1.1 of the Instrument distinguishes between "client" and "beneficial owner". The two definitions recognize that, for many reporting issuers, there may be layers of intermediaries between the registered holder of a security and the ultimate beneficial owner. For example, a dealer could hold a security on behalf of another dealer that in turn holds the security for the beneficial owner.

(2) In the Instrument, "beneficial owner" refers to a person or company that, ultimately, has the right to vote, or exercise control or direction over, the securities that are held through intermediaries and that therefore originates the instructions that are contained in a client response form, or that would have the authority to originate those instructions. If an intermediary that holds securities has discretionary authority over the securities, and consequently has authority to provide instructions in a client response form, it will be the beneficial owner of those securities for purposes of the Instrument and would not also be an "intermediary" with respect to those securities.

(3) The term "client" refers to the person or company for whom an intermediary directly holds securities, regardless of whether the client is a beneficial owner. For example, if a dealer holds securities on behalf of a bank that in turn holds the securities on behalf of the beneficial owner, the bank is a client of the dealer, and the beneficial owner is a client of the bank. The beneficial owner is not a client of the dealer. Section 1.3 of the Instrument recognizes that, under the Instrument, an intermediary may "hold" securities for a client, even if another person or company is shown on the books or records of the reporting issuer or the records of another intermediary or depository as the holder of the securities.

2.5 Definition of "Corporate Law" - Section 1.1 of the Instrument defines "corporate law" as any legislation, constating instrument or agreement that governs the affairs of a reporting issuer. The term "corporate law"

therefore encompasses Canadian and foreign laws, a declaration or deed of trust in the case of a trust, and the partnership agreement in the case of a partnership.

PART 3 REPORTING ISSUERS

3.1 Timing for Notice of Meeting and Record Dates and Intermediary Searches

(1) Subject to section 2.20, section 2.2 of the Instrument requires that, 25 days before the record date for notice of a meeting, a reporting issuer send to the entities named in that section a notification of meeting and record dates, and section 2.5 of the Instrument requires that 20 days before the record date for notice, a reporting issuer send a request for beneficial ownership information to proximate intermediaries. Section 2.20 allows these timing requirements to be abridged upon filing of an officer's certificate containing the information specified in section 2.20. Nevertheless, reporting issuers should commence the notice and searches referred to in sections 2.2, 2.3 and 2.5 at an early date and in sufficient time to allow the completion of all steps and actions required before the sending of materials, including allowing for the response time permitted for intermediaries in section 4.1 and depositories in section 5.3, so that the materials may be sent within the times contemplated by sections 2.9 and 2.12 of the Instrument.

(2) The time frames stipulated by sections 2.9 and 2.12 of the Instrument are minimum requirements. For a meeting that will deal with contentious matters, the CSA expect that good corporate practice will often require that materials be sent earlier than the minimum required dates to ensure that securityholders have a full opportunity to understand and react to the matters raised.

(3) It remains the reporting issuer's responsibility when planning a meeting timetable to factor in all timing considerations, including deadlines external to the Instrument. For example, reporting issuers that have obligations under corporate law to advertise in advance of a record date for notice, or satisfy other publication obligations, would need to comply with those obligations. Reporting issuers that intend to satisfy their advance publication obligation by relying upon publication by CDS of meeting and record dates under subsection 5.2(2) of the Instrument would need to factor in the timing of publication by CDS and the advance notice required by CDS, as described in section 3.4 of this Policy, in order to permit inclusion of meeting and record date information in the publication. Reporting issuers will also need to factor in the time needed to produce and assemble the relevant securityholder materials after quantities have been determined.

(4) Proximate intermediaries are required under section 4.1 of the Instrument to furnish the information requested in a request for beneficial ownership information, in certain circumstances, within three business days of receipt. It should be noted that this timing refers to receipt of the request by the proximate intermediary, which may not be the same date as the request was sent by the reporting issuer. The time necessary for a request for beneficial ownership information to be received by a proximate intermediary should be factored into a reporting issuer's planning.

3.2 Adjournment or Change in Meeting

(1) Section 2.15 of the Instrument requires reporting issuers that are required to give notice of adjournment of, or other change concerning, a meeting of securityholders to send notice of the change to the persons and companies referred to in subsection 2.2(1) of the Instrument, to the proximate intermediaries for the securities and to the persons and companies to whom the original notice of meeting was given. Issuers are reminded of a number of the implications of the requirement to send the notice of adjournment to the persons and companies who received the original notice.

(2) If additional proxy-related materials are sent in connection with the meeting after proxy-related materials have previously been sent, a new intermediary search may be required if the beneficial owner determination date for the meeting is changed.

(3) New intermediary searches may have to be conducted if the nature of the business to be transacted at the meeting is materially changed. If the nature of the business is changed to add business that is not routine business, it may be necessary to conduct new intermediary searches in order to ensure that beneficial owners that had elected not to receive proxy-related materials for meetings at which only routine business was to be conducted receive proxy-related materials for the meeting.

(4) If an adjournment or other change to the business of the meeting requires that new proxy-related materials be sent to securityholders, the meeting date or the date of the adjourned meeting may have to be delayed to satisfy the time periods specified in the Instrument, unless an exemption from the time periods of the Instrument is obtained. If the change in the business of the meeting is significant, such as a change from only routine business to special business, Canadian securities regulatory authorities will not

generally grant exemptions from timing requirements for sending proxy-related materials in the absence of exceptional circumstances.

3.3 Request for Beneficial Ownership Information

(1) A request for beneficial ownership information made under subsection 2.5(2) of the National Instrument may be for any class or series of securities and is not restricted to only those securities carrying the right to receive notice of, or to vote at, a meeting, as is the case with a request under subsection 2.5(1). A request under subsection 2.5(2) need not necessarily be addressed to all proximate intermediaries holding the class or series of securities.

(2) If it is able to do so, a proximate intermediary is required to respond to a request for a NOBO list by providing the NOBO list in electronic format. All requests for beneficial ownership information including NOBO lists are required to be made through a transfer agent. A reporting issuer that wishes to receive a NOBO list in non-electronic format may make arrangements with its transfer agent to have the electronic format received by the transfer agent converted to a paper copy.

3.4 Depository's Index of Meetings - CDS advises that the index referred to in section 5.2 of the Instrument is currently published in the Monday edition of *The Globe and Mail Report on Business* and in the Tuesday edition of *La Presse*. CDS advises that notices of meetings received by CDS by noon on Wednesday are usually published in *The Globe and Mail* on the following Monday and in *La Presse* on the following Tuesday. A reporting issuer should contact CDS for current forms and fee schedules of CDS.

3.5 Voting Instructions - Voting instructions that the reporting issuer requests directly from NOBOs will be returned directly to the reporting issuer. Management of the reporting issuer will then vote the securities beneficially owned by NOBOs in accordance with the instructions received from NOBOs to the extent that management has the corresponding proxy. That proxy is given to management by the proximate intermediary that provides the NOBO list under subsection 4.1(1) of the Instrument.

PART 4 INTERMEDIARIES

4.1 Client Response Form - By completing a client response form as provided in Part 3 of the Instrument, a beneficial owner gives notice of its choices concerning the receipt of materials and the disclosure of ownership information concerning it. Pursuant to section 3.4 of the Instrument, a beneficial owner may, by notice to the intermediary through which it holds, change any prior instructions given in a client response form. Proximate intermediaries should alert their clients to the costs and other consequences of the options in the client response form.

4.2 Separate Accounts - A client that wishes to make different choices concerning receipt of securityholder materials or disclosure of ownership information with respect to some of the securities beneficially owned by it should hold those securities in separate accounts.

4.3 Reconciliation of Positions

(1) The records of an intermediary must show which of its clients are NOBOs, OBOs or other intermediaries, and specify the holdings of each of those clients.

(2) In order that the Instrument work properly, it is important that the records of an intermediary be accurate. Its records must reconcile accurately with the records of the person or company through whom the intermediary itself holds the securities, which could either be another intermediary or a depository, or the security register of the relevant issuer, if the intermediary is a registered securityholder. This reconciliation must include securities held both directly and through nominees.

(3) A proximate intermediary should provide accurate responses to requests for beneficial ownership information. Information about the holdings of NOBOs, when added to the holdings of OBOs, the holdings of other intermediaries holding through the proximate intermediary and the holdings that the proximate intermediary holds as principal, must not exceed the total security holdings of the proximate intermediary, including its nominees, as shown on the register of the issuer or in the records of the depository.

(4) It is important as well that the total number of votes cast at a meeting by an intermediary or persons or companies holding through an intermediary not exceed the number of votes for which the intermediary itself is a proxyholder.

4.4 Identification of Intermediary - Identification of the intermediary and the holdings specified in the corresponding NOBO list on requests for voting instructions as required in Form 54-101F6 is necessary for the reporting issuer to be able to reconcile voting instructions received from a NOBO to the corresponding position registered in the name of the intermediary or its nominee or in respect of which the intermediary holds a proxy. In addition, should a NOBO wish to change its voting instructions, before or at a meeting of securityholders, knowledge of the corresponding intermediary and the NOBO's holdings is necessary.

4.5 Changes to Intermediary Master List - It is the obligation of intermediaries under section 3.1 of the Instrument to notify each depository of any changes in the information required to be provided under that

section within five business days after the change. The five business days is a maximum requirement and it is expected that intermediaries will provide notice of such changes as soon as possible and, if possible in advance, in order that their clients not be prejudiced.

4.6 **Incomplete or Late Deliveries** - If sets of securityholder materials of a reporting issuer are incomplete or received after the prescribed time limits, the intermediary should advise the reporting issuer and request instructions.

4.7 **Other Obligations of Intermediaries** - The Instrument addresses the obligations of intermediaries in connection with the forwarding of securityholder materials. It is noted that intermediaries will have other obligations to the beneficial owners holding through them that arise from the nature of the relationship between the intermediary and the beneficial owners. These obligations will likely include advising the beneficial owners of the commencement of take-over bids, issuer bids, rights offerings and other events, and advising as to how the beneficial owners can obtain the relevant materials.

PART 5 MEANS OF SENDING

5.1 **General** - All parties should use the most efficient means of sending information or securityholder material, including, if practicable, sending materials in bulk.

5.2 **Materials in Bulk for Sending to Beneficial Owners** - Securityholder materials sent to intermediaries for sending to beneficial owners by mail should be in uncollated bulk form. All materials forming part of a set to be delivered to securityholders should be delivered together. The intermediary will collate the materials; if the materials are proxy-related materials the intermediary will substitute for any issuer proxy contained in the materials a request for voting instructions for matters to which the proxy-related materials relate.

5.3 **Number of Sets of Materials** - A proximate intermediary should not request sets of securityholder materials for NOBOs if the reporting issuer will be sending the materials directly to those NOBOs.

5.4 **Electronic Communication**

(1) It is expected that most communication for the purposes of the Instrument between or among depositories, reporting issuers and intermediaries will, as far as practicable, be by electronic means, including fax, electronic mail or data transfer. The Instrument is intended by the CSA to promote and facilitate the use of electronic communication, within the limits imposed by corporate law and securities legislation.

(2) Canadian securities legislation in certain jurisdictions, such as section 79 of the *Securities Act* (Alberta) and section 49 of the *Securities Act* (Ontario), permits a registrant or custodian as defined in those statutes to vote securities not beneficially owned by it only in accordance with written voting instructions received from the beneficial owner. Certain securities regulatory authorities have granted exemptions in the past from these requirements for written voting instructions, in order to permit voting instructions to be sent by telephone in specified circumstances. The securities regulatory authorities are prepared to consider other applications for similar exemptions in appropriate cases, in order to permit voting instructions to be sent by telephone, through the Internet or by other electronic means, so long as appropriate safeguards are established to ensure valid and accurate instructions are obtained and supported by appropriate records.

(3) The Instrument does not require manual signatures to the forms referred to in the Instrument. While manual signatures are permitted and may be included, the CSA are of the view that if the Instrument is to promote and facilitate the use of electronic communication, the obligation to include manual signatures would impede the promotion of this technology. Accordingly, the Instrument does not require authentication by manual signature, and persons or companies should satisfy themselves as to the authenticity of instructions or other communications received in electronic form.

(4) National Policy 11-201 Delivery of Documents by Electronic Means discusses the sending of materials by electronic means. The guidelines set out in National Policy 11-201, particularly the suggestion that consent be obtained to an electronic transmission of a document, are applicable to documents sent under the Instrument. Under National Policy 11-201, securityholder materials could be sent to beneficial owners by electronic means in satisfaction of the requirements of the Instrument if the beneficial owner has consented to receive them in that form.

(5) Form 54-101F1 requires an intermediary either to seek consent to electronic delivery of documents or to enquire as to whether the client would like to give this consent. This information forms part of the "ownership information" associated with a beneficial owner that will be contained in NOBO lists. The electronic form of NOBO list has a field for this information. This information may be of interest to a reporting issuer in connection with the reporting issuer's decision on whether to send materials directly to NOBOs and whether electronic delivery should be used for the sending. Any consent of a beneficial

owner restricted to its intermediary cannot be used by a reporting issuer.

5.5 **Multiple Deliveries to One Person or Company** - It is noted that sometimes a single investor holds securities of the same class in two or more accounts with the same address. The Canadian securities regulatory authorities note that the delivery of a single set of securityholder materials to that person or company would satisfy the delivery requirements under the Instrument. The sending of a single document in those circumstances is encouraged in order to reduce the costs of securityholder communications.

PART 6 EXEMPTIONS

6.1 **Materials Sent Less Than 21 Days Before Meeting** - In the absence of extraordinary circumstances, the Canadian securities regulatory authorities will generally not consider shortening the 21-day period for the sending of proxy-related materials to beneficial owners of securities referred to in sections 2.9 and 2.12 of the Instrument.

6.2 **Delay of Audited Annual Financial Statements or Annual Report** - Section 9.1 of the Instrument recognizes that corporate law or securities legislation may permit a reporting issuer to send its audited annual financial statements or annual report to registered holders of its securities later than other proxy-related materials. The Instrument provides that the time periods applicable to sending proxy-related materials prescribed in the Instrument do not apply to the sending of proxy-related materials that are annual financial statements or an annual report if the statements or report are sent by the reporting issuer to beneficial owners of the securities within the time limitations established in applicable corporate law and securities legislation for the sending of the statements or report to registered holders of the securities. Reporting issuers are nonetheless encouraged to send their audited annual financial statements or annual report at the same time as other proxy-related materials.

6.3 **Additional Costs If Time Limitations Shortened** - Section 4.2 of the Instrument allows a proximate intermediary three business days to prepare the securityholder materials for forwarding to beneficial owners after its receipt of the materials from the reporting issuer (four business days if the material is to be sent by mail other than first-class mail). Reporting issuers making arrangements with intermediaries to comply with the procedures in the Instrument within shorter time limits may wish to provide for recovery by the intermediary of reasonable costs attributable to the shorter time limits that it would not otherwise incur (for example, courier, long distance telephone and overtime costs) to ensure forwarding of the materials to OBOs.

6.4 **Applications** - Applicants should be aware that major exemptions from the requirements of the Instrument will probably be granted infrequently. Exemptions to the predecessor policy statement to the Instrument that were granted typically involved reporting issuers that were incorporated or organized outside of Canada, that had only an insignificant connection to Canada in terms of the percentage of its securityholders that were resident in Canada and the percentage of its securities that were held by those securityholders, and in circumstances in which the reporting issuer was also subject to requirements imposed by securities or corporate legislation outside of Canada that served to ensure that beneficial owners would receive a comparable level of communication from the issuer.

PART 7 LIABILITY

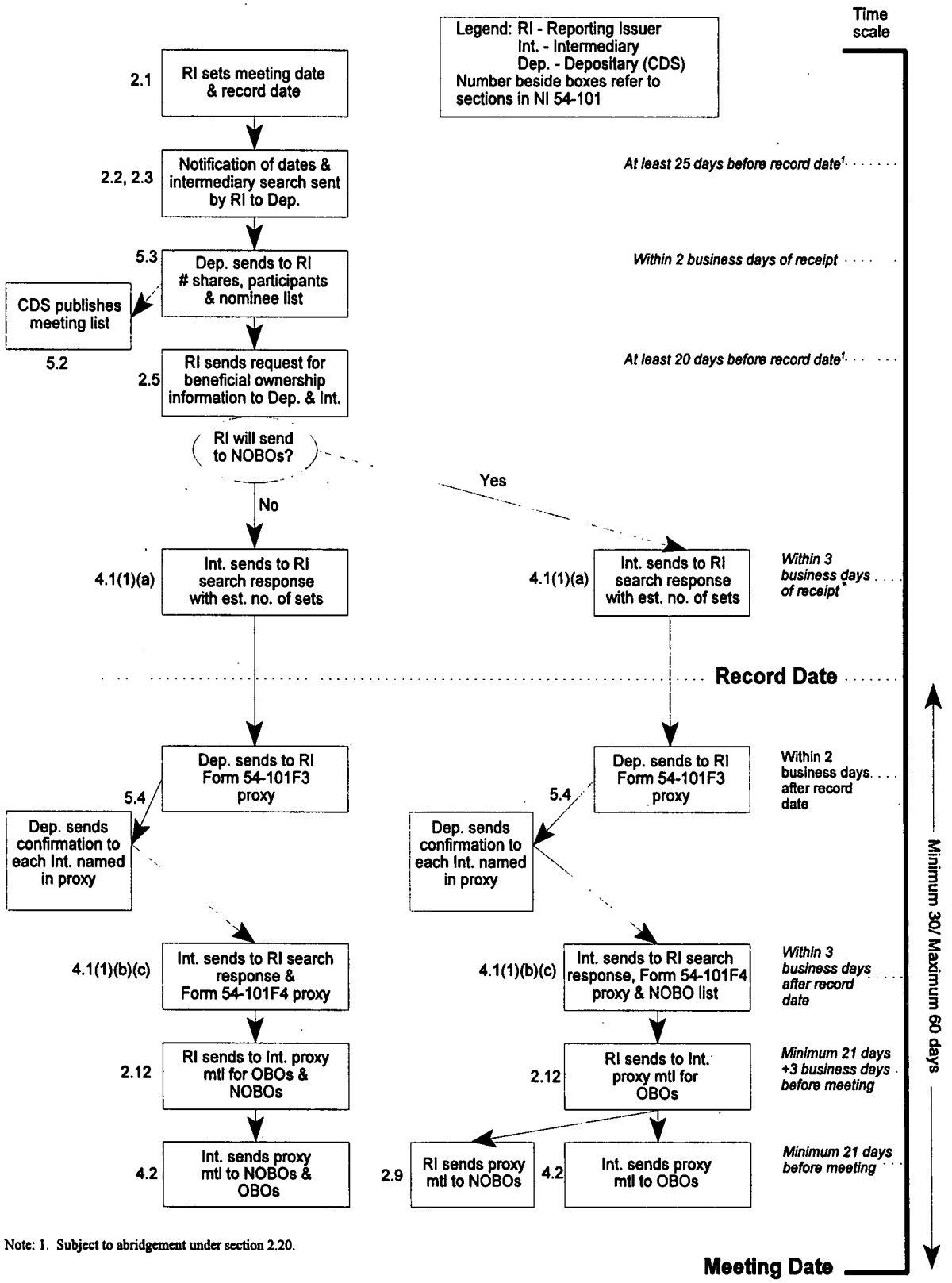
7.1 **Liability** - Market participants are reminded that use of a NOBO list contrary to Part 7 of the Instrument will constitute breach of the Instrument and securities legislation, and that the penalty provisions of securities legislation could be applied.

PART 8 APPENDIX A

8.1 **Appendix A** - This Companion Policy contains, as Appendix A, a flow chart outlining the processes prescribed by the Instrument for the sending of proxy-related materials.

Appendix A

Proxy Solicitation under NI 54-101



Note: 1. Subject to abridgement under section 2.20.

Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

Exempt Financings

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

Reports of Trades Submitted on Form 45-501f1

Trans. Date	Security	Price ($)	Amount
10Aug00	7 Station Street - Common Shares	400,000	4,000,000
11Aug00	ACS Freezers Income Trust - Units & Non-Participating Units	35,000,000 & 36 Resp.	4,800,000 & 555,202 Resp.
25Jul00	Acuity Pooled Canadian Equity Fund - Trust Units	152,237	7,328
06Jul00	Acuity Pooled Environment, Science and Technology Fund - Trust Units	152,604	7,172
05Jul00, 11Jul00 & 18Jul00	Acuity Pooled Canadian Equity Fund - Trust Units	1,235,537	60,724
14Aug00	Advanced Interface Technologies, Inc.	US$10,000	20,000
31Jul00	AIG Canada Small Companies Fund - Pooled Fund Trust Units	30,774,404	3,064,386
10Jul00	AirIQ Inc.	502,240	8,600
11Aug00	Alpha Group Industries Inc. - Common Shares	300,000	300,000
27Jul00	Apache Corporation - Common Stock	US$98,000	2,000
11Aug00 & 18Aug00	Arrow Capital Advance Fund - Class A Trust Units	744,749	73,475
28Jul00	Arrow Capital Advance Fund - Class A Trust Units	296,999	30,184
09Aug00	Art Vault International Limited, The - Special Warrants	150,000	187,500
13Jul00	ASE Test Limited - Ordinary Shares	US$30,000	1,000
01Jun00	ATH III Inc. - Common Shares	US$393,240	350,713
28Jul00	Avantas Networks Corporation - Series A Convertible Preferred Shares	US$7,999,600	5,333,060
26Jul00	Axxent Inc. - Preferred Shares	3,252,715	355,488
01Apr00	Bank of Ireland Asset Management Limited - Units	800,000	52,279
25Feb99	Bank of Ireland Asset Management Limited	32,000,000	2,562,173
30Sep99	Bank of Ireland Asset Management Limited	6,485,239	500,439
01May00	Bank of Ireland Asset Management Limited - Units	1,000,000	67,175
01Apr99	Bank of Ireland Asset Management Limited	1,311	105
01Aug00	Bank of Ireland Asset Management Limited - Units	140,248	9,403
25Feb00	Bank of Ireland Asset Management Limited	332,000,000	2,562,173

Trans. Date	Security	Price ($)	Amount
01Jun00	Bank of Ireland Asset Management Limited	3,000,000	250,582
30Jun99	Bank of Ireland Asset Management Limited	14,500,000	1,159,324
28Feb00	Bank of Ireland Asset Management Limited	30,000,000	2,641,386
30Nov99	Bank of Ireland Asset Management Limited	18,000,000	1,317,050
04Jul00	Bank of Ireland Asset Management Limited - Units	530,000	34,807
30Jun97	Bank of Ireland Asset Management Limited	500,000	45,929
31Jul97	Bank of Ireland Asset Management Limited	212,000	18,918
30Apr97	Bank of Ireland Asset Management Limited	250,000	24,300
31Dec99	Bank of Ireland Asset Management Limited	1,000,000	52,599
31Jul99	Bank of Ireland Asset Management Limited	109,611	8,382
30Jun99	Bank of Ireland Asset Management Limited	4,050,000	323,811
01May00	Bank of Ireland Asset Management Limited - Units	200,000	13,431
05Mar99	Bank of Ireland Asset Management Limited	3,988,992	317,026
01Aug00	Bank of Ireland Asset Management Limited - Units	150,031	10,059
30Sep99	Bank of Ireland Asset Management Limited	40,000,000	3,011,535
01Jun98	Bank of Ireland Asset Management Limited	3,000,000	250,582
28Feb98	Bank of Ireland Asset Management Limited	30,000,000	2,641,386
30Nov99	Bank of Ireland Asset Management Limited	1,000,000	73,165
17Feb00	Bank of Ireland Asset Management Limited	1,000,000	70,759
03Apr00 & 06Apr00	BCB Voice Systems Inc. - Special Warrants	3,082,603	1,208,864
16Aug00	BillWhiz Inc. - Preferred Shares	2,500,000	746,527
26Jun00	Black Hawk Mining Inc. - Common Shares	220,311	3,263,874
24Jul00	Blue Martini Software, Inc. - Common Shares	US$664,000	33,200
04Aug00	BPI American Opportunities Fund - Units	1,835,919	12,395
14Jul00	BPI American Opportunities Fund - Units	1,397,994	9,193
28Jul00	BPI American Opportunities Fund - Units	4,316,332	29,806
14Jul00	Bridgewater Systems Corp. - Special Warrants	170,280	18,000
31Jul00	Brookdale International Systems Inc.	5,000,000	7,054,658
30Jun00	C.I. Trident Fund - Units	150,000	899
07Aug00	Calpine Corporation - 8.625% Senior Notes Due 2010	$4,705,856	US$3,736,861
03Aug00	Canadian Satellite Communications Inc.	15,000,000	
03Aug00	Canadian Satellite Communications Inc.	15,000,000	
16Mar00	Canopco Holdings Incorporated - Common Shares	400,000	40,000
16Mar00	Canopco Holdings Incorporated - Common Shares	150,000	15,000
16Mar00	Canopco Holdings Incorporated - Common Shares	1,000,000	100,000
16Apr00	Canopco Holdings Incorporated - Common Shares	150,000	15,000
16Mar00	Canopco Holdings Incorporated - Common Shares	150,000	15,000
14Jun99	Canopco Holdings Incorporated - Common Shares	1,000,025	23,530
16Aug00	CC&L Money Market Fund	205,000	20,500
31Jul00 & 02Aug00	CCFL Subordinated Debt Fund (III) Limited Partnership - Units	115,375,000	230
01Aug00	Celestica Inc. - Liquid Yield Option Notes Due 2020	US$29,977,520	$63,023,000
28Jul00	CIBC Employee Private Equity Fund (Canada) I, L.P.	177,350	
14Jul00	Coast Pacific RLP-97 Exploration Inc. - Common Shares	30,000	120,000
31Jul00	Communities.com Inc. - Preferred Shares	1,163,812	2,117,000

Trans. Date	Security	Price ($)	Amount
20Jul00	Corio, Inc. Common Shares	US$147,000	10,500
27Jul00	Corvis Corporation - Common Stock	953,596	18,000
10Aug00	Crowflight Minerals Inc. - Units	500,000	2,000,000
27Jul00	Crown Castle International Corp. - Preferred Stock	US$138,500	4,000
26Jul00	Dean Foods Company - 8.15% Senior Notes	US$1,996,640	$2,000,000
02Jun00	Digital Fairway Corporation - Convertible Note	$250,000	$250,000
04Jun00	Digital Fairway Corporation - Convertible Note	$250,000	$250,000
16Jun00	Digital Fairway Corporation - Convertible Note	$150,000	$150,000
10Aug00	Digital Fairway Corporation - Convertible Note	$225,000	$225,000
04Jun00	Digital Fairway Corporation - Convertible Note	$150,000	$150,000
31Jul00	Dimension Data Holdings Plc - Ordinary Shares	UK$4,212,000	810,000
11Aug00	Doublestar Resources Ltd. - Units	160,000	400,000
03Aug00	DRC Resources Corporation - Special Warrants	5,000,00	1,250,000
21Jul00	E-Zone Networks Inc. - Preferred Shares	351,122	316,667
20Jul00	Earthworks Productions Inc. - Non-Voting Class B Common Shares	66,269	66,269
26Jul00	Eftia OSS Solutions Inc. - Class C Preferred Shares	24,962,954	8,500,000
25Jul00	EL Paso Energy Partners, LP - Common Shares	US$243,800	10,600
31Jul00	Electrofuel Inc. - Special Warrants	877,216	36,900
09Jun00	Engage, Inc. - Common Stock	6,643,350	248,962
07Aug00	Entravision Communications Corporation - Class A Common Stock	250,565	10,200
07Aug00	Entravision Communications Corporation - Class A Common Stock	223,543	9,100
07Aug00	Entravision Communications Corporation - Class A Common Stock	4,790,214	195,000
31Jul00	Equity International Investment Trust - Units	1,795	83
31Jul00	Evolution B Corp. - Special Warrants	837,500	335,000
09Aug00	Evolve Software, Inc. - Common Stock	3,336	250
15Aug00	FC CBO IV-2 Limited - Pass-Through Notes Due September 15, 2012	US$21,129,900	
19Jul00	Federative Republic of Brazil - Global Bonds	US$23,647,000	$25,000,000
11Jul00	Finesse Exploration Inc. - Common Shares	16,500	150,000
11Jun00	Finesse Exploration Inc. - Common Shares	16,500	150,000
01Aug00	Floware Wireless Systems, Ltd. - Ordinary Shares	38,680	2,000
11Aug00	Flowing Energy Corporation - Common Shares	30,000	60,000
22Aug00	Gammon Lake Resources Inc. - Special Warrants	5,000,000	1,000,000
02Aug00	Genencor International Inc. - Common Stock	US$3,108,996	172,722
02Aug00	Genesis Pharmaceutical, Inc. - Common Stock & 10% Convertible Promissory Note	US $126,383 & US$631,918 Resp.	80,223 & US$631,918 Resp.
02Aug00	Global Entertainment Corporation - Common Shares	US$50,001	28,572
01Aug00	Gluskin Sheff Fund, The - Units	1,322,610	13,146
01Aug00	Goldman Sach Group, Inc., The - Common Shares	US$8,877,750	89,000
16Aug00	Great Basin Gold Ltd. - Special Warrants	6,541,000	3,270,500
28Jul00	GS Made To Love Limited Partnership - Class A Units	82,160,700	82,160
02Aug00	GSTP Global Straight Through Processing AG - Registered Shares	CHF$706,751	800

Trans. Date	Security	Price ($)	Amount
31Jul00	Harbour Capital Foreign Balanced Fund - Trust Units	300,914	2,219
11Aug00	Homehelp.net Inc. - Common Shares	1,000,000	2,000,000
14Aug00	HOPE BAY Gold Corporation Inc. - Units	322,500	750,000
16Aug00	Houston Lake Mining Inc. - Units	110,000	275,000
19Jul00	IDS Intellligent Detection Systems Inc. - Debenture	$8,000,000	$8,000,000
27Jul00	Illumina, Inc. - Common Shares	US$99,200	6,200
23Feb00	Indian Motorcycle Company - Special Warrants	US$350,000	100,000
02Aug00	Integrative Proteomics, Inc. - Units	4,005,000	2,360,000
08Aug00	International Barytex Resources Ltd. - Common Shares	150,000	600,000
31Jul00	International Sales and Information Systems Inc. - Special Warrants	839,125	671,300
16Aug00	IPC Financial Network Inc. - Secured Promissory Note	$7,500,000	$7,500,000
31Jul00	Jefferson Partners Technology Fund Limited Partnership	999,599	5,884
10Aug00	Kaval Telecom Inc. - Special Warrants	599,999	105,820
10Aug00	Kaval Telecom Inc. - Special Warrants	2,398,489	3,437,100
11Aug00	Kaval Telecom Inc. - Special Warrants	3,500,000	617,284
14Jul00	Kingdom of Spain - 7% Notes	US$49,906,500	$450,000
31Jul00	Kingwest Avenue Portfolio Fund - Units	1,227,453	66,618
28Jul00	Krystal Bond Inc. - Special Warrants	239,999	833,333
31Jul00	Laketon American Fund	150,000	733
31Jul00	Lattice Semiconductor Corp. - Common Stock	US$54,875	1,000
11Aug00	Liberty Mineral Exploration Inc. - Common Shares	210,000	2,000,000
10Aug00	Magnesium Alloy Corporation - Debenture	US$200,000	US$200,000
31Jul00	Maple Key Market Neutral LP - Limited Partnership Units	US$3,300,000	3,300,000
31Jul00	Marquest Technology Fund #504	1,450,000	160,038
31Jul00	Marquest Balanced Fund #750	3,831,889	275,181
31Jul00	Marquest Canadian Equity Growth Fund #501	474,820	16,782
31Jul00	Marquest Canadian Equity Fund #650	324,481	32,866
08Aug00	McData Corporation - Common Stock	120,883	2,900
01Aug00	McElvaine Investment Trust, The - Trust Units	3,000	266
03Aug00	MTC Growth Fund I - Inc. - Shares	150,000	6,084
17Jul00	NAR Resources Ltd. - Special Units	2,028,000	1,300,000
31Jul00	NetActive Inc. - Units	1,135,875	908,700
31Jul00	NewKidCo International Inc. - Special Warrants	3,264,000	3,626,665
31Jul00	NewKidCo International Inc. - Special Debentures	$677,000	$677,000
26Jul00	Newport Corporation - Shares of Common Stock	2,461,536	15,000
31Jul00	Nexsys Commtech International Inc. - Debentures	$1,250,000	$1,250,000
08Aug00	NRMA Insurance Group Limited - Ordinary Shares	473,476	200,000
29Mar00	Nu-Wave Photonics - Preferred Shares	US$29,305,000	5,861,000
04Aug00	ONCAN Canadian Holdings Ltd. - Floating Rate Exhangeable Debentures Series B	$15,875,000	$15,875,000
04Aug00	Onex Corporation -Floating Rated Exhangeable Debentures Series B	$15,875,000	$15,875,000
26Jul00	Paradata Systems Inc. - Preferred Shares	15,238,080	12,235,297
31Jul00	Patriot Computer Corporation - Special Warrants	590,393	199,000
31Jul00	Performance Group #1, Limited Partnership - Limited Partnership Units	4,140,000	
02Aug00	Perkin Elmer - Debentures	$22,482,000	$450,000

Trans. Date	Security	Price ($)	Amount
09Aug00	Petroleo Brasileiro S.A.-PETROBAS - American Depositary Shares	US$9,120,000	380,000
30Jun00	PetroQuest Energy, Inc. - Common Shares	US$12,225,000	4,890,000
30Jun00	PetroQuest Energy Inc. - Common Shares	US$1,500,000	600,000
31Jul00	Pixstream Incorporated - Special Warrants	718,000	89,750
02Aug00	Precidia Technologies Inc. - Preferred Shares	7,250,000	10,357,144
03Aug00	Q/Media Services Corporation - Preferred Shares	U.S$16,000,000	
03Aug00	Q/Media Services Corporation - Special Warrants	U.S$5,000,000	
03Aug00	Q/Media Services Corporation - Special Warrants	7,405,000	
04Aug00	Qwest Energy II Corp. - Preferred and Common Shares	205,000	205,000
18Aug00	Regis Resources Inc. - Common Shares	300,000	600,000
02Aug00	Rosetta Inpharmatics Inc. - Common Stock	U.S.$315,000	22,500
03Apr00 to 30Jun00	RTCM Canada Plus Equity Fund - Units	17,919,011	1,005,060
03Apr00 to 30Jun00	RTCM US Equity Growth Fund - Units	15,128,509	211,033
03Apr00 to 30Jun00	RTCM Global Bond Fund - Units	114,752	11,597
03Apr00 to 30Jun00	RTCM Government of Canada Money Market Fund - Units	2,400,000	240,000
03Apr00 to 30Jun00	RTCM Bond Fund - Units	63,109,753	7,467,837
03Apr00 to 30Jun00	RTCM American Equity Fund - Units	3,760,625	196,824
03Apr00 to 30Jun00	RTCM Small Capitalization Fund - Units	5,728,036	287,040
03Apr00 to 30Jun00	RTCM Global Equity Fund - Units	3,205,944	210,952
03Apr00 to 30Jun00	RTCM Canadian Equity Fund - Units	163,193,730	1,478,307
03Apr00 to 30Jun00	RTCM Diversified Fund - Units	8,714,383	471,056
03Apr00 to 30Jun00	RTCM US Equity Value Fund - Units	25,974,400	432,129
03Apr00 to 30Jun00	RTCM Canadian Trust Income Fund - Units	151,142	15,524
03Apr00 to 30Jun00	RTCM American Balanced Fund - Units	99,747,162	5,871,134

Trans. Date	Security	Price ($)	Amount
03Apr00 to 30Jun00	RTCM Money Market Fund - Units	95,903,295	9,590,329
03Apr00 to 30Jun00	RTCM Emerging Technology Fund - Units	1,100,000	26,460
03Apr00 to 30Jun00	RTCM International Equity Fund - Units	48,595,024	766,096
14Aug00	Sanford C. Bernstein U.S. Diversified Value Equity Fund - Units	6,054	199
11Aug00	Satori Capital L.P. - Limited Partnership Units	300,000	3,000
21Jul00	Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership - Units	31,762,208	1,985
28Jul00	Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership - Units	42,928,704	2,683
15Aug00	Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership - Units	41,919,968	2,620
31Jul00	Serono S.A. - American Depositary Shares	US$589,896	20,000
27Jul00	SMTC Corporation - Shares of Common Stock	13,041,877	554,200
11Aug00	Soltaire Minerals Corp. - Common Shares	157,500	315,000
02Aug00	Stacey Investment Limited Partnership - Limited Partnership Units	150,011	7,584
25Jul00	Stratic Energy Corporation - Special Warrants	1,125,000	2,250,000
31Jul00	Succession Capital (Two) Limited - Loan Advances and Shares	$3,030,000	$3,000,000 & 30,000 Resp.
16Jul00	Sunblush Technologies Corporation, The - Common Shares	181,500	110,000
09Aug00	SupplyForce.com, LLC - Class A, B & C Units	1,071,486	30,359
14Aug00	SynX Pharma Inc. - Special Warrants	5,800,000	1,450,000
20Jul00	Talarian Corporation - Common Stock	U.S.$48,000	3,000
21Jul00	Telexis Corporation - Debt Convertible at the option of the Lender into Common Shares	1,000,000	
13Jun00	Telia AB - Ordinary Shares	4,781,877	335,100
18Aug00	Textron Financial Canada Limited - 6.73% Notes Due August 18, 2003	$34,997,200	$35,000,000
01Aug00	Thinksmith Corp. - Common Shares	354,772	645,040
24Jul00	Touchstone Petroleum Inc. - Flow-Through Common Shares	150,000	300,000
18Jul00	Trangenomic, Inc. - Common Stock	US$1,462,500	97,500
18Jun00	Trangenomic, Inc. - Common Stock	US$1,462,500	97,500
14Aug00	Transpacific Resources Inc. - Special Warrants	300,000	6,000,000
07Aug00 to 11Aug00	Trimark Mutual Funds - Units (See Document For Individual Fund Names)	2,768,635	317,762
31Jul00 to 04Aug00	Trimark Mutual Funds - Units (See Document For Individual Fund Names)	4,785,800	555,445
14Aug00 to 18Aug00	Trimark Mutual Funds - Units (See Document For Individual Fund Names)	2,770,539	331,350
01Aug00	TT International Investment Funds - Units	52,524,431	5,252,443
26Jul00	Tycom - Common Shares	US$5,663,328	176,979
01Aug00	Upper Circle Equity Fund, The	150,000	11,329
26May00	UroTeq Inc. - Common Shares	175,000	87,500

Trans. Date	Security	Price ($)	Amount
10Aug00	V2Commerce Corp. - Common Shares	US$129,870	236,127
09Aug00	Value Holdings, Inc. - 10% Convertible Debenture	$1,475,000	$1,475,000
11Aug00	Value Holdings, Inc. - Units	375,000	862,068
10Aug00	Verena Minerals Corporation - Common Shares	187,953	1,566,275
04Aug00	VISTA Midstream Solutions Ltd. - Class A Common Shares	5,000,000	5,000,000
15Aug00	WAMCO Resources Limited	500,000	500,000
15Aug00	WAMCO Resources Limited	249,999	409,836
15Aug00	WAMCO Resources Limited	150,000	500,000
27Jul00	WebEx Communications, Inc. - Common Stock	US$14,000	1,000
31Jul00	Westfort Enery Ltd. - Common Shares	273,000	525,000
03Aug00	Wolfden Resources Inc. - Common Shares	503,750	775,000
03Aug00	Wolfden Resources Inc. - Common Shares	50,375	77,500
03Aug00	Wolfden Resources Inc. - Common Shares	503,750	775,000
05Jul00	World Wise Technologies Inc. - Common Shares	320,000	1,000,000
25Jul00	Xplore Technologies Corp. - Notes	$3,750,000	$3,750,000
10Aug00	Yorkton Partners 2000 Fund, LP - Limited Partnership Units	1,000,000	1,000
31Jul00	Zero-Knowledge Systems Inc. - Special Warrants	848,660	588,000
07Aug00	ZTEST Electronics Inc. - Common Shares	507,960	249,000

Resale of Securities - (Form 45-501f2)

Date of Resale	Date of Orig. Purchase	Seller	Security	Price ($)	Amount
18Aug00, 21Aug00 & 22Aug00	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	767,250, 1,067,728 & 1,459,855 Resp.	100,000, 135,000 & 181,000 Resp.

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

Name of Company	Date the Company Ceased to be a Private Company
Integrative Proteomics, Inc.	02Aug00

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

Seller	Security	Amount
Melnick, Larry	Champion Natural Health.com Inc. - Subordinate Voting Shares & Multiple Voting Shares	19,765 & 100,000 Resp.
Belkin Enterprises Ltd.	Hillsborough Resources Limited - Common Shares	3,657,980
Temple Ridge (1996) Limited	Kasten Chase Applied Research Limited - Common Shares	990,000
Stronach, Frank	Magna International Inc. - Class A Subordinate Voting Shares	50,000
Jaguar Exploration Corp., Devonshire & Associates Management Services, Glen Harper & Debbie Harper	Parton Capital Inc. - Common Shares	2,250,000

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Chapter 9

Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 11

IPOs, New Issues and Secondary Financings

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Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Oiadvisor.com Inc. Attention: Michael Charles Still 99 Davisville Ave. Toronto, ON M4S 1G3	Investment Counsel	Aug 24/00
Change of Name	RBC Private Counsel Inc./RBC Gestion Privee Inc. Attention: Robert Darrell Sewell 40 King Street West Scotia Plaza Box 125, Suite 5110 Toronto, ON M5H 3Y2	From: Connor Clark & Company Ltd. To: RBC Private Counsel Inc./RBC Gestion Privee Inc.	Aug 17/00
New Registration	RBC Private Counsel Inc./RBC Gestion Privee Inc. Attention: Robert Darrell Sewell 40 King Street West Scotia Plaza Box 125, Suite 5110 Toronto, ON M5H 3Y2	Limited Market Dealer Investment Counsel & Portfolio Manager	Aug 17/00
Re-Organization	Sprott Securities Inc. Attention: Eric Steven Sprott 200 Bay Street, P.O. Box 63 Suite 3450, Royal Bank Plaza, South Tower Toronto, ON M5J 2J2	From: Sprott Securities Limited To: Sprott Securities Inc.	Aug 1/00

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1 SRO Notices and Disciplinary Proceedings

13.1.1 Canadian Venture Exchange - Request for Exemption

NOTICE
OF PUBLICATION OF MATERIALS
RELATING TO CANADIAN VENTURE EXCHANGE, INC.'S
REQUEST FOR AN EXEMPTION
FROM RECOGNITION AS A STOCK EXCHANGE
UNDER S. 21 OF THE SECURITIES ACT

AND

NOTICE
REGARDING CHANGE TO QUOTATION AND
TRADE REPORTING OBLIGATIONS UNDER
PART IV OF THE REGULATION

As part of the application of the Canadian Venture Exchange's ("CDNX") application for an exemption from recognition as a stock exchange under S. 21 of the Securities Act, the following documents are being published in Part 13 of this Bulletin:

A. An order granting the Canadian Venture Exchange ("CDNX") a temporary exemption from recognition stock exchange under s.21 of the Act (the "Temporary Exemption Order").

B. The application for exemption from recognition with a proposed final order ("proposed final order") exempting CDNX from recognition along with its attachments: Schedule A - Alberta Securities Commission ("ASC") Recognition Order, Schedule B - British Columbia Securities Commission ("BCSC") Recognition Order, Schedule C - a Memorandum of Understanding regarding Oversight (MOU), Schedule D - a term sheet regarding the operation of the reported market for over-the-counter ("OTC") trading, Schedule E - Amendments to Policies relating to becoming a reporting issuer in Ontario, and Schedule - Policy regarding related party transactions, Schedule F - Insider bids, issuer bids, going private transactions and related party transactions - Policy 5.9.

C. The Commission has approved for signature the Memorandum of Understanding among the ASC, BCSC, and Ontario Securities Commission (the "OSC") for oversight of CDNX, that is attached as Schedule C to the application. After execution by all three Commissions the MOU will be delivered to the Minister of Finance and published.

D. The order recognizing CDNX for purposes of certain sections of the Securities Act ("S. 72 Order").

E. A Notice which will describe the restructuring of the CDN market with the Invitation for Listing from CDNX and the new user agreement to be used by the Canadian Unlisted Board ("CUB"), a subsidiary of CDNX, are being published in Chapter 13 of this Bulletin.

Background

As part of the Memorandum of Agreement between the Canadian exchanges announced in March 1999, CDNX was to become the sole junior exchange in Canada. CDNX was the product of the merger between the Alberta Stock Exchange and the Vancouver Stock Exchange. The Toronto Stock Exchange was to transfer its operation of the Canadian Dealing Network ("CDN") to CDNX and CDNX was to set up offices in Ontario as part of its mandate to be a national junior issuer exchange.

A. Recognition and Oversight of CDNX by ASC and BCSC

CDNX is a recognized exchange in Alberta and British Columbia and is subject to the direct oversight of the ASC and BCSC. CDNX applied for recognition in those provinces at the time of the merger in November 1999. As direct regulators, the ASC and BCSC have divided oversight of CDNX between them along functional lines, pursuant to an agreement which is attached as Appendix A to the MOU.

In order to obtain recognition, CDNX's bylaws and policies, its corporate governance structure and its operations were reviewed and approved by the ASC and BCSC.

Staff of the ASC, BCSC, and OSC have developed a Memorandum of Understanding regarding oversight of CDNX. See Schedule "C" to the proposed final order. The MOU sets out a minimum standard of oversight to be undertaken by the ASC and BCSC, including performing examinations and rule review. If an exemption from recognition is granted to CDNX, the Commission would rely on the oversight performed by the ASC and BCSC as recognizing regulators. The ASC and BCSC, as lead regulators, would have an obligation to report to the OSC on their oversight activities on a quarterly basis as well as annually to the CSA Chairs.

B. Reporting Issuers

(i) Reporting Issuer Status in Ontario:

Since CDNX issuers are likely to have a large number of Ontario investors even if they do not offer securities directly into Ontario, the proposed Order maintains some of the investor protections that go with Ontario reporting issuer status such as the continuous disclosure requirements.

CDNX has proposed rules and provisions that would require each CDNX listed issuer with a "significant connection" to Ontario to become a reporting issuer in Ontario. An issuer would have a significant connection to Ontario if: (a) 20% of its

non-objecting beneficial owners (as defined in proposed National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*) ("NOBOS") reside in Ontario, or (ii) 10% of the NOBOs and the mind and management (CEO, head office, CFO) of the issuer are located in Ontario. The proposed amendments to effect this requirement are set out in Schedule E to the proposed final order.

The amendments will take effect June 30, 2001. This date was chosen to give issuers a transition time and because it coincides with the BC and Alberta requirements that CDNX issuers become reporting issuers in those provinces.

All CDNX issuers must determine whether they meet the significant connection test by June 30, 2001. If an issuer meets the test, it must promptly apply to be deemed a reporting issuer in Ontario and must achieve that status within six months of June 30, 2001. On an ongoing basis, all CDNX issuers must undertake an annual assessment to determine whether they meet the connection test and, if so, must become Ontario reporting issuers. CDNX, as a condition of initial listing, approval of a reverse take-over transaction and approval of a qualifying transaction under the Capital Pool Companies program, will require issuers with a significant connection to Ontario to be reporting issuers in Ontario.

(ii) OSC Rule 61-501

Those issuers that are or become reporting issuers in Ontario will, of course, comply with Rule 61-501. However, there was a concern that issuers with less than 20% Ontario ownership, yet with a large number of Ontario shareholders (perhaps 19%) would not be subject to the Rule. CDNX has agreed to enact a policy similar to that of OSC Rule 61-501. CDNX Policy 5.9 is intended to establish requirements similar to OSC Rule 61-501. Policy 5.9 is attached as Schedule F to the proposed final order.

CDNX believes that certain transactions carried out by its issuers should be exempt from the formal independent valuation requirements in the Policy. Policy 5.9, therefore, provides additional exemptions for transactions where:

1. the fair market value of the assets, business or securities is "indeterminate";
2. the transaction constitutes the acquisition or disposition of an oil & gas or mineral resource property and suitable reports are prepared;
3. a small issuer or capital pool company is conducting an equity financing involving unrelated investors concurrently with certain acquisition transactions; or
4. the issuer is carrying out a private placement with related parties but cannot meet the liquid market thresholds set out in Rule 61-501 which were designed to apply to more senior issuers, but instead meets other safeguards, namely significant investment by unrelated parties in the private placement and no increase in the pro rata ownership by related parties.

C. Section 72 Order

Subsection 72(4) of the Act contains restrictions on the resale of securities initially acquired in reliance upon certain specified exemptions from the prospectus requirement. Under subclauses 72(4)(b)(i) and 72(4)(b)(iii) of the Act, the relevant restrictions on resale are dependent upon whether the issuer's securities are "listed and posted for trading on a stock exchange recognized for this purpose by the Commission". Generally, if the securities are listed on an exchange recognized for the purpose of these sections, the securities are subject to a 12 month hold period. Otherwise, the hold period is 18 months.

Subclause 72(7)(b)(i) of the Act requires that any seller relying on that subclause for the purpose of effecting a trade from a control block must file certain information with "any stock exchange recognized by the Commission for this purpose on which the securities are listed".

Commission Recognition Order 21-901 Stock Exchange Recognition Order (the "SER Order") recognizes The Toronto Stock Exchange (the "TSE") and the Montreal Exchange (the "ME") for the purpose of subclauses 72(4)(b)(i), 72(4)(b)(iii) and 72(7)(b)(i) of the Act. The VSE and the ASE were not so recognized.

The rationalization of the Canadian stock exchanges from regional marketplaces into a "national" junior, senior and derivatives market requires that, where appropriate, we take a national, harmonized approach to regulation. This has led many in the CSA to recommend the adoption of more harmonized restrictions on resale as set out in proposed Multilateral Instrument 45-102 Resale of Securities.

An order which amends the SER Order to effect these changes is being published in Chapter 13. As a housekeeping matter, the SER order also replaces the references to the ASE and the VSE in the context of recognition for the purpose of clauses 93(1)(a) and 93(3)(e) of the Act.

D. CDN Transfer

As part of the realignment of the Canadian exchanges, the Canadian Dealing Network is to be transferred from the TSE to CDNX. The transfer requires Commission approval.

CDNX has agreed to assume the operation and the development of an appropriate system for reporting trades of dealers. CDNX has drafted an initial term sheet setting out the terms of an agreement between the Commission, CDNX and the Canadian Unlisted Board Inc. ("CUB") a wholly owned subsidiary of CDNX. A copy of the term sheet is attached as Schedule D to the proposed final order. CDNX has proposed that the CDN reported market be maintained as a separate web-based reporting system with a separate name. A more detailed notice regarding the transfer is being published in Part 13 of this Bulletin.

Comments and Questions

Parties who are interested in making comments regarding the application for exemption from recognition should respond by October 1, 2000.

Comments should be sent, in duplicate to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3H8
E-mail: jstevenson@osc.gov.on.ca

A diskette containing comments (in DOS or Windows format, preferably WordPerfect) should also be submitted.

Questions may be referred to:

Randee Pavalow
Manager, Market Regulation
Ontario Securities Commission
(416) 593-8257

Jennifer Elliot
Legal Counsel, Market Regulation
Ontario Securities Commission
(416) 593-8109

CDNX INTERIM ORDER

IN THE MATTER OF

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

AND

IN THE MATTER OF THE CANADIAN VENTURE EXCHANGE INC.

INTERIM EXEMPTION ORDER (Section 147)

UPON the application of the Canadian Venture Exchange ("CDNX"), pursuant to section 147 of the Act for an order exempting CDNX from recognition as a stock exchange under section 21 of the Act (the "Application");

AND UPON CDNX having represented to the Commission that:

CDNX is a corporation organized under the *Business Corporations Act* (Alberta) to operate a stock exchange;

CDNX is a recognized exchange under subsection 52(2) of the *Securities Act* (Alberta) and under subsection 24(2) of the *Securities Act* (British Columbia).

AND UPON the Commission being satisfied that granting CDNX an exemption order pursuant to section 147 on an interim basis would not be contrary to the public interest;

IT IS ORDERED, pursuant to section 147 of the Act, that CDNX be exempt from recognition as a stock exchange under to section 21 of the Act, provided that:

1. CDNX continues to be recognized as an exchange under the *Securities Act* (Alberta) and the *Securities Act* (British Columbia); and

2. The relief provided in this Order shall expire at the earlier of the date that CDNX is granted an exemption order and the expiry of four months from the date of this order.

DATED August 29, 2000.

"J.A. Geller" "H.I. Wetston"

APPLICATION FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE UNDER THE SECURITIES ACT (ONTARIO)

August 27, 2000

Ontario Securities Commission
P.O. Box 55, Suite 800
20 Queen Street West
Toronto, Ontario M5H 3S8

To Whom It May Concern:

Re: **Application for Exemption from Recognition as an Exchange under the Securities Act (Ontario)**

The Canadian Venture Exchange Inc. ("CDNX" or the "Exchange") is currently recognized as an exchange in Alberta and British Columbia under subsection 52(2) of the *Securities Act* (Alberta) and subsection 24(2) of the *Securities Act* (British Columbia) (together, the "Recognition Orders"). CDNX wishes to carry on business as a stock exchange in Ontario and is making an application to the Ontario Securities Commission (the "OSC" or the "Commission") pursuant to section 147 of *the Securities Act* (Ontario) (the "Act") for an order exempting CDNX from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario. Attached hereto as Appendix "A" is the proposed exemption order.

CDNX is also making an application to the OSC pursuant to section 144 of the Act to be recognized for the purposes of subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act.

Capitalized terms have the same meaning as defined in CDNX rules and policies.

A. Recognition by ASC/BCSC

CDNX is recognized as an exchange in Alberta and British Columbia. The recognition criteria and regulatory oversight provided by the Alberta Securities Commission (the "ASC") and the British Columbia Securities Commission (the "BCSC") in connection with CDNX's recognition as an exchange is substantially equivalent to that provided by the OSC in connection with recognized exchanges.

The criteria that govern CDNX's recognition as an exchange in Alberta and British Columbia and that warrant CDNX's exemption from recognition as a stock exchange under the Act are detailed below.

B. Basis for Exemptive Relief

1. Regulatory Oversight

CDNX is subject to joint regulatory oversight by both the ASC and the BCSC. In connection with CDNX's application for an exemption from recognition, the OSC, ASC and BCSC have developed an oversight protocol respecting the continued oversight of CDNX by the ASC and BCSC.

The OSC ASC and BCSC will enter into a memorandum of understanding ("MOU") regarding the oversight activities of the ASC and the BCSC with respect to CDNX. The MOU is attached as Schedule "C" to the proposed exemption order. Under the MOU, the ASC and BCSC will continue to be responsible for conducting a joint oversight program of CDNX for the purpose of ensuring that CDNX meets appropriate standards for market operation and regulation. Those standards include: fair access to issuers and market participants; fair representation in corporate governance and rule making; systems and financial capacity to carry out its regulatory functions; orderly markets through appropriate review of products to be traded and trading rules; appropriate listed company regulation; transparency through timely access to relevant information on traded products and market prices; market integrity through prohibition of unfair trading practices; proper identification and management of risks, including financial condition of operations or and standards for market participants; and integration with effective clearing and settlement systems.

2. Corporate Governance

CDNX's governance structure provides for fair and meaningful representation having regard to the nature and structure of CDNX; appropriate representation on CDNX Board and Board Committees of persons independent of CDNX Member-Shareholders; and appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for directors, officers and employees of CDNX generally.

3. Access

CDNX has established written standards for granting access to trading through the trading facilities of CDNX and which are designed to ensure that CDNX does not unreasonably prohibit or limit access by a person or company to services offered by it. CDNX keeps records of each grant of access including for each Member Shareholder and Participating Organization, the reasons for granting such access and each denial or limitation of access, including the reasons for denying or limiting access to any applicant. Any and all fees imposed by CDNX on its Member-Shareholders and Participating Organizations are presently allocated on an equitable basis. Fees do not have the effect of creating barriers to access and are balanced with the criteria that CDNX must have sufficient revenues to satisfy its responsibilities. CDNX believes that the process established for setting fees is fair and appropriate.

4. Public Interest Rules and Policies

CDNX has established by-laws, rules, regulations, policies, procedures and practices and other similar instruments that are not contrary to the public interest and are designed, with respect to Member-Shareholders and Participating Organizations, to (i) ensure compliance with securities legislation; (ii) prevent fraudulent and manipulative acts and practices; (iii) promote just and equitable principles of trade; and (iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities and CDNX does not permit unreasonable discrimination between customers, issuers, shareholders, and Member-Shareholders or Participating Organizations; or impose any burden on competition that is not

necessary or appropriate in furtherance of securities legislation.

CDNX has published its Corporate Finance Manual which outlines all of the policies governing CDNX listed issuers ("CDNX Issuers") and issuers seeking listing. Compliance with the Corporate Finance policies became mandatory for all CDNX Issuers on March 1, 2000. Although compliance with the published policies is mandatory, they are nevertheless subject to change. The policies have been published for a six-month comment period which expired on July 31, 2000. CDNX anticipates undertaking a comprehensive review of and revision to the policies, subject to receipt of approval by the ASC and BCSC.

5. *Market Regulation by CDNX*

The mandate of market regulation is to endeavour to ensure that the Canadian venture capital market operates honestly and fairly. The focus of market regulation is investor protection and the need to have accurate and timely disclosure on which to base investment decisions.

Effective December 31, 1999, CDNX transferred all of its member regulation functions to the Investment Dealers Association of Canada. CDNX continues to perform market regulation functions. CDNX has enacted and adopted by-laws, rules, regulations or other similar instruments that are designed to ensure that its respective Member-Shareholders and Participating Organizations shall be appropriately disciplined for violations of securities legislation and the bylaws, rules, regulations, policies, procedures, practices and other similar instruments of CDNX. CDNX's rules are publicly available on CDNX's website.

6. *Financial Statements*

CDNX prepares annual audited financial statements, in accordance with Canadian GAAP and covered by a report prepared by an independent auditor and will submit these statements to the ASC and BCSC.

7. *System Security, Capacity and Sustainability*

CDNX has represented to the ASC and BCSC in connection with its Recognition Orders that it will: (i) monitor, on an annual and ad-hoc basis, current system capacities and project future system capacity requirements; (ii) conduct, whenever material changes are made or certain trading conditions occur, capacity stress tests of the trading and downstream systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner; (iii) review and, if needed, improve, on an annual and ad hoc basis, the development and testing methodologies of the trading and downstream systems; (iv) review, whenever material changes are made or circumstances warrant, the vulnerability of the trading and downstream systems and data centre computer operations to internal and external threats, including physical hazards, and natural disasters; (v) on an annual and ad-hoc basis, test and update, if necessary, CDNX's business continuity plan; (vi) on an annual and ad hoc basis, perform an independent review, in accordance with established audit procedures and standards, of its controls for ensuring compliance; and conduct a review by senior management of a report containing the recommendations and conclusions of the independent review; and (vii) promptly notify the ASC and the BCSC of material systems failures and changes.

8. *Reporting Issuer Status*

CDNX will seek approval of the ASC, BCSC and its board of directors by September 29, 2000 to amend its policies to include the following definitions:

"NOBOs" refers to non objecting beneficial owners as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

"significant connection to Ontario" will exist where an Issuer or a Resulting Issuer following completion of a Reverse Take-Over or the Qualifying Transaction of a Capital Pool Company:

(a) has NOBOs resident in Ontario who beneficially own more than 20% of the number of equity securities beneficially owned by the NOBOs of the Issuer or the Resulting Issuer; or

(b) has its mind and management principally located in Ontario and has NOBOs resident in Ontario who beneficially own more than 10% of the number of equity securities beneficially owned by the NOBOs of the Issuer or the Resulting Issuer.

The residence of a majority of the board of directors in Ontario or the residence of the President or Chief Executive Officer in Ontario may be considered determinative in assessing whether the mind and management of the Issuer or the Resulting Issuer is principally located in Ontario.

CDNX will also seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 in regard to certain amendments to its policies respecting CDNX Issuers, who are not otherwise reporting issuers in Ontario, to provide that effective June 30, 2001:

(a) all CDNX Issuers are required to immediately assess whether they have a Significant Connection to Ontario;

(b) where any CDNX Issuer becomes aware that it has a "significant connection to Ontario" as a result of complying with (a) above or otherwise, it is required to promptly make a *bona fide* application to the OSC to be deemed a reporting issuer in Ontario and is required to actually become a reporting issuer in Ontario within a six month period of its becoming aware of the "significant connection to Ontario";

(c) each CDNX Issuer is required to assess on an annual basis, in connection with the preparation for mailing of its annual financial statements, whether it has a "significant connection to Ontario" and is required to obtain and maintain for a period of three years after each annual review, evidence of the residency of their NOBOs; and

(c) if requested, CDNX Issuers will be required to provide CDNX with evidence of the residency of their NOBOs.

CDNX's Corporate Maintenance department will implement procedures such that once every three years CDNX Issuers will be reviewed to assess whether they have a "significant connection to Ontario".

The transactions which will trigger a review by CDNX of whether a CDNX Issuer has a "significant connection to Ontario" will be Initial Listings, Reverse Take-Overs and Qualifying Transactions by Capital Pool Companies. CDNX will seek approval of the ASC, BCSC and its board of directors to amend certain of its policies to indicate that where it reasonably appears to CDNX that:

(a) an issuer seeking listing (an "Initial Listing") has a significant connection to Ontario; CDNX, as a condition of its acceptance of such transaction, will require that the issuer make a *bona fide* application to become a reporting issuer in Ontario; and

(b) a CDNX Issuer conducting a Reverse Take-Over or a Qualifying Transaction by a Capital Pool Company (a "New Listing") will have upon completion of the transaction a significant connection to Ontario; CDNX, as a condition of its acceptance of such transaction, will require that the CDNX Issuer be a reporting issuer in Ontario.

CDNX will seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 to further amend its policies such that a failure to comply with a direction of CDNX to make application or to become a reporting issuer in Ontario may be the basis for suspension or delisting or can be the basis for requiring that particular individuals resign from involvement with the CDNX Issuer. Such amendments will also provide that CDNX may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or insiders of the CDNX Issuer until such time as the CDNX Issuer has complied with the direction. CDNX will further amend its policies such that a failure to make an application to become a reporting issuer in Ontario where a CDNX Issuer becomes aware that it has a "significant connection to Ontario", whether through its annual assessment or otherwise, may be the basis for suspension, delisting or such other action that CDNX may decide in its discretion.

OSC staff will develop an application process and will recommend to the Commission that this process be followed in order to be deemed a reporting issuer in Ontario.

CDNX will seek approval of the ASC, the BCSC and its board of directors by September 29, 2000 to amend its polices to provide that where a CDNX Issuer appears to have made a bona fide effort to attain reporting issuer status in Ontario and fails, the Exchange may, with consent of the OSC, release the CDNX Issuer from the direction to become a reporting issuer in Ontario. The proposed amendments will be in substantially the same form as set out in the attached Schedule "E" to the proposed exemption order.

9. *Incorporation of OSC Rule 61-501*

CDNX will seek approval of the ASC, BCSC and its board of directors by September 29, 2000 to adopt a new policy entitled Policy 5.9, *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*, ("Policy 5.9") which will become effective June 30, 2001. Policy 5.9 will be substantially in the form attached as Schedule "F" to the proposed exemption order. This policy essentially makes OSC Rule 61-501 ("Rule 61-501") a policy of CDNX, subject to certain changes including the addition of certain exemptions. Policy 5.9 will apply to all CDNX Issuers regardless of whether they are reporting issuers in Ontario. CDNX will assist the OSC staff in formulating additional exemptions from Rule 61-501 for junior issuers, particularly in regard to exemptions from valuation requirements which the OSC staff will recommend to the Commission.

10. *Invitation to CDN Quoted Issuers and Operation of Reported Market*

By September 29, 2000 CDNX and its wholly-owned subsidiary, Canadian Unlisted Board Inc. ("CUB"), will subject to regulatory and other approvals, enter into an agreement with the Toronto Stock Exchange ("TSE") and the Canadian Dealing Network Inc. ("CDN") whereby the TSE and CDN will cease to operate a quotation and trade reporting system in Ontario as at September 29, 2000. Subject to regulatory and other approvals, CDNX will create a Tier 3 effective September 29, 2000 on which issuers who as at September 1, 2000 were either CDN quoted companies or companies that have submitted a complete application to be quoted on CDN that is subsequently approved for quotation ("Eligible Company" or "Eligible Companies") will be invited to list. Subject to the comments below, Tier 3 will exist on an interim basis and is intended to consist solely of former CDN quoted issuers.

In order to be listed on CDNX's Tier 3, Eligible Companies must submit a CDNX Listing Agreement and a Personal Information Form ("PIF") for each of the directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company. Eligible Companies listed on Tier 3 of CDNX will also be required to meet the tier maintenance requirements of Tier 2 of CDNX on an ongoing basis in order to maintain a listing on Tier 3. CDNX will assess all Tier 3 companies by December 31, 2000. CDNX will subsequently notify any Tier 3 company of its failure to meet Tier 2 tier maintenance requirements. Tier 3 companies that meet Tier 2 maintenance requirements will continue to trade on Tier 3. Tier 3 companies that do not meet Tier 2 tier maintenance requirements will be advised of this and will be immediately designated "Inactive". Tier 3 companies designated "Inactive" will be given 18 months to continue to trade on Tier 3 and to attempt to reach Tier 2 tier maintenance requirements. In the event that a CDNX Issuer designated as Inactive fails to meet Tier 2 tier maintenance requirements within the 18 month period, it will be suspended and then delisted.

CDNX will review the directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company by December 31, 2000 to assess their suitability. Where CDNX has concerns regarding the suitability of such parties, it will notify the applicable Eligible Company of its concerns. Subject to any right of review, CDNX will require the resignation of any directors, senior officers, control persons and parties conducting investor relations activities on behalf of the company who are deemed by CDNX to be unsuitable. Companies who fail to comply will be subject to suspension.

Companies that are not quoted on CDN, and merely have the trading in their outstanding securities reported to CDN in compliance with the requirements of Part VI of Regulation 1015, will not be invited to list on Tier 3 of CDNX. Any such

companies are, however, free to apply to list on Tier 1 or Tier 2 of CDNX in the same manner as any other listed company candidate.

By September 29, 2000, CUB, CDNX and the OSC will, subject to regulatory and other approvals, enter into an agreement pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario. The agreement will be finalized based upon the term sheet attached as Schedule "D" to the proposed exemption order.

CUB will be appointed as an agent of the OSC for the purposes of section 153 under Part VI of Regulation 1015 for the purpose of providing services to the OSC in respect of trade reporting for and surveillance of trading in unlisted and unquoted equity securities in Ontario.

F. Information Sharing

Where requested by the OSC through the ASC and BCSC, CDNX will provide to the OSC any information in its possession relating to members, shareholders and the market operations of CDNX, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

Thank you.

Yours truly,

Maryn Sigurdson,
Vice-President, Regulatory Affairs and Corporate Secretary

cc: Alberta Securities Commission Stephen Sibold, Chair
cc: British Columbia Securities Commission Douglas Hyndman, Chair

APPENDIX "A"

Draft Order

IN THE MATTER OF

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

- and -

IN THE MATTER OF THE CANADIAN VENTURE EXCHANGE INC.

EXEMPTION O R D E R
(Section 147)

1. **WHEREAS** the Canadian Venture Exchange Inc. ("CDNX") has applied to the Ontario Securities Commission (the "Commission") for the following order:

   1.1. an order pursuant to section 147 of the Act exempting CDNX from recognition under section 21 of the Act (the "Act") for the purposes of carrying on business as a stock exchange in Ontario.

2. **AND WHEREAS** CDNX has represented to the Commission that:

Corporate Structure, Recognition and Services in Ontario:

   2.1. CDNX was incorporated on October 29, 1999 pursuant to the *Business Corporations Act* (Alberta).

   2.2. On November 26, 1999, CDNX was recognized by the Alberta Securities Commission (the "ASC") as an exchange in Alberta under subsection 52(2) of the *Securities Act* (Alberta) (the "Alberta Act") and by the British Columbia Securities Commission (the "BCSC") as an exchange in British Columbia under subsection 24(2) of the *Securities Act* (British Columbia) (the "BC Act") pursuant to COR #99/323 (together, the "Recognition Orders" which are attached as Schedules "A" and "B").

   2.3. CDNX presently maintains offices in Calgary and Vancouver. CDNX opened an office in Toronto, Ontario on May 1, 2000 and intends to receive applications from issuers for listings and to perform continuous listing services for issuers through its Ontario office.

Regulatory Oversight:

   2.4. CDNX is subject to joint regulatory oversight by both the ASC and the BCSC.

   2.5. CDNX is advised that the OSC, ASC and BCSC have entered into a memorandum of understanding ("MOU") respecting the continued oversight of CDNX by the ASC and BCSC (attached as schedule "C"). Under the terms of

the MOU, the ASC and BCSC will continue to be responsible for conducting the regulatory oversight of CDNX and for conducting an oversight program of CDNX for the purpose of ensuring that CDNX meets appropriate standards for market operation and regulation.

2.6. CDNX provides any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the procedures established by the ASC and BCSC from time to time. CDNX will concurrently provide the OSC with copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. Copies of all final by-laws, rules, policies and other regulatory instruments will also be provided to the OSC.

Corporate Governance:

2.7. CDNX's governance structure provides for:

2.7.1. fair and meaningful representation having regard to the nature and structure of CDNX;

2.7.2. appropriate representation on CDNX's Board and its Board Committees of persons independent of CDNX Member-Shareholders; and

2.7.3. appropriate qualification, remuneration and conflict of interest provisions and limitation of liability and indemnification protections for directors, officers and employees of CDNX generally.

2.8. CDNX has established written standards for granting access to trading through the trading facilities of CDNX.

2.9. CDNX has established written standards that are designed to ensure that CDNX does not unreasonably prohibit or limit access by a person or company to services offered by it.

2.10. CDNX keeps records of:

2.10.1. each grant of access including, for each Member-Shareholder and Participating Organization, the reasons for granting such access; and

2.10.2. each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

2.11. Any and all fees imposed by CDNX on its Member-Shareholders and Participating Organizations are presently allocated on an equitable basis. Fees do not have the effect of creating barriers to access and are balanced with the criteria that CDNX must have sufficient revenues to satisfy its responsibilities.

2.12. The process established by CDNX for setting fees is fair and appropriate.

Public Interest Rules and Policies:

2.13. CDNX has established by-laws, rules, regulations, policies, procedures and practices and other similar instruments that:

2.13.1. are not contrary to the public interest; and

2.13.2. are designed, with respect to Member-Shareholders and Participating Organizations, to:

2.13.2.1. ensure compliance with applicable securities legislation;

2.13.2.2. prevent fraudulent and manipulative acts and practices;

2.13.2.3. promote just and equitable principles of trade; and

2.13.2.4. foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities.

2.14. CDNX does not:

2.14.1. permit unreasonable discrimination between customers, issuers, shareholders, and Member-Shareholders or Participating Organizations; or

2.14.2. impose any burden on competition that is not necessary or appropriate in furtherance of applicable securities legislation.

Market Regulation by CDNX:

2.15. Effective December 31, 1999, CDNX transferred all of its member regulation functions to the Investment Dealers Association of Canada. CDNX continues to perform market regulation functions.

2.16. CDNX has enacted and adopted by-laws, rules, regulations or other similar instruments that are designed to ensure that its respective Member-Shareholders and Participating Organizations shall be appropriately disciplined for violations of securities legislation and the by-laws, rules, regulations, policies, procedures, practices and other similar instruments of CDNX.

Financial Statements:

2.17. .CDNX prepares annual audited financial statements, in accordance with Canadian GAAP and covered by a report prepared by an independent auditor.

2.18. CDNX provides the ASC and the BCSC with copies of the statements referred to in clause 2.17.

System Security, Capacity and Sustainability

2.19. .CDNX has represented to the ASC and BCSC in connection with its Recognition Orders that it will:

2.19.1. monitor, on an annual and ad-hoc basis, current trading system capacities and project future trading system capacity requirements;

2.19.2. conduct, whenever material changes are made or certain trading conditions occur, capacity stress tests of the trading and downstream systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

2.19.3. review and, if needed, improve, on an annual and ad hoc basis, the development and testing methodologies of the trading and downstream systems;

2.19.4. review, whenever material changes are made or circumstances warrant, the vulnerability of the trading and downstream systems and data centre computer operations to internal and external threats, including physical hazards, and natural disasters;

2.19.5. on an annual and ad-hoc basis, test and update, if necessary, CDNX's business continuity plan;

2.19.6. on an annual and ad hoc basis, perform an independent review, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with subclauses 2.19.1 through 2.19.5, and conduct a review by senior management of a report containing the recommendations and conclusions of the independent review; and

2.19.7. promptly notify the ASC and the BCSC of material systems failures and changes.

CDN Business

2.20. Effective September 29, 2000, CDNX entered into an agreement (the "Agreement") with the Toronto Stock Exchange ("TSE") and the Canadian Dealing Network Inc. ("CDN"), a wholly-owned subsidiary of the TSE, pursuant to which the TSE and CDN agreed to cease operating the quoted market and the reported market operated by CDN.

2.21. CDN will cease to operate the CDN quoted market in Ontario at the close of business on September 29, 2000 and CDNX will commence operating CDNX Tier 3 on October 2, 2000. Issuers that were quoted on CDN on September 1, 2000 or that had made a complete application to be quoted on CDN by September 1, 2000, which is subsequently approved, are eligible to be listed CDNX Tier 3.

2.22. Effective September 29, 2000 Canadian Unlisted Board, Inc. ("CUB"), a wholly-owned not-for-profit subsidiary of CDNX, CDNX and the OSC entered into an agreement which is attached as Schedule "D"[1], pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario.

Reporting Issuer Status and Incorporation of OSC Rule 61-501

2.23. CDNX has adopted certain amendments to its Corporate Finance Policies in the form attached as schedule "E"[2] which will require that, effective June 30, 2001, CDNX Issuers that are not otherwise reporting issuers in Ontario and have a "significant connection to Ontario" to make application to the OSC and become reporting issuers in Ontario.

2.24. CDNX has adopted a new policy to be effective June 30, 2001, ("Policy 5.9") entitled "*Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* "substantially in the form attached as schedule "F").[2]

3. **AND UPON** the Commission being satisfied that the granting of an exemption from recognition to CDNX would not be contrary to the public interest.

4. **IT IS HEREBY ORDERED** that pursuant to section 147 of the Act, CDNX is exempt from recognition under section 21 of the Act provided that:

4.1. CDNX continues to be recognized as an exchange by the ASC and the BCSC;

4.2. CDNX continues to be subject to such joint regulatory oversight as may be established and prescribed by the ASC and BCSC from time to time;

---

1 The final form of the agreement will be substantially on the same terms as the term sheet attached hereto as Schedule "D" and will replace the term sheet as at the date of the final order.

2 The amendments referred to in clause 2.23 and new Policy 5.9 must be adopted by the date of the final order.

4.3. The MOU referred to in clause 2.5 above has not been terminated;

4.4. CDNX will not make any changes to the amendments to its Corporate Finance Policies referred to in clauses 2.23 and 2.24 above without the prior consent of the OSC;

4.5. CUB will continue to be in compliance with the agreement referred to in clause 2.22 above until the OSC implements rules governing alternative trading systems in Ontario;

4.6. CDNX concurrently provides to the OSC copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. CDNX also provides to the OSC copies of all final by-laws, rules, policies and other regulatory instruments;

4.7. CDNX provides to the OSC, where requested by the OSC through the ASC and the BCSC, any information in the possession of CDNX relating to members, shareholders and the market operations of CDNX, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions; and

5. IT IS HEREBY FURTHER ORDERED that:

5.1. CUB is deemed to be in compliance with the agreement referred to in clause 4.5 above unless CUB has been provided with written notice of non-compliance and has failed to remedy the alleged non-compliance in accordance with the terms of the agreement; and

5.2. CDNX is deemed to be in compliance with clause 4.6 and 4.7 unless CDNX has been provided with written notice of non-compliance and failed to provide the documents or information within 10 business days of receipt of such written notice.

DATED _____, 2000

SCHEDULE "A"

ALBERTA RECOGNITION ORDER

ALBERTA SECURITIES COMMISSION

IN THE MATTER OF The Securities Act (SA 1981, c. S-6.1, as amended) (the "Act")

- and -

IN THE MATTER OF the Canadian Venture Exchange Inc.

RECOGNITION
(Subsection 52(2))

1. WHEREAS Canadian Venture Exchange Inc. ("CDNX") has applied to the Alberta Securities Commission (the "Commission") for recognition as an exchange in Alberta under subsection 52(2) of the Act;

2. AND WHEREAS CDNX, has represented to the Commission that:

2.1 The Alberta Stock Exchange (the "ASE") and the Vancouver Stock Exchange (the "VSE") have obtained the approval of their members to the merger (the "Merger") of the ASE and the VSE to create, ultimately, CDNX pursuant to the plan of arrangement and related transactions described in the Joint Management Circular of the ASE and the VSE dated November 2, 1999;

2.2 All steps required to effect the merger have been completed and, accordingly, at the effective time of the Merger today:

2.2.1 CDNX will have all of the rights, liabilities and obligations of the ASE and the VSE;

2.2.2 any cause of action, claim or liability to prosecution of either the ASE or the VSE immediately prior to the Merger will be assumed by CDNX;

2.2.3 any civil, criminal or administrative action or proceeding pending by or against either the ASE or the VSE may continue to be prosecuted by or against CDNX;

2.2.4 a conviction against or ruling, order or judgement in favor of or against either the ASE or the VSE may be enforced by or against CDNX; and

2.2.5 the property of the ASE and the VSE will be the property of CDNX;

2.3 CDNX will commence operations on November 26, 1999;

3. AND WHEREAS Commission staff have reviewed the application filed and the representations made by CDNX and have recommended that CDNX be recognized as an exchange in Alberta;

4. Based on the application filed and representations made by CDNX, the Commission recognizes CDNX as an exchange in Alberta under subsection 52(2) of the Act at the effective time of the Merger;

Dated at the City of CALGARY) in the Province of ALBERTA this 26th day of November, 1999

signed by "Glenda A. Campbell"
Glenda A. Campbell, Vice-Chair

signed by "Eric T. Spink"
Eric T. Spink, Vice-Chair

SCHEDULE "B"

BRITISH COLUMBIA RECOGNITION ORDER

IN THE MATTER OF THE SECURITIES ACT R.S.B.C. 1996, c. 418

AND

IN THE MATTER OF THE CANADIAN VENTURE EXCHANGE INC.

Recognition Order Under Section 24(2)

The Canadian Venture Exchange Inc. ("CDNX") has applied for recognition as an exchange in British Columbia under section 24(2) of the Act.

CDNX has represented to the Commission that:

1. The ASE and the VSE have obtained the approval of their members to the merger of the ASE and the VSE to create, ultimately, CDNX pursuant to the plan of arrangement and related transactions described in the Joint Management Information Circular of the ASE and VSE dated November 2, 1999,

2. All steps required to effect the merger have been completed and, accordingly, at the effective time of the merger today:

   (a) CDNX will have all of the rights, liabilities and obligations of the ASE and VSE,

   (b) any cause of action, claim or liability to prosecution of either the ASE or the VSE immediately prior to the Merger will be assumed by CDNX,

   (c) any civil, criminal or administrative action or proceeding pending by or against either the ASE or the VSE may continue to be prosecuted by or against CDNX,

   (d) a conviction against or a ruling, order or judgment in favour of or against either the ASE or the VSE may be enforced by or against CDNX, and

   (e) the property of the ASE and the VSE will be the property of CDNX,

3. CDNX will commence operations on November 29, 1999.

Commission staff have reviewed the application filed and the representations made by CDNX and have recommended that CDNX be recognized as an exchange in British Columbia.

Based on the application filed and the representations made by CDNX, the Commission recognizes CDNX as an exchange in British Columbia under section 24(2) of the Act at the effective time of the merger.

DATED at Vancouver, British Columbia, on November 26, 1999.

Douglas M. Hyndman
Chair

SCHEDULE "C"

MEMORANDUM OF UNDERSTANDING REGARDING THE OVERSIGHT OF THE CANADIAN VENTURE EXCHANGE INC. BY THE ALBERTA SECURITIES COMMISSION AND BRITISH COLUMBIA SECURITIES COMMISSION

BETWEEN:

ALBERTA SECURITIES COMMISSION
(the "ASC")

- and -

BRITISH COLUMBIA SECURITIES COMMISSION
(the "BCSC")

- and -

ONTARIO SECURITIES COMMISSION
(the "OSC")

The parties agree as follows:

1. Underlying Principles

1.1 The ASC and BCSC are the lead regulators (the "Lead Regulators") in connection with the oversight of the Canadian Venture Exchange Inc. ("CDNX") in accordance with the division of duties outlined in Appendix "A".

1.2 The OSC has exempted or will exempt CDNX from recognition as a stock exchange in Ontario on the basis that:

1.2.1 CDNX is and will continue to be recognized as an exchange by the Lead Regulators;

1.2.2 the Lead Regulators are responsible for conducting the regulatory oversight of CDNX; and

1.2.3 the OSC will be informed of the oversight activities of the Lead Regulators and will be provided with opportunities to raise issues concerning the oversight of CDNX with the Lead Regulators in accordance with this Memorandum of Understanding (the "MOU").

1.3 The parties will act in good faith in the resolution of issues raised by any of the parties in connection with the oversight of CDNX by the Lead Regulators.

1.4 The Lead Regulators are responsible for conducting an oversight program of CDNX which will include the matters described in Part 2 (the "Oversight Program") [1]

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[1] The matters outlined in the Oversight Program are intended to prescribe a minimum level of oversight. The Lead Regulator may conduct additional review procedures. The purpose of specifying the Oversight Program is to ensure that each participant in the CDNX Oversight Protocol is comfortable that there is acceptable

1.5 The purpose of the Oversight Program is to ensure that CDNX meets appropriate standards for market operation and regulation. Those standards include:

1.5.1 fair access to issuers and market participants;

1.5.2 fair representation in corporate governance and rule making;

1.5.3 systems and financial capacity to carry out its regulatory functions;

1.5.4 orderly markets through appropriate review of products to be traded and trading rules;

1.5.5 appropriate listed company regulation;

1.5.6 transparency through timely access to relevant information on traded products and market prices;

1.5.7 market integrity through prohibition of unfair trading practices;

1.5.8 proper identification and management of risks, including financial condition of operation and standards for market participants; and

1.5.9 integration with effective clearing and settlement systems.

1.6 The OSC acknowledges that the Lead Regulators may enter into a Memorandum of Understanding substantially similar to this MOU with the securities commission of any other jurisdiction where CDNX opens an office.

1.7 The Lead Regulators intend to enter into a Memorandum of Understanding with the Manitoba Securities Commission ("MSC") regarding the oversight of CDNX by the Lead Regulators (the "MSC MOU") in substantially the same form as this MOU.

2. Oversight Program

2.1 The Lead Regulators will establish and conduct the Oversight Program, which will include, at a minimum, the following:

2.1.1 review of information filed by CDNX on critical financial and operational matters and significant changes to operations, including information related to:

a) affiliated entities;
b) operation of CDNX systems/technological capacity;
c) financial statements;
d) membership and access requirements and forms;
e) corporate finance policies, including listing and filing requirements; and
f) corporate governance, including board and committee composition, structure, mandate and function;

2.1.2 review and approval of changes to CDNX by-laws, rules, policies and other regulatory instruments in accordance with the procedures established by the Lead Regulators for the review of such instruments in effect from time to time. The current procedures are set out in letters dated November 26, 1999 and February 24, 2000; and

2.1.3 periodic examination of CDNX functions, including:

a) corporate finance policies: policies relating to minimum listing requirements, listing or tier maintenance requirements, sponsorship and continuous disclosure;
b) trading halts, suspensions and delisting procedures;
c) surveillance and enforcement: procedures for detection of non-compliance and resolution of outstanding issues;
d) access: requirements for access to trade through the facilities of CDNX;
e) information transparency: procedures for the dissemination of market information;
f) corporate governance: corporate governance procedures, including policy and rule making process; and
g) risk management and computer systems.

2.2 The Lead Regulators will retain sole discretion regarding the manner in which the Oversight Program is carried out, including, but not limited to, determining the order and timing of their examinations of CDNX functions under section 2.1. However, the Lead Regulators will perform the examinations of CDNX functions under section 2.1.3 at least once every three years. The Lead Regulators will provide to the OSC a copy of the report of the examination performed in accordance with section 2.1.3 and any responses of CDNX to the report.

3. Involvement of the OSC

3.1 The Lead Regulators acknowledge that the OSC will require that CDNX provide to the OSC:

3.1.1 copies of all by-laws, rules, policies and other regulatory instruments that CDNX files for review and approval with the Lead Regulators, under the Lead Regulators' procedures referred to in section 2.1.2, at the same time that CDNX files those documents with the Lead Regulators;

3.1.2 copies of all final by-laws, rules, policies and other regulatory instruments once approved by the Lead Regulators in accordance with the procedures outlined in section 2.1.2; and

3.1.3 if requested by the OSC, copies of information filed by CDNX pursuant to section 2.1.1 as identified in the request.

oversight of CDNX, which in turn justifies reliance on the Lead Regulator.

3.2 Where the OSC advises the Lead Regulators that it has specific concerns regarding the operations of CDNX in Ontario and requests that the Lead Regulators perform an examination of CDNX in Ontario, the Lead Regulators may determine to conduct an examination of an office or offices of CDNX in Ontario or a function performed by a CDNX office located in Ontario. The OSC may, as part of its request, ask that the Lead Regulators include staff of the OSC in the Lead Regulators' examination.

3.3 If the Lead Regulators advise the OSC that they cannot or will not conduct the examination as referenced in section 3.2, the OSC may conduct such examination on behalf of the Lead Regulators without the participation of the Lead Regulators. In such cases, the OSC will provide copies of the results of the examination to the Lead Regulators.

3.4 The Lead Regulators will inform the OSC in writing of any material changes in how they perform their obligations under this MOU.

4. Information Sharing

4.1 The Lead Regulators will, upon written request from the OSC, provide or request CDNX to provide to the OSC any information in the possession of CDNX relating to members, shareholders and the market operations of CDNX, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

5. Oversight Committee

5.1 A committee will be established (the "Oversight Committee") which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of marketplaces by the parties.

5.2 The Oversight Committee will include staff representatives from each of the Lead Regulators and the OSC who have responsibility and/or expertise in the areas of exchange oversight and market regulation.

5.3 The Oversight Committee will meet at least once annually in person and will conduct conference calls at least quarterly.

5.4 At least quarterly the parties will provide to the Oversight Committee a summary report on their oversight of marketplaces regulated by them that will include a summary description of any material changes to their oversight program implemented during the period.

5.5 At least once annually the Oversight Committee will provide to the Canadian Securities Administrators (the "CSA") a written report of the oversight activities of the committee members during the previous period.

5.6 The OSC acknowledges that, since the Lead Regulators intend to enter into the MSC MOU and may enter into another Memorandum of Understanding substantially similar to this MOU with the securities commissions of any other jurisdiction where CDNX opens an office under section 1.6, the Oversight Committee will include staff representatives from the MSC and the relevant securities commission and those representatives will participate in the work of the Oversight Committee on the same basis as the staff representatives from the OSC.

6. Waiver and Non-Performance

6.1 The terms, conditions and procedures of this MOU may be varied or waived by mutual agreement of the staff of the parties. A waiver or variation may be specific or general and may be for a time or for all times as mutually agreed by staff of the parties.

6.2 If a party believes that another party is not performing satisfactorily its obligations under this MOU, it may give written notice to the other party stating that belief and accompanied by particulars in reasonable detail of the alleged failure to perform. If the party receiving the notice has not satisfied the notifying party within two months of the delivery of the notice either that its performance is satisfactory or that it has taken or will take acceptable steps to rectify its performance, the notifying party may by written notice to the other parties terminate this MOU on a date not less than six months following delivery of such notice. In that case the notifying party will send to CDNX a copy of its notice of termination at the same time that it sends such notice to the other party.

6.3 For the purposes of this Part, the Lead Regulators will be considered to be one party.

7. Effective Date

7.1 This MOU comes into effect on the date it is approved by the Minister of Finance in Ontario pursuant to section 143.10 of the Ontario Securities Act.

ALBERTA SECURITIES COMMISSION

Per: _____

Per: _____

Date: _____

BRITISH COLUMBIA SECURITIES COMMISSION

Per: _____

Per: _____

Date: _____

ONTARIO SECURITIES COMMISSION

Per: _____

Per: _____

Per: _____

APPENDIX "A"

TO THE MEMORANDUM OF UNDERSTANDING
REGARDING THE OVERSIGHT OF CDNX
BY THE ASC AND BCSC

ASC/ BCSC FUNCTIONAL REGULATION CONTACT LIST

Functional Area	Functional Regulator	BCSC Contact Person	ASC Contact Person
Corporate Governance	ASC	Special Adviser to the Chair (L. Gauvin (604) 899-6538)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)
Corporate Finance	ASC	Director, Corporate Finance (W. Redwick (604) 899-6526)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)
Trading	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)
Compliance	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251) Director, Enforcement (G. Cornfield (403) 297-2091)
Risk Management	ASC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251)
Systems	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Capital Markets (K. Parker (403) 297-3251)
Clearing & Settlement	BCSC	Deputy Director, Compliance (G. Halischuk (604) 899-6617)	Director, Legal Services & Policy Development (P.M. Johnston (403) 297-2074)

June 09, 2000

SCHEDULE "D"

TERM SHEET

08/28/00

CANADIAN UNLISTED BOARD INC.
AND THE
ONTARIO SECURITIES COMMISSION

OUTLINE OF AGREEMENT REGARDING TRADE REPORTING AND SURVEILLANCE SERVICES FOR UNLISTED SECURITIES

PARTIES

Canadian Unlisted Board Inc. ("CUB") (a wholly-owned not-for-profit subsidiary of the Canadian Venture Exchange), the Canadian Venture Exchange ("CDNX") and the Ontario Securities Commission ("OSC").

PURPOSE OF AGREEMENT

CUB will agree to provide services in respect of trade reporting for and surveillance of unlisted and unquoted over-the-counter equity securities in Ontario. CDNX will agree to cause CUB to fulfill its obligations in respect of such services.

PREPARATION OF AGREEMENT

CUB will prepare a formal agreement (the "Agreement") for review by the OSC to be finalized by the date of the final order exempting CDNX for the purposes of carrying on businss as a stock exchange in Ontario (the "Exemption Order"). This outline of the Agreement is for working purposes only, and is subject to the preparation and finalization of the Agreement to the satisfaction of each of the parties.

OTC SYSTEM

- CUB will develop an internet web-based reporting system (the "OTC System") for the reporting by Ontario registrants of trading in unlisted and unquoted equity securities of the kind currently reported to the component of the Canadian Dealing Network ("CDN") referred to as the "Reported Market".
- The OTC System will be developed with substantially the same functionality as previously proposed in system specifications provided to the OSC by CDNX in March, 2000.
- The OTC System will not provide for visible quotations.

NAME OF OTC SYSTEM

- CUB will select a name for the OTC System that is distinct from CDNX and all its trademarks and operating names and that is otherwise acceptable to the OSC.

ADMINISTRATION OF OTC SYSTEM

- CUB will be appointed as an agent of the OSC for the purposes of section 153 of Part VI of the OSC Regulation until such time as Part VI is repealed.
- Subject to "Regulation of OTC System" below, CUB will administer the OTC System in a manner substantially similar to CDN's operation of the Reported Market by providing:
  - (i) the surveillance services identified under "Regulation of OTC System" below;
  - (ii) trade reporting services; and
  - (iii) accounting services.
- CUB will provide such staff as are necessary to operate the OTC System in the manner specified.
- All trade reporting fees and other revenue derived from the operation of the OTC System will be retained by CUB.
- CUB will be entitled to charge such fees for the use of the OTC System as are required for the reimbursement of all costs associated with the development and ongoing operation of the OTC System, including all operating, capital and related costs. All fees charged by CUB will be consistent with CUB's status as a not-for-profit entity and will be subject to review by the OSC.

REGULATION OF OTC SYSTEM

- In the event that the OTC System is implemented prior to the implementation of the OSC's rules governing alternative trading systems (the "ATS Rules") and unless otherwise agreed, the Agreement will provide for the regulation of the OTC System in two phases:

  (i) for the period commencing on the date of implementation of the OTC System and ending on the date of the implementation in Ontario of the ATS Rules or such other rules as the OSC may apply to trading in unlisted and unquoted equity securities in Ontario, the OTC System will be regulated in accordance with Part VIas amended and approved by the OSC; and

  (ii) commencing on the date of the implementation of the ATS Rules or such other rules as the OSC may apply to unlisted equities trading and ending on the date of the termination of the Agreement, the OTC System will be regulated in accordance with the ATS Rules or such other rules as the OSC shall impose. Such rules will require reporting of OTC trades and will specify the rules applicable to such trades.

- In the event that the OTC System is implemented after the implementation of the ATS Rules or such other rules as the OSC may apply to unlisted equities trading, the OTC System will be regulated in accordance with the ATS Rules or such other rules as the OSC shall impose.

- CUB will not make any regulations regarding OTC trading of equity securities in Ontario, but will monitor trades for complicance with Ontario securities legislation.

- CUB will provide surveillance services in respect of the securities reported to the OTC System. CUB will not provide enforcement services in respect of the market participants using the OTC System.

- Surveillance services provided by CUB in respect of the OTC System will be substantially similar to the surveillance operations currently performed by CDN in respect of the Reported Market, and will comprise:

  (i) exception monitoring for trading activity in violation of the terms of any contracts with Users, applicable trading rules or applicable securities laws; and

  (ii) press release monitoring for issuer disclosure in violation of applicable securities laws.

- Where CUB detects unusual trading activity in possible violation of applicable trading rules or securities laws, CUB will contact the relevant trader or issuer with a view to determining the cause of and resolving the unusual activity.

- Where CUB detects a possible violation of applicable disclosure laws, CUB will contact the issuer with a view to resolving the disclosure violation.

- All matters requiring enforcement action will be referred to the applicable securities regulatory body, anticipated to be the OSC in most cases involving the OTC System.

- CUB will impose no trading halts in respect of any securities reported to the OTC System.

- CUB will provide to the OSC on request all such trading and surveillance data collected by CUB in respect of the OTC System as the OSC may require.

NO PUBLICATION OF TRADING DATA

Data collected by CUB in respect of trading reported to the OTC System will be maintained for surveillance and enforcement purposes only, and will not be published.

KEY EVENTS AND DATES

- OSC staff will present this outline (or a summary of same) to the OSC Commissioners for approval.

- CUB, CDNX and the OSC shall enter into the Agreement by the date of the Exemption Order.

- The OSC will publish a notice advising the securities industry of the key terms of the Agreement by August 31, 2000.

- CUB shall:

  (i) develop the OTC System and have it ready for service by October 10, 2000; and

(ii) transfer reporting in unquoted CDN stocks to the OTC System by October 10, 2000.

PROPRIETARY RIGHTS

All right, title and interest to the OTC System will be owned solely by CUB.

CONDITIONAL NATURE OF AGREEMENT

The Agreement may require amendment based on comments received from the public during the publication for comment period. Any such amendments will be mutually agreed upon by CDNX, CUB and the OSC.

TERM OF AGREEMENT

The Agreement will be for a three year term.

TERMINATION

At any time after the expiry of its initial three year term the Agreement may be terminated by either party on one year's notice to the other party.

NOTICE

The Agreement will include provisions respecting notice to be given in connection with any non-compliance by CUB together with provision respecting the time within which CUB must rectify the non-compliance.

SCHEDULE "E"

Revisions to Corporate Finance Manual
Re: Reporting Issuer Status of Exchange Listed Issuers

These policy amendments are not effective until June 30, 2001.

Policy 1.1 - Interpretation

The following definitions will be added to Policy 1.1:

"NOBOs" refers to non objecting beneficial owners as currently defined in Proposed National Instrument 54-101 or as defined in the final form of the instrument.

"Significant Connection to Ontario" will exist where an Issuer or a Resulting Issuer following completion of a Reverse Take-Over or the Qualifying Transaction of a Capital Pool Company:

(a) has NOBOs resident in Ontario who beneficially own more than 20% of the number of equity securities beneficially owned by the NOBOs of the Issuer or Resulting Issuer; or

(b) has its mind and management principally located in Ontario and has NOBOs resident in Ontario who beneficially own more than 10% of the number of equity securities beneficially owned by the NOBOs of the Issuer or Resulting Issuer.

The residence of a majority of the board of directors in Ontario or the residence of the President or Chief Executive Officer in Ontario may be considered determinative in assessing whether the mind and management of the Issuer or Resulting Issuer is principally located in Ontario.

Policy 2.3 - Listing Procedures

The following section 4 will be added to Policy 2.3:

4. Significant Connection to Ontario

4.1 Where it appears to the Exchange that an Issuer undertaking an Initial Listing on the Exchange has a Significant Connection to Ontario, the Exchange will, as a condition of its acceptance of the Initial Listing, require the Issuer to provide the Exchange with evidence that it has made a bona fide application to become a reporting issuer in Ontario.

Policy 2.4 - Capital Pool Companies

The following subsection 12.6 will be added to Section 12, *Qualifying Transaction*, of Policy 2.4:

12.6 Assessment of a Significant Connection to Ontario

Where a Resulting Issuer will have a Significant Connection to Ontario, it must be a reporting issuer in Ontario at the Completion of the Qualifying Transaction.

Policy 2.9 - Trading Halts, Suspensions and Delisting

The following clause (h) will be added to section 3.1, *Reasons for Suspension*, of Policy 2.9:

3.1 The Exchange may impose a suspension in a variety of circumstances including where:

(h) an Issuer fails to comply with a direction or requirement of the Exchange to make application for and obtain reporting issuer status in Ontario when it has a Significant Connection to Ontario.

Policy 3.1 - Directors Officers and Corporate Governance

The following sections will be added to Policy 3.1:

Subsection 2.8 will be added to section 2, *Directors and Management Qualifications:*

2.8 Where an Issuer has a Significant Connection to Ontario, the Exchange may refuse to grant Exchange Acceptance of any application relating to the acceptability of any director, officer or Insider, or revoke, amend or impose conditions in connection with a previous Exchange Acceptance of any such application, until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Subsection 12.3 will be added to section 12, *Management Compensation and Compensation Committee*:

12.3 The Exchange may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or Insiders of the Issuer until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario where the Issuer has a Significant Connection to Ontario. (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

Section 19 will be added to Policy 3.1

19. Assessment of a Significant Connection to Ontario

19.1 Effective June 30, 2001 all Issuers, that are not otherwise reporting issuers in Ontario, are required to immediately assess whether they have a Significant Connection to Ontario.

19.2 Where an Issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has a Significant Connection to Ontario as a result of

complying with subsection 19.1 or otherwise, the Issuer is required to immediately notify the Exchange, and promptly make a *bona fide* application to the Ontario Securities Commission to be deemed a reporting issuer in Ontario. The Issuer must become a reporting issuer in Ontario within six months of becoming aware that it has a Significant Connection to Ontario.

19.3 All Issuers, that are not otherwise reporting issuers in Ontario, are required to assess on an annual basis, in connection with the preparation for mailing of their annual financial statements, whether they have a Significant Connection to Ontario. All Issuers must obtain and maintain for a period of three years after each annual review, evidence of the residency of the NOBOs of the Issuer.

19.4 If requested, Issuers must provide the Exchange with evidence of the residency of their NOBOs.

Policy 5.2 - Changes of Business and Reverse Takeovers

The following subsection will be added to section 10, *Other Requirements* of Policy 5.2:

10.6 Assessment of a Significant Connection to Ontario

(a) Where, pursuant to an RTO, a Resulting Issuer will have a Significant Connection to Ontario, it must be a reporting issuer in Ontario at the Completion Date of the RTO.

SCHEDULE "F"

POLICY 5.9

INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Scope of Policy

This Policy is not effective until June 30, 2001.

This Policy incorporates Ontario Securities Commission ("OSC") Rule 61-501, Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (the "OSC Rule"), together with the Companion Policy 61-501CP (the "OSC Policy"), as they exist as at September 1, 2000 as a policy of the Exchange, subject to certain modifications. In addition to the stated exemptions in the OSC Rule, this Policy also provides certain **additional exemptions**. A complete copy of the OSC Rule and OSC Policy can be found on the OSC's website at www.osc.gov.on.ca. The text of the OSC Rule and OSC Policy have also been incorporated, respectively, as Appendix 5B and Appendix 5C to the Exchange's Corporate Finance Manual.

The main headings of this Policy are:

1. Definitions
2. Effective Date of this Policy
3. Application of the OSC Rule and OSC Policy
4. Exchange Valuation Exemptions

1. Definitions

1.1 Definitions contained in the OSC Rule and OSC Policy that are inconsistent with definitions contained within other Exchange policies shall be applicable only to the interpretation of this Policy.

1.2 References in the OSC Rule and OSC Policy to the "Director", for the purposes of this Policy, shall refer to a Vice-President, Corporate Finance of the Exchange.

1.3 "Feasibility Study" for the purpose of this Policy, means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail to serve as the basis for a qualified person experienced in mineral production activities, acting reasonably, to make a final decision on whether to proceed with development of the deposit for mineral production.

1.4 "Independent Committee" for the purpose of this Policy, means a committee consisting exclusively of two or more Independent Directors.

1.5 "Independent Directors" for the purpose of this Policy, means for an Issuer, a director who is neither an employee, senior officer, Control Person or management consultant of the Issuer or its Associates or Affiliates and is otherwise independent as determined in accordance with section 7.1 of the OSC Rule.

1.6 **"Related Party" and "Related Party Transaction"** have the meaning ascribed to such terms in the OSC Rule.

1.7 **"Unrelated Investors"** for the purpose of this Policy, means Persons who are not Related Parties of the Issuer or the Target Issuer and who are not members of the Pro Group.

2. Effective Date of this Policy

2.1 This Policy shall become effective June 30, 2001 (the "Effective Date"). Prior to the Effective Date of this Policy, the Exchange may nevertheless use this Policy as a guideline.

3. Application of the OSC Rule and OSC Policy

3.1 The Exchange considers it appropriate to have policies providing guidance in respect of insider bids, issuer bids, going private transactions and related party transactions, and in particular concerning the circumstances in which disinterested shareholder approval, valuations, independent board committee approval and enhanced disclosure are required. On May 1, 2000, the OSC Rule and the OSC Policy became effective, replacing the former OSC Policy 9.1. Although the Exchange is considering adoption of its own separate policy, the Exchange considered the OSC Rule and the OSC Policy and determined that in an effort to create a national, harmonized set of rules, it would adopt the OSC Rule and the OSC Policy as a CDNX policy.

3.2 On the Effective Date, this Policy will apply to all Issuers listed on CDNX or seeking listing on CDNX, regardless of whether the Issuer is a reporting issuer in Ontario. References in either the OSC Rule or the OSC Policy to their application to Ontario reporting issuers, for the purposes of this policy, shall be considered to be references to Issuers listed on CDNX.

3.3 Subject to the modifications described in this Policy, and in particular the additional exemptions set forth in section 4 of this Policy, the OSC Rule and the OSC Policy are adopted, in their entirety, as a Corporate Finance policy of the Exchange as at the Effective Date.

3.4 Prior to the Effective Date, the Exchange will be reviewing its other corporate finance policies to minimize any conflicts or inconsistencies created by the introduction of this Policy and to provide appropriate cross-references and clarifications.

3.5 A number of Exchange policies may be impacted by the adoption of the OSC Rule and the OSC Policy, including the following:

(a) Policy 2.4, Capital Pool Companies,

(b) Policy 4.1, Private Placements,

(c) Policy 5.2, Changes of Business and Reverse Take-Overs,

(d) Policy 5.3, Acquisitions and Dispositions of Non-Cash Assets,

(e) Policy 5.5, Stock Exchange Take-Over Bids and Issuer Bids, and

(f) Policy 5.6, Normal Course Issuer Bids.

4. Exchange Valuation Exemptions

4.1 The OSC Rule contains various provisions exempting issuers from its application. In regard to valuations, the OSC Rule sets out various situations in which an Issuer is exempt from the requirement to obtain an independent valuation. In addition to the stated exemptions in the OSC Rule and subject to sections 4.3 and 4.4 below, the Exchange will also generally exempt an Issuer from the requirement of an independent valuation ("Exchange Valuation Exemptions") in the course of Exchange acceptance of a Related Party Transaction in connection with a:

- Qualifying Transaction by a CPC;
- Change of Business;
- Reviewable Acquisition;
- Reviewable Disposition; or
- Reverse Take-Over or such other transaction deemed to be a Reverse Take-Over by the Exchange notwithstanding that the transaction may not be a reverse take-over for accounting purposes;

provided that one of the following circumstances is met:

(a) the fair market value of the assets, business or securities is "indeterminate" with reference to the criteria described in section 4.5 below; or

(b) the transaction constitutes the acquisition or disposition of an oil and gas property in North America and the Issuer has obtained an independent engineering or geological report, which provides a value of proved and probable reserves based on constant dollar pricing presented at discount rates of 10%, 15% and 20%, with probable reserves discounted a further 50%; or

(c) the transaction constitutes the acquisition or disposition of a mineral resource property and the Issuer has obtained a Feasibility Study based on proven and probable reserves that demonstrates a minimum three year mine life; or

d) the transaction constitutes an acquisition by either a CPC or an Issuer that does not meet Tier 2 Tier Maintenance Requirements such that the Issuer could be designated Inactive, and the consideration to be paid consists solely of equity securities of the Issuer and the Issuer is conducting a concurrent financing constituting the issuance of equity securities provided that:

(i) the product obtained by multiplying the gross proceeds of the financing by the

inverted fractional interest that the concurrent financing subscribers will own of the Issuer, less net tangible assets of the Issuer, is equal to or greater than the total of the deemed value of the securities being issued for the assets, business or securities to be acquired;

(ii) Unrelated Investors purchase equity securities in the concurrent financing representing 20% or more of the total issued and outstanding equity securities of the Issuer after giving effect to both the concurrent financing and the transaction; and

(iii) Unrelated Investors contribute at least 2/3 of the aggregate proceeds of the concurrent financing.

Eg. An Issuer has outstanding 5,000,000 Listed Shares and is conducting an acquisition of a private start-up technology company, Targetco. The purchase price for all of the issued and outstanding shares of Targetco is to be the issuance by the Issuer of 10,000,000 Listed Shares at $0.30 (ie. a deemed value of $3,000,000) to acquire all of the issued and outstanding shares of Targetco. Concurrently with the acquisition, the Issuer is conducting a financing to arm's length subscribers, issuing 5,000,000 Listed Shares at $0.30 to raise total gross proceeds of $1,500,000. In this example, the Issuer has no net tangible assets other than the cash raised on the financing in the amount of the $1,500,000

The subscribers to the concurrent financing will own 25% of the Resulting Issuer, assuming completion of both the acquisition and the financing. Accordingly, the required 20% minimum has been met and the financing can be used as an alternative method of valuation.

Based on the financing, the Exchange will accept a deemed value for Targetco of up to $4,500,000.

The $4,500,000 is calculated by multiplying the gross proceeds of the concurrent financing (ie. $1,500,000) by the inverted fractional interest that the concurrent financing subscribers will own of the Resulting Issuer. (ie. 25% is 25/100 which, when inverted is 100/25) less net tangible assets of the Issuer (which, in this case, are confined to $1,500,000). $4,500,000 ($1,500,000 x 100/25 - $1,500,000) is the maximum deemed value attributable to Targetco. Since the Issuer only intends to pay a deemed price of $3,000,000, the consideration to be paid is acceptable.

4.2 Subject to sections 4.3 and 4.4 below, an Exchange Valuation Exemption will also generally be available to an Issuer in the course of Exchange acceptance of a Private Placement which is a Related Party Transaction:

(a) where the fair market value of the Issuer's securities is "indeterminate" with reference to the criteria described in section 4.5 below; or

(b) where:

(i) a liquid market (as defined in paragraph 1.3(1)(a) of the OSC Rule) does not exist for the securities of the Issuer at the time the transaction is agreed to;

(ii) the Exchange's normal pricing policies will be applied in fixing the price of the equity securities purchased on the Private Placement;

(iii) Unrelated Investors contribute at least 2/3 of the aggregate proceeds of the Private Placement; and

(iv) the pro rata share of the total issued and outstanding equity securities of the Issuer owned by any Related Party of the Issuer will not increase after giving effect to the Private Placement.

4.3 Where an Issuer relies upon the Exchange Valuation Exemptions:

(a) the Issuer must provide to the Exchange a certificate in accordance with section 4.4 below, executed by either a majority of the board of directors of the Issuer which must include two or more Independent Directors or an Independent Committee;

(b) the contents of the Certificate must be disclosed in any Information Circular or Filing Statement provided to shareholders in connection with the transaction; and

(c) any securities issued in consideration for such assets, business or securities will be subject to escrow or other resale restrictions as prescribed by the Exchange. See *Policy 5.4 - Escrow and Vendor Consideration.*

4.4 The certificate referred to in section 4.3 above shall provide:

(a) disclosure with respect to the Exchange Valuation Exemption being relied upon and the basis for such reliance;

(b) disclosure of the manner in and basis upon which price or value was determined;

(c) that either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee , having made reasonable inquiry, have:

(i) no knowledge of a Material Change or Material Fact concerning the Issuer or its securities that has not been generally disclosed; and

(ii) no reason to believe it is inappropriate to apply the Exchange's normal pricing policies; and

(d) in respect of the exemptions set forth in subsections 4.1(a) and 4.2(a) above, the certificate must also state that:

(i) either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee , acting in good faith, reasonably believe that the fair market value of the assets, business or securities is "indeterminate" with reference to the criteria described in section 4.5; and

(ii) there has been disclosure of the manner and basis upon which the consideration to be paid for the assets, business or securities was determined including, without limitation, reference to net tangible asset value;

(e) in respect of the exemption set forth in subsection 4.1(d) above, the certificate must also state that:

(i) prior to making their investment, the Unrelated Investors will have received disclosure in the Information Circular or offering memorandum, as the case may be, of all matters relating to or affecting the concurrent financing and the transaction;

(ii) prior to voting on the transaction, the shareholders of the Issuer will have received disclosure in the Information Circular of all matters relating to or affecting the concurrent financing and the transaction; and

(iii) either a majority of the board of directors of the Issuer including two or more Independent Directors or the Independent Committee, having made reasonable inquiry, have no knowledge of any matter that might impact upon the deemed value determined in subsection 4.1(d).

(f) in respect of the exemption set forth in subsection 4.2(b) above, that the pro rata share of the total issued and outstanding equity securities of the Issuer owned by any Related Party of the Issuer will not increase after giving effect to the Private Placement.

4.5. The Exchange will generally consider assets, businesses or securities to be of "indeterminate" value where:

(a) the Issuer has demonstrated, to the satisfaction of the Exchange, a minimal history of commercial operations (less than one full fiscal year); and

(b) financial statements relating to such assets, business or securities evidence:

(i) no cumulative earnings since commencement of operations;

(ii) either no sales or revenues or minimal cumulative sales or revenues derived from operations (less than $1,000,000 since the commencement of operation of such assets or business); and

(iii) no positive cash flow or a minimal history of positive cash flow (two or fewer quarterly reporting periods).

4.6 The Exchange exemptions from the valuation requirements are only exemptions from the application of this Policy. An Issuer that is a reporting issuer in Ontario and is therefore directly subject to the OSC Rule and OSC Policy cannot rely upon the Exchange Valuation Exemptions to exempt them from the requirements of the OSC Rule and OSC Policy.

4.7. Where an Issuer is a reporting issuer in Ontario and the Issuer seeks an exemption from the OSC Rule or OSC Policy from the OSC, the Issuer must make application to the OSC with a copy of such application and all subsequent correspondence being provided to the Exchange. Where an exemption or waiver is permitted by the OSC, the Exchange will generally defer to the decision of the OSC.

4.8. Where an Issuer is not a reporting issuer in Ontario and is not directly subject to the OSC Rule and OSC Policy and seeks only an exemption from this Policy 5.9, the Issuer will make application for exemption or waiver of this Policy solely to the Exchange.

AMENDMENT TO ORDER OF RECOGNITION OF CERTAIN STOCK EXCHANGES

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

AND

IN THE MATER OF
THE RECOGNITION OF CERTAIN STOCK EXCHANGES

AMENDMENT OF RECOGNITION ORDER
(Section 144 and Subsections 72(4), 72(7), 93(1) and 93(3) of the Act)

WHEREAS the Ontario Securities Commission (the "Commission") issued an order effective March 1, 1997 (the "Order"), which, among other things, recognized certain stock exchanges for the purposes of subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act (the "Relevant Provisions");

AND WHEREAS the Canadian Venture Exchange ("CDNX") has made an application under section 144 of the Act that the Order be varied to recognize CDNX for the purposes of the Relevant Provisions;

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

IT IS ORDERED, pursuant to section 144 of the Act, that the portion of the Order that provides as follows:

"AND THE COMMISSION FURTHER HEREBY RECOGNIZES

(a) the TSE for the purposes of

(i) subclause 72(4)(b)(i) of the Act,
(ii) subclause 72(4)(b)(iii) of the Act,
(iii) subclause 72(7)(b)(i) of the Act,
(iv) clause 93(1)(a) of the Act, and
(v) clause 93(3)(e) of the Act;

(b) The Montreal Exchange for the purposes of

(i) subclause 72(4)(b)(i) of the Act,
(ii) subclause 72(4)(b)(iii) of the Act,
(iii) subclause 72(7)(b)(i) of the Act,
(iv) clause 93(1)(a) of the Act, and
(v) clause 93(3)(e) of the Act;

(c) the Vancouver Stock Exchange for purposes of clauses 93(1)(a) and 93(3)(e) of the Act; and

(c) The Alberta Stock Exchange for purposes of clauses 93(1)(a) and 93(3)(e) of the Act."

be revoked and that, pursuant to subclauses 72(4)(b)(i), 72(4)(b)(iii), 72(7)(b)(i), 93(1)(a) and 93(3)(e) of the Act, the following be substituted therefor:

"AND THE COMMISSION FURTHER HEREBY RECOGNIZES:

(a) the TSE, The Montreal Exchange and the Canadian Venture Exchange for the purposes of :

(i) subclause 72(4)(b)(i) of the Act,
(ii) subclause 72(4)(b)(iii) of the Act,
(iii) subclause 72(7)(b)(i) of the Act,
(iv) clause 93(1)(a) of the Act, and
(v) clause 93(3)(e) of the Act."

DATED at Toronto this 29th day of August, 2000

NOTICE OF CHANGES TO THE QUOTED MARKET AND REPORTING OBLIGATION UNDER PART VI OF THE REGULATION TO THE SECURITIES ACT (ONTARIO) AND THE TERMINATION OF MARKET DATA FOR OVER-THE-COUNTER UNLISTED EQUITY SECURITIES

As part of the realignment of the Canadian exchanges, the over-the-counter trade reporting and quotation system (the "CDN System") operated by the Canadian Dealing Network Inc. ("CDN"), a wholly-owned subsidiary of The Toronto Stock Exchange ("TSE"), will be transferred to the Canadian Venture Exchange Inc. ("CDNX") as described in this Notice. The transfer requires Commission approval and is scheduled to occur on or about October 1, 2000.

Upon the transfer, CDN will cease to operate the CDN System and CDNX will commence operating CDNX Tier 3. Generally, issuers that are quoted on CDN on September 1, 2000 will be eligible to be listed on CDNX Tier 3. For further details, please see the invitation that has been sent to those companies being quoted to apply for listing on CDNX. A copy of the invitation follows this Notice.

CDNX has also agreed to assume the development and operation of an appropriate system for reporting trades in Ontario of unlisted equity securities ("OTC trades") through or by dealers. Dealers will begin reporting to CUB on October 10, 2000. CDNX has drafted an initial term sheet regarding the operation of this system which will be the basis of an agreement between the Commission, CDNX and the Canadian Unlisted Board Inc. ("CUB") a wholly owned subsidiary of CDNX. A copy of the term sheet is attached as Schedule D to the CDNX application for an exemption order which is being published at the same time as this Notice.

CDNX has proposed that what are now CDN reported trades will be maintained as a separate web-based reporting system with a separate name (CUB) after the transfer of the CDN System. Pursuant to agreement with the OSC, CUB would develop and operate a reporting facility, carry out some surveillance and investigation related to the reported market and collect market data. Investigations would then be passed to the OSC for further work and enforcement.

The following reviews the operation of the OTC market since the introduction of Part VI of the Regulations made under the *Securities Act* (Ontario) (the "Regulation"), the requirements that will remain after CDN ceases to operate the CDN System, and the requirements that will exist after the proposed repeal of Part VI of the Regulation.

Regulatory Regime set out in Part VI of the Regulation

Part VI of the Regulation sets out requirements relating to Over-the-Counter ("OTC") trading. The requirements apply to the trading of a security other than a security exempt under subsection 35(2) of the *Securities Act* (Ontario) (the "Act") or traded on a stock exchange in Canada (defined as a "COATS security" which is referred to in CDN documentation as a "CDN security"). Section 153 states that the Commission, itself or through an agent, shall operate the COAT System (defined as the system developed for trading the over-the-counter market). Section 154 sets out requirements regarding the reporting of a trade. Sections 155 and 156 state that a dealer shall not post quotations for a COATS security unless it has received approval to act as a market maker and once it receives approval it must make continuous and uninterrupted quotations. Section 157 gives the Director the ability to halt a security and subsection 159(2) gives the Commission the authority to inspect all records maintained by the dealer and the approved agent relating to the COATS system. Section 158 requires a dealer to pay the applicable fees.

In addition to the above Part VI requirements, the Commission published OSC Policy 1.8 which set out the requirements regarding the reporting of trades, publication of information, and trade rules. OSC Policy 1.8 was replaced in 1992 by the CDN Policy.

Operation of COATS from 1986 until 1991

In 1986, the Commission signed an operating agreement with the TSE, appointing the TSE to act as its agent for purposes of operating a system for OTC trading. Although the TSE operated the system, the OSC retained responsibility for market surveillance and regulation of the dealers participating in that system.

Transfer and Assignment to TSE/CDN in 1991

In 1991, the TSE set up CDN as a subsidiary. A transfer agreement and assignment was executed on the basis described below.

The OSC appointed CDN as the agent and the operation of the CDN System was assigned to CDN. The assignment states that CDN would operate such system in accordance with its rules and policies. The requirements regarding trade reporting and quoting set out in Part VI of the Regulation was supplemented by the CDN Policy which replaced OSC Policy 1.8. It was agreed that the Commission would use the same procedures that it used to review TSE by-laws for the approval of changes to the CDN Policy.

Transfer from TSE/CDN to CDNX/CUB - 2 Phases

The TSE, CDN and CDNX have prepared a transfer agreement which provides that the TSE/CDN will cease operations of the CDN System (both the quoted and reported market), and that CDNX will commence operations of CUB. However, the transfer is subject to the consent of the Commission. The Commission's consent will be based upon approval of CDNX's plans for accepting the quoted issuers onto Tier 3 and its assumption of the operation of CUB.

Staff has recommended to the Commission that Part VI of the Regulation be repealed and replaced with the trade reporting requirements set out in proposed draft OSC Rule 23-502 The Reported Market which was published on July 28, 2000 (2000), 23 OSCB (Supp) at 413. However, the repeal of Part VI and the introduction of the new requirements will not be completed for at least six months. Due to the timing requirements associated with rule making, the trade reporting requirements and the obligations of CUB will be established in two phases: Phase 1 will continue until Part VI of the Regulation is repealed and new rules have been introduced; and Phase 2 under the new rules.

1. Phase 1 Operations - October, 2000

Agent and Operator of the System: Upon the consent to the transfer of the operations of CDN to CDNX and CUB, the

Commission will appoint CUB as its agent pursuant to section 153 of the Regulation.

Trade Reporting: Dealers will be required to report to CUB based on Part VI of the Regulation as supplemented by requirements set out in a contract between the dealers and CUB (the "CUB agreement"). A copy of the CUB agreement follows this Notice.

Quotation: CDNX has proposed that the issuers trading on the CDN quoted market be transferred to Tier 3 of CDNX's auction market and is in the process of inviting CDN quoted issuers to list on Tier 3.

Market Regulation: Part F of the CDN Policy sets out requirements including but not limited to such matters as halt trading, fair dealings, customer priority, and manipulation. The Commission expects all dealers involved in OTC trading to have policies and procedures which enable them to comply with the types of matters set out in Part F as part of their general duties under Rule 31-505, as well as other provisions of securities laws, other legislation (e.g. Criminal Code) and common law duties of a dealer to its customer[1]. CUB will perform a surveillance function based on these requirements and the requirements set out in the CUB agreement. Any alleged violations would be referred to the OSC for enforcement action.

CUB Agreement: The CUB agreement incorporates the current applicable sections of the CDN Policy dealing with trade reporting and trade policies as contractual terms so that it can perform its obligations as the agent and operator of the trade reporting system. In accordance with Part VI of the Regulation, fees will still be approved by the OSC and the obligation to pay will be included in the CUB agreement. Terms of the agreement are included to ensure that CUB can have access to the appropriate information for surveillance purposes and can carry out its responsibilities under the Appointment.

Repeal of CDN Rules and Termination of Availability of Market Information: At the time of the consent to the transfer, the CDN Policy will be repealed. As a result of the repeal of the CDN Policy, no market information (quotes or trades) will be available to anyone including information vendors or newspapers from October 1, 2000.

Quotation and Trade Reporting after Implementation of ATS Rules - Phase 2

As part of the ATS proposal which was published on July28, 2000 (2000), 23 OSCB (Supp.), Staff recommended to the Commission that market makers in OTC unlisted securities should report their orders and trades to the data consolidator for equity securities and to the information processor for fixed income. In addition, staff recommended that dealers who are not market makers will only have to report trades to the designated trade reporting information processor but this information will not be published and will only be used for market regulation purposes. The Commission adopted Staff's recommendations and published rules intended to achieve those objectives[2]. As a result, Part VI of the Regulation will be repealed.

Agent and Operator of the System: The OSC will designate CUB as the recipient of trade reports under proposed Rule 23-502 and as a market participant. CUB will have to file the information and comply with requirements similar to those applicable to CanPx or any other information processor. The designation will state that it is being done in accordance with the rule and the agreement executed between CUB and the Commission.

Trade Reporting: Part 2 of proposed OSC Rule 23-502 The Reported Market requires every dealer to provide a trade report in accordance with the Rule for every sale of an equity security unless, among other things, it is otherwise reported to a data consolidator.

Market Making: Part 6 of proposed National Instrument Rule 23-101 Trading Rules requires market makers to display their quotes and any quotes of customers that improve the price or quantity of the market makers quotes. For more details on the disclosure obligations please refer to the proposed rules. CUB will not be responsible for the display of the information to the public.

Trade Rules and Market Regulation: All dealers will be subject to Part 2 (manipulation and fraud), Part 3 (short selling) and Part 4 (insider trading) of proposed National Instrument 23-101 Trading Rules. CUB will monitor and perform surveillance (as described in the Term Sheet) for those dealers that report the trades to it and then transfer alleged violations to the OSC for enforcement.

Dealers trading OTC unlisted equities will have to contract initially with CUB for purposes of market regulation. All others will have to contract with an approved agent.
Fees: The OSC will not approve fees; however proposed OSC Rule 23-502 The Reported Market will require that CUB can not unreasonably prohibit or limit access to services. The OSC could terminate the use of CUB if the fees were unreasonable.

User agreements: A revised CUB agreement may be needed between the dealers and CUB to reflect the changes caused by the new rules being implemented as part of the ATS proposal.

Commission Approval and publication: Once the proposed rules are final, changes in procedures or operations of the system will not be subject to approval but will be filed as an amendment to the initial filing of CUB and will be made available to the public.

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1 Some of these requirements are also set out for greater clarity in the proposed National Instrument 23-101 Trading Rules published on July 28,2000 at (2000), 23 OSCB (Supp.) at 389.

2 See Part 6 of proposed National Instrument 23-101 Trading Rules and proposed OSC Rule 23-502 The Reported Market

COMMENTS

Parties who are interested in making comments regarding the transfer of the reporting obligation under Part VI of the Regulation should respond by October 1, 2000.

Comments should be sent, in duplicate, to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

A diskette containing comments (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in Ontario requires that a summary of written comments received during the comment period be published, confidentiality of comments cannot be maintained.

Questions may be referred to:

Randee Pavalow
Manager, Market Regulation
Ontario Securities Commission
(416) 593-8257

Jennifer Elliott
Legal Counsel, Market Regulation
Ontario Securities Commission
(416) 593-8109

CANADIAN UNLISTED BOARD INC. USER AGREEMENT
(the "Agreement")

WHEREAS the Canadian Unlisted Board Inc. ("CUB") and CDNX have entered into an agreement with the Toronto Stock Exchange ("TSE") and the Canadian Dealing Network Inc. ("CDN") whereby the TSE and CDN will cease to operate a trade reporting and quotation system in Ontario as at September 29, 2000;

WHEREAS CUB and the Ontario Securities Commission (the "Commission") have entered into an agreement pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario (the "OTC System") for the purposes of Part VI of Regulation 1015 ("Part VI");

WHEREAS CUB has been appointed as an agent of the Commission for the purposes of developing computer software and providing and operating computer facilities for the reporting of trading in unlisted and unquoted equity securities in Ontario pursuant to section 153 of Part VI;

WHEREAS for the purposes of this agreement the following definitions shall apply:

"Act" means the Securities Act, R.S.O. 1990, c.s. 5 as amended;

"CDN Policy" means that policy which has been adopted by CDN board of directors respecting trading in unlisted and unquoted equity securities in Ontario;

"OTC security" shall have the same meaning as "COATS security" as defined in section 152 of Part VI;

"Person" means a "person" as that term is defined in the Act;

"User" means a registrant under the Act and who reports trades on the OTC System;

WHEREAS the Commission has agreed that, in order to assist CUB in its operation of the OTC System, the Commission will obtain and provide to CUB such information as the Commission deems appropriate, including information:

(i) on disciplinary or other action the Commission determines to take against a User which, in the Commission's view, will have a material impact on the User's participation in the OTC System; and

(ii) relating to issuers of OTC Securities, registrants under the Act or any other Persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.

WHEREAS the Commission and CUB have agreed that the OTC System shall be regulated in the following two phases:

(i) for the period commencing on the date of implementation of the OTC System and ending on the date of the implementation in Ontario such rules as the Commission may apply to trading in unlisted and unquoted equity

securities in Ontario, the OTC System will be regulated in accordance with Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000; and

(ii) commencing on the date of the implementation of such rules as the Commission may apply to trading in unlisted and unquoted equity securities in Ontario and ending on the date of the termination of the Agreement, the OTC System will be regulated in accordance with such rules as the Commission shall impose.

WHEREAS CUB will provide monitoring and surveillance services to the OSC in respect of trading in securities reported through the OTC System. CUB will not provide enforcement services in respect of the market participants using the OTC System.

WHEREAS CUB will refer any matters relating to a suspected violation of applicable trading rules or securities laws to the OSC or other applicable securities regulatory body.

WHEREAS CUB has agreed to provide to the OSC on request all such trading and surveillance data collected by CUB in respect of the OTC System as the OSC may require.

WHEREAS the OSC requires registered dealers to act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers. The OSC expects as part of the registered dealers general obligations to have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);

NOW, THEREFORE, in consideration of CUB permitting the undersigned User to utilize the OTC System, the User agrees with CUB as follows:

1. The User is a registered dealer within the meaning of the Act and shall at all times act in accordance with applicable securities legislation including but not limited to the obligation to deal fairly, honestly and in good faith with its customers and shall have policies and procedures which enable them to operate in a manner which is consistent with the requirements set out in the OTC Terms and Conditions (as defined below);

2. The User agrees that the OTC System will be operated and governed in accordance with:

   (i) Part VI and those portions of the CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000; and

   (ii) such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System;

   (collectively, the "OTC Terms and Conditions" which are attached as Schedule "A" to this Agreement) and the User shall comply with the OTC Terms and Conditions.

3. The User shall promptly communicate to CUB transaction reports with respect to OTC securities in accordance with the OTC Terms and Conditions;

4. The User shall comply with all requirements of the OTC Terms and Conditions and without limiting the generality of the foregoing, all Users acknowledge and agree:

   (i) that they will provide to CUB any and all records, reports, and information required or requested by CUB in order for CUB to satisfy its regulatory obligations, in such manner and form, including electronically, as may be required by CUB from time to time;

   (ii) that they will permit CUB or its designate to inspect their records at any time;

   (iii) that CUB may suspend the User's access to the OTC System pending a determination of the OSC in respect of any referral by CUB to the OSC of any suspected violation of the User's obligation to comply with section 1 above; and

   (iv) that CUB may terminate the User's access to the OTC System upon notification to CUB by the OSC that the User has violated the OTC Terms and Conditions.

5. The User shall pay, when due, any applicable fees or charges established by CUB from time to time and which current fees and charges are attached as Schedule "B" to this Agreement.

6. The User acknowledges that it is possible that from time to time the OTC System may be disrupted, contain inaccurate information, omit required information or may otherwise operate in an unsatisfactory manner (such events being hereinafter referred to as "Errors") whether through malfunction of equipment, power failure, human error or other reason. The causes of such Errors may be attributable to CUB, the Canadian Venture Exchange Inc. (the "Exchange"), negligent or wilful acts or omissions of current or former directors, governors, officers, employees or committee members of CUB or the Exchange (hereinafter collectively referred to as "Personnel") or persons or companies who have supplied goods or services to either CUB or the Exchange in connection with the OTC System (hereinafter referred to as "Contractors").

7. It is acknowledged that neither CUB nor the Exchange assumes any responsibility with respect to the use to which the User, its employees or agents puts the facilities, services or the information obtained therefrom or with respect to the results of such use. It is further acknowledged that the information, services and facilities provided hereunder are provided on the express condition that Users making use of them assent that no liability whatsoever in relation thereto shall be incurred by CUB, the Exchange or Personnel.

8. The user agrees that none of CUB, the Exchange or Personnel shall have any liability whatsoever to the User with respect to any loss, damage, cost, expense or other liability or claim suffered or incurred by or made

against the User, directly or indirectly, by reason of Errors, or arising from any negligent, reckless or wilful act or omission or out of the use, operation or regulation of the OTC System by CUB, the Exchange, Personnel or Contractors, or otherwise as a result of the use by the User of the facilities, services or information provided by CUB or the Exchange. By making use of the facilities, services or information provided by CUB or the Exchange the User expressly agrees to accept all liability arising from such use.

9. It is acknowledged by the User that the sole remedy for any wilful or negligent act or omission of any Personnel or Contractors shall be appropriate action, of a disciplinary nature or otherwise, instituted solely at the discretion of CUB or the Exchange.

10. CUB may terminate or amend this Agreement, subject to the approval of its Board of Directors and upon notice to the User, and any subsequent participation of the User in the OTC System shall constitute acceptance by the User of any such amendment.

11. It is acknowledged that neither CUB nor the Exchange shall incur any liability to the User with respect to any loss or damage whatsoever that the User may suffer, directly or indirectly, by reason of any termination of this Agreement.

12. In the event that any legal proceeding is brought or threatened against CUB, the Exchange, Personnel or Contractors to impose liability which arises directly or indirectly from the use by the User of the OTC System or from the use by the User of the facilities, services or information provided by CUB or the Exchange, the User agrees to indemnify and save CUB and the Exchange harmless from and against:

    (i) all liabilities, damages, losses, costs, charges and expenses of every nature and kind (including, without limitation, legal and professional fees) incurred by CUB or the Exchange in connection with the proceeding, including costs incurred to indemnify Personnel;

    (ii) any recovery adjudged against CUB, the Exchange or Personnel in the event that any of them is found to be liable; and

    (iii) any payment by CUB or the Exchange, made with the consent of the User, in settlement of such proceeding.

13. Except as otherwise expressly provided herein, all of the terms used in this Agreement which are defined in OTC Terms and Conditions are used herein as so defined.

14. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

15. The Agreement shall not be binding until accepted in writing by CUB.

16. The Agreement shall be effective as of the date accepted in writing by CUB.

SIGNED, SEALED AND DELIVERED
in the presence of:

(name of User)
By:
By:

(Under each name, please print name and position)
Accepted this ___ day of _____200__

CANADIAN UNLISTED BOARD INC.
By:

Schedule "A"

Canadian Unlisted Board Inc. OTC Terms and Conditions

A. Transaction Reporting

1. Operation and Administration of OTC System

1.1. All Users shall comply with the Terms and Conditions governing the operation and administration of the OTC System, which Terms and Conditions shall include:

1.2. those matters set forth in Part VI applicable to trade reporting in respect of over-the-counter equity securities in Ontario;

1.3. those portions of the former CDN Policy pertaining to trade reporting of unlisted and unquoted equity securities in Ontario as in effect at September 29, 2000 and incorporated herein; and

1.4. such directives as may be issued by authority of the Board of Directors of CUB in respect of the use of the OTC System.

2. Trades to be Reported

2.1. Pursuant to Part VI, every purchase or sale in Ontario of an OTC security made by a registered dealer, as principal or agent, must be reported through the OTC System, with the following exceptions (which shall not be reported through the OTC System):

2.1.1. a trade made through the facilities of a stock exchange or other recognized market identified in this section A-2;

2.1.2. a distribution effected in accordance with the Act by or on behalf of an issuer; or

2.1.3. a secondary trade made in reliance on the exemptions in clauses 72(1)(a), (c) or (d) of the Act.

2.2. Where a security that is listed on one or more of the Canadian stock exchanges becomes suspended (i.e., it is no longer posted for trading) on all such exchanges, then any trade in that security by a registered dealer shall become reportable through the OTC System if that security and trade is otherwise required to be reported through the OTC System.

2.3. The obligation to report a trade in an OTC security applies only with respect to purchases and sales in Ontario of such security. A purchase or sale in Ontario for the purpose of these OTC Terms and Conditions is one in which either:

2.3.1. the person to whom the trade is confirmed (other than a User) is a resident of Ontario; or

2.3.2. the User's trader or sales representative handling the trade is acting from an Ontario office (irrespective of whether the User is acting as principal or agent).

2.4. Transactions that are merely booked through a User's inventory for purposes of adding a usual mark-up or commission in respect of trades which, for all intents and purposes, are agency trades on NASDAQ or a foreign stock exchange, need not be reported through the OTC System. Such transactions are considered to be trades made through the facilities of a foreign stock exchange or NASDAQ.

2.5. With respect to clause 2.1.1 above, CUB recognizes NASDAQ, The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, and all stock exchanges outside of Canada that require participants to report details of transactions and publish such details.

2.6. Trades may not be aggregated for reporting purposes except where trades from orders received prior to the opening of the OTC System and simultaneously reported at the opening may be aggregated into a single transaction report.

3. Who Reports Trades

3.1. Every purchase or sale in an OTC security that is required to be reported under subsection A-2 above shall be reported on the OTC System in accordance with the following provisions:

3.1.1. Where the transaction involves only one User, that User shall report the trade.

3.1.2. Where the transaction involves two Users; the User by or through whom the sale is made shall report the trade.

3.1.3. Where the transaction is not a trade in Ontario for the seller, the User by or through whom the purchase is made must report the trade.

4. Method, Timing and Content of Trade Reports

4.1. For reporting purposes, a trade is a transaction between a User and a given client, or another User, in a specific OTC security, at a given price, and executed at a certain time.

4.2. For the purposes of this section A-4, "Reportable Trades" shall mean every purchase or sale in an OTC security that is required to be reported under subsection A-3.

4.3. All trade tickets for Reportable Trades shall be time stamped at the time of execution.

4.4. All Reportable Trades taking place at or between 9:30 A.M. and 5:00 P.M. on a business day shall be reported through the OTC System within three minutes after execution.

4.5. All Reportable Trades taking place after 5:00 P.M. on a business day and prior to 9:30 A.M. the next business day shall be reported through the OTC System between 8:30 A.M. and 9:30 A.M. the next business day and shall form part of the trading statistics for the next business day.

4.6. All reports of Reportable Trades shall contain the following information:

4.6.1. symbol of the OTC security traded;

4.6.2. number of shares traded;

4.6.3. price of the trade as required by section A-5;

4.6.4. the identities of the purchasing and selling Users;

4.6.5. the time of execution of the transaction; and

4.6.6. any trade marker required by these OTC Terms and Conditions.

5. Price to be Reported

5.1. The price to be reported is the price at which the User actually traded with its customer, adjusted by the amount that would be customary as a commission or spread in such transaction.

5.2. A trade with another User is to be reported at the actual price agreed upon. This applies to a trade in which the reporting User is acting as agent for a customer, as well as to a trade in which the User acts as principal vis-a-vis the other User.

B. Dealers' Obligations

1. Prices to Customers

1.1. *Spread or Mark-Up:* Where a trade is substantially an agency transaction, the size of any spread or "mark-up" should reflect the riskless nature of the transaction.

1.2. *Interpositioning:* Users shall not arrange or otherwise participate in any transaction which interpositions an intermediary or other third party in a way that will result in an unfavourable price for a customer of any User.

1.3. Users shall not enter into any transaction with a customer for any OTC security at any price that is not reasonably related to the then current market price of that security or charge a customer a commission or service charge that is not fair and reasonable in all the circumstances.

2. Fair Dealings

2.1. Users shall transact business openly and fairly and in accordance with just and equitable principles of trade. No fictitious sale or contract shall be made in an OTC security.

3. Customer Priority

3.1. No User Shall:

3.1.1. buy or initiate the purchase of a OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such User holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to buy such security for a customer;

3.1.2. sell or initiate the sale of any OTC security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while it holds or has knowledge that any person associated with it holds an unexecuted market order or limit price order to sell such security for a customer;

3.2. The provisions of this section shall not apply:

3.2.1. to any purchase or sale of any OTC security in an amount less than the customary unit of trading made by a User to offset odd-lot orders for customers;

3.2.2. to any purchase or sale of any OTC security upon terms for delivery other than those specified in such unexecuted market or limit price order; or

3.2.3. to any unexecuted order that is subject to a condition that has not been satisfied.

3.3. For purposes of this section a User may include a reasonable commission charge in determining whether its customer's order is at the same price as a principal order.

4. Best Market Price

4.1. Where a User executes a trade with or for its client for an OTC security that is posted for trading on a foreign market recognized under this subsection, the User shall execute the trade on behalf of the client at a price equal to or better than the market price in the foreign market (taking exchange rates into account), plus or minus (as the case may be) a reasonable commission and any added cost of executing the order in the foreign market.

4.2. For the purpose of this subsection, CUB presently recognizes any foreign stock exchange or organized market that provides real time

public dissemination of information, including firm market quotations and trading statistics.

5. Manipulative or Deceptive Trading

5.1. A User shall not use or knowingly participate in the use of any manipulative or deceptive method of trading in connection with the purchase or sale of an OTC security that creates or may create a false or misleading appearance of trading activity or an artificial price for the said security. Without in any way limiting the generality of the foregoing, the following shall be deemed manipulative or deceptive methods of trading:

5.1.1. making a fictitious trade or giving or accepting an order which involves no change in the beneficial ownership of an OTC security;

5.1.2. entering an order or orders for the purchase of an OTC security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of any such security, has been or will be entered by or for the same or different persons and with the intention of creating a false or misleading appearance of active public trading in a security or with respect to the market price of an OTC security;

5.1.3. entering an order or orders for the sale of an OTC security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of such security, has been or will be entered by or for the same or different person and with the intention of creating a false or misleading appearance of active public trading in a security or with respect to the market price of an OTC security;

5.1.4. making purchases of, or offers to purchase an OTC security at successively higher prices, or sales of or offers to sell any such security at successively lower prices for the purpose of creating or inducing a false or misleading appearance of trading in such security or for the purpose of unduly or improperly influencing the market price of such security; or

5.1.5. effecting, alone or with one or more persons, a series of trades in an OTC security, for the purpose of inducing the purchase or sale of such security, which creates actual or apparent trading in such security or raises or depresses the price of such security.

6. Restrictions on Trading During Distributions

Restricted Users

6.1. The restrictions on trading during a distribution set out in this part entitled "Restricted Users" apply to a User (a "restricted User") involved in a distribution by prospectus of an OTC security or a distribution by prospectus, Exchange Offering Prospectus, Statement of Material Facts or "wide distribution" of a security that is related to an OTC security. The restrictions do not apply to a User involved in a distribution only as a selling group member that is not obligated to purchase any unsold securities.

6.2. Two securities are "related" if they have substantially the same characteristics, or one is immediately convertible, exercisable or exchangeable into the other; and the conversion, exercise or exchange price at the beginning of the restricted period (as defined below) is less than 110% of the offer price of the underlying security on the principal market where the underlying security is traded.

6.3. A "wide distribution" means a series of distribution principal trades to not less than 25 separate and unrelated client accounts, no one of which participate to the extent of more than 50% of the total value of the distribution

Restrictions

6.4. During the restricted period, a restricted User shall not bid for or purchase an OTC security that is being distributed or that is related to a security being distributed except as follows:

Distributed Securities

6.5. Restricted User Not Short. A restricted User that is not short the OTC security being distributed may bid for or purchase it at or below the lower of the highest independent bid price at the time of the bid or purchase and the distribution price.

6.5.1. A restricted User may bid for or purchase the OTC security being distributed at or below the distribution price.

6.5.2. A restricted User that makes an initial bid below the distribution price shall not raise that bid price during the restricted period.

6.6. Restricted User Short. A restricted User that is short the OTC security being distributed may bid for or purchase it at or below the distribution price.

Related Securities

6.7. A restricted User may bid for or purchase a related OTC security at or below the highest independent bid price.

6.8. If there is no independent bid price for a related OTC security, a restricted User shall not bid for or purchase that security without the prior consent of CUB.

6.8.1. A bid price is "independent" if it is for the account of a User that is not involved in the distribution or is involved only as a member of a selling group.

6.8.2. A restricted User shall not solicit purchase orders for the OTC security being distributed or any related OTC security during the restricted period except orders to purchase OTC securities being sold pursuant to the distribution.

6.8.3. The above restrictions do not affect sales by restricted Users to unsolicited client buy orders. In the case of an OTC security that will be listed on the Toronto Stock Exchange ("TSE") or the Canadian Venture Exchange Inc. ("CDNX") and until such time as the OTC security is actually listed and posted for trading on the TSE or CDNX and the TSE's or CDNX's market stabilization rules apply, Users must comply with the above market stabilization restrictions.

All Users

6.9. The restrictions on trading during a distribution set out in this part entitled "All Users" apply to all Users

Restrictions

6.10. During the restricted period, no User shall participate in a trade of an OTC security that is being distributed or that is related to an OTC security being distributed involving a purchase by or on behalf of:

6.10.1. the issuer of the OTC security;

6.10.2. a selling OTC security holder whose securities are being distributed;

6.10.3. an affiliate of the issuer or selling OTC security holder; or

6.10.4. a person acting jointly or in concert with any of the foregoing.

6.11. The "restricted period" begins on the later of:

6.11.1. the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX-listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and

6.11.2. the date on which the restricted User agrees to participate in a distribution, whether or not the terms and conditions of such participation have been agreed upon.

6.12. The restricted period ends on the earlier of:

6.12.1. the ninth trading day (or, in the case of a OTC security that is related to a TSE or CDNX listed security, the second trading day) prior to the date on which the offering price of the OTC securities to be distributed is determined; and

6.12.2. the date on which the restricted User has sold all of the OTC securities allotted to it (including all securities acquired by it in connection with the distribution) and any stabilization arrangements to which it is a party have been terminated; and

6.12.3. the date on which the distribution has been terminated pursuant to applicable securities legislation,

provided that, if purchasers of 5% or more of the OTC securities allotted to or acquired by a restricted User in connection with a distribution give notice that they intend to exercise their statutory rights of withdrawal, the restricted period shall again apply to that User until the OTC securities are resold or the distribution ends, as provided above. Securities are not considered "sold" before the receipt for the final prospectus has been issued.

7. Disclosure of Interest or Control

7.1. Any User that is an insider (as that term is defined in the Act) or is controlled by, directly or indirectly, controls, or is under common control of any issuer must disclose to its customers prior to, and confirm, in writing, at the time of buying or selling any OTC security of such an issuer, the nature and existence of any such relationship.

8. System Failures

8.1. Trades made during an OTC system power failure or any other event which would fully or partially disable the system or cause it to malfunction must be reported on the system immediately upon the system being available to accept such data.

9. Settlement Rules

9.1. The settlement of transactions shall conform to the rules and practices of the TSE, CDNX and The Canadian Depository for Securities Limited.

C. Fees And Charges

1. Every User shall pay the applicable OTC System fees.

2. All fees and charges of CUB, including, but not limited to, the fees charged for transaction reports shall be determined by CUB's board of directors.

D. Access

1. Where the Commission has provided CUB with information relating to:

   1.1. disciplinary or other action the Commission determines to take against a User which, in the Commission's view will have a material impact on the User's participation in the OTC System; or

   1.2. the issuers of OTC Securities, registrants under the Act or any other persons that leads the Commission to believe that there has been or will be a breach of the terms and conditions of Part VI.

2. CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.

3. Where CUB has referred any matter relating to a suspected violation by a User of the OTC Terms and Conditions, CUB may suspend the Users access to the OTC System pending a determination by the Commission in respect of such matters.

4. Where the Commission has notified CUB that a User has violated the OTC Terms and Conditions, CUB may terminate the User's access to the OTC System

E. Miscellaneous

1. All references to a "business day" in this Schedule "A" shall mean any day from Monday to Friday inclusive, excluding statutory holidays observed by CUB.

2. All references to a time of day in the Schedule "A" shall mean Eastern Standard Time.

Schedule "B"

Canadian Unlisted Board Inc. User and Transaction Fees

1.	USER FEE	$1.95/trade (each side)

INVITATION TO CDN QUOTED COMPANY (THE "COMPANY") TO LIST ON CDNX TIER 3

August 18, 2000

Dear Sirs:

Re: **Invitation to CDN Quoted Company (the "Company") to List on CDNX Tier 3**

As part of the realignment of the Canadian stock exchanges announced on March 15, 1999, it was agreed that the Canadian Dealing Network Inc. ("CDN") would be transferred by The Toronto Stock Exchange (the "TSE") to the new national junior stock exchange created upon the merger of the Alberta and Vancouver Stock Exchanges - the Canadian Venture Exchange Inc. ("CDNX"). CDNX is in the process of obtaining regulatory approval (which is anticipated to be by September 29, 2000) for the transfer of CDN quoted companies to CDNX's newly created Tier 3 described more fully below. In addition, CDNX is currently discussing with the Ontario Securities Commission a proposal to provide a trade reporting system for the reporting of trading in unlisted securities in Ontario.

In order to efficiently handle the transfer of CDN quoted companies to CDNX's Tier 3, CDNX is pleased to invite the Company to apply to list on CDNX's Tier 3. Only those companies that **as at September 1, 2000** are either CDN quoted companies or companies that have submitted a complete application to be quoted on CDN that is subsequently approved for quotation (together, the **"Eligible Company" or "Eligible Companies")** are invited to list on CDNX Tier 3. **This invitation is subject to the receipt of regulatory approvals noted above.**

IMPORTANT DATES	
September 1, 2000	Last date companies may apply for quotation on CDN and be designated as an Eligible Company
September 15, 2000	Complete Tier 3 Applications must be received by CDNX in order to list on CDNX Tier 3 on October 2, 2000
September 29, 2000	Complete Tier 3 Applications must be received by CDNX in order to list on CDNX Tier 3 effective on or after October 10, 2000
October 2, 2000	Eligible Companies that have filed complete Tier 3 Applications by September 15, 2000 will commence trading on CDNX Tier 3
On or after October 10, 2000	Eligible Companies that have filed complete Tier 3 Applications between September 15 and September 29, 2000 will commence trading on CDNX Tier 3

Application to List on Tier 3

Eligible Companies may apply to list on Tier 3 of CDNX by submitting the following listing documentation:

1. an executed CDNX Listing Agreement (CDNX Form 2D attached as Schedule "A"); and
2. a duly completed and executed Personal Information Form ("PIF") (CDNX Form 2A attached as Schedule "B") for each **director, senior officer, control person and party conducting investor relations activities** on behalf of the Eligible Company.

(referred to as the "Tier 3 Application")

Please note that "control person" includes any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

As a condition of listing on Tier 3, an Eligible Company will not be required to obtain sponsorship from a CDNX member or to enter into an escrow arrangement in accordance with CDNX's published policies.

The Tier 3 Application should be submitted to:

CDNX
10th floor, 300 – 4th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Joanne Butz

Commencement of Trading on CDNX Tier 3

Provided that CDNX receives a complete Tier 3 Application by September 15, 2000 the Eligible Company will be listed and commence trading on CDNX Tier on **October 2, 2000**.

Provided that CDNX receives a complete Tier 3 Application between September 15 and September 29, 2000, the Eligible Company will be listed on CDNX Tier 3 and will commence trading on CDNX Tier 3 on or after **October 10, 2000**. Eligible Companies should note that during the period from September 29 to the time that the Eligible Company is listed they will not be listed or traded on CDNX's Tier 3.

Subject to the exceptions noted in 1 or 2 below, Eligible Companies that have not filed their completeTier 3 Application by September 29, 2000, will not be listed or traded on CDNX's Tier 3 and will no longer be eligible to list on CDNX Tier 3. Those issuers seeking a listing on CDNX after September 29, 2000 will be required to submit an application to list on CDNX's Tier 1 or Tier 2 in accordance with CDNX's policies and procedures. Among other things, this will mean that these companies will be required to obtain a sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements and corporate governance policies and the shares of these companies will be subject to such escrow requirements as are prescribed by CDNX.

Exceptions

1. Eligible Companies that have filed the executed Listing Agreement by September 29, 2000 but have failed to provide all of the required PIFs will not be considered to have filed a complete Tier 3 Application. In such circumstances, Eligible Companies will not be listed on Tier 3 until such time as CDNX has received all outstanding PIFs and any other documentation which may then be required by CDNX. The deadline for receipt of all outstanding PIFs is December 31, 2000. After December 31, 2000 the invitation to list will expire and the Eligible Companies will no longer be entitled to list on Tier 3. Such other documentation may include a certificate executed by two authorized signing officers of the Eligible Company stating that all PIFs have been provided and that there has been no Material Change (as defined in CDNX Corporate Finance Policy 1.1) between September 1, 2000 and the date of the certificate. If there has been a Material Change, CDNX reserves the right to request further documentation, decline the application for listing on Tier 3 or impose such terms and conditions as CDNX, in its sole discretion, may require.

2. Eligible Companies that have filed a complete Tier 3 Application by September 29, 2000 may request a deferral of listing by submitting a Deferral Notice as defined in *Deferral of CDNX Tier 3 Listing* below. CDNX may require the Eligible Company to file a certificate executed by two authorized signing officers of the Eligible Company stating that there has been no Material Change (as defined in CDNX Corporate Finance Policy 1.1) between September 1, 2000 and date of the certificate. If there has been a Material Change, CDNX reserves the right to request further documentation, to decline the application for listing on Tier 3 or impose such terms and conditions as CDNX, in its sole discretion, may require.

Deferral of CDNX Tier 3 Listing

CDN is not a prescribed stock exchange under the *Income Tax Act* (Canada), and accordingly the tax treatment of CDN quoted companies and their investors may be different as compared to the treatment applicable to companies listed on a prescribed stock exchange (such as CDNX) and their investors.

As certain of the differences in tax treatment (such as an enhanced research and development tax credit) are beneficial for CDN quoted companies, CDN and CDNX have been communicating with the federal Department of Finance in an attempt to preserve such tax treatment for CDN quoted companies which apply to list on Tier 3 of CDNX (for greater certainty, such beneficial treatment would cease to apply if the Eligible Company graduates to or lists on Tier 2 or Tier 1 of CDNX).

Discussions with the federal Department of Finance are ongoing. CDNX will advise all Eligible Companies that have submitted a Deferral Notice as to the result of those discussions. **Please note that there is no guarantee that the Department of Finance will preserve the present tax treatment for CDN quoted companies once listed on Tier 3 nor is there any guarantee that a determination will have been made prior to December 31, 2000.**

CDNX recognizes that Eligible Companies may nonetheless wish to defer the commencement of their listing on Tier 3 pending a determination of the tax implications. In order to defer their listing on Tier 3, Eligible Companies must file a written request to defer (the "Deferral Notice") by September 29, 2000 together with their complete Tier 3 Application. CDNX will not list any Eligible Company that has filed a Deferral Notice at the time of filing their Tier 3 Application. An Eligible Company may only defer a listing until January

2, 2001. The Eligible Company must notify CDNX in writing on or before December 31, 2000 of its intention to terminate the deferral and to list on Tier 3. Any Eligible Company that fails to provide written notification will no longer be eligible to list on Tier 3.

Eligible Companies that file a Deferral Notice should note that between September 29, 2000 and up and until the Eligible Company commences trading on Tier 3 following the termination of its deferral, the Eligible Company will not be listed or traded on CDNX's Tier3.

After December 31, 2000, all Eligible Companies that have requested a deferral but have failed to list by January 2, 2001 will only be entitled to list on CDNX's Tier 1 or Tier 2 and will be required to comply in full with CDNX policies and procedures. Among other things, this will mean that these companies will be required to obtain a Sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements, corporate governance policies and will be subject to escrow as prescribed by CDNX.

Transition - Policies and Procedures

Tier Maintenance for Tier 3 Companies

Eligible Companies listed on Tier 3 of CDNX will be required to meet the tier maintenance requirements of Tier 2 of CDNX on an ongoing basis in order to maintain a listing on Tier 3. CDNX will assess all Tier 3 companies by December 31, 2000. CDNX will subsequently notify any Tier 3 company of its failure to meet Tier 2 tier maintenance requirements. Tier 3 companies that meet Tier 2 tier maintenance requirements will continue to trade on Tier 3. Tier 3 companies that do not meet Tier 2 maintenance requirements will be advised of this and will be immediately designated "Inactive". Tier 3 companies designated "Inactive" will be given 18 months to continue to trade on Tier 3 and to attempt to reach Tier 2 tier maintenance requirements. In the event that an issuer designated as Inactive fails to meet Tier 2 tier maintenance requirements within the 18 month period, it will be suspended and then delisted.

CDNX will review the directors, senior officers, control persons and parties conducting investor relations activities on behalf of all Tier 3 companies by December 31, 2000 to assess their suitability. Where CDNX has concerns regarding the suitability of such parties, it will notify the applicable Eligible Company of its concerns. Subject to any right of review, CDNX will require the resignation of any directors, senior officers, control persons and parties conducting investor relations activities on behalf of the issuer who are deemed by CDNX to be unsuitable. Companies who fail to comply will be subject to suspension.

Corporate Finance Filing Policies

Prior to Listing on Tier 3

Prior to the Eligible Company listing on Tier 3, Eligible Companies that have filed or made an application to CDN in respect of financing and transactional activities such as private placements, options, acquisitions and changes of business will comply with and complete the financing and transactional activities in accordance with CDN policies and procedures. Eligible Companies will be required to make all such filings (excluding the Tier 3 Application) with CDN.

Eligible Companies making an application to CDN with respect to a reverse take-over ("RTO") after September 1, 2000, will be required as a condition of their Tier 3 Application, to comply in full with CDNX policies and procedures including CDNX minimum listing requirements. Among other things, this will mean that these companies will be required to obtain a sponsor pursuant to CDNX policies, will be required to comply with CDNX minimum listing requirements and corporate governance policies and shares of these companies will be subject to such escrow requirements as are prescribed by CDNX. Eligible Companies will be required to make all filings in connection with the RTO with the Toronto office of CDNX.

Prior to listing on Tier 3, Eligible Companies may, however, elect to comply with CDNX policies and procedures applicable to Tier 2 companies. CDN policies will no longer apply to any Eligible Company electing to comply with CDNX policies and procedures. Eligible Companies electing to comply with CDNX policies and procedures may choose a filing office in accordance with CDNX policies.

After Listing on Tier 3

After listing on Tier 3, Eligible Companies are required to comply with all CDNX corporate finance policies applicable to Tier 2 companies (including CDNX tier maintenance requirements) and may choose a filing office in accordance with CDNX policies.

The CDNX Corporate Finance Manual

Information regarding CDNX's corporate finance policies, including CDNX Forms and its policies governing financing and transactional activities, (published as the CDNX "Corporate Finance Manual") are available for review and free downloading on the CDNX website at www.cdnx.ca. An Eligible Company may obtain one hard copy of the manual free of charge by contacting Mr. Jason Chu at 1-800-206-7242.

Reporting Issuer Status

By application of law, companies listing on CDNX automatically become "reporting issuers" in each of Alberta and British Columbia. As reporting issuers, companies are required to file electronically via SEDAR, various prescribed continuous disclosure documents, including annual audited financial statements, interim financial statements, material change reports, press releases and information circulars. Such companies are also required to pay certain filing fees to each of the Alberta Securities Commission ("ASC") and the

British Columbia Securities Commission ("BCSC"). Insiders and control persons of these reporting issuers are also required to report their trades in accordance with Alberta and British Columbia securities laws.

On behalf of Eligible Companies that are reporting issuers in Ontario but not in either or both of Alberta or British Columbia, CDNX is making an application for transitional relief from certain reporting issuer obligations and exchange issuer obligations prescribed by British Columbia and Alberta securities law. Discussions with the ASC and BCSC are ongoing and further notice will be provided when the nature and extent of such transitional relief has been finalized.

Presuming that the transitional relief is granted, upon expiry of the transitional period, all Eligible Companies listed on CDNX Tier 3 will be required, in addition to complying with the applicable requirements of Ontario securities law, to prepare and file all documents and pay all fees as required pursuant to the securities laws of Alberta and British Columbia.

Applications to List on Tier 1 or 2 and Graduation Requirements to Tier 1 or 2

Eligible Companies that meet the minimum listing requirements of Tiers 1 or 2 of CDNX may, on their own initiative or by invitation of CDNX, apply for listing on Tiers 1 or 2 of CDNX, as applicable.

Eligible Companies applying for listing on Tiers 1 or 2 of CDNX and CDNX Tier 3 companies applying to graduate to Tier 2 or Tier 1 will generally be required to obtain sponsorship from a member of CDNX and to enter into an escrow arrangement in accordance with CDNX's published policies.

Listing, Sustaining, Transaction and Filing Fees

Eligible Companies will not be required to pay listing fees.

Commencing 2001, all Eligible Companies that listed on CDNX will be subject to the standard CDNX annual sustaining fees.

Eligible Companies listed on CDNX will be subject to CDNX's corporate finance policies and procedures in accordance with the transitional provisions above, and accordingly, will be required to pay such fees as are applicable to all CDNX listed companies in connection with listed company filings from the time the company is listed on CDNX or such earlier date that the company starts complying with CDNX policies. Fees are required to be paid by CDNX listed companies at the time of the filing of an application for review by exchange staff.

Eligible Companies listed on CDNX will also be subject to applicable SEDAR filing fees associated with multi-jurisdictional filings.

Attached as Schedule "C" is the current CDNX Corporate Finance Fee Schedule.

Additional Information

CDNX Market Structure and Trading System

CDNX is structured as a three tier market.

Tiers 1 and 2

CDNX's company listings have been designated as either Tier 1 or Tier 2. Tiers 1 and 2 are distinguished by the financial status of the listed companies, with the more senior companies listed on Tier 1, and the remainder of the current CDNX listed companies on Tier 2. New listings on CDNX will be allocated to Tiers 1 and 2 on the basis of CDNX's tier-specific minimum listing requirements, as applied at the time of listing.

Tier 3

As outlined in this invitation, CDNX is introducing a third tier, "Tier 3", for the specific purpose of listing companies transferring from CDN's quoted market to CDNX. Tier 3 will be limited to Eligible Companies.

Trading System

All CDNX companies listed on Tiers 1, 2 or 3 of CDNX trade on TradeCDNX, CDNX's fully electronic auction trading system. No companies listed on any tier of CDNX will trade by way of a telephone-based dealer trading mechanism using market makers, as is the case with the CDN trading system.

Stock Symbol

All CDNX Tier 3 companies will be assigned a new, industry standard 3-Alpha symbol in order to trade on TradeCDNX. To differentiate Tier 3 from Tiers 1 & 2, the first letter of the new symbol will be the letter "Y" to publicly identify them as CDNX Tier 3 listed companies. Should a Tier 3 company graduate to CDNX Tiers 1 or 2, another new symbol will be assigned, removing the "Y" designation.

All Industry participants - Broker/Dealers, Quotation Vendors, Trader Workstation vendors and Order Management System providers - will be advised by CDNX of the new symbol assignations.

Office Location

CDNX opened its Toronto office on May 1, 2000. On May 1, CDN's staff and operations were moved from the TSE premises into CDNX's Toronto office. The office is located at the following address:

P.O. Box 498
Suite 600, 6th Floor, 130 King Street West
The Exchange Tower
Toronto, Ontario
M5X 1E5

Telephone:(416) 367-2369
Fax:(416) 367-3845

CDN Quotation / CDNX Listing Matters

If you have any questions regarding CDN quotation or CDNX listing matters, please contact one of the following:

Ungad Chadda
CDN / CDNX Manager, Corporate Finance
(416) 860-4122

Tom Graham
CDN / CDNX Manager, Corporate Finance
(416) 860-4123

Kevan Cowan
Director, CDN / CDNX Vice President, Toronto
(416) 860-4101

SCHEDULE "A"

CDNX Listing Agreement

Name of Issuer

Head Office Address and Telephone Number of Issuer

Name and Address of Issuer's Registrar and Transfer Agent

Sponsor

In consideration of the listing on the Canadian Venture Exchange Inc. (the "Exchange") of securities of the undersigned entity (the "Issuer"), the Issuer hereby agrees with the Exchange as follows:

1. Interpretation

In this Agreement, unless the subject matter or context otherwise requires:

1.1 All terms used herein which are defined in Policy 1.1, Interpretation, shall have the meanings ascribed to those terms in that Policy.

1.2 Where used herein, the term "Exchange Requirements" shall have the same meaning as defined in Exchange Rule A.1.00.

1.3 Where used herein, the term "Issuer" shall include all subsidiaries of the Issuer.

2. General

2.1 The Issuer shall, and shall cause its directors, officers, employees, agents, consultants, and, where applicable, partners, to comply with all Exchange Requirements and all applicable legal requirements including, but not limited to, those of its incorporating statute, all laws, rules, regulations, policies, notices and interpretation notes, decisions, orders and directives of all securities regulatory authorities having jurisdiction over it and with all other laws, rules and regulations applicable to its business or undertaking.

2.2 The Issuer shall file with the Exchange all such material, information and documents as may be required by the Exchange from time to time and in such manner and form and by such date as may be specified by the Exchange.

2.3 This Agreement and all other documents, information and material (collectively, the "Information"), in whatever form, provided to or filed with the Exchange shall become the property of the Exchange and the Exchange shall have full and irrevocable authority to sell, license, copy, distribute, make available for public inspection, provide copies of same to other regulatory authorities and otherwise deal with all or any part of the Information at any time without notice to the Issuer.

2.4 Except as otherwise permitted by the Exchange Requirements, the Issuer shall not issue securities to any person without the prior approval of the Exchange. Further, the Issuer shall notify the Exchange in such manner and form and by such date as may be specified by the Exchange Requirements of any changes to the number of its issued securities of any class.

2.5 All documents filed by the Issuer and all correspondence with the Exchange shall be in the English language. In addition, the Issuer shall also concurrently file with the Exchange any original language documents. The Issuer warrants that all English translations will be complete and accurate.

3. Reimbursement for Independent Advice

3.1 The Issuer shall pay to the Exchange on a timely basis the annual sustaining fee, the applicable listing or filing fee at the time of each filing, and any other fees, expenses or charges which may be specified from time to time by the Exchange within the time limits specified by the Exchange.

3.2 The Exchange, at the Issuer's cost, may obtain independent advice or consulting services with respect to any matter relating to the Issuer provided that the Exchange has first afforded the Issuer the opportunity to satisfy the particular filing requirements of the Exchange with respect to such matter. The Issuer hereby agrees to fully reimburse and indemnify the Exchange for all such expenses, costs and fees incurred by the Exchange.

4. **Directors, Officers and other Personnel**

4.1 The affairs of the Issuer shall at all times be managed or supervised by at least three directors, all of whom shall:

(a) be individuals qualified to act as directors under the Issuer's incorporating statute and Exchange Requirements;
(b) act honestly and in good faith and in the best interests of the Issuer;
(c) xercise the care, diligence and skill of a reasonably prudent person in the exercise of their duties as directors;
(d) not be personally indebted to or subject to an unsatisfied or incomplete term of a sanction of the Exchange or any securities regulatory body; and
(e) be otherwise acceptable to the Exchange.

Officers, employees, agents and consultants of the Issuer, and others engaged by or working on behalf of the Issuer, shall be subject to all other specified Exchange Requirements and, at the discretion of the Exchange, shall be subject to clauses 4.1(d) and 4.1(e) above.

4.2 The Issuer shall at all times have at least two directors who are neither control persons of the Issuer nor employees, senior officers or management consultants of the Issuer or any of its associates or affiliates. The Issuer will have an audit committee consisting of at least three directors, a majority of whom must be neither control persons of the Issuer nor employees or senior officers of the Issuer or any associates or affiliates. The Issuer will use its best efforts to have its audit committee act in accordance with the Canadian Securities Administrators' Notice on Audit Committees or any successor policy, notice or instrument.

4.3 Insofar as the Issuer requests that the Exchange rely on auditors, lawyers, consultants or other agents, the Issuer shall ensure that such persons are not unacceptable to the Exchange.

4.4 The Issuer shall require a minimum of two signatures by persons authorized by the board of directors of the Issuer to sign all cheques issued by the Issuer.

5. **Rights and Remedies of the Exchange**

5.1 The Exchange shall have all the rights and remedies set out in the Exchange Requirements or otherwise available to it at law or equity. Without limiting the generality of the foregoing, the Issuer acknowledges that the Exchange may halt or suspend trading in the Issuer's securities, and may delist securities of the Issuer, at any time, with or without giving any reason for, or notice of, such action.

5.2 A breach by any director, officer, employee, agent, consultant or, where applicable, partner of the Issuer of any term of this Agreement or the Exchange Requirements shall be deemed to be a breach by the Issuer and the Exchange shall be entitled to exercise against the Issuer all rights and remedies it may have in respect thereof.

5.3 The Issuer hereby agrees to and does hereby release and indemnify the Exchange, its governors, directors, officers, agents and employees from and against all claims, suits, demands, actions, costs, damages and expenses, including legal fees on a solicitor and his own client basis, which may be incurred by the Exchange as a result of or in connection with the enforcement by the Exchange of any provision of this Agreement or any Exchange Requirement.

6. **Miscellaneous**

6.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and the parties hereby irrevocably submit to the jurisdiction of the courts of the Province of Alberta for all matters arising out of or in connection with this Agreement or any of the transactions contemplated hereby

6.2 The Issuer hereby agrees to submit and attorn to the jurisdiction of the Canadian Venture Exchange Inc., and wherever applicable, the governors, directors and committees thereof.

6.3 All notices and other communications to be provided pursuant to this Agreement may be delivered, sent by facsimile or prepaid post to the following addresses.

(a) except as otherwise directed by Exchange Policy or other direction of the Exchange, if to the Exchange:

The Canadian Venture Exchange Inc.
10th Floor, 300 – 5th Avenue S.W.
Calgary, Alberta
T3A 5Z4

Attention: Corporate Finance Department
Phone: (403) 974-7400
Fax:(403) 237-9050

(b) if to the Issuer:

_____
[Name]

_____
[Address]

_____
[Phone and Fax]

provided that in the event of a general disruption of postal services, notices and communications shall be delivered or sent by facsimile. Any notice or communication delivered or sent by facsimile shall be deemed to have been given on the day so delivered or sent by facsimile. Any notice or communication sent by mail shall be deemed to have been received on the fifth business day following deposit in the mail in Canada. A party may change its address as provided herein by notice to the other party as set out in this section.

6.4 This Agreement has been duly authorized, executed and delivered on behalf of the Issuer and is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms.

6.5 The Issuer may not assign the whole or any part of this Agreement without the written consent of the Exchange.

6.6 The Exchange may terminate or amend this Agreement at any time and, upon notice to the Issuer given in accordance with the provisions of this Agreement, any such amendments will be binding on the Issuer. It is acknowledged by the Issuer that the Exchange shall not incur any liability with respect to any loss or damage that the Issuer or any other person may suffer, directly or indirectly, by reason of any amendment or termination of this Agreement.

6.7 No approval, consent or waiver by the Exchange to or of any breach by the Issuer in the performance or observance of its obligations under this Agreement or any of the Exchange Requirements is an approval, consent or waiver to or of any other breach or continuing breach. Failure by the Exchange to complain of any breach by or enforce any Exchange Requirement against the Issuer in the performance or observance of its obligations under this Agreement or any of the Exchange Requirements irrespective of how long the breach may continue, is not a waiver of the rights of the Exchange under or relating to this Agreement or any of the Exchange Requirements.

6.8 The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision herein and any invalid provision shall be deemed to be severable.

6.9 Any reference to a statute includes all rules and regulations made pursuant thereto and, unless otherwise expressly provided, includes a reference to all amendments made thereto and in force from time to time and any statute, rule or regulation that may be passed which has the effect of supplementing or superseding that statute or those rules or regulations.

6.10 The Issuer agrees that it shall be bound by the terms and conditions of this Agreement immediately upon Exchange acceptance hereof, notwithstanding that confirmation of such acceptance may not have been provided to the Issuer.

6.11 This Agreement has been drafted in the English language at the express request of the parties. Les parties ont exige que le present contrat soit redige en anglais.

In witness whereof, the parties hereto have executed this Agreement by their duly authorized signing officers as of the date indicated below.

DATED at _____ this _____ day of _____, _____.

_____
Issuer's Name

_____
Name of Authorized Signatory
Title of Authorized Signatory

_____
Name of Authorized Signatory
Title of Authorized Signatory

* **To be executed by at least two duly authorized signing officers of the Issuer and, if required pursuant to applicable law, under the Issuer's corporate seal.**

This application shall be deemed to have been accepted by the Exchange, and shall become effective immediately upon commencement of trading of any securities of the Issuer on the Exchange.

SCHEDULE "B"

Personal Information Form

This form is to be completed by every individual who is an Insider of the Issuer, including any individual who, at the time of listing or subsequent to listing:

(a) is or becomes a senior officer, director or promoter of the Issuer;

(b) provides investor relations, promotion or market maintenance services for the Issuer or to any of its securityholders;

(c) beneficially owns or controls, directly or indirectly, securities representing more than 10 percent of the voting rights attached to all outstanding voting securities of the Issuer;

(d) where a person referred to in paragraph (c) is not an individual, any director, senior officer or Insider of that person; or

(e) by any individual from whom the Exchange, at any time, requests a completed Personal Information Form.

General Instructions On How To Complete This Form:

The Form The Exchange requires the originally completed Form with the original signatures for processing purposes. Photocopies of the completed Form will not be accepted for processing.

All Questions **All questions must have a response.** The Exchange will not accept the response of "N/A" or "Not Applicable" for any question except for the following Questions 1(B), 2(D), 2(E)(iii), 2(F)(ii), 2(G), and 4(B).

If you are having difficulty completing a question or would like further information regarding the information required to be included within this form, please contact the Exchange for additional information.

Question 2 *For the purposes of Question 2(E), "permanent resident" is a person lawfully in Canada as an immigrant but who is not yet a Canadian Citizen.*

Question 6A Responses must be all-inclusive, they are not limited to a particular period of time.

Question 6B Responses must include all issuers in which the applicant has been involved, within the past 10-year period.

Questions 7 to 11 *Please check (√) in the appropriate space provided. Refer to the definitions below and on page 7-2 of this form. If your answer to any of questions 7 to 11 is "YES", you must, in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known.* ***Any attachment must be initialled by the Notary Public.*** *Responses must be all-inclusive and must not omit any time period.*

For the purposes of Questions 7 to 11 the following definitions will apply:

- "guilty", in relation to a plea or a finding, includes an absolute or conditional discharge;
- "offence" means:

  (a) a summary conviction or indictable offence under the Criminal Code (Canada),

  (b) a misdemeanour or felony under the criminal legislation of the United States of America or of any state or territory of the United States of America,

  (c) an offence under the criminal legislation of any other jurisdiction,

  (d) quasi-criminal offence, for example under the Income Tax Act (Canada) or the tax legislation of any other jurisdiction, the Immigration Act (Canada) or the immigration legislation of any other jurisdiction, or the securities legislation of any jurisdiction,

  and excludes

  (e) an offence for which a pardon has been granted and has not been revoked under the Criminal Records Act (Canada) or the comparable legislation of any other jurisdiction, and

  (f) an offence which is an offence only under the motor vehicles legislation of any jurisdiction.

NOTE: With the exception of offences under the Young Offenders Act (Canada) or its predecessor, the granting of a Pardon with respect to an offence is **not** automatic, but must be formally applied for and granted to the offender pursuant to the Criminal Records Act (Canada). Therefore, it is not considered appropriate to omit reference to an offence under any statute other than the Young Offenders Act (Canada) or its predecessor on the basis of an assumption that a Pardon of the offence is automatic after a given period of time. Wrongful omission of an offence on that basis may be treated as a non-disclosure of material information.

- "securities regulatory authority" means a body created by statute in any jurisdiction to administer securities law, regulation and policy, but does not include a stock exchange or other self regulatory organization.

- "self regulatory organization" means

  (a) a stock, commodities, futures or options exchange,

  (b) an association of investment, securities, mutual fund, commodities, or future dealers,

  (c) an association of investment counsel or portfolio managers,

  (d) an association of other professionals, for example legal, accounting, engineering, and

  (e) any other recognised institution or group responsible for the enforcement of rules, disciplines or codes, under any legislation, or considered a self regulatory organization in another country.

Acknowledgement and Consent

The person completing this form must sign both the space available for the Acknowledgement and the Statutory Declaration portion of the form.

Declaration and Related Attachments

The official before whom this form is declared must mark as exhibits and initial any attachments to this form. Persons completing this form must also initial any attachments. This form and any attachments must contain original signatures or initials as appropriate. Photocopies are not accepted for filing with the Exchange.

CAUTION

Please carefully review the Personal Information Form before submitting it to the Exchange. Please also ensure that this Form is properly signed. You must sign this Form and the truth of its contents before a Notary Public. The Notary Public must confirm that you made such a declaration.

If you leave any question unanswered or you otherwise fail to properly complete this Form, it will NOT be accepted for filing by the Exchange and will be returned. This could result in significant delay to the processing of an application. Failure to fully disclose any information required by this Form or submission of false or misleading disclosure will generally result in your disqualification from involvement with Exchange issuers.

1. A. IDENTIFICATION OF INDIVIDUAL COMPLETING FORM

LAST NAME	FIRST AND MIDDLE NAMES

NAME OF ISSUER (State the name of the company that is listed on CDNX. If this form is submitted in connection with an **initial** application for listing, state the name of the company which has made application for listing)

PRESENT AND PROPOSED POSITION(S) WITH THE ISSUER – check (Ó) all positions below that are applicable	IF DIRECTOR / OFFICER PROVIDE THE DATE ELECTED / APPOINTED						IF OFFICER – PROVIDE TITLE IF OTHER – PROVIDE DETAILS
	M		D		Y		
☐ DIRECTOR ☐ OFFICER ☐ INSIDER ☐ CONTROL PERSON ☐ PROMOTER/FOUNDER ☐ INVESTOR RELATIONS/MARKET-MAKING ☐ OTHER							

B. Provide any legal names, other than the name given in Question 1 A, and assumed names or nicknames under which you have carried on business or have otherwise been known.
***Note:** Please include information regarding any name change(s) resulting from marriage, divorce, court order or any other process

	FROM		TO	
	M	Y	M	Y

2. PERSONAL INFORMATION

**Attach a photocopy of a piece of identification issued by a government authority (such as a driver's license or passport) that contains your photograph.

A. TELEPHONE NUMBERS:

RESIDENTIAL Area Code ( )	BUSINESS Area Code ( )	FAX Area Code ( )

B.

DATE OF BIRTH				PLACE OF BIRTH		
Month		Day		Year	City	Province/State	Country

C.

Sex	Height	Weight	Eye Colour	Hair Colour
☐ MALE ☐ FEMALE				

D.

MARITAL STATUS	FULL NAME OF SPOUSE - include common-law	OCCUPATION OF SPOUSE

E.

CITIZENSHIP	YES	NO
(i) Are you a Canadian Citizen?		
(ii) Are you a permanent resident/landed immigrant of Canada? (see the definition of permanent resident in the instructions at the beginning of this form)		
(iii) If "Yes" to Question 2E(ii), the number of years of continuous residence in Canada: _____ Years		

F.

DUAL CITIZENSHIP	YES	NO
(i) Do you hold citizenship in any country other than Canada?		
(ii) If "Yes" to Question 2F(i), the name of the Country(s):		

G.

COUNTRY WHERE PASSPORT WAS ISSUED	CITY WHERE PASSPORT WAS ISSUED	DATE PASSPORT WAS ISSUED			PASSPORT NUMBER
		M	D	Y	

H.

DRIVER'S LICENCE NUMBER	PROVINCE/STATE WHERE DRIVER'S LICENCE WAS ISSUED	SOCIAL INSURANCE/SECURITY NUMBER

3. **RESIDENTIAL HISTORY** - Provide all residential addresses for the past **10 YEARS** starting with your current principal residential address. If you are unable to correctly identify the complete residential address for a period which is beyond five years from the date of completion of this Form, the municipality and province or state and country must be identified. The Exchange reserves the right to nevertheless require the full address.

STREET ADDRESS, CITY, PROVINCE/STATE, COUNTRY & POSTAL/ZIP CODE	FROM				TO			
	M		Y		M		Y	

4. A. **EDUCATIONAL HISTORY** - Provide your educational history starting with the most recent. Include secondary (eg. high school) and post secondary education (eg. university, college, technical institute etc.).

SCHOOL	LOCATION	DEGREE OR DIPLOMA	DATE OBTAINED					
			M		D		Y	

B. **Professional designation(s)** - Provide any professional designation held. For example, Barrister & Solicitor, C.A., C.M.A., C.G.A., P.Eng., P.Geol., and C.F.A., etc. and indicate by whom and the date the designations were granted.

PROFESSIONAL DESIGNATION	GRANTER OF DESIGNATION	DATE GRANTED			IN EFFECT?	
		M	D	Y	Y	N

5. **EMPLOYMENT HISTORY** - Provide your employment history for the **10 years** immediately prior to the date of this form starting with your current employment. Use an attachment if necessary.

EMPLOYER NAME	EMPLOYER ADDRESS	POSITION HELD	FROM		TO	
			M	Y	M	Y

6. POSITIONS WITH OTHER ISSUERS

		YES	NO
A.	While you were a director, senior officer or insider of an issuer, did any stock exchange or similar self regulatory organization ever refuse approval for listing or quotation of that issuer? If yes, attach full particulars.		

B. Provide the names of each reporting issuer and each other issuer with continuous disclosure obligations (ie. a "public company") of which you are now, or during the last 10 years, have been a director, officer, promoter, insider or control person. State the position(s) you held and the periods during which you held those positions. Use an attachment if necessary.

NAMES OF (REPORTING) ISSUERS	POSITIONS HELD WITH ISSUER	NAME OF STOCK MARKET ON WHICH IT TRADED	FROM		TO	
			M	Y	M	Y

7. OFFENCES

		YES	NO
A.	OFFENCES (See General Instructions for definition of "offence".)		
	Have you ever pleaded guilty to or been found guilty of an offence?		
B.	CURRENT CHARGES, INDICTMENTS OR PROCEEDINGS		
	Are you the subject of any current charge, indictment or proceeding for an offence?		

If you answered "Yes" to any of the items in Question 7, attach full particulars.

8. ADMINISTRATIVE PROCEEDINGS

		YES	NO
A.	PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY (Refer to definitions) Has any securities commission or other securities regulatory authority ever:		
	(i) prohibited or disqualified you under securities, corporate or any other legislation from acting as		
	(ii) refused to register or license you to trade securities or restricted, suspended or cancelled your		
	(iii) refused to issue a receipt for a prospectus or other offering document or denied any		
	(iv) issued a cease trading or similar order against you?		
	(v) issued an order that denied you the right to use any statutory prospectus or registration		
	(vi) taken any other proceeding of any nature or kind against you?		
B.	PROCEEDINGS BY STOCK EXCHANGE OR OTHER SELF REGULATORY ORGANIZATION		
	Have you been reprimanded, suspended, fined or otherwise been the subject of any disciplinary proceedings of any nature or kind whatsoever, in any jurisdiction, by a self regulatory organization?		
C.	CURRENT PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY ORGANIZATION. Are you now, in any jurisdiction, the subject of:		
	(i) a notice of hearing or similar notice issued by a securities commission or similar securities regulatory authority?		
	(ii) a proceeding or to your knowledge, under investigation, by a stock exchange or any self		
	(iii) settlement discussions or negotiations for settlement of any nature or kind whatsoever with any securities commission or other securities regulatory authority or any stock exchange or any self regulatory organization?		
D.	SUSPENSION OR TERMINATION OF EMPLOYMENT		
	Has a firm or company registered under the securities laws of any jurisdiction as a securities dealer, broker, investment adviser or underwriter, suspended or terminated your employment for cause?		
	Has your employment in a sales, investment or advisory capacity with any firm or company engaged in the sale of real estate, insurance or mutual funds ever been terminated for cause?		
E.	SETTLEMENT AGREEMENT		
	Have you entered into a settlement agreement with a securities regulatory authority, self regulatory organization or an attorney general or comparable official or body in any jurisdiction in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct by you, or any other settlement agreement with respect to any other violation of securities legislation or the rules of any self regulatory organization?		

If you answered "YES" to any of the items in Question 8, attach full particulars.

9. CIVIL PROCEEDINGS

		YES	NO
A.	JUDGEMENT, GARNISHMENT AND INJUNCTIONS Has a civil court in any jurisdiction:		
	(i) rendered a judgement or ordered garnishment against you in a civil claim by consent or otherwise based in whole or in part on fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?		
	(ii) issued an injunction or similar ban against you by consent or otherwise in a civil claim described in question 9A(i)?		
B.	CURRENT CLAIMS		
	Are you now the subject, in any jurisdiction, of a civil claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct on your part?		
C.	SETTLEMENT AGREEMENT		
	Have you entered into a settlement agreement, in any jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, civil conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct on your part?		

If you answered "YES" to any of the items in Question 9, attach full particulars.

10. PERSONAL BANKRUPTCY

			NO
A.	Have you in any jurisdiction within the past **10 years**:		
	(i) had a petition in bankruptcy issued against you or made a voluntary assignment in bankruptcy?		
	(ii) made a proposal under any legislation relating to bankruptcy or insolvency?		
	(iii) been subject to or instituted any proceeding, arrangement or compromise with creditors?		
	(iv) had a receiver, receiver-manager or trustee appointed by or at the request of creditors, either		
	(v) Are you now an undischarged bankrupt?		

If you answered "YES" to any of the items in Question 10, attach a copy of any discharge, release or other applicable document.

11. PROCEEDINGS AGAINST ISSUER

			NO
A.	To the best of your knowledge, were you or have you ever been a director, officer, promoter, insider, or control person of an issuer, in any jurisdiction, at the time of events that led to or resulted:		
	(i) in the issuer pleading guilty to, or being found guilty of, an offence based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?		
	(ii) in a pending charge, indictment or proceeding against the issuer, for an offence described in		
	(iii) in a securities regulatory authority (and, where indicated, other regulatory authority):		
	(a) refusing, restricting, suspending or cancelling the registration or licensing of the issuer to trade securities or any other regulatory authority authorized to licence the sale of real estate, insurance or mutual funds refusing , restricting, suspending or cancelling the registration or licensing of the issuer to sell or trade real estate, insurance or mutual fund products?		
	(b) issuing a cease trading or similar order of any nature or kind whatsoever against the issuer, other than an order for failure to file financial statements that was revoked within		
	(c) issuing an order that denied the issuer the right to use any statutory prospectus or		
	(d) taking any other proceeding of any nature or kind against the issuer?		
	(e) issuing a current notice of hearing or similar notice against the issuer?		
	(iv) in a trading halt, suspension or delisting of the issuer by a self regulatory organization or similar organization (other than in the normal course for proper dissemination of information, including in the normal course pursuant to a reverse take-over or similar transaction)?		
	(v) in a current proceeding of any nature or kind against the issuer by a self regulatory		
	(vi) in a civil court:		
	(a) rendering a judgment or ordering garnishment in a claim against the issuer by consent or otherwise based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?		
	(b) issuing an injunction or similar ban against the issuer by consent or otherwise in a claim		

11. **PROCEEDINGS AGAINST ISSUER** (continued)

			NO
A.	(vii) in a current civil claim against the issuer that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct?		
	(viii) in the issuer entering a settlement agreement with a securities regulatory authority, self regulatory organization or attorney general or comparable official or body in any jurisdiction in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, unregistered distributions, failure to disclose material facts or changes or similar conduct by the issuer, or involved in any other violation of securities legislation or a self regulatory organization's rules?		
	(ix) in the issuance of a petition in bankruptcy against the issuer or a voluntary assignment in		
	(x) in a proposal by the issuer under any legislation relating to bankruptcy or insolvency?		
	(xi) in proceedings against the issuer under any legislation relating to winding up, dissolution or		
	(xii) in a proceeding, arrangement, proposal or compromise by the issuer with creditors?		
	(xiii) in the appointment of a receiver, receiver-manager or trustee by or at the request of creditors,		
B.	Is an issuer in any jurisdiction of which you are now a director, officer, promoter or control person, now an undischarged bankrupt?		

If you answered "YES" to any of the items in Question 11, attach full particulars and attach a copy of any discharge, release or other applicable document.

CAUTION

A person who makes a false statement by statutory declaration commits an indictable offence under the *Criminal Code* (Canada). The offence is punishable by **imprisonment** for a term not exceeding **fourteen years**. Steps may be taken to verify the answers you have given in this form, including verification of information relating to any previous criminal record.

ACKNOWLEDGEMENT AND CONSENT

As evidenced by my signature below, I, the undersigned, hereby acknowledge and provide my express consent to the Canadian Venture Exchange Inc. to request, obtain and provide any information whatsoever (which may include personal, confidential, non-public, criminal or other information) from or to any source, including, but not limited to any regulatory, securities regulatory, investigative, criminal or self-regulatory agency or organization as permitted by law in any jurisdiction in Canada or elsewhere.

_____

DateSignature of Person Completing this Form

STATUTORY DECLARATION

I, _____ solemnly declare that:
(Print Name of Person Completing this Form)

(a) I have read and understand the questions, cautions, acknowledgement and consent in this form and the answers I have given to the questions in this form and in any attachments to it are true and correct except where stated to be to the best of my knowledge in which case I believe the answers to be true;

(b) I make this solemn declaration conscientiously believing it to be true and knowing it is of the same legal force and effect as if made under oath and by virtue of the *Canada Evidence Act;* and

(c) in consideration for the approval of the Canadian Venture Exchange Inc. in regard to my involvement with any Exchange Issuer, I hereby agree to submit and attorn to the jurisdiction of the courts in the Province of Alberta, to the jurisdiction of the Canadian Venture Exchange Inc., and wherever applicable, the Governors, directors and committees thereof. I further agree to be bound by and comply with all Exchange Requirements. I agree that any acceptance or non-disapproval granted by the Exchange pursuant to this form may be revoked, terminated or suspended at any time in accordance with the then applicable rules, policies, by-laws, rulings and regulations of the Exchange. In the event of any revocation, termination, or suspension, I agree to immediately terminate my association with any Exchange Issuer to the extent required by the Exchange and I agree that thereafter I will not accept employment with or perform services of any kind for any Exchange Issuer, except with the prior written acceptance of the Exchange.

DECLARED before me at the City of _____ in the Province (or State) of _____ this _____ day of _____, _____.

_____
(Signature of Person Completing this Form)

_____ _____
Signature of Notary Public Seal or Stamp of Notary Public

My Appointment Expires: _____

*Note: **THIS FORM MUST BE DECLARED BEFORE A PERSON WHO IS A NOTARY PUBLIC IN AND FOR THE JURISDICTION IN WHICH IT IS DECLARED.**

SCHEDULE "C"

Current CDNX Corporate Finance Fee Schedule

Annual Sustaining Fees	
Per Issuer	$1,500
Each Additional Class of Securities	$150
New Listings	$0.001 per share
	$0.001 per share
	Min $4,000 - Max $12,000
Capital Pool Companies	$4,000
RTO/Qualifying Transaction	Min $2,000 - Max $12,000
Additional Listing	$0.001 per share
	Min $1,000 - Max $10,000
Change of Business	Min $2,000 - Max $12,000
Amalgamation, Merger, Take-Over Bid	Min $2,000 - Max $12,000
Public Offerings	$0.001 per share
(including by prospectus, rights offering and short form offering)	Min $1,000 - Max $4,000
Amendments	$500
Private Placements and Shares for Debt	$0.001 per share Min $500 - Max $2,500
Share Splits	Apply Additional Listing Fee
Consolidation	$1,000
Property Transaction	
Greater than 1 million shares issued	Apply Additional Listing Fee
Major Acquisition / Reviewable Disposition	$750
Minor (including Expedited)	$300
Stock Options - Tier 2	$150 per optionee
(also for Tier 1 if no plan)	Max $600
Stock Options - Tier 1 (with any plan)	Apply Additional Listing Fee
Escrow Shares	
Cancellation, Amendment or a Contested Release or Transfer	$1,000
Reinstatement of Suspended Issuers	$500
Processing	$300 minimum
Engineering Reports:	CDNX may request a fee to cover the costs of the review of engineering/ geological reports

Note: Processing fees may also be assessed for unusually time consuming or poorly prepared filings.
Note: TSE Interlisted companies filing fees are discounted 33% from the schedule, except annual Sustaining Fees and minimum charges.
Note: The calculation of fees assumes all warrants or other convertible securities have been exercised or converted.
Note: 7% GST to be added to all fees.

13.1.2 CDN - Transfer of CDN Securities to New Trading Systems and Access to TSE/CATS System During Interim Trading Period

NOTICE TO USERS
NO. 2000-004
August 25, 2000

CANADIAN DEALING NETWORK INC.

Transfer of CDN Securities to New Trading Systems and Access to TSE/CATS System During Interim Trading Period

As part of the Canadian Exchange Realignment announced on March 15, 1999, it was agreed that the Canadian Dealing Network ("CDN") would be transferred by The Toronto Stock Exchange (the "TSE") to the new national junior stock exchange created from the merger of Canada's junior stock exchanges (the Canadian Venture Exchange Inc., or "CDNX").

As CDN is a market comprised of both "quoted" and "unquoted" securities, it is intended that the transfer of CDN securities from the CDN System be facilitated in two ways. First, and subject to the receipt of all regulatory and other approvals, companies with securities quoted on CDN (the "Quoted Market") will be invited by CDNX to list on Tier 3 of CDNX. CDNX is currently in the process of disseminating invitations to CDN quoted companies, and intends as of October 2, 2000 to commence listing those companies which have filed all documents required to accept the invitation. Second, and subject to the receipt of all regulatory and other approvals, trading in unquoted CDN securities (those comprising the "Reported Market"), including securities of any CDN quoted companies that do not accept the invitation to list on Tier 3 of CDNX, will be reported to a new internet web-based trade reporting system commencing on October 10, 2000, as outlined below.

This notice deals with the following matters:

(1) the intended transfer of unquoted CDN securities to a new internet web-based trade reporting system; and

(2) continuing access by CDN Users to the TSE/CATS system until all CDN securities are transferred from the CDN System.

Transfer of Unquoted CDN Securities

The Canadian Unlisted Board Inc. ("CUB"), a newly formed subsidiary of CDNX, is developing an internet web-based reporting system in order to facilitate the obligation of Ontario registered dealers to report trading in Canadian unlisted public company securities and foreign securities, as required by Part VI of the *Securities Act* (Ontario). Subject to the receipt of all regulatory and other approvals, it is intended that CUB operate the new internet web-based trade reporting system which, **effective Tuesday, October 10, 2000**, will replace the current TSE/CATS reporting mechanism. Trade reporting fees will remain at $1.95 per side.

Development of the new Reported Market system by CUB is currently underway and will be available for testing by mid-September in anticipation of the intended October 10 launch.

Note that CDN Users must have Internet World Wide Web access in order to utilize the new Reported Market system from its first day of operations.

Further communication to set up information and training sessions for CDN Users will be sent out in the very near future. Please confirm to Kathy Gerry at 604-602-6952 (kgerry@cdnx.ca) that you are the correct contact for CUB to work with in respect of the implementation of the new trade reporting system or advise her of the appropriate contact person.

Access to TSE/CATS System

The TSE previously announced that as of September 1, 2000, access to the TSE's trading systems would only be provided via the STAMP Gateway using devices provided by private suppliers. As noted above, the listing on CDNX of CDN quoted securities by CDN quoted companies duly accepting the CDNX invitation to list on Tier 3 is to commence on October 2, 2000, and (subject to the receipt of all regulatory and other approvals) the transfer to CUB of the unquoted securities comprising the CDN Reported Market is intended to be carried out on October 10, 2000. In order to effectively bridge this gap (the "Interim Trading Period"), and to spare CDN Users from potentially incurring significant extra costs during this period, the TSE will continue to allow CDN Users to maintain their CATS Network devices for the purpose of accessing the CDN System until the close of business on September 29 in respect of the CDN Quoted Market, and the close of business on October 6 in respect of the CDN Reported Market. Such access will be restricted to CDN trade reporting and market making only. For the Interim Trading Period, all CATS Network charges will be borne by CDN.

Further Information

General Information
If you have any general questions regarding the transfer of CDN securities to CDNX, please contact:

Kevan Cowan
Director, CDN / CDNX Vice President, Toronto
(416) 860-4101

Unquoted CDN Securities and CUB

If you have any questions regarding the transfer of unquoted CDN securities to CUB or the operation of CUB, please contact one of the following:

Dale Boyd
CDNX Manager,Trading Services
(604) 602-6921

Marc Foreman
CDNX Vice President, Trading Services
(604) 602-6920

Access to TSE/CATS System

If you have any questions regarding access to the TSE/CATS system via the CATS Network during the Interim Trading Period, please contact TSE Trading Services at (416) 947-4357.

13.1.3 John Edward Morrison

NOTICE TO PUBLIC

Subject: The Toronto Stock Exchange Inc. (the "TSE") Sets Offer of Settlement Hearing Date in the Matter of John Edward Morrison

The Toronto Stock Exchange Inc. ("TSE") will convene a Hearing before a Panel of the Hearing Committee of the TSE (the "Panel") to consider the Offer of Settlement entered into between the TSE and John Edward Morrison. The Hearing will be held on September 14, 2000 at 10:00 a.m., or as soon thereafter as the Hearing can be held, at the Toronto Stock Exchange, 130 King Street West, Toronto, Ontario. The Hearing is open to the public.

The TSE has alleged that between April 6 and 28, 1999, Mr. Morrison made short sales in a listed security on the Exchange below the price of the last board lot trade on the Exchange contrary to section 11.27(3) of the General By-law, and that he failed to designate short sales as such at the time the orders were entered in the Book contrary to section 11.27(9) of the General By-law.

The Offer of Settlement will be presented to a Panel for review. According to Rule 6.03 of the Rules Governing the Practice and Procedure of Hearings, the Panel may accept or reject an Offer of Settlement. In the event the Offer of Settlement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Offer of Settlement is rejected, the TSE may proceed with a hearing of the matter before a differently constituted Panel.

The disposition of the matter agreed upon in the Offer of Settlement will be included in the permanent record of the TSE in respect of Mr. Morrison. The decision of the Panel and the terms of any discipline imposed will be published by the TSE in a Notice to Participating Organizations.

Reference: Ron Pelletier
Enforcement Counsel,
Investigations and Enforcement Division
Market Regulation Division,
The Toronto Stock Exchange Inc.
(416) 947-4606

13.1.4 Brian Eric Brook Ramsay

NOTICE TO PUBLIC

Subject: **The Toronto Stock Exchange Inc. (the "TSE") Sets Offer of Settlement Hearing Date in the Matter Brian Eric Brook Ramsay**

The Toronto Stock Exchange Inc. ("TSE") will convene a Hearing before a Panel of the Hearing Committee of the TSE (the "Panel") to consider the Offer of Settlement entered into between the TSE and Brian Brook Eric Ramsay. The Hearing will be held on September 14, 2000 at 10:00 a.m., or as soon thereafter as the Hearing can be held, at the Toronto Stock Exchange, 130 King Street West, Toronto, Ontario. The Hearing is open to the public.

The TSE has alleged that on May 11, 1999 Mr. Ramsay took a long position in a security for the account of his employer, T.D. Securities Inc., for the purpose of creating a downtick and subsequently marking a short sale in the security contrary to section 11.27(4) of the General By-law.

The Offer of Settlement will be presented to a Panel for review. According to Rule 6.03 of the Rules Governing the Practice and Procedure of Hearings, the Panel may accept or reject an Offer of Settlement. In the event the Offer of Settlement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Offer of Settlement is rejected, the TSE may proceed with a hearing of the matter before a differently constituted Panel.

The disposition of the matter agreed upon in the Offer of Settlement will be included in the permanent record of the TSE in respect of Mr. Ramsay. The decision of the Panel and the terms of any discipline imposed will be published by the TSE in a Notice to Participating Organizations.

Reference: Ron Pelletier
Enforcement Counsel,
Investigations and Enforcement Division
Market Regulation Division,
The Toronto Stock Exchange Inc.
(416) 947-4606

13.1.5 Stephen Parke - Discipline Penalties Imposed

BULLETIN #2758
August 11, 2000

Discipline

Discipline Penalties Imposed on Stephen Parke - Violation of Regulation 1300.4

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on **Stephen Parke**, at the relevant time a Registered Representative with Midland Walwyn Capital Inc. (now Merrill Lynch Canada Inc.), a Member of the Association.

By-laws, Regulations, Policies Violated

On August 10, 2000, the Ontario District Council considered, reviewed and accepted a settlement agreement that had been negotiated between Mr. Parke and staff of the Enforcement Division of the Association. Pursuant to the settlement agreement, Mr. Parke admitted that during the period January 13, 1997 to, and including, March 3, 1997, while a Registered Representative with a Member of the Association, he exercised discretionary authority to effect a trade in securities for the account of a client, namely Lars Carlson, without having the prior written authorization of the client and without such account having been specifically approved and accepted in writing as a discretionary account by the designated person of the Member firm, contrary to Regulation 1300.4.

Penalty Assessed

The discipline penalties assessed against Mr. Parke are a fine in the amount of $10,000 payable within 4 months of the effective date of the settlement agreement. Mr. Parke is required, as a condition of any future re-approval by the Association, to successfully rewrite and pass the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*, as administered by the Canadian Securities Institute within 6 months following the effective date of the settlement agreement.

Mr. Parke is also required to pay $900 towards the Association's costs of investigation of this matter.

Summary of Facts

In January 1994, Mr. Parke met with his client Lars Carlson to discuss investing $50,000. On August 23, 1996, prior to a departure from the country, the client instructed Mr. Parke to sell some speculative holdings at specific target prices. Mr. Parke did not enter open sell orders and also failed to obtain a discretionary account agreement.

Mr. Parke admitted to executing trades on the account for which the customer had given no prior written authorization and the account had not been specifically approved and accepted in writing as a discretionary account by a designated

person of the Member firm. Mr. Parke exercised price and time discretion on four sales of securities and conceded that he had not received specific orders as to price, quantity or timing in respect of nine purchases from January to March 1997.

Mr. Parke's conduct had a substantial negative impact on the client's account in that it increased the client's margin loan amount; increased the speculative component of the account; resulted in a decline in the overall portfolio that precipitated a margin call; and resulted in a decline in the total value of the investments purchased from January to March 1997.

Susanne M. Barrett
Association Secretary

13.1.6 Stephen Parke - Settlement Agreement

Bulletin No. 2758

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20
OF THE INVESTMENT DEALERS ASSOCIATION
OF CANADA

RE: *STEPHEN PARKE*

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The staff ("Staff") of the Investment Dealers Association of Canada ("the Association") has conducted an investigation (the "Investigation") into the conduct of **Stephen Parke** ("the Respondent").

2. The Investigation discloses matters for which the District Council of the Association ("the District Council") may penalize the Respondent by imposing discipline penalties.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25.

4. This Settlement Agreement is subject to its acceptance, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council in accordance with By-law 20.26.

5. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

6. If at any time prior to the acceptance of this Settlement Agreement, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council, there are new facts or issues of substantial concern in the view of Staff regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. STATEMENT OF FACTS

(i) Acknowledgment

7. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

8. In 1987, Les Carlson ("Carlson) opened a margin account with Midland Doherty ("Midland") (now Merrill Lynch Canada Inc.). In May 1992, the account was reassigned to The Respondent. The account was dormant until January 1994, when Carlson attended the offices of Midland and spoke to the Respondent about investing $50,000.

9. In August 1996, Carlson left the country for South Korea. Prior to leaving, the Respondent and Carlson met on August 23, 1996, in which Carlson instructed the Respondent to sell some of his speculative holdings at specific target prices, which are reflected in Table A below:

Table A

Security	No. of Shares Owned	No. of Shares to be Sold	Aug 23, 1996 Market Value	Target Price
Archangel Diamond Corp.	5,200	4,000	$1.67	$5.00
Battery Technologies Inc.	1,250	1,250	$1.75	$5.00
Lyndex Explorations Inc.	4,000	3,000	$3.30	$5.00
Trade Winds Resources Inc.	10,000	8,000	$0.38	$2.00

10. The Respondent agreed to sell at the targets listed above. The Respondent did not enter open sell orders and also failed to obtain a discretionary account agreement.

11. In December 1996, Carlson returned from South Korea for Christmas and met again on December 20, 1996 with the Respondent to discuss the securities enumerated in Table A above. Both the Respondent and Carlson agreed the instructions provided on August 23, 1996 were the same. The Respondent acknowledges that he again did not obtain a discretionary agreement or prepare open orders for these securities.

12. During examination by the Association investigator the Respondent admitted to executing nine trades on the account for which the customer had given no prior written authorization and the account had not been specifically approved and accepted in writing as a discretionary account by the designated person of the Member firm. A listing of these trades can be found in Table B and C.

13. In January 1997, Lyndex hit its target and the Respondent sold the Lyndex shares on Carlson's account during January and February 1997, as follows:

Table B

Trade Date	No of Shares	Price	Net Proceeds *
Jan 13, 1997	2,000	$6.375	$12,331.40
Jan 29, 1997	1,000	$7.25	$7,004.26
Feb 24, 1997	400	$10.625	$4,105.50
Feb 25, 1997	600	$12.00	$6,979.08
		Total	$30,420.24

The Respondent exercised price and time discretion on the sale of the Lyndex shares.

14. On September 3, 1997, Carlson met with the Respondent to discuss the trading on the account during the relevant period. Although, Carlson was pleased with the sale of Lyndex, he was upset about the following purchases during January, February and March 1997 set out below:

Table C

Trade Date	Security	No of Shares	Price	Cost *
Jan 13, 1997	Greenlight Communications	15,000	$0.72	$11,186.42
Jan 15, 1997	Foodquest International	10,000	$0.25	$2,608.50
Jan 30, 1997	Greenlight Communications	5,000	$0.33	$3,281.90
Jan 31, 1997	Hyatt Financial Corp.	2,000	$1.11	$2,318.42
Feb 06, 1997	Hyatt Financial Corp.	1,000	$1.11	$1,095.50
Feb 13, 1997	Toba Industries Ltd.	15,000	$0.74	$11,200.50
Feb 25, 1997	Hyatt Financial Corp.	3,000	$0.98	$3,064.34
Feb 26, 1997	Hyatt Financial Corp.	2,000	$1.05	$2,194.10
Mar 03, 1997	Hyatt Financial Corp.	3,100	$1.00	$3,230.10
			Total	$40,179.78

15. The Respondent conceded that Carlson had not given him a specific order as to price, quantity or timing and Carlson only expressed an interest in buying "a bit of each" of Greenlight Communications, Foodquest International, Hyatt Financial Corp. and Toba Industries Ltd. (the "four companies"). There was no subsequent communication between the Respondent and Carlson after the Respondent went back to South Korea.

16. The unauthorized trades identified in Table C had a substantial negative impact on Carlson's account, as follows:

(a) The trades increased Carlson's margin loan by $9,759.54 (Table C total less Table B total), which does not include the additional interest costs;

(b) The purchases that resulted increased the speculative component of the account from 46.76% (as at December 31, 1996) to 57.86% (as at February 28, 1997) of the total portfolio value;

(c) During March and April 1997, a decline in the overall portfolio precipitated into a margin call. As a result of the margin call on May 12, 1996, Midland sold out 146 units of Fidelity Euro Growth DSC –NCI funds for a credit of $2,891.33; and

(d) As at August 31, 1997, the total value of the investment in the four companies had declined by $24,187.28 ($40,179.78 - $15,992.60).

IV. CONTRAVENTIONS

17. Count 1 - During the period January 13, 1997 to, and including, March 03, 1997, Stephen Parke while a Registered Representative with a Member of the Association, exercised discretionary authority to effect a trade in securities for the account of a client, namely Lars Carlson, without having the prior written authorization of the client and without such account having been specifically approved and accepted in writing as a discretionary account by the designated person of the Member Firm, contrary to Regulation 1300.4

V. ADMISSION OF CONTRAVENTIONS AND FUTURE COMPLIANCE

18. The Respondent admits the contravention of the Statutes or Regulations thereto, By-laws, Regulations, Rulings or Policies of the Association noted in Section IV of this Settlement Agreement. In the future, the Respondent shall comply with these and all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALTIES

19. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

(a) a fine in the amount indicated below, payable to the Association within twelve (4) months of the effective date of this Settlement Agreement:

Contravention as set out in Section IV, paragraphs 17 a fine of $10,000

(b) for the Contravention as set out in Section IV, as a condition of his continued approval in any capacity with a member of the Association, re-writing and passing the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*, administered by the Canadian Securities Institute within six (6) months following the effective date of this Settlement Agreement;

VII. ASSOCIATION COSTS

20. The Respondent shall pay the Association's costs of this proceeding in the amount of $ 900.00 payable to the Association within twelve (4) months of the effective date of this Settlement Agreement.

VIII. EFFECTIVE DATE

21. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of:

(a) its acceptance; or
(b) the imposition of a lesser penalty or less onerous terms; or
(c) the imposition, with the consent of the Respondent, of a penalty or terms more onerous,

by the District Council.

IX. WAIVER

22. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

23. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

24. If this Settlement Agreement becomes effective and binding:

(a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

(b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. EFFECT OF REJECTION OF SETTLEMENT AGREEMENT

25. If the District Council rejects this Settlement Agreement:

(a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

(b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "14th" day of "June", 2000.

"Jeff Kehoe"

WITNESS "Fredric L. Maefs"
Vice President, Enforcement on behalf of Staff of the Investment Dealers Association of Canada

AGREED TO by the Respondent at the "city" of "Oshawa", in the Province of Ontario, this "13th" day of "June", 2000.

"Stephen Parke"

WITNESS RESPONDENT

ACCEPTED by the Ontario District Council of the Investment Dealers Association of Canada, at the City of "Toronto", in the Province of Ontario, this "10th" day of "August", 1999.

INVESTMENT DEALERS ASSOCIATION OF CANADA (ONTARIO DISTRICT COUNCIL)

Per: "Fred Kaufman" - chairperson

Per: "Robert Guilday"

Per: "David Kerr"

Chapter 25

Other Information

25.1.1 Securities

RELEASE FROM ESCROW

COMPANY NAME	DATE	NUMBER AND TYPE OF SHARES	ADDITIONAL INFORMATION
First Point Minerals Corp.	Aug 23/2000	518,334 Common Shares	---

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