

The Ontario Securities Commission

# OSC Bulletin

December 8, 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 Securities Commission**

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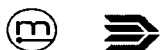
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## Chapter 1

# Notices / News Releases

### 1.1 Notices

### SCHEDULED OSC HEARINGS

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

December 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

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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
Robert W. Davis, FCA	—	RWD
John A. Geller, Q.C.	—	JAG
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
R. Stephen Paddon, Q.C.	—	RSP

Date to be  
announced

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

s. 127 & 127.1  
Ms. J. Superina in attendance for staff.

Panel: TBA

Feb 5/2001  
10:00 a.m.

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

s. 127  
Ms. K. Wootton in attendance for staff.

Panel: TBA

Apr16/2001-  
Apr 30/2001  
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 & Ms. K. Wootton in  
attendance for staff.

Panel: TBA

May 7/2001  
10:00 a.m.

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

s. 127  
Mr. I. Smith in attendance for staff.

Panel: HIW / DB / MPC

**ADJOURNED SINE DIE**

**DJL Capital Corp. and Dennis John Little**

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

**Irvine James Dyck**

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

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

**S. B. McLaughlin**

**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

**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  
Apr 30/2001 -  
May 7/2001  
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 Proposed Policy 51-101, Reporting Issuer Defaults

#### NOTICE OF REQUEST FOR COMMENTS - PROPOSED POLICY 51-601, REPORTING ISSUER DEFAULTS

The Commission is publishing in today's Bulletin Proposed Policy 51-601 Reporting Issuer Defaults for comment for 60 days.

The Notice and Proposed Policy are published in Chapter 6 of this Bulletin.

### 1.1.3 Notice to Amend Rules Under the Securities Act

#### NOTICE OF AMENDMENT TO RULES UNDER THE SECURITIES ACT EXTENDING THE EXPIRATION DATE TO DECEMBER 31, 2001 AND JULY 1, 2002

On November 20, 2000, the Minister of Finance approved amendments to the following Rule for the purpose of extending the expiration date from December 31, 2000 to December 31, 2001:

1. *In the Matter of Certain Reporting Issuers* [including National Policy Statement No. 41] (1997), 20 OSCB 1219, as amended by (1999), 22 OSCB 152 and (2000), 23 OSCB 288.

On November 20, 2000, the Minister of Finance approved amendments to the following Rules for the purpose of extending the expiration date from July 1, 2001 to July 1, 2002:

1. The three Rules entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218 and 1219, as amended by (1999), 22 OSCB 151 and (2000), 23 OSCB 289;
2. *In the Matter of Regulation 1015, R.R.O. 1990 as amended and In the Matter of Certain International Offerings by Private Placement in Ontario* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 4211 and (1999), 22 OSCB 3900.

The amendments to the Rules came into force on December 5, 2000.

The amendments to the Rules are published in Chapter 5 of the Bulletin.

#### References:

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Project Coordinator, Project Office  
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rhahn@osc.gov.on.ca

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## Chapter 2

# Decisions, Orders and Rulings

### 2.1 Decisions - MRRS Decision

#### 2.1.1 Electronic Data Systems Corporation

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

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

AND IN THE MATTER OF  
ELECTRONIC DATA SYSTEMS CORPORATION

#### MRRS DECISION DOCUMENT

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island (the "Jurisdictions") has received an application from Electronic Data Systems Corporation ("EDS" or the "Company") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that trades to, by, with or on behalf of employees (the "Employees") (including in certain circumstances former Employees or their representatives) of EDS or its affiliates (collectively, the "EDS Companies") resident in the Jurisdictions (the "Canadian Employees") in options ("Employee Awards") on shares of common stock of EDS ("Common Shares") and Common Shares in connection with the EDS Global Share Plan/2000 Nonqualified Stock Option Plan (the "Plan"), including first trades in Common Shares acquired pursuant to the Plan, shall not be subject to the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") (collectively, the "Registration and Prospectus Requirements");

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

**AND WHEREAS** EDS has represented to the Decision Makers as follows:

1. EDS is a corporation incorporated under the laws of the state of Delaware, is not a reporting issuer or its equivalent under the Legislation and has no present intention of becoming a reporting issuer or its equivalent under the Legislation. The majority of the directors and senior officers of EDS reside outside of Canada.
2. EDS currently has and in the future will have subsidiaries ("Subsidiaries") in Canada participating in the Plan. The current Subsidiaries are set out in Annex "A" hereto. None of the Subsidiaries is a reporting issuer or its equivalent in any of the Jurisdictions nor has any present intention of becoming a reporting issuer or its equivalent.
3. The authorized share capital of EDS consists of two billion Common Shares, par value US\$0.001 per share; as of August 31, 2000, there were 466,705,437 Common Shares issued and outstanding.
4. EDS is subject to the requirements of the Securities Exchange Act of 1934, as amended, of the United States, including the reporting requirements. The Common Shares are listed for trading on the New York Stock Exchange and London Stock Exchange.
5. Common Shares offered under the Plan are registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933.
6. The EDS Companies will identify the Canadian Employees who will be granted Employee Awards under the Plan and will distribute Plan related materials to them.
7. EDS proposes to use the services of an agent (the "Agent") in connection with the Plan. The current Agent under the Plan is Salomon Smith Barney, Inc. ("SSB"). The current Agent is, and, if replaced, will be, a corporation registered under applicable U.S. securities or banking legislation to trade in securities and has been or will be authorized by EDS to provide services under the Plan. SSB is not a registrant in any of the Jurisdictions and, if replaced, the Agent is not expected to be a registrant in any of the Jurisdictions.
8. The Agent's role in the Plan will involve various administrative functions and may include: (i) assisting Employees, including former Employees, with the exercise of Employee Awards, including cashless exercises; (ii) holding, on behalf of Canadian Employees, Common Shares issued by EDS upon the exercise of Employee Awards; and (iii) facilitating the resale of Common Shares acquired under the Plan outside of Canada.
9. As of August 31, 2000, there were 7,058 Employees in Canada eligible to participate in the Plan.



10. The purpose of the Plan is to assist the EDS Companies in attracting, retaining and motivating Employees. Canadian Employees eligible to participate in the Plan (the "Eligible Employees") will be granted Employee Awards under the Plan.
11. Eligible Employees who voluntarily or involuntarily terminate their employment with the EDS Companies and whose Employee Awards vest under the Plan will be required, to the extent they wish to exercise their Employee Awards, to make such exercises through the Agent. Such former Employees may also use the services of the Agent to resell Common Shares acquired on the exercise of vested Employee Awards.
12. Participation in the Plan by Eligible Employees is voluntary and such employees are not induced to participate in the Plan or to exercise their Employee Awards by expectation of employment or continued employment with the EDS Companies. Employee Awards are not transferable otherwise than by will or the laws of descent and distribution.
13. The consideration to be paid for Common Shares issued upon the exercise of Employee Awards granted under the Plan may consist of: (a) cash, (b) check, or (c) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan.
14. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the Plan will be delivered electronically to each Canadian Eligible Employee by posting the prospectus on a website maintained by EDS for this purpose or will be made available in hard copy upon request. The annual reports, proxy materials and other materials EDS is required to file with the SEC will be provided or made available to Canadian Employees who acquire Common Shares under the Plan and become shareholders at the same time and in the same manner as such documents are provided or made available to U.S. resident shareholders.
15. The Legislation of certain of the Jurisdictions does not contain exemptions from the Registration and Prospectus Requirements for trades in Employee Awards and Common Shares to, by and on behalf of Canadian Employees and former Employees and their representatives, including trades carried out with or through the Agent.
16. When the Agent sells Common Shares on behalf of Canadian Employees and former Employees and their representatives, such Employees and the Agent, as applicable, are not able to rely on the exemption from the Registration Requirements contained in the Legislation for trades made by a person or company acting solely through a registered dealer under the Legislation.
17. At the time of the grant of Employee Awards under the Plan, holders of Common Shares whose last address as shown on the books of EDS was in Canada will not hold more than 10% of the outstanding Common

Shares and will not represent in number more than 10% of the total number of holders of Common Shares

18. Because there is no market for the Common Shares in Canada and none is expected to develop, any resale of the Common Shares acquired under the Plan will be effected through the facilities of, and in accordance with the rules and laws applicable to, a stock exchange or organized market outside of Canada on which the Common Shares may be listed or quoted for trading.

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

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

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

- a) the Registration and Prospectus Requirements shall not apply to the issuance by EDS of Employee Awards to Eligible Employees and the issuance by EDS of Common Shares on the exercise of Employee Awards to Eligible Employees, former Employees or their representatives, including the exercise of Employee Awards by their holders directly to EDS or through the Agent, and other trades which may be made in connection therewith, provided that the first trade in Common Shares acquired pursuant to this Decision shall be deemed a distribution or a primary distribution to the public under the Legislation unless such first trade is executed through the facilities of, and in accordance with the rules and laws applicable to, a stock exchange outside of Canada on which the Common Shares may be listed or quoted for trading or on the Nasdaq Stock Market; and
- b) the Registration Requirements shall not apply to the EDS Companies or the Agent in connection with trades in Employee Awards and Common Shares under the Plan or to first trades in Common Shares acquired under the Plan made through the Agent.

DATED AT Halifax, Nova Scotia this 27<sup>th</sup> day of October, 2000.

"H. Leslie O'Brien"

Annex "A"

502300 New Brunswick Inc.  
503455 N. B. Inc.  
A.T. Kearney Ltd.  
E.D.S. Canada Leasing Ltd.  
EDS Canada Inc.  
EDS Finance Company (Canada) Inc.  
EDS Innovations Inc.  
EDS Quebec Inc.  
Electronic Data Systems (EDS-IPG) Inc.  
Insurance Software Solutions Corp. (dba SOLCORP)  
SHL Subco 1 Inc.  
SHL Subco 2 Inc.  
SHL Subco 3 Inc.  
SHL Subco 4 Inc.  
SHL Subco 5 Inc.  
SmartHealth Inc.  
Stellar Systems Group Inc.

2.1.2 TD Finance Ltd. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
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  
TD FINANCE LTD.

MRRS DECISION DOCUMENT

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

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

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

1. The Filer is incorporated under the *Canada Business Corporations Act* and its head office is located in Toronto, Ontario.
2. The Filer is a reporting issuer in each of the Jurisdictions.
3. The Filer is not in default of any of its obligations as a reporting issuer under the Legislation.
4. The Filer's authorized capital consists of an unlimited number of voting common shares and an unlimited number of cumulative, non-voting preference shares. The Filer currently has 100 common shares issued and

outstanding and no preference shares issued and outstanding.

5. The Toronto-Dominion Bank is the sole registered security holder and there are no securities, including debt securities, currently issued and outstanding other than the common shares.
6. Securities of the Filer have been delisted from The Toronto Stock Exchange, the Montreal Exchange and the Alberta Stock Exchange, and are no longer available for trading on any stock exchange or organized market.
7. The Filer does not intend to seek public financing by way of an offering to the public.

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

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

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

November 10th, 2000.

"John Hughes"

### 2.1.3 BLC Securities and Laurentian Bank - MRRS Decision

**IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF THE PROVINCES OF BRITISH COLUMBIA, ONTARIO,  
QUÉBEC AND NEWFOUNDLAND  
AND**

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

**AND**

**IN THE MATTER OF BLC SECURITIES INC. AND THE  
LAURENTIAN BANK**

#### **MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (a "Decision Maker") in each of the Provinces of British Columbia, Ontario, Québec and Newfoundland (the "Jurisdictions") has received an application from BLC Securities Inc. (the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation regarding acting as an underwriter in connection with the distribution of securities of a related issuer or the equivalent shall not apply to the Applicant with respect to the proposed public offering of Debentures (the "offering") due in June 2011 by Laurentian Bank (the "Issuer").

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

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

1. Laurentian Bank (the "Issuer") is a Canadian chartered bank with activities across Canada and is constituted pursuant to the Bank Act (Canada). Its head offices are located at 1981 McGill College Avenue, Montreal, Québec.
2. On November 12, 1997, the Issuer was continued as a listed bank in Schedule I of the Bank Act (Canada).
3. The Issuer intends to file a preliminary prospectus within the next few days and also intends to file a final prospectus during October 2000 in order to qualify the Offering.
4. The Issuer intends to enter into an underwriting agreement with the Applicant and, at least one other underwriter, pursuant to which the Issuer will agree to create, issue and sell the Debentures and the underwriters will purchase said Debentures.
5. The proportionate share of the Offering underwritten by each Underwriter is expected to be as follows:

BLC Securities Inc. (the "applicant")	36 %
National Bank Financial Inc (the independent underwriter).	20 %
BMO Nesbitt Burns Inc.	8 %
RBC Dominion Securities Inc.	8 %
Scotia Capital Inc.	8 %
CIBC World Markets Inc.	5 %
Merrill Lynch Canada Inc.	5 %
HSBC Securities (Canada) Inc.	5 %
TD Securities Inc.	5 %

6. The Issuer is considered to be a related issuer (or its equivalent) of the Applicant, as defined in the Legislation for the purpose of the Offering because the Applicant is a wholly-owned subsidiary of the Bank.
7. Because the Issuer is a related and connected issuer of the Applicant, the proposed underwriting syndicate will not comply with the applicable requirements under the Legislation.
8. The Applicant is registered under the applicable regulations in the categories of broker and investment dealer.
9. The requirement that an independent underwriter be part of the underwriting syndicate will be fulfilled since the independent underwriters will subscribe to 64% of the Offering and an independent underwriter will subscribe to 20% of the Offering.
10. Since the Applicant will underwrite 36% of the Offering:  
The prospectus shall include the following information:
  - (a) The information requested in Appendix C of National Instrument 33-105;
  - (b) A statement to the effect that an independent underwriter is subscribing to 20% of the Offering and that such independent underwriter has actively participated in the due diligence process and in the pricing of the Offering. Each underwriter will execute the certificate pages in the Prospectus.
  - (c) The independent underwriters will be identifiable in the Prospectus and their role shall be described in the Prospectus.
11. The Applicant will receive no benefit other than the payment of its portion of its underwriter's fees in connection with the Offering.
12. The issuer is not in financial difficulty and is not a "specified party" as defined in Proposed Multi-Jurisdictional Instrument 33-105.

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

**THE DECISION** of the Decision Makers under the Legislation is that the Applicant is exempt from the requirements of applicable regulations in relation with the requirements contained in the Legislation regarding acting as an underwriter in connection with the distribution of securities of a related issuer in respect of the Offering with the following conditions :

The Issuer shall disclose in its prospectus the information required by Appendix C of the Multi-Jurisdictional Instrument 33-105.

The prospectus shall describe the relation between the Issuer and the Underwriters.

The prospectus will describe the role played by the independent underwriters during the due diligence process.

DATED at Montréal, this 26<sup>th</sup> day of October, 2000

Jacques Labelle;  
Le Directeur général et chef de l'exploitation

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

**2.1.4 Merrill Lynch Mortgage Loans Inc. and  
Merrill Lynch Canada - MRRS Decision**

**Headnote**

Section 80(b)(iii) of the Act - issuer of asset-backed securities exempt from the requirement to prepare, file and deliver interim and annual financial statements and annual report (Form 28), subject to conditions, including the requirement to prepare, file and deliver monthly and annual reports regarding performance of pools of securitized assets.

**Statutes Cited**

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 77, 78, 79, 81(2), 80(b)(iii)

**Regulations Cited**

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s.5

**Policies Cited**

National Policy Statement No. 41  
National Policy Statement No. 44  
National Policy Statement No. 47

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

**AND**

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

**AND**

**IN THE MATTER OF  
MERRILL LYNCH MORTGAGE LOANS INC.  
AND MERRILL LYNCH CANADA INC.**

**MRRS DECISION DOCUMENT**

**WHEREAS** the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Newfoundland, Nova Scotia and Saskatchewan (the "Jurisdictions") has received an application from Merrill Lynch Mortgage Loans Inc. (the "Issuer") and Merrill Lynch Canada Inc. ("ML Canada") for an order pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the provisions of the Legislation concerning the preparation, filing and delivery of interim and annual financial statements and the annual filing of Form 28 by a reporting issuer shall not apply to the offering of the Bell Certificates (as defined herein), the C-4 Certificates (as defined herein), and such additional certificates as may be set forth in the schedule attached hereto (the "Additional Certificates");

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

**AND WHEREAS** the Issuer has represented to the Decision Makers as follows:

1. The Issuer was incorporated under the laws of Canada on March 13, 1995 under the name Bulls Offering Corporation. By articles of amendment dated December 3, 1998, the name of the Issuer was changed to Merrill Lynch Mortgage Loans Inc. The issuer is a wholly-owned subsidiary of Merrill Lynch & Co., Canada Ltd. ("ML & Co.).
2. In connection with its intent to issue Additional Certificates which may securitize assets other than mortgages, the Issuer may change its name in the near future.
3. The head offices of the Issuer and ML Canada are both located in Toronto, Ontario.
4. The Issuer filed a long form prospectus dated June 14, 1995, and a supplemental prospectus dated June 19, 1995, in connection with an initial public offering of 6,000,000 S&P 500 BULLS (the "S&P 500 Bulls") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.
5. On December 21, 1998, the Issuer offered, by private placement, \$182,083,237 (initial certificate balance) of pass-through certificates evidencing co-ownership interests in a pool of 32 commercial mortgage loans, of which \$163,874,000 (initial certificate balance) of pass-through certificates were designated as Exchangeable Commercial Mortgage Pass-Through Certificates, Series 1998-Canada 1 (the "Offered Certificates") and sold pursuant to a Confidential Offering Memorandum dated December 16, 1998.
6. The Issuer was issued receipts by each of the Canadian provincial securities regulatory authorities for a short form prospectus dated May 31, 1999 for the issuance of \$163,874,000 (initial certificate balance) of commercial mortgage pass-through certificates, designated as Commercial Mortgage Pass-Through Certificates, Series 1998-Canada 1 (the "C-1 Certificates") in exchange for the Offered Certificates of the same class.
7. The Issuer filed a short form prospectus dated September 16, 1999 with each of the Canadian provincial securities regulatory authorities for the issuance of \$193,741,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 43 commercial mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 1999-Canada 2 (the "C-2 Certificates") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.

8. The Issuer filed a short form prospectus dated October 1, 1999 with each of the Canadian provincial securities regulatory authorities for the issuance of \$220,000,000 (initial certificate balance) of pass-through certificates evidencing co-ownership interests in firm mortgage bonds held by the Issuer, designated as 1<sup>st</sup> Street Tower Pass-Through Certificates (the "Tower Certificates") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.
9. The Issuer filed a short form prospectus dated May 19, 2000 with each of the Canadian provincial securities regulatory authorities for the issuance of \$227,324,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 53 commercial mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2000-Canada 3 (the "C-3 Certificates") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.
10. The Issuer has been a reporting issuer pursuant to the securities legislation of certain of the provinces of Canada for over 12 calendar months, but received relief from the continuous disclosure requirements under applicable securities legislation from the securities regulatory authorities in the Jurisdictions. The relief was based on the representations of the Issuer to the effect that, after the completion of the above-referenced transactions, the continued financial performance of the Issuer was not relevant to investors because the assets managed in each of the Transactions do not represent any interest in or claim on any assets of the Issuer, and on the basis that certain notices would be provided to the investors in the respective Transactions. The Issuer has received independent expert advice to the effect that GAAP and GAAS financial statements would not provide material (CICA Handbook definition) additional information to existing or prospective securityholders.
11. The Issuer filed a short form prospectus dated September 28, 2000 with each of the Canadian provincial securities regulatory authorities for the issuance of \$115,500,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a first mortgage bond (the "First Mortgage Bond") relating to certain buildings and land located in Mississauga, Ontario, designated as BMCC Corporate Centre Pass-Through Certificates, Series 2000-BMCC (the "Bell Certificates") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.
12. The Issuer filed a short form prospectus dated November 21, 2000 with each of the Canadian provincial securities regulatory authorities for the issuance of \$255,948,663 (initial certificate balance) of pass-through certificates evidencing co-ownership interests in a pool of 63 commercial mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2000 - Canada 4 (the "C-4 Certificates") (the C-1 Certificates, C-2 Certificates, C-3 Certificates, C-4 Certificates, Tower Certificates and the Bell Certificates may be referred to collectively as the "Certificates"; and the transactions pursuant to which the Certificates were issued may be referred to collectively as the "Transactions").
13. The Issuer is a special purpose corporation, the only securityholders of which, as at the date of this application, excluding ML & Co., which owns all of its issued and outstanding voting securities, are the holders of the S&P 500 Bulls and the holders of the Certificates. The Issuer may from time to time seek to issue additional certificates in connection with similar asset-backed securities transactions which it may undertake in the future, in which case the Issuer may seek from the Decision Makers a variation of the relief granted hereunder so as to include such additional certificates.
14. The Issuer currently has and will have no assets or liabilities other than its rights and obligations under certain of the material contracts related to the Transactions or other similar asset-backed securities transactions which it may undertake in the future, and does not presently carry on any activities except in relation to the Transactions.
15. Merrill Lynch Canada Inc. ("ML Canada") administers the ongoing operations and pays the ongoing operating expenses of the Issuer pursuant to an administration agreement dated June 14, 1995 (the "Administration Agreement"). No consideration is payable by the Issuer in connection with ML Canada's services under the Administration Agreement. The Issuer is not required to compensate ML Canada for the fees and expenses paid on the Issuer's behalf thereunder.
16. The Issuer has no material assets and will not carry on any activities other than the issuance of asset-backed securities and will have no continuing involvement in the administration of the Securitized Assets (as defined herein).
17. The directors and officers of the Issuer are directors and/or officers of ML & Co. and have not been and will not be compensated by the Issuer for serving in such positions with the Issuer.
18. No director or officer of the Issuer or any associate thereof is indebted to the Issuer, nor has any director, officer, or any other insider, or any associate or affiliate thereof, entered into a material contract with the Issuer, other than as previously disclosed in documents filed with the Decision Makers.
19. No insider of the Issuer, or associate or affiliate of such insider, has a direct or indirect interest in any transaction which has materially affected or which would materially affect the Issuer.
20. The auditors of the Issuer are Deloitte & Touche.
21. The Issuer intends to offer from time to time to the public additional certificates which, as is the case with

- the Certificates, are primarily serviced by the cash flows of discrete pools of mortgage loans, individual mortgage loans or other financial assets that by their terms convert into cash within a finite time period, with an Approved Rating by an Approved Rating Organization, as those terms are defined in the Rules entitled *In the Matter of the Prompt Offering Qualification System* [including National Policy Statement No. 47] (1998) 21 OSCB 6435 (the "POP System") and *In the Matter of Rules for Shelf Prospectus Offerings and for Pricing Offerings After the Prospectus is Received* [National Policy Statement No. 44] (the "Shelf System") or in any successor instruments thereto. The Issuer proposes to make such offerings pursuant to the POP and Shelf Systems, with the proceeds of such offerings to be used to finance the purchase of mortgage loans and other financial assets from originators of mortgage loans and other financial assets. The discrete pools of mortgage loans, individual mortgage loans or other financial assets which relate or will relate to the Bell Certificates, the C-4 Certificates and such Additional Certificates as may be described in the schedule attached hereto, as the case may be, are collectively referred to herein as the "Securitized Assets".
22. The information contained in the interim and annual financial statements of the Issuer is not and will not be relevant to the holders of Bell Certificates, the C-4 Certificates, or such Additional Certificates as may be listed in the schedule hereto (collectively, the "Certificateholders") since such Certificateholders only have, or will have, an interest in the related Securitized Assets and do not have any interest in or any claim on the assets of the Issuer.
23. Each pooling and servicing agreement or similar agreement (each, a "Securitization Agreement") which governs or will govern, as the case may be, the rights of the Certificateholders and their entitlement to the related Securitized Assets provides for or will provide for, as the case may be, the fulfilment of certain administrative functions relating to the asset-backed securities, such as maintaining a register of holders of asset-backed securities and the making of periodic reports to Certificateholders by a custodian and one or more servicers or other agents appointed pursuant to such Securitization Agreement. The names of each such servicer and agent are or will be disclosed in the applicable prospectus.
24. The Issuer or its duly appointed representative or agent provides or will provide, on a website identified or to be identified in the relevant prospectus for the Certificates or Additional Certificates in correspondence sent to Certificateholders, or otherwise as provided for in the relevant prospectus, no later than the twentieth day of each month (or such subsequent business day as is provided in the Securitization Agreement if the twentieth day of the month is not a business day) the financial and other information prescribed therein to be delivered or made available to Certificateholders on a monthly basis, together with such additional information as may be required by the Legislation and/or prescribed by the Decision Makers, signed by the Issuer or on its behalf by its duly appointed representative, and will also file or cause to be filed reasonably contemporaneously therewith such information on the System for Electronic Document Analysis and Retrieval ("SEDAR").
25. Notwithstanding paragraph 24, the Issuer may amend the contents of the financial and other information filed on SEDAR in order to not disclose the names of individual obligors of Securitized Assets as may be required by confidentiality agreements binding the Issuer.
26. There will be no annual meetings of Certificateholders. Each Securitization Agreement provides or will provide that the holders of a certain percentage of the applicable asset-backed securities will have the right to direct the custodian of the relevant Securitized Assets to take certain actions under such Securitization Agreement.
27. On not less than an annual basis, the Issuer will request intermediaries to deliver a notice to Certificateholders pursuant to the procedures stipulated by the Rule entitled *In the Matter of Certain Reporting Issuers* [including National Policy Statement No. 41] (1998) 21 OSCB 6437, or any successor instrument thereto, advising Certificateholders that the monthly information prescribed in paragraph 24 and the annual information prescribed in paragraph 29 is available on a website, the website address, and that Certificateholders may request paper copies of such reports be provided to them by ordinary mail.
28. On a quarterly basis, the Issuer will publish in a national business newspaper in circulation throughout Canada a notice to Certificateholders advising Certificateholders that the monthly information prescribed in paragraph 24 and the annual information prescribed in paragraph 29 is available on a website, the website address, and that Certificateholders may request paper copies of such reports be provided to them by ordinary mail.
29. Within 140 days of the end of the fiscal year of each pool of Securitized Assets, the Issuer or its duly appointed representative or agent will post on the applicable website or mail to Certificateholders who so request in accordance with the procedures set forth above and will also file or cause to be filed reasonably contemporaneously therewith on SEDAR:
- (a) cumulative financial and other information as required by the Legislation and/or prescribed by the Decision Makers for the last completed fiscal year with respect to the applicable pool of Securitized Assets;
  - (b) management, discussion and analysis with respect to the applicable pool of Securitized Assets included in the Issuer's Annual Information Form filed with the Commission;
  - (c) an annual statement of compliance signed by a senior officer of each applicable servicer or other party acting in a similar capacity on behalf of the Issuer for the applicable pool of Securitized

Assets, certifying that the servicer or such other party acting in a similar capacity has fulfilled all of its obligations under the related Securitization Agreement during the year or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the status thereof;

- (d) an annual accountant's report in form and content acceptable to the Decision Makers prepared by a firm of independent public or chartered accountants acceptable to the Decision Makers respecting compliance by each applicable servicer or other party acting in a similar capacity on behalf of the Issuer with the Uniform Single Attestation Program (USAP) or such other servicing standard acceptable to the Decision Makers.

30. The Issuer will issue press releases and file material change reports in accordance with the requirements of the Legislation in respect of material changes in its affairs and in respect of changes in the status (including defaults in payments due to Certificateholders), operation or affairs of the Securitized Assets underlying the Certificates which may reasonably be considered to be material to Certificateholders.

31. Compliance with the continuous disclosure obligations set forth in the Legislation by the Issuer will not, by virtue of the Issuer's restricted business and the nature of the Certificates, provide meaningful information for the Certificateholders. The provision of information to Certificateholders on a monthly and annual basis as described in paragraphs 24 and 29 above, as well as the quarterly and annual notices to be given by the Issuer as to the availability of such information given pursuant to terms of paragraphs 24 and 29 hereof will meet the objectives of allowing the Certificateholders to monitor and make informed decisions about their investment.

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

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

**IT IS ORDERED** the Issuer be and is hereby exempted from:

- (a) the requirements of the Legislation concerning the preparation, filing and delivery of interim and annual financial statements with respect to the Bell Certificates, the C-4 Certificates and the Additional Certificates (as such term is defined in the schedule attached hereto) is hereby granted, provided that the Issuer complies with paragraphs 24, 27, 28, 29 and 30 hereof; and

- (b) the Issuer be and is hereby exempted from the requirements of the Legislation concerning the annual filing of a reporting issuer, provided that the exemption shall terminate sixty days after the occurrence of a material change in any of the representations of the Issuer contained in paragraphs 13 through 20, inclusive, unless the Issuer satisfies the Decision Makers that the exemption should continue.

November 30<sup>th</sup>, 2000.

"Robert W. Davies"

"Robert W. Korthals"



## 2.1.5 Carma Corporation - MRRS Decision

### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporation deemed to have ceased to be a reporting issuer following an amalgamation.

### Applicable Ontario Statutory Provisions

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

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

**AND**

**IN THE MATTER OF CARMA CORPORATION**

**MRRS DECISION DOCUMENT**

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Carma Corporation ("New Carma") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that New Carma be deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation;
2. **AND WHEREAS** pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;
3. **AND WHEREAS** New Carma has represented to the Decision Makers that:
  - 3.1 New Carma was formed on September 20, 2000, by the amalgamation (and other related transactions) of Carma Corporation ("Old Carma") and 891557 Alberta Ltd. ("891557"), a wholly owned subsidiary of Brookfield Properties Corporation ("Brookfield"), pursuant to an amalgamation agreement dated September 19, 2000 (the "Amalgamation");
  - 3.2 the Amalgamation was approved by the holders of Old Carma common shares on September 19, 2000;
  - 3.3 Old Carma became a reporting issuer in Alberta by obtaining a receipt for its prospectus on February 10, 1988;
  - 3.4 Old Carma is a reporting issuer, or the equivalent, in each of the Jurisdictions and, as of the date of the Amalgamation, was not in default of any requirements under the Legislation;
- 3.5 New Carma became a reporting issuer, or the equivalent, in the Jurisdictions by virtue of the Amalgamation;
- 3.6 New Carma is not in default of any of its obligations as a reporting issuer, or the equivalent, under the Legislation;
- 3.7 the authorized capital of New Carma consists of an unlimited number of common shares (the "Common Shares"), an unlimited number of Class A Redeemable Preferred Shares and an unlimited number of Class B Preferred Shares ("Class B Shares");
- 3.8 as of November 15, 2000, 187,048,500 Common Shares, 1,534,000 Class B Shares and no Class A Redeemable Preferred Shares were issued and outstanding;
- 3.9 as a result of the Amalgamation, Brookfield and its wholly owned subsidiaries own all of the Common Shares and Class B Shares;
- 3.10 there are no other securities, including debt securities, of New Carma currently issued and outstanding other than the Common Shares and Class B Shares except as provided in subparagraph 3.11 below;
- 3.11 four Canadian financial institutions hold secured debt of New Carma;
- 3.12 Old Carma's Common Shares were delisted from The Toronto Stock Exchange on October 6, 2000;
- 3.13 there are no securities of Old Carma, 891557 or New Carma listed on any stock exchange or traded over the counter in Canada or elsewhere; and
- 3.14 New Carma does not intend to seek public financing by way of an offering of securities;
4. **AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
5. **AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
6. **THE DECISION** of the Decision Makers under the Legislation is that New Carma is deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation effective as of the date of this decision.

**DATED** at Calgary, Alberta this 29th day of November, 2000.

Patricia M. Johnston  
Director, Legal Services and Policy Development

**2.1.6 BMO Asset Allocation Fund and Elliott and Page Active Bond Fund - MRRS Decision**

**Headnote:**

Application for exemptive relief from the matching requirement in paragraph 15.3(4)(c) of National Instrument 81-102 Mutual Funds. Relief exempting the applicants from the requirement to publish a star rating, as produced by a specified rating agency, that conforms to the 'since inception' period (as applicable) of standard performance data. Relief granted to applicants and other funds wishing to publish the ratings of the specified rating agency.

**Rules Cited:**

National Instrument 81-102 Mutual Funds, paragraphs 15.2(1)(a) and 15.3(4)(c), section 15.8, and subsection 19.1(1).

**IN THE MATTER OF  
NATIONAL INSTRUMENT 81-102 MUTUAL FUNDS**

**AND**

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

**AND**

**IN THE MATTER OF  
BMO ASSET ALLOCATION FUND  
ELLIOTT & PAGE ACTIVE BOND FUND**

**MRRS DECISION DOCUMENT**

**WHEREAS** the Canadian securities regulatory authority or regulator (the "Decision Makers") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon and Nunavut (the "Jurisdictions") has received an application (the "Application") from BMO Investments Inc. and Elliott & Page Limited (SEDAR Numbers 281790 and 281798) on behalf of BMO Asset Allocation Fund and Elliott & Page Active Bond Fund (the "Funds"), respectively, for a decision by each Decision Maker (collectively, the "Decision") pursuant to section 19.1 of National Instrument 81-102 Mutual Funds ("NI 81-102") that the Funds, if they choose to publish Morningstar Star Ratings (as defined below), are exempted, to the extent and on the conditions described below, from the requirement contained in paragraph 15.3(4)(c) of NI 81-102 to publish in a sales communication the Morningstar Star Ratings for certain periods for which standard performance data is required to be given;

**AND WHEREAS** other Canadian mutual funds wishing to publish Morningstar Star Ratings (the "Other Funds") may wish to rely on this Decision;

**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 Funds have represented to the Decision Makers that:

1. BMO Investments Inc. and Elliott & Page Limited (the "Managers"), are the managers of the BMO Asset Allocation Fund and of the Elliott & Page Active Bond Fund, respectively. The head office for both managers is located in Ontario.
2. Each of the Funds is an open-ended mutual fund trust established under the laws of Ontario. Units of the Funds are offered on a continuous basis in each of the Jurisdictions pursuant to a simplified prospectus dated April 13, 2000, in the case of the BMO Asset Allocation Fund, and August 16, 2000, in the case of the Elliott & Page Active Bond Fund.
3. The Managers wish to include in sales communications of the Funds certain ratings of their performance prepared and provided by Morningstar Canada Inc. (the "Morningstar Star Ratings"), which sales communications will not strictly comply with the requirement set forth in section 15.3(4)(c) of NI 81-102, which requires that the ratings that are published be provided for, or "match", each period for which standard performance data is required to be given (the "Matching Requirement").
4. Morningstar Canada Inc. ("Morningstar") is a rating agency that is not a member of the organization of the Funds. The Funds and Other Funds may make reference to the Morningstar Star Ratings in sales communication subject to the terms of a license agreement with Morningstar.
5. In accordance with the requirements of section 15.8 of NI 81-102, standard performance data in sales communications for mutual funds is required for the following periods (as applicable): one year, three years, five years, ten years, and since inception (for mutual funds offering securities for less than ten years).
6. The basis of generating Morningstar Star Ratings is consistent from mutual fund to mutual fund and captures a quantitative assessment of a mutual fund's past risk-adjusted return, presented relative to its category. Each month, Morningstar computes, for each Canadian mutual fund that has at least three years of performance history, its return score (income plus or minus price changes) and its risk score (the average amount by which the Fund underperforms the 13-week T-bill) and then compares each mutual fund's figures with the average of all funds in its category. The Morningstar Star Ratings are computed by subtracting a mutual fund's risk score from its return score and then dividing the resulting range of scores into five tiers. The top 10% of mutual funds in each category earn five stars; the next 22.5% form the second tier, earning four stars; the following 35% earn three stars; the next 22.5% earn two stars, and the bottom 10% earn one

- star. Accordingly, one star indicates that the mutual fund has not performed as well as other mutual funds in its category, while five stars indicates that a mutual fund has generally performed better than the other mutual funds in its category.
7. The categories against which the Funds and Other Funds are ranked by Morningstar are the thirty three categories maintained by the Investment Funds Standards Committee ("IFSC") a Canadian organization that is independent of Morningstar. The investment funds included in the categories by the IFSC are those investment funds that provide a reasonable and appropriate basis of evaluating mutual fund performance.
  8. The Morningstar Star Ratings provide ratings for the following periods (as applicable): three years, five years, ten years, and the overall rating (the "Overall Rating"), which is a weighted reflection of the previous three periods. For mutual funds more than ten years old, the ten year statistics account for 50% of the Overall Rating, the five-year statistics account for 30%, and the three-year statistics for 20%. If only five years of history are available, the five-year statistics account for 60% of the Overall Rating and the three-year statistics for 40%. If only three years of data are available, the three-year statistics alone are used. Mutual funds less than three years old are not rated and accordingly are not included in the applicable category.
  9. In order that the Funds and the Other Funds' sales communications comply with the Matching Requirements, Morningstar has agreed to calculate and provide a one year rating for mutual funds that have at least 3 years of performance history.
  10. The standard performance data that is required to be given by mutual funds in accordance with section 15.8 of NI 81-102 covers a period which is not matched by the Morningstar Star Ratings as Morningstar does not provide a since inception period rating as it is of the opinion that any period that runs from the inception of the mutual fund in question will, by definition, create different periods for mutual funds within the same category and that this would undermine the comparability of the resulting information, as well as undermine the transparency of its methodology to investors.
  11. Given that the Morningstar Star Ratings do not include a since inception rating, the Funds and Other Funds wish to be exempted from the requirement to publish such rating in accordance with the Matching Requirement. In addition, the Funds and Other Funds wish to publish the Overall Rating.
  12. The absence of the since inception rating in sales communications, as well as the addition therein of the Overall Rating, would not be misleading to investors contrary to clause 15.2(1)(a) of NI 81-102. The Funds will otherwise comply with the Matching Requirement when making reference to Morningstar Star Ratings in sales communications.
  13. In the absence of this Decision, the Managers would be prohibited from publishing the Morningstar Star Ratings for their Funds in sales communications given that the Morningstar Star Ratings, while substantially complying with the Matching Requirements, fall short of technical compliance.
- AND WHEREAS**, pursuant to the System, this Decision Document evidences the decision of each Decision Maker;
- THE DECISION** of the Decision Makers pursuant to subsection 19.1(1) of NI 81-102 is that when providing Morningstar Star Ratings in sales communications, the Funds and the Other Funds are exempt from the Matching Requirement that requires the publication of a rating that conforms to the since inception period (as applicable) of standard performance data for the Funds and the Other Funds;
- PROVIDED THAT:**
1. The sales communication of a Fund or Other Fund that contains the Morningstar Star Ratings complies with Part 15 of NI 81-102 and contains the following disclosure in at least 10 point type:
    - (a) the name of the category within which the Fund is rated;
    - (b) the number of mutual funds in the applicable category for each required standard performance period;
    - (c) the name of the ranking entity, i.e. Morningstar;
    - (d) the length of period and the ending date, or, the first day of the period and the ending date on which the Morningstar Star Rating is based;
    - (e) a statement that the Morningstar Star Ratings are subject to change every month;
    - (f) a brief overview of Morningstar's rating methodology, including what return/risk measures it takes into account;
    - (g) disclosure of the meaning of the "star" symbol (e.g. five stars indicates fund is in top 10% of its category);
    - (h) reference to Morningstar's website for greater detail on the calculation of the Morningstar Star Ratings;
  2. If the sales communication also includes the Overall Rating for the applicable Fund or Other Fund, the Overall Rating is to the most recent calendar month end that is not more than 45 days before the date of the appearance or use of the advertisement in which it is included, and not more than three months before the date of first

publication of any other sales communication in which it is included; and

3. The Morningstar Star Ratings provided in a sales communication of a Fund or Other Fund are calculated based on comparisons of performance of investment funds within a specified category established by the IFSC that provides a reasonable and appropriate basis of evaluating mutual fund performance.

November 22nd , 2000.

"Rebecca Cowdery"

## 2.1.7 Transmeta Corporation - MRRS Decision

### Headnote

Subsection 74(1) - issuance of shares to certain Ontario residents by non-reporting issuer pursuant to its directed share program in connection with its U.S. initial public offering exempt from section 53 of Act - first trade is a distribution unless made in accordance with subsection 72(4) or made through the facilities of a stock exchange or market outside of Ontario, subject to certain conditions.

### Statutes Cited

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

### Rules Cited

Ontario Securities Commission Rule 14-501 - *Definitions* ((1997), 20 OSCB 4054, as amended, (1999), 22 OSCB 1173.

Ontario Securities Commission Rule 45-501 - *Prospectus Exempt Distributions* (1998), 21 OSCB 6548.

Ontario Securities Commission Rule 72-501 - *Prospectus Exemption for First Trade Over A Market Outside Ontario* (1998) 21 OSCB 3873.

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

**AND**

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

**AND**

**IN THE MATTER OF  
TRANSMETA CORPORATION**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker", and collectively, the "Decision Makers") in each of British Columbia, Alberta, New Brunswick, Nova Scotia, Ontario and Québec (the "Jurisdictions") has received an application (the "Application") from Transmeta Corporation ("Transmeta") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") shall not apply to certain trades in common shares (the "Shares") in the capital of Transmeta to certain persons resident in Canada (the "Canadian Participants") made in connection with the Transmeta Directed Share Program (the "Program");

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

**AND WHEREAS** Transmeta has represented to the Decision Makers that:

1. Transmeta is a corporation incorporated under the laws of California, is not a reporting issuer or the equivalent under the Legislation of any of the Jurisdictions and has no present intention of becoming a reporting issuer or the equivalent in any of the Jurisdictions;
2. the authorized share capital of Transmeta as at September 30, 2000 consists of 160,000,000 Shares and 28,159,835 undesignated preferred shares, of which 40,378,516 Shares and 28,159,835 undesignated preferred shares were issued and outstanding;
3. Transmeta is currently in the process of completing an initial public offering (the "IPO") in the United States and has filed a registration statement on Form S-1, as amended (the "Preliminary Prospectus");
4. Transmeta proposes to offer 13,000,000 Shares under the IPO of which 650,000 Shares are reserved under the Program;
5. on completion of the IPO, the Shares will be quoted on the NASDAQ National Market ("NASDAQ");
6. upon completion of the IPO, the authorized share capital of Transmeta will consist of 1,000,000,000 Shares and 5,000,000 undesignated preferred shares, of which 127,752,858 Shares will be issued and outstanding due to an automatic conversion of all outstanding preferred shares into 73,174,342 Shares and a conversion of a convertible promissory note into 1,200,000 Shares;
7. to the best of Transmeta's knowledge as at September 30, 2000 there are no registered shareholders with addresses in any of the Jurisdictions;
8. under the Program, up to 650,000 of the 13,000,000 Shares offered under the IPO are reserved for sale to certain directors, officers and employees of Transmeta, as well as to certain business associates, relatives of employees and other persons related to Transmeta all on the same terms and conditions as the IPO and at a price equal to the IPO price;
9. the maximum number of Shares for which each Canadian Participant can subscribe under the Program is 10,000 and the number of Shares that the Canadian Participants will receive in aggregate represents approximately 1% of the 650,000 Shares being offered under the Program;
10. each of the 25 Canadian Participants is a friend or family member of a director, senior officer or key employee of Transmeta;
11. participation in the Program is voluntary and the Preliminary Prospectus and the final prospectus prepared in accordance with U.S. securities laws will be

forwarded to each Canadian Participant for review prior to such Participant's decision to participate in the Program by purchasing Shares;

12. after giving effect to the IPO, the aggregate number of Shares held by the Canadian Participants will be less than 1% of the issued and outstanding shares of Transmeta and the number of Canadian residents holding Shares will not be more than 10% of the total number of holders of issued and outstanding Shares of Transmeta;
13. there is not expected to be a market for the Shares in Canada and it is intended that any resale of Shares acquired under the Program will be effected through the facilities of NASDAQ in accordance with its rules and regulations;
14. the annual reports, proxy materials and other materials generally distributed to Transmeta's shareholders resident in the United States will be provided to the Canadian Participants at the same time and in the same manner as the documents would be provided to United States resident shareholders;
15. the Canadian Participants will be provided with a notice advising that Canadian Participants will not have any rights against Transmeta under the Legislation and, as a result, must rely on other remedies which may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of U.S. federal securities laws;
16. the Shares will be traded to the Canadian Participants through RBC Dominion Securities Inc., which is registered as a dealer under the Legislation.

**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 which 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:

1. the Prospectus Requirements shall not apply to the trades of Shares to the Canadian Participants in connection with the Program; and
2. the first trade in any Shares acquired under the Program shall be deemed a distribution unless the first trade of Shares is executed on an exchange or market outside of Canada in accordance with all the rules and laws applicable to such exchange or market.

November 17, 2000.

"Brenda Leong"

**2.1.8 Absolut Resources Corp., Tanqueray Resources Ltd. and Stansbury Holdings Corp. - MRRS Decision**

**Headnote**

Subsection 74(1) - Application pursuant to Mutual Reliance Review System for Exemptive Relief Applications

Mutual Reliance Review System for Exemptive Relief Applications - registration and prospectus relief to allow the distribution of shares of a U.S. company and shares of a Canadian company (a reporting issuer in two of the jurisdictions) to shareholders as a dividend pursuant to a reorganization.

**Applicable Ontario Statutory Provisions**

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

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

**AND**

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

**AND**

**IN THE MATTER OF  
ABSOLUT RESOURCES CORP.,  
TANQUERAY RESOURCES LTD.  
AND STANSBURY HOLDINGS CORPORATION**

**MRRS DECISION DOCUMENT**

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Ontario and Newfoundland (the "Jurisdictions") has received an application from Absolut Resources Corp. ("Absolut") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") contained in the Legislation shall not apply to certain trades in securities to be made in connection with a reorganization (the "Reorganization") of Absolut;
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** Absolut has represented to the Decision Makers that:

- 3.1 Absolut is a corporation organized and subsisting under the *Business Corporations Act* (Alberta) (the "ABCA");
- 3.2 Absolut's head office is located in Calgary, Alberta;
- 3.3 Absolut is authorized to issue an unlimited number of common shares (the "Absolut Common Shares");
- 3.4 as at June 22, 1999, 30,594,977 Absolut Common Shares were issued and outstanding;
- 3.5 the Absolut Common Shares are listed on the Canadian Venture Exchange (the "CDNX").
- 3.6 Absolut is a reporting issuer in Alberta, British Columbia and Ontario and is not in default of any of the requirements under the Legislation;
- 3.7 Stansbury Holdings Corporation ("Stansbury") is a corporation organized and subsisting under the laws of the State of Utah;
- 3.8 Stansbury's authorized capital consists of 100,000,000 shares of common stock ("Stansbury Shares");
- 3.9 as at June 12, 2000, there were 75,052,850 Stansbury Shares issued and outstanding;
- 3.10 the Stansbury Shares are currently traded on the NASD OTC Bulletin Board;
- 3.11 Stansbury is currently subject to the reporting requirements of the *Securities Exchange Act of 1934* (the "Exchange Act"), and is not a reporting issuer or the equivalent in any province of Canada;
- 3.12 Tanqueray Resources Ltd. ("Tanqueray") is a corporation organized and subsisting under the ABCA;
- 3.13 Tanqueray's authorized capital consists of an unlimited number of common shares ("Tanqueray Shares");
- 3.14 the Tanqueray Shares are currently listed and posted for trading on the CDNX;
- 3.15 as of June 15, 2000, there were 23,001,111 Tanqueray Shares issued and outstanding;
- 3.16 Tanqueray is a reporting issuer in Alberta and British Columbia and has been a reporting issuer since 1986 and is not in default of any requirements of the Legislation;
- 3.17 Absolut intends to effect a reorganization (the "Reorganization") whereby:
  - 3.17.1 Sweetwater Industrial Minerals, Inc. ("Sweetwater"), a wholly owned

- subsidiary of Absolut, will sell all the issued and outstanding shares of Sweetwater Garnet, Inc. ("Garnet") to Stansbury in exchange for 12,560,000 Stansbury Shares;
- 3.17.2 Absolut will sell all its significant assets, with the exception of the shares of Garnet held by Sweetwater, (the "Remaining Assets") to Tanqueray in exchange for 9,213,330 Tanqueray Shares;
- 3.17.3 Absolut will then wind up and dissolve Sweetwater, such that the 12,560,000 Stansbury Shares will be distributed to Absolut;
- 3.17.4 Absolut will then distribute the 12,560,000 Stansbury Shares and the 9,213,330 Tanqueray Shares to the shareholders of Absolut ("Absolut Shareholders"), on a pro rata basis, by way of a dividend; and
- 3.17.5 Absolut will consolidate the Absolut Common Shares on a one for ten basis;
- 3.18 on June 27, 2000, Absolut mailed a management information circular dated June 23, 2000 (the "Circular") in connection with a meeting of the Absolut Shareholders to be held on July 27, 2000 (the "Absolut Meeting");
- 3.19 the Circular contains prospectus-level disclosure concerning the respective businesses of Stansbury and Tanqueray and a detailed description of the Reorganization, was mailed to Absolut Shareholders in connection with the Absolut Meeting and was filed with the appropriate securities regulatory authorities. The Circular was prepared in conformity with the provisions of the *Securities Act* (Alberta), the ABCA, and the applicable policy statements of the Alberta Securities Commission relating to information circulars;
- 3.20 at the Absolut Meeting, Absolut Shareholders passed special resolutions approving each component of the Reorganization, other than the dissolution and winding-up of Sweetwater (which they were not requested to pass);
- 3.21 upon completion of the sale of Garnet and the Remaining Assets of Absolut and the dissolution and winding up of Sweetwater, Absolut will distribute to Absolut Shareholders (other than dissenting Absolut Shareholders), on a pro rata basis, 12,560,000 Stansbury Shares and 9,213,330 Tanqueray Shares. Accordingly, Absolut Shareholders (other than dissenting Absolut Shareholders) will receive approximately 0.4 of a Stansbury Share and 0.3 of a Tanqueray Share for each Absolut Common Share held as a consequence of the Reorganization;
- 3.22 dissenting Absolut Shareholders will not receive any Tanqueray Shares or Stansbury Shares pursuant to the Reorganization. Absolut Common Shares held by dissenting Absolut Shareholders will be dealt with in accordance with the dissent provisions of section 184 of the ABCA;
- 3.23 after giving effect to the Reorganization, former Absolut Shareholders in each of the Jurisdictions will, in the aggregate, represent less than 10% of all the shareholders of Stansbury Shares (except for the province of Newfoundland where former Absolut Shareholders will represent 10.5% of all shareholders of Stansbury Shares) and hold less than 10% of the then issued and outstanding Stansbury Shares;
- 3.24 at the time of the acquisition by the Absolut Shareholders of the Tanqueray Shares, Tanqueray will not be a reporting issuer in Ontario and Newfoundland;
- 3.25 at the time of the acquisition by the Absolut Shareholders of the Tanqueray Shares, after giving effect to the Reorganization, Absolut Shareholders resident in Ontario who have acquired Tanqueray Shares will represent 13% of the shareholders of Tanqueray and will hold approximately 3.7% of the then issued and outstanding Tanqueray Shares;
- 3.26 at the time of the acquisition by the Absolut Shareholders of the Tanqueray Shares, after giving effect to the Reorganization, Absolut Shareholders resident in Newfoundland who have acquired Tanqueray Shares will represent 15% of the shareholders of Tanqueray and will hold approximately 1% of the then issued and outstanding Tanqueray Shares;
- 3.27 Stansbury shall concurrently send to all holders of Stansbury Shares resident in the Jurisdictions all disclosure material furnished to holders of Stansbury Shares resident in the United States, including, but not limited to, copies of its annual report and all proxy solicitation materials;
- 3.28 Stansbury shall file with each Jurisdiction copies of all documents filed by it under the Exchange Act, including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K, quarterly statement and proxy statement prepared in connection with annual meetings of Stansbury;
- 3.29 Stansbury shall comply with the requirements of the NASD OTC Bulletin Board (or such other principal stock exchange on which the Stansbury Shares are then listed) in respect of making public disclosure of material information on a timely basis and shall issue in the Jurisdictions and file with the Jurisdictions any press release that discloses a material change in Stansbury's affairs;

- **Decisions, Orders and Rulings**

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- 3.30 Tanqueray shall concurrently send to all holders of Stansbury Shares resident in Ontario and Newfoundland all disclosure material furnished to holders of Tanqueray Shares;
- 3.31 Tanqueray shall file in Ontario and Newfoundland all documents filed by it in Jurisdictions in which Tanqueray is a reporting issuer; and
- 3.32 Tanqueray shall comply with the requirements of the CDNX (or such other principal stock exchange on which the Tanqueray Shares are then listed) in respect of making public disclosure of material information on a timely basis and shall issue in Ontario and Newfoundland and file with those Jurisdictions any press release that discloses a material change in Tanqueray's affairs;

then such first trade is a distribution only if it is a trade made from the holdings of any person, company or combination of persons or companies holding sufficient number of Tanqueray Shares to affect materially the control of Tanqueray, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding Tanqueray Shares shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Tanqueray.

**DATED** at Edmonton, Alberta this 22<sup>nd</sup> day of November, 2000.

Eric T. Spink,  
Vice-Chair

Thomas G. Cooke,  
Q.C., Member

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 a Decision has been met;
6. **THE DECISION OF** the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply to the distribution by Absolut of 12,560,000 Stansbury Shares and 9,213,330 Tanqueray Shares to Absolut Shareholders pursuant to the Reorganization;
7. **THE FURTHER DECISION OF** the Decision Makers under the Legislation is that the first trade of Stansbury Shares acquired pursuant to the Reorganization shall be deemed to be a distribution unless such trade is executed through the NASD OTC Bulletin Board or the facilities of an exchange or market outside Canada in accordance with the rules and laws applicable to such exchange or market;
8. **THE FURTHER DECISION OF** the Decision Makers under the Legislation is that the first trade of Tanqueray Shares acquired pursuant to the Reorganization shall be deemed to be a distribution under the Legislation except that where:
  - 8.1 the seller is in a special relationship with Tanqueray, as defined in the Legislation, and the seller has reasonable grounds to believe that Tanqueray is not in default of any requirements of the Legislation; and
  - 8.2 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 such trade;



**2.1.9 TD Bank, CT Financial Services and  
Canada Trustco Mortgage Co. - MRRS  
Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - relief from the registration and prospectus requirements in respect of issuance of convertible preferred shares and debentures of parent in exchange for convertible preferred shares and debentures of subsidiaries where the terms of the replacement securities are substantially the same in all material respects as the terms of the securities which they replace - amalgamation/plan of arrangement exemption technically not available - first trade subject to seasoning requirements

**Applicable Ontario Statutory Provisions**

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

**Applicable Ontario Rules**

Rule 45-501 - *Exempt Distributions*

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

**AND**

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

**AND**

**IN THE MATTER OF THE TORONTO-DOMINION BANK**

**AND**

**IN THE MATTER OF CT FINANCIAL SERVICES INC.**

**AND**

**IN THE MATTER OF  
CANADA TRUSTCO MORTGAGE COMPANY**

**MRRS DECISION DOCUMENT**

**WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia, Newfoundland, Prince Edward Island, New Brunswick, Yukon, Northwest Territories and Nunavut (individually a "Jurisdiction" and, collectively, the "Jurisdictions") has received an application from The Toronto-Dominion Bank (the "Bank") for a decision under the securities legislation of the

Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus in respect of such security (the "Prospectus Requirement") shall not apply to certain trades in preferred shares and debentures of the Bank in connection with proposed amendments to their terms and to a proposed exchange of certain preferred shares of CT Financial Services Inc. ("CTFSI") and to a proposed exchange of certain debentures of Canada Trustco Mortgage Company ("CT Mortgage");

**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 Bank has represented to the Decision Makers that:

1. The Bank is a chartered bank governed by the *Bank Act* (Canada) (the "Bank Act"), is a reporting issuer or the equivalent in each Jurisdiction and is not in default of any requirement of the Legislation ;
2. The authorized share capital of the Bank consists of an unlimited number of Common Shares and an unlimited number of Class A First Preferred Shares issuable in series. The Common Shares of the Bank are listed and posted for trading in Canada on the Toronto and Winnipeg stock exchanges as well as on the Canadian Venture Exchange and are listed and posted for trading on the New York, London and Tokyo Stock Exchanges.
3. CTFSI is a corporation governed by the *Canada Business Corporations Act* (the "CBCA"), is a reporting issuer or the equivalent in each Jurisdiction and is not in default of any requirement of the Legislation.
4. The Bank owns 100% of the outstanding common shares of CTFSI. CTFSI also has outstanding 6,000,000 Non-Cumulative First Preference Shares, Series 4 ("Series 4 Shares") and 2,000,000 Non-Cumulative First Preference Shares, Series 5 (the "Series 5 Shares" and, collectively with the Series 4 Shares, the "CTFSI Preferred Shares"). The CTFSI Preferred Shares qualify as Tier 1 Capital of the Bank for Bank Act regulatory purposes.
5. CT Mortgage is a corporation governed by the *Trust and Loan Companies Act* (Canada), is a reporting issuer or the equivalent in each Jurisdiction and is not in default of any requirement of the Legislation ;
6. CTFSI owns 100% of the outstanding common shares of CT Mortgage. CT Mortgage has outstanding two series of publicly held Debentures consisting of \$150 million 10.05% Capital Debentures, Series 2 due August 4, 2014 (the "Series 2 Debentures") and \$200 million 9.15% Capital Debentures Series 3 due May 26, 2025 (the "Series 3 Debentures and, collectively with the Series 2 Debentures, the "CT Mortgage Debentures"). The CT Mortgage Debentures qualify as Tier 2 Capital of the Bank for Bank Act regulatory purposes.

**Decisions, Orders and Rulings**

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7. Each of the Bank, CTFSI and CT Mortgage has its head office in Toronto, Ontario.
  8. As part of the Bank's ongoing program to consolidate and streamline the governance and capital structure of the Canada Trust group of companies held by the Bank through CTFSI, CTFSI has called special meetings of the holders of the CTFSI Preferred Shares for the purposes of approving certain amendments to the terms of the CTFSI Preferred Shares (the "CTFSI Share Amendments").
  9. The CTFSI Share Amendments, if approved, will result in amendments to the terms of the CTFSI Preferred Shares to include provisions that would enable the Bank, upon delivery of a transfer notice to CTFSI or its transfer agent, to acquire all of the outstanding CTFSI Preferred Shares in exchange for the issuance by the Bank, in the case of each of the Series 4 Shares and Series 5 Shares, of an identical number of newly created Bank preferred shares ("Bank Preferred Shares") substantially the same, in all material respects, to the CTFSI Preferred Shares of the relevant series, except that the Bank Preferred Shares will be convertible into Bank common shares and not CTFSI common shares.
  10. CT Mortgage has called meetings of the holders of CT Mortgage Debentures, in accordance with the provisions of a trust indenture dated March 12, 1993 as supplemented (the "Indenture") governing the issuance of the CT Mortgage Debentures, to approve the exchange (the "CT Mortgage Debenture Exchange") of each \$1000 principal amount of CT Mortgage Debentures for the issuance of an equal principal amount of newly created Debentures of the Bank (the "Bank Debentures") having terms substantially the same, in all material respects, to the CT Mortgage Debentures of the relevant series.
  11. In connection with the CTFSI Share Amendments, CTFSI has prepared and mailed a management proxy circular in accordance with applicable CBCA requirements and the Legislation that contains substantially the same information concerning the Bank and the Bank Preferred Shares that a prospectus of the Bank, which is an issuer eligible under the Prompt Offering Qualification System, would provide.
  12. In connection with the CT Mortgage Debenture Exchange, CT Mortgage has prepared and mailed a circular in accordance with the requirements of the Indenture and the Legislation, that contains substantially the same information concerning the Bank and the Bank Debentures that a prospectus of the Bank would provide.
  13. The issuance of Bank Preferred Shares to holders of CTFSI Preferred Shares in connection with the CTFSI Share Amendments and the issuance of Bank Debentures to holders of CT Mortgage Debentures in connection with the CT Mortgage Debenture Exchange will be subject to the approval of the Superintendent of Financial Institutions (Canada).
  14. To be approved, the CTFSI Share Amendments will require the approval of 66% of the votes attached to each of the Series 4 Shares and Series 5 Shares, voting separately as a series, present in person or represented by proxy at the special meetings.
  15. To be approved, the CT Mortgage Debenture Exchange must be approved by extraordinary resolution of each series of CT Mortgage Debentures, being 66% of the votes attached to the CT Mortgage Debentures present in person or represented by proxy at the meetings of holders of CT Mortgage Debentures, voting separately as a series.
  16. Holders of CTFSI Preferred Shares will be entitled to exercise rights of dissent under the CBCA in respect of the CTFSI Share Amendments.
  17. The terms of the Bank Preferred Shares to be issued to holders of CTFSI Preferred Shares in connection with the CTFSI Share Amendments will be substantially the same, in all material respects, to the terms of the existing CTFSI Preferred Shares.
  18. The terms of the Bank Debentures to be issued to holders of CT Mortgage Debentures in connection with the CT Mortgage Debenture Exchange will be substantially the same, in all material respects, to the existing CT Mortgage Debentures.
- AND WHEREAS**, under the System, this MRRS Decision Document evidences the decisions of each Decision Maker (collectively, the "Decision");
- AND WHEREAS** each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
- THE DECISION** of the Decision Makers under the Legislation is that the Registration Requirement and the Prospectus Requirement shall not apply to trades by the Bank in Bank Preferred Shares in connection with the CTFSI Share Amendments and in Bank Debentures in connection with the CT Mortgage Debenture Exchange provided that the first trade by a holder resident in any Jurisdiction in such Bank Preferred Shares or Bank Debentures, as the case may be, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction ( the "Applicable Legislation ") except where:
- a. at the time of such first trade, the Bank is and has been a reporting issuer or the equivalent under the Applicable Legislation for the 12 months immediately preceding the trade;
  - b. no unusual effort is made to prepare the market or create a demand for the Bank Preferred Shares or the Bank Debentures ;
  - c. no extraordinary commission or other consideration is paid to a person or company in respect of the trade;
  - d. disclosure to the Decision Maker in such Jurisdiction as to the initial exempt trade by the Bank has been made; and

- e. if the seller of the securities is an insider or officer of the Bank , the seller has no reasonable grounds to believe that the Bank is in default of any requirement of the Applicable Legislation .

**DATED** at Toronto on this 1<sup>st</sup> day of December, 2000.

"J.A..Geller"

"R. Stephen Paddon"

**2.2. Orders**

**2.2.1 Astound Incorporated - s.144**

**Headnote**

Cease-trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

**Statutes Cited**

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127(1)2, 127(5), 127(8), 144.

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

**AND**

**IN THE MATTER OF  
ASTOUND INCORPORATED**

**ORDER  
(Section 144)**

**WHEREAS** the securities of ASTOUND INCORPORATED (the "Reporting Issuer") currently are subject to a Temporary Order (the "Temporary Order") made by a Director on behalf of the Ontario Securities Commission (the "Commission"), pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, on the 13th day of October, 2000, as extended by a further order (the "Extension Order") of a Director, made on the 25th day of October, 2000, on behalf of the Commission pursuant to subsection 127(8) of the Act, that trading in the securities of the Reporting Issuer cease until the Temporary Order, as extended by the Extension Order, is revoked by a further Order of Revocation;

**AND WHEREAS** the Temporary Order and Extension Order were each made on the basis that the Reporting Issuer was in default of certain filing requirements;

**AND WHEREAS** the undersigned Manager is satisfied that the Reporting Issuer has remedied its default in respect of the filing requirements and is of the opinion that it would not be prejudicial to the public interest to revoke the Temporary Order as extended by the Extension Order;

**NOW THEREFORE, IT IS ORDERED**, pursuant to section 144 of the Act, that the Temporary Order and Extension Order be and they are hereby revoked.

November, 2000.

**2.2.2 Precision Securities - s. 211**

**Headnote**

Section 211 - Order pursuant to section 211 of the Regulation made under the Act to exempt Precision Securities, LLC from the requirement in subsection 208(2) of the Regulation that Precision Securities, LLC carry on the business of an underwriter in a country other than Canada in order to register in Ontario as an international dealer.

**Statutes Cited**

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

**Regulations Cited**

Regulation made under the *Securities Act*, R.R.O. 1990, Reg. 1015 as am., s. 98 para. 4, ss. 100(3), ss. 208(1), ss. 208(2) and s. 211.

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

**AND**

**REGULATION 1015 MADE UNDER  
THE SECURITIES ACT,  
R.R.O. 1990, AS AMENDED  
(THE "REGULATION")**

**AND**

**IN THE MATTER OF PRECISION SECURITIES, LLC**

**ORDER  
(Section 211 of the Regulation)**

**UPON** the application of Precision Securities, LLC ("Precision") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 211 of the Regulation that Precision be exempt from the requirement under subsection 208(2) of the Regulation in connection with Precision's application for registration as a dealer in the category of international dealer on the terms and conditions set forth below;

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

**AND UPON** Precision having represented to the Commission that:

1. Subsection 208(2) of the Regulation states that no person or company may register as an international dealer unless the person or company carries on the business of a dealer and underwriter in a country other than Canada;
2. Precision filed a registration application dated October 5, 2000 (the "Registration Application") with the Commission for registration in Ontario as a dealer in the

category of international dealer under paragraph 4 of section 98 and section 208 of the Regulation and applied pursuant to section 211 of the Regulation requesting that Precision be exempted from the requirement under subsection 208(2) of the Regulation that Precision carry on the business of an "underwriter" in a country other than Canada in connection with Precision's Registration Application as a dealer in the category of international dealer in Ontario;

- (1) Precision carries on the business of a dealer in a country other than Canada; and
- (2) notwithstanding subsection 100(3) of the Regulation, Precision shall not engage in the activities of an underwriter in Ontario.

November 24<sup>th</sup>, 2000

3. Precision is a limited liability company organized in the State of California having its principal place of business at 16885 Via Del Campo Court, Suite 120, San Diego, California 92127 and Precision is not presently registered in any capacity with the Commission;
4. In respect of Precision's Registration Application, Precision has certified that it is duly registered with the United States Securities and Exchange Commission as a fully registered broker-dealer in the United States and that such registration permits Precision to carry on dealing activities in the United States. Precision's principal business is limited to broker-dealer activities involving institutional clients and Precision does not carry on the business of an underwriter;
5. In the absence of the requested exemption, subsection 208(2) of the Regulation would render Precision ineligible for registration as a dealer in the category of international dealer in Ontario because Precision does not carry on the business of an underwriter;
6. Precision respectfully submits that the requirement under subsection 208(2) of the Regulation that Precision carry on the business of an "underwriter" in a country other than Canada in connection with Precision's Registration Application would impose an undue burden on Precision because, as a United States limited liability company whose principal business is confined to broker-dealer activities involving institutional clients, Precision will not otherwise be able to engage in securities transactions with institutional clients located in Ontario; and
7. Notwithstanding subsection 100(3) of the Regulation, Precision will not engage in the activities of an underwriter in Canada;

"John A. Geller"

"R. Stephen Paddon"

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

**IT IS ORDERED**, pursuant to section 211 of the Regulation, that Precision is exempt from the requirement under subsection 208(2) of the Regulation that it carry on the business of an underwriter in a country other than Canada in connection with its Registration Application as a dealer in the category of international dealer in Ontario provided that:

## 2.3 Rulings

### 2.3.1 Rogers Communications Inc. - s. 74(1)

#### Headnote

Subsection 74(1) - first trade of shares issued pursuant to an acquisition of by the Filer of all of the outstanding shares of Cable Atlantic shall not constitute a distribution subject to certain conditions

#### Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., s. 53, 74(1).

#### Regulations Cited

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

#### Rules Cited

National Instrument 44-101 *Short-Form Prospectus Distributions*

Ontario Securities Commission 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  
ROGERS COMMUNICATIONS INC.

RULING  
(Subsection 74(1))

UPON the application (the "Application") of Rogers Communications Inc. ("RCI") to the Ontario Securities Commission (the "Commission") for a ruling, pursuant to subsection 74(1) of the Act that, subject to certain conditions, the first trade by shareholders (the "Vendors") of Cable Atlantic Inc. ("Cable Atlantic") in Class B Non-Voting Shares of RCI acquired in connection with the acquisition (the "Acquisition") by RCI of all of the shares of Cable Atlantic shall not be subject to section 53 of the Act;

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

AND UPON RCI having represented to the Commission as follows:

1. RCI is a company existing under the laws of British Columbia. RCI's principal business office is located in Toronto, Ontario.
2. RCI has been a reporting issuer in all provinces of Canada (which recognize the concept of a reporting issuer) for more than 12 months.

3. The outstanding share capital of RCI includes 56,240,494 Class A Voting Shares (the "Class A Shares") and 147,701,694 Class B Non-Voting Shares (the "Class B Shares") as at September 30, 2000. The Class A Shares are listed and posted for trading on The Toronto Stock Exchange. The Class B Shares are listed and posted for trading on the New York Stock Exchange and The Toronto Stock Exchange. In addition, preferred shares of RCI of nine different series are outstanding (as at December 31, 1999), some of which are convertible into Class B Shares.
4. On September 18, 2000, RCI entered into an agreement (the "Agreement") with the Vendors and Cable Atlantic pursuant to which RCI has agreed to acquire all of the shares (the "Purchased Shares") in the capital of Cable Atlantic, a private Newfoundland corporation.
5. All of the Vendors are residents of Newfoundland.
6. The consideration payable by RCI for the Purchased Shares is \$231.8 million, subject to adjustment.
7. RCI may be required to issue the following number of Class B Shares in respect of the Purchase Price, adjustments thereto and certain guarantees:
  - (i) \$151.8 million of the Purchase Price is payable to the Vendors by the issuance of 4,170,330 Class B Shares (the "Purchase Price Shares"). The balance of the Purchase Price is payable in cash.
  - (ii) The Agreement provides that the Purchase Price will be adjusted to reflect the number of Cable Atlantic's basic cable customers (computed as provided in the Agreement) as well as a result of actual working capital, long-term indebtedness and capital expenditures based on financial statements prepared as at the closing date. Any adjustment to the Purchase Price payable by RCI after closing may be satisfied in cash or Class B Shares (at the option of the Vendors). If any such adjustment to the Purchase Price is to be satisfied by the issuance of Class B Shares, the number of Class B Shares will be determined by dividing the Purchase Price adjustment by \$36.40. RCI has estimated that no more than 600,000 Class B Shares should be issuable in respect of such adjustment (the "Adjusting Shares").
  - (iii) RCI has guaranteed the Vendors that within a period of two (2) years after the closing (or in the event of an earlier change of control or sale of RCI, at the Vendor's option, within 60 days thereafter), that the weighted average market price of the Class B Shares on the Toronto Stock Exchange will exceed \$48.00 per Class B Share on at least 20 consecutive trading days in such two year or shorter period, as applicable, (the "Guarantee Period"). In the event that at the end of the Guarantee Period, such guaranteed price has not been achieved, RCI may be required to

issue up to an additional 1,329,007 Class B Shares if no Adjusting Shares are issued, or up to 1,520,215 Class B Shares if the 600,000 Adjusting Shares are issued, (such additional Class B Shares which RCI may be obliged to issue being called the "Guarantee Shares") to the Vendors. The number of Guarantee Shares will be equal to that number of Class B Shares which have an aggregate value (based on the Actual Price) equal to the product obtained by multiplying the sum of the number of Purchase Price Shares and Adjusting Shares held by the Vendors at the end of the Guarantee Period, by the difference between \$48.00 and the Actual Price. The "Actual Price" is defined as the greater of (1) a price per share equal to the weighted average trading price on the Toronto Stock Exchange for the Class B Shares for the twenty consecutive trading days ending on expiry of the Guarantee Period and (2) \$36.40 per share.

8. The aggregate number of Purchase Price Shares, Adjusting Shares and Guarantee Shares is not expected to exceed 6,290,545 Class B Shares (collectively, the actual number of such shares to be issued referred to as the "Payment Shares").
9. The issuance of the Payment Shares will be a distribution under the *Securities Act* (Newfoundland). The Payment Shares will be issued in connection with a take-over bid (as defined in clause 90(1)(l) of the *Securities Act* (Newfoundland)) which is exempt from the requirements of sections 96 to 101 of the *Securities Act* (Newfoundland) pursuant to clause 94(1)(d) thereof. The Payment Shares will be issued to the Vendors pursuant to the exemptions from the prospectus and registration requirements of the *Securities Act* (Newfoundland) contained in clauses 73(1)(j) and 36(1)(q) thereof respectively. The first trade in the Payment Shares will be subject to the requirements of subsection 73(5) of the *Securities Act* (Newfoundland) which does not require that the Payment Shares be held for a minimum period of time.
10. The issuance of the Payment Shares may also be a distribution under the Act and the Payment Shares will be issued to the Vendors pursuant to the exemption from the prospectus and registration requirements of the Act as set out in clauses 72(1)(l) and 35(1)(18) of the Act.
11. The issuance of the Payment Shares would have been exempt from the prospectus requirements of the Act under 72(1)(j) of the Act but for the fact that none of the Vendors are resident of Ontario.
12. The Acquisition will not be a "significant acquisition" as characterized in National Instrument 44-101 *Short-Form Prospectus Distributions* (the "National Instrument").

**IT IS RULED**, pursuant to subsection 74(1) of the Act, that the first trade in the Payment Shares shall not be subject to section 53 of the Act provided that the first trade in any of the Payment Shares shall be a distribution unless such first

trade is made in accordance with the provisions of subsection 72(5) of the Act, as if such securities had been acquired pursuant to an exemption referred to in subsection 72(5) of the Act, except that for these purposes, it shall not be necessary to satisfy the requirement in clause 72(5)(a) of the Act that the issuer not be in default of any requirement of the Act or the regulations made under the Act if the seller is not in a special relationship with the issuer or, if the seller is in a special relationship with the issuer, the seller has reasonable grounds to believe that the issuer is not in default under the Act or the regulations made under the Act, where, for these purposes, "special relationship" shall have the same meaning as in

December 1<sup>st</sup>, 2000

"John A. Geller"

Robert W. Davis"

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## Chapter 3

# Reasons: Decisions, Orders and Rulings

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THERE IS NO MATERIAL FOR THIS CHAPTER  
IN THIS ISSUE

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## Chapter 4

# Cease Trading Orders

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### 4.1.1 Temporary and Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
RX Neutraceuticals Corp.	1 Dec 00	13 Dec 00	-	-
Astound Incorporated	-	-	-	29 Nov 00
White Star Copper Mines Ltd.	6 Dec 00	18 Dec 00	-	-
Georgian Bancorp Inc.	6 Dec 00	18 Dec 00	-	-
Ghana Gold Mines Ltd.	23 Nov 00	-	6 Dec 00	-
Courvan Mining Company Ltd.	22 Nov 00	-	5 Dec 00	-

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## Chapter 5

# Rules and Policies

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### 5.1 Rules and Policies

#### 5.1.1 Amendment to OSC Rule of Certain Reporting Issuers

**AMENDMENT TO  
ONTARIO SECURITIES COMMISSION RULE  
IN THE MATTER OF CERTAIN REPORTING ISSUERS  
[INCLUDING NATIONAL POLICY STATEMENT NO. 41]**

- 1.1 **Amendment** - The Rule entitled *In the Matter of Certain Reporting Issuers* [including National Policy Statement No. 41] (1997), 20 OSCB 1219, as amended by (1999), 22 OSCB 152 and (2000), 23 OSCB 288 (the "Rule") is amended by deleting "December 31, 2000" in the last sentence and replacing it with "December 31, 2001."

**AMENDMENT TO  
ONTARIO SECURITIES COMMISSION RULE  
IN THE MATTER OF CERTAIN REPORTING ISSUERS**

- 1.2 **Amendment** - The three Rules entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218 and 1219, as amended by (1999), 22 OSCB 151 and (2000), 23 OSCB 289, are each amended by deleting "July 1, 2001" in the last sentence of each and replacing it with "July 1, 2002".

**AMENDMENT TO  
ONTARIO SECURITIES COMMISSION RULE  
IN THE MATTER OF REGULATION 1015, R.R.O. 1990,  
AS AMENDED  
AND IN THE MATTER OF CERTAIN  
INTERNATIONAL OFFERINGS BY PRIVATE PLACEMENT  
IN ONTARIO**

- 1.3 **Amendment** - The Rule entitled *In the Matter of Regulation 1015, R.R.O. 1990, as amended and In the Matter of Certain International Offerings by Private Placement in Ontario* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 4211 and (1999), 22 OSCB 3900, is amended by deleting "July 1, 2001" in the last sentence and replacing it with "July 1, 2002".

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## Chapter 6

# Request for Comments

### 6.1 Request for Comments

#### 6.1.1 Notice of Proposed OSC Policy 51-601 and Rescission of OSC Policy No.2.5

##### NOTICE OF PROPOSED ONTARIO SECURITIES COMMISSION POLICY 51-601 AND RESCISSION OF ONTARIO SECURITIES COMMISSION POLICY NO. 2.5 REPORTING ISSUER DEFAULTS

#### Purpose of Proposed Policy

The purpose of the proposed Policy is to outline the views of the Ontario Securities Commission (the "Commission") on determining if a reporting issuer is in default, maintaining a list of defaulting reporting issuers and issuing certificates of no default as required under the Securities Act (Ontario) (the "Act"). This Policy is intended to inform all interested parties of the guidelines followed and the factors considered by the Commission in determining if a reporting issuer is in default, how the list will be compiled and made available to the public, and to provide information as to the procedure for obtaining a certificate of no default.

The proposed Policy is an initiative of the Commission and will be adopted as a policy in Ontario. The proposed Policy replaces OSC Policy Statement No. 2.5 - *Certificates of No Default Under Subsection 71(8) [72(8)] and List of Defaulting Issuers Under Subsection 71(9) [72(9)] of the Securities Act*.

Terms used in the proposed Policy that are defined or interpreted in the definition instruments in force in Ontario should be read in accordance with those definition instruments, unless the context otherwise requires.

#### Background

The Commission originally adopted the predecessor Policy Statement to OSC Policy Statement No. 2.5, OSC Policy Statement No. 3-46, in May of 1980. OSC Policy No. 3-46 was subsequently re-numbered as OSC Policy Statement No. 2.5 on December 24, 1982 with technical amendments but without substantive change.

The proposed Policy was first issued for comment on April 11, 1997, under the title *Certificate of No Default Under Subsection 72(8) and List of Defaulting Issuers Under Subsection 72(9) of the Securities Act*. The proposed Policy is being republished due to the extensive nature of the changes contained therein and to the time elapsed since the initial issuance for comment.

#### Summary of Proposed Policy

The proposed Policy outlines guidelines followed by the Commission in determining if a reporting issuer is in default.

The Policy provides that a reporting issuer will generally not be considered to be in default unless the reporting issuer is in default of a significant requirement of the Act or the regulations, determined in part with reference to the continuous and timely disclosure requirements of the Act and the regulations. However, the guidelines contained in the Policy should not be considered exhaustive in determining the default status of reporting issuers.

The Commission notes that paragraph 3.3 (2) 4 of the Policy states that even if financial statements have been filed within the prescribed time period, a reporting issuer will be considered to be in default if it is determined that a deficiency in those financial statements or in the issuer's continuous disclosure record is so significant as to constitute default. The Policy further specifies that while a determination in this regard would ordinarily be made only after a hearing, the reporting issuer could be considered to be in default during the period before the hearing if the deficiency is clear and significant. While this provision in the Policy is similar to an existing provision in OSC Policy No. 2.5, and to a provision contained in the version of the proposed Policy that was issued for comment in 1997, the Commission draws readers' attention to the fact that the provision now applies to deficiencies in any part of an issuer's continuous disclosure record, not just to deficiencies in financial statements, and to the prospect that this provision will be more actively applied in future than has been customary in the past, and specifically requests comments on this aspect of the Policy.

The Commission also notes that the list of defaulting reporting issuers described in the Policy will be made available through an on-line bulletin board, accessible through the home page of the Commission's web site at <http://www.osc.gov.on.ca>. It is anticipated that the list will be made available in this form prior to the finalization of the Policy. The Policy has been drafted to reflect the Commission's intention in this regard.

In addition, the Policy informs interested parties as to the availability and form of the certificate of no default issued in connection with an issuer's reporting issuer and default status. The Policy provides that it is the practice of the Commission to accept requests for a certificate of no default from any interested party. The Policy has been updated to deal with filings through SEDAR. Changes to OSC Policy No. 2.5 are described in footnotes to the Policy.

#### Related Instruments

The proposed Policy is related to subsection 72(8) of the Securities Act which provides for the issuance of a certificate of no default on which the seller is entitled to rely, and subsection 72(9) of the Securities Act, which provides for the making of a list of defaulting reporting issuers by the Commission. The proposed Policy is also related to proposed Policy 57-603, *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements*,

which describes the principles, criteria and factors to be considered by the Commission in issuing cease trade orders as a response to defaults by reporting issuers.

**Unpublished Materials**

In proposing the Policy, the Commission has not relied on any significant unpublished study, report, decision or other written materials.

**Comments**

Interested parties are invited to make written submissions with respect to the proposed Policy. Submissions received by February 8, 2001 will be considered.

Comments should be sent, in duplicate to:

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

John Hughes  
Manager, Continuous Disclosure  
Ontario Securities Commission  
(416) 593-3695  
E-mail: [jhughes@osc.gov.on.ca](mailto:jhughes@osc.gov.on.ca)

Joanne Peters  
Senior Legal Counsel  
Continuous Disclosure  
Ontario Securities Commission  
(416) 593-8134  
E-mail: [jpeters@osc.gov.on.ca](mailto:jpeters@osc.gov.on.ca)

**Proposed Policy**

The text of the proposed Policy follows, together with footnotes that are not part of the Policy but have been included to provide background and explanation.

**Text of Proposed Rescission of OSC Policy Statement No. 2.5.**

The text of the proposed rescission of OSC Policy Statement No. 2.5 is:

"OSC Policy Statement No. 2.5 entitled "Certificate of No Default Under Subsection 71(8) [72(8)] and List of Defaulting Issuers Under Subsection 71(9) [72(9)] of the Securities Act" is rescinded."

**DATED:** December 8, 2000.

**ONTARIO SECURITIES COMMISSION POLICY 51-601**

**REPORTING ISSUER DEFAULTS**

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ONTARIO SECURITIES COMMISSION POLICY 51-601

REPORTING ISSUER DEFAULTS

PART 1 GENERAL

1.1 Rationale for Certificate of No Default and List of Defaulting Reporting Issuers

- (1) In certain circumstances, holders of securities purchased under certain exemptions from the prospectus requirements cannot resell the securities without a prospectus, except under another exemption, unless, among other things, the issuer of the securities is not in default of any requirement of the Act or the regulations.
- (2) The certificate provided under subsection 72(8) of the Act and the list of defaulting reporting issuers maintained by the Commission for public inspection under subsection 72(9) of the Act are intended to enable prospective sellers of securities to determine if the issuer of the securities is in default.
- (3) A determination that a reporting issuer is in default carries numerous possible consequences in addition to those described in subsection (1), affecting, but not limited to such matters as the imposition of cease trade orders and the inability to file a short form prospectus.<sup>1</sup>
- (4) The Commission is consequently aware that many interested parties other than prospective sellers of securities, including prospective purchasers of an issuer's securities, rely on certificates of no default and the list of defaulting reporting issuers. This Policy is intended to inform all interested parties of the guidelines followed and factors considered by the Commission in determining if a reporting issuer is in default, and to provide information as to the procedure for obtaining a certificate of no default.

PART 2 DETERMINATION IF AN ISSUER IS A REPORTING ISSUER

2.1 List of Reporting Issuers

- (1) The Commission maintains an overall list of reporting issuers in addition to a list of those that are in default.
- (2) The certificate provided by the Commission under subsection 72(8) of the Act sets out if the issuer is a reporting issuer and if so, if it is on the list of those reporting issuers that are in default.

<sup>1</sup> A brief summary of certain of the consequences of default has been added.

The Commission relies primarily upon the list of reporting issuers described in subsection (1) and staff's internal review in issuing a certificate as it relates to an issuer's reporting issuer status.

- (3) Despite subsection (2), the Commission's list of reporting issuers is not represented to be, nor can it be, an exhaustive list of reporting issuers given the breadth of the definition of the term "reporting issuer". For example, corporations subject to the requirements of the Business Corporations Act may have offered securities to the public within the meaning of that statute but may not have filed material with the Commission, with the result that they are not included on the Commission's list.

In addition, the Commission does not undertake to review the corporate status of issuers on an ongoing basis, with the result that corporations that have been dissolved may continue to appear on the list of reporting issuers.

- (4) The Commission will respond to oral inquiries as to whether an issuer is a reporting issuer appearing on the list of reporting issuers, but oral responses should not be relied upon. An interested party should obtain a certificate under subsection 72(8) of the Act if the interested party wants a definitive statement as to whether the Commission's records indicate that an issuer is a reporting issuer.

PART 3 DETERMINATION IF A REPORTING ISSUER IS IN DEFAULT

3.1 List of Defaulting Reporting Issuers

- (1) In responding to inquiries as to whether a reporting issuer is in default, the Commission relies primarily upon the list of defaulting reporting issuers that it maintains under subsection 72(9) of the Act and internal reviews conducted by staff.
- (2) The list of defaulting reporting issuers is available via an on-line computer bulletin board, linked to the home page of the Ontario Securities Commission at <http://www.osc.gov.on.ca>.
- (3) The list of defaulting reporting issuers is also available for public inspection in the offices of the Ontario Securities Commission during normal business hours.
- (4) The list of defaulting reporting issuers is categorized to indicate separately those reporting issuers that are in default:

- (a) because of a failure to file financial statements within the time periods prescribed by sections 77 and 78 of the Act;

- (b) because of a failure to pay a fee required by the Act or the regulations;
  - (c) because, even though financial statements have been filed within the prescribed time period, they are deficient in one or more of the respects set out in paragraph 4 of subsection 3.3 (2);
  - (d) for any other reason.
- (5) The Commission will provide oral confirmation as to whether a reporting issuer is in default based upon the appearance of its name on the list, but oral responses should not be relied upon. An interested party should obtain a certificate of no default if the interested party wants a definitive statement as to whether the Commission's records indicate that a reporting issuer is or is not in default.

### 3.2 Minor Non-compliance does not Constitute Default

- (1) Given that the Act and the regulations contain a large number of requirements applicable to reporting issuers, it is impossible for the Commission to know at any time if there is some minor requirement of the Act or regulations that has been contravened by a reporting issuer.
- (2) A reporting issuer will generally not be considered to be in default unless the reporting issuer is in default of a significant requirement of the Act or the regulations, determined in part with reference to the guidelines set out in subsection 3.3(2).

### 3.3 Guidelines as to When Non-compliance Constitutes Default

- (1) For the purpose of subsection 3.2(2), the Commission is of the view that the significant requirements of the Act and the regulations include the continuous and timely disclosure requirements of the Act and the regulations. The resale restrictions associated with distributions made in reliance on the exemptions from the prospectus requirements are premised on the assumption that, since the issuer is a reporting issuer, compliance by it with the continuous and timely disclosure requirements will ensure that current information about the issuer is always available in the marketplace.
- (2) The following are some of the guidelines used to determine if an issuer is in default under the continuous and timely disclosure requirements of the Act and the regulations for the purposes of maintaining the list of defaulting reporting issuers under subsection 72(9) of the Act and the issuance of certificates of no default, if in each case the relevant facts come to the attention of staff:

1. A reporting issuer that has not filed all required material change reports will be considered to be in default<sup>2</sup>.
2. A reporting issuer that has filed a confidential report of a material change under subsection 75(3) of the Act but does not comply with the obligation to update the Commission under subsection 75(4) of the Act will be considered to be in default.
3. A reporting issuer that has not filed financial statements within the time periods prescribed by sections 77 and 78 of the Act will be considered to be in default.
4. Even though financial statements have been filed within the prescribed time period, a reporting issuer will be considered to be in default if:
  - (i) the financial statements omit a required statement, are not prepared on a comparative basis, or omit an auditor's report;
  - (ii) the auditor's report accompanying the financial statements does not comply with the requirements of generally accepted auditing standards and National Instrument 52-104 Basis of Accounting, Auditing and Reporting<sup>3</sup>, once in force, or, until such time as National Instrument 52-104 is in force, is materially inconsistent with the guidelines of National Policy Statement 50 Reservations In An Auditor's Report ; or
  - (iii) it is determined that some other deficiency in the financial statements or in the issuer's continuous disclosure

<sup>2</sup> Section 2(a) of Part C of OSC Policy Statement 2.5 stated that the Commission would normally not know whether a material change has occurred and as a result whether a material change report should have been filed, but that in those exceptional cases where it determines that a material change report has not been filed, prior notice would be given to the reporting issuer. That language has been deleted as being unnecessary.

<sup>3</sup> National Instrument 52-104 Basis of Accounting, Auditing and Reporting replaces National Policy No. 50 - Reservations in an Auditor's Report and National Policy No. 27 - Canadian Generally Accepted Accounting Principles.

record is so significant as to constitute default.<sup>4 5</sup>

Ordinarily, a determination described in clause (iii) would be made only after a hearing, but if the deficiency is clear and significant, the reporting issuer could be considered to be in default during the period before the hearing. Such a determination would be made by the Director, and would be made only after appropriate consideration of all facts and circumstances. Appropriate consideration of all facts and circumstances would include allowing the issuer an opportunity to present its views on the issue in writing and in person and to discuss those views with Staff, and an opportunity to be heard by the Director. When such a determination is made by the Director, written reasons would be provided to the issuer upon which the issuer can seek from the Commission a hearing and review of the Director's decision.<sup>6</sup>

5. Subject to compliance with section 82 of the Act, a reporting issuer that has not filed an information circular required by subsection 81(1) of the Act forthwith after it is sent to securityholders or an annual report required by subsection 81(2) within 140 days after the end of the issuer's last financial year will be considered to be in default.
6. A reporting issuer that has not filed an AIF and MD&A in accordance with Rule 51-501 AIF and MD&A<sup>7</sup>, once in force, will be considered to be in default.<sup>8</sup>

7. A reporting issuer that has not paid a fee required by the Act or the regulations will be considered to be in default.<sup>9 10</sup>

### 3.4 Ability to Cure an Existing Default

A reporting issuer's name will be removed from the list of defaulting reporting issuers once the default has been cured by the filing of the correct document, the correction of the deficiency in the continuous disclosure record or the remittance of the applicable fee.

### 3.5 Guidelines Not Exhaustive

- (1) The guidelines described in subsection 3.3(2) do not represent an exhaustive description of the circumstances in which a reporting issuer may be considered to be in default.
- (2) A reporting issuer may be considered to be in default and notified that this is the case for a clear failure to comply with a significant requirement of the Act or regulations, whether or not specifically described in subsection 3.3(2).
- (3) If a failure to comply described in subsection 3.5(2) is not clear, or the significance of the requirement is not obvious, the reporting issuer will be notified in advance of any intention to treat the reporting issuer as being in default and given an opportunity to be heard by the Commission if a hearing is requested. In these circumstances, the reporting issuer would not be included on the list of defaulting reporting issuers pending the hearing.

### 3.6 Filing Considerations<sup>11</sup>

- (1) National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) requires, or, in some cases, allows for the electronic transmission of documents to the Commission for filing. The National Instrument provides that a document transmitted electronically using the SEDAR system is filed on the day that the electronic transmission of the document is completed (although in some cases a filing will not trigger time periods under the Act

<sup>4</sup> The proposed Policy separates financial statement guidelines into two sections, 3.3(2)3 and 3.3(2)4 for greater clarity.

<sup>5</sup> Section 2 (c) of Part C of OSC Policy Statement 2.5 refers only to other deficiencies in the financial statements. That language has been expanded to encompass other deficiencies in an issuer's continuous disclosure record.

<sup>6</sup> This section has been expanded to explain the process to be followed in determining that a deficiency in the financial statements or in the issuer's continuous disclosure record is clear and significant.

<sup>7</sup> Rule 51-501 AIF & MD&A replaces OSC Policy 5.10 - Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operation.

<sup>8</sup> A reference to the filing requirements of AIF and MD&A under Rule 51-501 has been added.

<sup>9</sup> A reference to a requirement to pay fees has been added.

<sup>10</sup> Subsection C(2)(e) of OSC Policy Statement No. 2.5, provides that where a reporting issuer is exempt from compliance with a continuous disclosure requirement by reason of a Commission order, its non-compliance with that requirement will not result in the issuer being considered to be in default unless the order states that the issuer is to be considered to be in default. That subsection has been deleted as being unnecessary.

<sup>11</sup> This section has been changed to reflect that the majority of filings are made through SEDAR.

until the next business day if not completed by 5:00 p.m. on the due date).

- (2) The SEDAR system allows a filer to determine whether the electronic transmission of the document has been completed and provides the filer with the date and time of the event. Given the nature of the documents required to be filed electronically using SEDAR, if electronic transmission of a filing required to be made using the SEDAR system is not completed when due and no unanticipated technical difficulties have occurred, the issuer may become a defaulting reporting issuer for purposes of the Act.
- (3) In cases where documents need not be transmitted electronically using the SEDAR system, the mailing or sending of a document to the Commission does not in itself constitute compliance with the filing requirements of the Act or the regulations. A reporting issuer that relies on the postal system may become a defaulting reporting issuer if the mail is delayed or the document is lost in the mail. A reporting issuer that sends a document to the Commission by facsimile may become a defaulting reporting issuer if the document is not received. The issuer should retain the facsimile verification as evidence that the facsimile was received by the Commission.

#### PART 4 NOTIFICATION OF DEFAULT STATUS

##### 4.1 Notification Ordinarily not Provided

Except as described in paragraph 4 of subsection 3.3 (2), in subsection 3.5(3) and in extraordinary circumstances, such as if the securities of the issuer are being cease traded, a reporting issuer ordinarily is not notified of the addition of its name to, or the deletion of its name from, the list of defaulting reporting issuers.

#### PART 5 AVAILABILITY AND FORM OF CERTIFICATE OF NO DEFAULT

##### 5.1 Who May Request a Certificate

It is the practice of the Commission to accept a request for a certificate of no default from any interested party.<sup>12</sup>

##### 5.2 Issuance of Certificates

The Commission recommends making a request for a certificate of no default at least two business days before the desired date of issuance.<sup>13</sup>

##### 5.3 Form of Certificate

- (1) The general form of certificate of no default issued under subsection 72(8) of the Act is set out in section 6.1.
- (2) The Commission may issue a modified form of the certificate of no default set out in section 6.1 if circumstances require the inclusion of additional qualifications or otherwise do not permit the issuance of the standard form of certificate.<sup>14</sup>

#### PART 6 FORM OF CERTIFICATE OF NO DEFAULT UNDER SUBSECTION 72(8) OF THE ACT

##### 6.1 Form of Certificate<sup>15</sup>

ONTARIO SECURITIES COMMISSION  
CERTIFICATE UNDER SUBSECTION 72(8) OF THE  
SECURITIES ACT (ONTARIO)

NAME OF ISSUER:

1. The above-named issuer is/is not (inapplicable provision is deleted) included in a list of issuers known to the Commission to be reporting issuers.
2. (APPLICABLE ONLY IF THE ISSUER IS INCLUDED IN THE LIST OF REPORTING ISSUERS INDICATED IN PARAGRAPH 1.)

The above-named reporting issuer is/is not (inapplicable provision is deleted) included in a list of defaulting reporting issuers maintained by the Commission under subsection 72(9) of the Securities Act (the "Act").

A reader of this Certificate is encouraged to consult Commission Policy 51-601, which contains guidelines and other information relevant to the issuance of this Certificate.

<sup>13</sup> This section replaces the reference in section D(2) of OSC Policy Statement No. 2.5 to the Commission endeavouring to provide expeditious service in response to requests for certificates.

<sup>14</sup> This proposed Policy allows for the issuance of a modified form of the certificate of no default if "circumstances require the inclusion of additional qualifications".

<sup>15</sup> OSC Policy Statement No. 2.5 contains a reference in the form of certificate to the possibility of a reporting issuer filing with the Commission confidential information of a material change in its affairs under subsection 75(3) of the Act. This qualification has been deleted from the form of certificate in the proposed Policy.

<sup>12</sup> The proposed Policy makes it clear that the certificate of no default is available to any interested party.

**Request for Comments**

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This Certificate relates only to compliance with certain provisions of the Act and the regulations made under the Act. It has no bearing on compliance with other laws or on the financial or other position of the issuer.

While the Commission uses reasonable efforts to ensure the accuracy of this Certificate, it disclaims any responsibility for any claims, demands, actions, suits, losses, costs, damages, expenses and liabilities consequent upon any inaccuracy in this Certificate.

ONTARIO SECURITIES COMMISSION

## Chapter 7

# Insider Reporting

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

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

To obtain Insider Reporting information, please visit the SEDI website ([www.sedi.ca](http://www.sedi.ca)).

## Chapter 8

# Notice of Exempt Financings

### Exempt Financings

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

### Reports of Trades Submitted on Form 45-501f1

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
16Nov00	3815668 Canada Inc. - 12.125% Subordinated Debentures due November 15, 2010	766,846,716	766,846,716
15Nov00 & 17Nov00	Acuity Pooled Canadian Equity Fund - Trust Units	300,000	16,251
14Nov00	Adherex Technologies Inc. - Special Warrants	150,000	30,000
03Nov00	BPI American Opportunities Fund - Units	1535,080	10,222
20Nov00	Burgundy Small Cap Value Fund - Units	150,000	4,384
15Nov00	CanWest Media Inc. - Increasing Rate Notes	\$660,000,000	\$660,000,000
16Nov00	CanWest Global Communications Corp.- Non-Voting Shares and Series I Preference Shares	607,500,000, 10,125,000	24,300,000, 2,700,000 Resp.
16Nov00	Causeway Energy Corporation - Flow-Through Common Shares	1,251,250	715,000
06Nov00	Chalk.com Network (Holdings) Corporation - Special Warrants	461,876	113,472
31Oct00	CI Trident Fund - Units	200,000	1,156
09Nov00	CMS Technologies Partners Q. L.P. - Limited Partnership Unit	1,309,000	.85
09Nov00	CMS Technology Partners, L.P. - Limited Partners Units	385,000	.25
14Nov00	Concert Industries Ltd. - Special Warrants	8,754,000	1,590,000
09Nov00	Ensyn Group Inc. - Common Shares	US\$200,690	2,867
15Nov00	Fleming Canada Offshore Select Trust - Units	260	575
08Nov00	FreeBalance Inc. - Common Shares	2,000,000	400,000
31Oct00	Gladiator Limited Partnership - Limited Partnership Units	3,400,000	3,400
09Nov00	Griffin Corporation, The - Convertible Debentures and Common Shares	400,000	1, 250,000 Resp.
15Nov00	Grosvenor Services 2000 Limited Partnership - Limited Partnership Units	13,812,404	89
15Nov00	GS Made to Love Limited Partnership - Class A Units	13,998,700	13,998
27Sep00	Gulf International Minerals Ltd. - Units	150,000	428,572
21Sep00	Inrange Technologies Corporation - Class B Common Stock	US\$248,000	15,500
22Nov00	International Freegold Mineral Development Inc. - Property Acquisition	16,000	80,000
15Nov00	Kingwest Avenue Portfolio - Units	749,499	37,694
17Nov00	Mercury Electric Corporation - Units	200,000	20
17Nov00	Meta Health Services Inc. - Units	1,083,601	1,505,002
02Oct00	MTR Corporation Limited - Shares of American Depository Shares	637,000	350,000
09Nov00	North American Detectors Inc. - Common Shares	700,000	7,000,000
15Nov00	Novatel Wireless -	US\$5,296,000	662,000
20Nov00	Playcentric Corporation - Special Shares	150,000	600,000

**Notice of Exempt Financings**

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
26Jul00	RITA Medical Systems, Inc. - Common Stock	US\$180,000	15,500
11Oct00	Seamark Pooled Funds - Units	150,000	150,000
06Oct00	Sentinel Hill Alliance Atlantis Equicap Millenium Limited Partnership - Limited Partnership Units (Amended)	4,605,280	287
16Nov00	Sentinel Hill Alliance Atlantis Equicap Millennium Limited Partnership - Units	63,543,920	3,971
02Aug00	SignalSoft Corporation - Common Stock	US\$425,000	25,000
22Nov00	SMTC Manufacturing Corporation of Canada - Exchangeable Shares	19,274,826	547,114
20Nov00	# Solectron Corporation - Common Stock	\$US22,605,000	660,000
24Nov00	Sudbury Contact Mines Limited - Common Shares	600,000	750,000
17Nov00	Textron Financial Canada Funding Corp. - Floating Rate Note due 17 November 2000	US\$32,386,250	\$32,386,250
19Mar99	TransCanada Pipelines - Debentures 10.80% November 20/2020 - Amended	959,357	1,335,000
16Mar99	TransCanada Pipelines - Debentures 11.80% November 20/2020 - Amended	427,975	50,000
21Nov00	Triangulum Corporation - Special Warrants	900,000	1,800,000
20Nov00 to 24Nov00	Trimark Mutual Funds (See Filing Document of Individual Fund Names)	1,477,350	161,796
	Upper Circle Equity Fund (Amended)	247,736	18,056,604
08Nov00 to 28Nov00	UroTeq Inc. - Common Shares	1,040,000	520,000
31Jul00	Western Multiplex Corporation - Class A Common Stock	US\$800,000	66,666
22Nov00	YOUtopi.com, Inc. - Series D Preferred Shares	3,585,691	2,282,717
22Nov00	YOUtopia.com, Inc. - Share Purchase Warrants	100,000	334,075

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

<u>Date of Resale</u>	<u>Date of Orig. Purchase</u>	<u>Seller</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
20Mar00	08Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Canadian Equity Fund	Axxent Inc. - Class B Non-Voting	441,0004	260,000
20Mar00	08Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Canadian Small Cap	Axxent Inc. - Class B Voting Shares	70,501	39,150
20Mar00	08Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Canadian Small Cap II	Axxent Inc. - Class B Non-Voting	70,274	39,150
20Mar00	08Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Global Science & Technology	Axxent Inc. - Class B Non-Voting	102,105	56,700
20Mar00	08Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Summa Fund	Axxent Inc. - Class B Non-Voting	180,080	100,000
15Sep97	01Nov00	Investors Group Trust Co. Ltd as Trustee For Investors Canadian High Yield Income	Central Park Lodges Ltd. - 7.31% Secured Mtge., Series B Debenture due 06/21/04	112,924,800	1,200,000
14Apr00	08Nov00	David Walter Martin	Cygnal Technologies Corporation - Common Shares	131,098	25,700



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

<u>Name of Company</u>	<u>Date the Company Ceased to be a Private Company</u>
Stellar International Inc.	28Nov00

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

<u>Seller</u>	<u>Security</u>	<u>Amount</u>
Shen, Francis	Aastra Technologies Limited - Common Shares	2,000,000
Baran, Steve	Meridian Resources Inc. - Shares	4,500,000
Faye, Michael R.	Spectra Inc. - Common Shares	170,000
Malion, Andrew J.	Spectra Inc. - Common Shares	168,500
Hawkins, Stanley G.	Tandem Resources Ltd. - Common Shares	2,000,000

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**Chapter 9**  
**Legislation**

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IN THIS ISSUE

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## Chapter 11

# IPOs, New Issues and Secondary Financings

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**Issuer Name:**

Alberta Energy Company Ltd.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Short Form Prospectus dated December 4th, 2000

Mutual Reliance Review System Receipt dated December 4th, 2000

**Offering Price and Description:**

\$20,000,000 - 8.50% Capital Securities due December 20, 2040

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

RBC Dominion Securities Inc.  
Merrill Lynch Canada Inc.  
CIBC World Markets Inc.  
National Bank Financial Inc.  
Scotia Capital Inc.  
TD Securities Inc.

**Promoter(s):**

N/A  
Project #318248

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**Issuer Name:**

AltaRex Corp.  
Principal Regulator - Alberta

**Type and Date:**

Amended Preliminary Prospectus dated December 4th, 2000  
Mutual Reliance Review System Receipt dated December 4th, 2000

**Offering Price and Description:**

\$\* - \* Common Shares

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

HSBC Securities (Canada) Inc.

**Promoter(s):**

N/A  
Project #312206

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**Issuer Name:**

Canadian Apartment Properties Real Estate Investment Trust

Principal Regulator - Ontario

**Type and Date:**

Preliminary Short Form Prospectus dated November 30th, 2000

Mutual Reliance Review System Receipt dated November 30th, 2000

**Offering Price and Description:**

\$30,342,500 - 2,650,000 Units

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

CIBC World Markets Inc.  
Merrill Lynch Canada Inc.  
Scotia Capital Inc.  
National Bank Financial Inc.  
TD Securities Inc.  
BMO Nesbitt Burns Inc.  
HSBC Securities (Canada) Inc.

**Promoter(s):**

N/A  
Project #317315

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**Issuer Name:**

Devlan Exploration Inc.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated November 28th, 2000  
Mutual Reliance Review System Receipt dated December 4th, 2000

**Offering Price and Description:**

\$2,984,992 - 1,787,420 Common Shares Issuable on exercise of Flow- Through Special Warrants

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

Canaccord Capital Corporation  
Dominick & Dominick Securities Inc.

**Promoter(s):**

Martin J. Cheyne  
Bradley Porter  
Lyle Reinhart  
Project #317904

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**Issuer Name:**

Energy Ventures Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated November 30th, 2000  
Mutual Reliance Review System Receipt dated December 1st, 2000

**Offering Price and Description:**

\$ \* - \* Common Shares

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

Northern Securities Inc.

**Promoter(s):**

D. Wayne Hartford

Project #317692

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**Issuer Name:**

Hixon Gold Resources Inc.

**Type and Date:**

Preliminary Non-Offering Prospectus dated November 30th, 2000  
Received December 1st, 2000

**Offering Price and Description:**

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

N/A

**Promoter(s):**

N/A

Project #317791

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**Issuer Name:**

Horizons Mondiale Hedge Fund

**Type and Date:**

Preliminary Prospectus dated December 1st, 2000  
Received December 6th, 2000

**Offering Price and Description:**

N/A

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

N/A

**Promoter(s):**

First Horizon Capital Corporation

Project #318569

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**Issuer Name:**

Innova LifeSciences Corporation

**Type and Date:**

Preliminary Prospectus dated November 29th, 2000  
Received November 29th, 2000

**Offering Price and Description:**

N/A

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

Octagon Capital Corporation

**Promoter(s):**

N/A

Project #316513

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**Issuer Name:**

Medicure Inc.  
Principal Regulator - Manitoba

**Type and Date:**

Preliminary Prospectus dated November 29th, 2000  
Mutual Reliance Review System Receipt dated November 30th, 2000

**Offering Price and Description:**

Up to \$20,000,000 ( \* Units)

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

Groome Capital.com Inc.

Wellington West Capital Inc.

**Promoter(s):**

Albert D. Friesen

Project #317062

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**Issuer Name:**

Royal Bank of Canada  
Principal Regulator - Quebec

**Type and Date:**

Preliminary Short Form PREP Prospectus dated November 30th, 2000  
Mutual Reliance Review System Receipt dated November 30th, 2000

**Offering Price and Description:**

\$ \* - 10,600,000 Common Shares

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

RBC Dominion Securities Inc.

BMO Nesbitt Burns Inc.

CIBC World Markets Inc.

Scotia Capital Inc.

TD Securities Inc.

Credit Suisse First Boston Securities Canada Inc.

Goldman Sachs Canada Inc.

Merrill Lynch Canada Inc.

National Bank Financial Inc.

HSBC Securities (Canada) Inc.

UBS Bunting Warburg Inc.

Trilon Securities Corporation

**Promoter(s):**

N/A

Project #317277

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**Issuer Name:**

Global Strategy World Companies RSP Fund  
Global Strategy World Balanced RSP Fund  
Principal Regulator - Ontario

**Type and Date:**

Amendment #2 dated November 20th 2000 to Simplified  
Prospectus and Annual Information Form dated April 12th, 2000

Mutual Reliance Review System Receipt dated 1st day of  
December, 2000

**Offering Price and Description:**

Mutual Fund Units - Net Asset Value

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

Global Strategy Financial Inc.

**Promoter(s):**

Global Strategy Financial Inc.

Project #235240

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**Issuer Name:**

Quicklaw Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated May 16th, 2000  
Closed 5th, December, 2000

**Offering Price and Description:**

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

BMO Nesbitt Burns Inc.  
TD Securities Inc.

**Promoter(s):**

N/A

**Project #265468**

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**Issuer Name:**

Inventronics Limited  
Principal Regulator - Alberta

**Type and Date:**

Final Prospectus dated November 28, 2000  
Mutual Reliance Review System Receipt dated 30th day of  
November, 2000

**Offering Price and Description:**

\$11,500,001 - 3,650,794 Common Shares Issuable Upon the  
Exercise of 3,650,794 Special Warrants

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

Taurus Capital Markets Ltd.  
Acumen Capital Finance Partners Limited

**Promoter(s):**

N/A

**Project #306890**

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**Issuer Name:**

Miramar Mining Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Final Prospectus dated November 29th, 2000  
Mutual Reliance Review System Receipt dated 30th day of  
November, 2000

**Offering Price and Description:**

Cdn.\$4,000,200.00 - 3,333,500 Common Shares

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

MacLachlan Investments Corporation

**Promoter(s):**

N/A

**Project #302381**

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**Issuer Name:**

RBC Capital Trust  
Royal Bank of Canada  
Principal Regulator - Quebec

**Type and Date:**

Final Prospectus dated November 29th, 2000  
Mutual Reliance Review System Receipt dated 30th day of  
November 2000

**Offering Price and Description:**

N/A

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

RBC Dominion Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
Merrill Lynch Canada Inc.  
Goldman Sachs Canada Inc.  
National Bank Financial Inc.  
HSBC Securities (Canada) Inc.  
Trilon Securities Corporation

**Promoter(s):**

N/A

**Project #308146 & 308150**

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**Issuer Name:**

Spectrum Signal Processing Inc.  
Principal Regulator - British Columbia

**Type and Date:**

Final Prospectus dated November 29, 2000  
Mutual Reliance Review System Receipt dated 5th day of  
December, 2000

**Offering Price and Description:**

\$7,499,996.00 - 1,764,705 Common Shares and 1,764,705  
Warrants

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

Goepel McDermid Inc.

**Promoter(s):**

N/A

**Project #301785**

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**Issuer Name:**

Xplore Technologies Corp.  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated October 6th, 2000  
Mutual Reliance Review System Receipt dated 6th day of  
October, 2000

**Offering Price and Description:**

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

RBC Dominion Securities Inc.  
CIBC World Markets Inc.  
Canaccord Capital Inc.

**Promoter(s):**

**Project #291353**

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**Issuer Name:**

Xplore Technologies Corp.  
Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated October 27th, 2000  
Mutual Reliance Review System Receipt dated 6th day of  
November, 2000

**Offering Price and Description:**

N/A

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

Thomson Kernaghan & Co. Limited

**Promoter(s):**

N/A

**Project #294841**

---

**Issuer Name:**

AGF Management Limited  
Principal Regulator - Ontario

**Type and Date:**

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

**Offering Price and Description:**

\$137,500,000.00 - 5,500,000 Class B Non-Voting Shares

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

TD Securities Inc.  
BMO Nesbitt Burns Inc.  
Merrill Lynch Canada Inc.  
Scotia Capital Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
Griffiths McBurney & Partnership

**Promoter(s):**

N/A

**Project #314449**

---

**Issuer Name:**

Gloucester Credit Card Trust  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Prospectus dated November 30th, 2000  
Mutual Reliance Review System Receipt dated 30th day of  
November, 2000

**Offering Price and Description:**

\$295,750,000.00 - 6.222% Series 2000-2 Class A Notes,  
Expected Final Payment Date of November 15, 2003 and  
\$54,250,000 - 8.171% Series 2000-2 Collateral Notes,  
Expected Final Payment Date of November 15, 2003

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

TD Securities Inc.  
BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
Merrill Lynch Canada Inc.  
RBC Dominion Securities Inc.

**Promoter(s):**

MBNA Canada Bank

**Project #313663**

---

**Issuer Name:**

Household Financial Corporation Limited  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Shelf Prospectus dated December 1st, 2000  
Mutual Reliance Review System Receipt dated 4th day of  
December, 2000

**Offering Price and Description:**

\$1,000,000,000.00 (Maximum) - Medium Term Notes  
(unsecured)

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

RBC Dominion Securities Inc.  
CIBC World Markets Inc.  
Scotia Capital Inc.  
BMO Nesbitt Burns Inc.

**Promoter(s):**

N/A

**Project #314357**

---

**Issuer Name:**

IMAGIC TV INC.  
Principal Regulator - Ontario

**Type and Date:**

Final Short Form Prospectus dated November 17th, 2000  
Mutual Reliance Review System Receipt dated 17th day of  
November, 2000

**Offering Price and Description:**

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

Merrill Lynch Canada Inc.  
CIBC World Markets Inc.

**Promoter(s):**

N/A

**Project #306142**

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**Issuer Name:**

Pivotal Corporation  
Principal Regulator - British Columbia

**Type and Date:**

Final Short Form Prospectus dated November 21st, 2000  
Mutual Reliance Review System Receipt dated 21st day of  
November, 2000

**Offering Price and Description:**

\$85,100,000.00 - 1,000,000 Common Shares

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

Merrill Lynch Canada Inc.  
Goldman Sachs Canada Inc.  
CIBC World Markets Inc.  
Goepel McDermid Inc.  
Yorkton Securities Inc.

**Promoter(s):**

N/A

**Project #311552**

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**Issuer Name:**

HSBC Canadian Money Market Fund  
HSBC U.S. Dollar Money Market Fund  
HSBC Mortgage Fund  
HSBC Canadian Bond Fund  
HSBC World Bond RSP Fund  
HSBC Canadian Balanced Fund  
HSBC Dividend Income Fund  
HSBC Equity Fund  
HSBC Small Cap Growth Fund  
HSBC Global Equity Fund  
HSBC Global Equity RSP Fund  
HSBC U.S. Equity Fund  
HSBC U.S. Equity RSP Fund  
HSBC European Fund  
HSBC AsiaPacific Fund  
HSBC Emerging Markets Fund  
HSBC Global Technology Fund  
Principal Regulator - British Columbia

**Type and Date:**

Final Simplified Prospectus and Annual Information Form dated December 1st, 2000  
Mutual Reliance Review System Receipt dated 4th day of December, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

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

HSBC Investment Funds (Canada) Inc.

**Promoter(s):**

HSBC Investment Funds (Canada) Inc.

**Project #304523**

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**Issuer Name:**

Industrial Equity Fund Limited  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus and Annual Information Form dated November 30th, 2000  
Mutual Reliance Review System Receipt dated 5th December, 2000

**Offering Price and Description:**

Mutual Fund Units - Net Asset Value

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

N/A

**Promoter(s):**

Mackenzie Financial Corporation

**Project #306509**

---

**Issuer Name:**

ING Canadian Fund  
ING American Fund  
ING Global Brand Names Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus and Annual Information Form dated November 24th, 2000  
Mutual Reliance Review System Receipt dated 30th day of November, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

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

ING Funds Limited

**Promoter(s):**

N/A

**Project #304068**

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**Issuer Name:**

Money Market Fund (formerly "Prime Credit Money Market Fund")  
Canadian Fixed Income Fund  
Canadian Equity Fund  
U.S. Large Company Equity Fund  
U.S. Small Company Equity Fund  
EAFE Equity Fund  
Emerging Markets Equity Fund  
Enhanced Global Bond Fund  
S&P 500 Synthetic Index Fund  
International Synthetic Index Fund  
Class O Units  
Class I Units  
Class P Units  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus and Annual Information Form dated November 28th, 2000  
Mutual Reliance Review System Receipt dated 30th day of November, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

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

N/A

**Promoter(s):**

N/A

**Project #304158**

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**Issuer Name:**

Primerica Canadian Aggressive Growth Portfolio Fund  
Primerica International Aggressive Growth Portfolio Fund  
Primerica International RSP Aggressive Growth Portfolio Fund  
Primerica Canadian High Growth Portfolio Fund  
Primerica International High Growth Portfolio Fund  
Primerica Canadian Growth Portfolio Fund  
Primerica International Growth Portfolio Fund  
Primerica Canadian Balanced Portfolio Fund  
Primerica Canadian Conservative Portfolio Fund  
Primerica Canadian Income Portfolio Fund  
Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus and Annual Information Form  
dated November 29th, 2000  
Mutual Reliance Review System dated 1st day of December,  
2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

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

Registered Dealers

**Promoter(s):**

N/A

**Project #304420**

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**Issuer Name:**

RNG Group Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated May 29th, 2000  
Withdrawn 1st December, 2000

**Offering Price and Description:**

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

CIBC World Markets Inc.  
Merrill Lynch Canada Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
First Associates Investments Inc.

**Promoter(s):**

N/A

**Project #271655**

## Chapter 12

# Registrations

### 12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Precision securities, LLC c/o Kenneth G. Ottenbreit 152928 Canada Inc. Commerce Court West 53 <sup>rd</sup> Floor, P.O. Box 85 Toronto, ON M5L 1B9	International Dealer	Nov. 29/00
New Registration	Bick Financial Corporation Attention: Clarence Henry Bick 241 Wilson Street East Ancaster, ON L9G 2B8	Mutual Fund Dealer	Nov. 30/00
New Registration	Capital International Asset Management (Canada), Inc. Attention: Mark Willy Knakowski 181 Bay Street, 37 <sup>th</sup> Floor BCE Place, Wellington Tower Toronto, ON M5J 2T3	Investment Counsel & Portfolio Manager	Dec. 1/00
New Registration	D. E. Shaw & Co., L.P. Attention: Kenneth G. Ottenbreit 152928 Canada Inc. Commerce Court West 53 <sup>rd</sup> Floor, P.O. Box 85 Toronto, ON M5L 1B9	International Adviser  Investment Counsel & Portfolio Manager	Dec. 5/00
Change of Name	Sun Life Financial Advisory Services Inc. Attention: Barry Robert Gagnon 1155 Metcalfe St. Suite 1410 Montreal, QC H3B 2V6	From: Sunetco Investment Services Inc.  To: Sun Life Financial Advisory Services Inc.	Sept. 15/00

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## Chapter 13

# SRO Notices and Disciplinary Proceedings

### 13.1 SRO Notices and Disciplinary Hearings

#### 13.1.1 Nirvaan Merharchand

**Toronto Stock Exchange Regulation Services sets hearing date *In the Matter of Nirvaan Merharchand* to consider an Offer of Settlement**

TSE Regulation Services ("TSE RS") will convene a Hearing before a Panel of the Hearing Committee of the Toronto Stock Exchange (the "Panel") to consider an Offer of Settlement entered into between TSE RS and Nirvaan Merharchand. Mr. Merharchand is an Approved Person employed as the Head Trader with Peters & Co. Ltd.

The Hearing will be held on December 13, 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.

TSE RS has alleged that on four occasions between April 16 and September 21, 1999, Mr. Merharchand violated section 11.67(2) of the General By-law when he executed a customer-principal trade to buy or sell 5000 shares or less of a listed security without buying at a higher price or selling at a lower price than the price of any order on any Canadian stock exchange on which the security is listed.

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, TSE RS may proceed with a hearing of the matter before a differently constituted Panel.

The decision of the Panel and the terms of any discipline imposed will be published by TSE RS in a Notice to Participating Organizations and the disposition of the matter will be included in the permanent record of TSE RS in respect of Mr. Merharchand.

#### Reference:

Ron Pelletier  
Chief Counsel  
Investigations and Enforcement Division  
Toronto Stock Exchange Regulation Services

(416) 947-4606

### 13.1.2 Policy 2-401 Supervision of Trading

December 8, 2000

No. 2000-420

*Suggested Routing: Trading, Legal & Compliance*

#### REQUEST FOR COMMENTS

##### Policy 2-401 Supervision of Trading

On November 28, 2000, the Board of Directors of The Toronto Stock Exchange Inc. ("Exchange") approved a new Policy of the Exchange related to trading supervision and compliance standards to provide:

- a) Minimum elements of a Participating Organization's trading supervision systems; and
- b) Minimum compliance procedures for trading on the Exchange.

The Policy will be effective on a date to be determined by the Exchange upon approval of the changes by the Ontario Securities Commission following public notice and comment. Comments on the changes to the Policies should be in writing and delivered within 30 days of the date of this notice to:

Patrick Ballantyne, Director  
Regulatory & Market Policy  
The Toronto Stock Exchange  
2 First Canadian Place  
Toronto, Ontario. M5X 1J2  
Fax: (416) 947-4398  
e-mail: pballant@tsers.com

A copy should also be provided to:

Randee Pavalow, Manager,  
Market Regulation  
Capital Markets Branch  
Ontario Securities Commission  
Suite 800, Box 55,  
20 Queen Street West  
Toronto, Ontario M5H 3S8  
Fax: (416) 593-8240

#### Background

Rule 2-401 requires a Participating Organization ("PO") to supervise its employees, directors and officers and, if applicable, partners to ensure that trading in Exchange listed securities is carried out in compliance with Exchange Requirements. Findings obtained from Trade Desk Reviews conducted by Market Surveillance since 1997 have indicated that PO's do not always have a clear understanding of what is expected of them by the Exchange with respect to supervision of trading activity. Events of recent months also point to the

need for direction from the Exchange respecting standards of compliance with Exchange rules.

In order to address these concerns, TSE Regulation Services, after extensive consultation with members of the Joint Industry Compliance Group ("JICG") Institutional Committee, as well as representatives of several individual POs, have developed draft Policy 2-401, Supervision of Trading, attached as Appendix "A". This draft Policy consists of two key components. First, minimum elements of a Trading Supervision System are set out, including, for example, documentation of compliance polices and procedures, appropriate reporting to the Board of Directors, and designation of responsible persons. Next, minimum compliance standards for trading on the Exchange are set out, including a table consisting of "Rules and Polices", "Compliance Review Procedures", Potential Information Sources" and "Frequency and Sample Size". It is hoped that end users will find that this table presents key information in an accessible and useful manner.

### Implementation

The Exchange proposes that the Policy be effective upon approval by the OSC following public notice and comment. POs will be given 6 months to bring themselves within compliance of the new standards.

### Related Matters

Following implementation, TSE Regulation Services will conduct seminars with POs to ensure that the steps required to comply with the Policy are understood. To provide further assistance to POs in developing effective supervision and compliance procedures, TSE Regulation Services has also developed a "Compliance Matrix" for various lines of business such as Retail Trading, Institutional Trading, Registered Traders and Direct Electronic Access. The Compliance Matrix sets out the relevant rules and policies that apply to that line of business, the general considerations that may impact on the development of supervision and compliance procedures and the potential supervision and compliance procedures that may be developed. TSE Regulation Services believes that the Compliance Matrix will be of assistance to POs in developing effective supervision and compliance procedures. **Please note that the Matrix does not form part of the Policy and are referenced for informational purposes only.** To request a copy of the Compliance Matrix please send an e-mail to Kathryn Drayton at [kdrayton@tsers.com](mailto:kdrayton@tsers.com).

By December 15, 2000 the TSE's Market Data Services Department will launch a web-based version of Equity History. This TSE database is a record of trades and quotes which several POs have requested the Exchange make available to them. There are similar products available from market data vendors. POs will be able to use this information to assist them in carrying out some of the compliance reviews mandated by the Policy. In addition, Market Surveillance has prepared a "Closing Report" which will enable POs to focus their review of trading near the close on areas of concern identified by TSE RS.

### Text of the Amendment to the Policies

Appendix "A" is the text of Policy 2-401, Supervision of Trading as passed by the Board of Directors of the Exchange on November 28, 2000.

### Questions

Questions concerning this notice should be directed to Regulatory and Market Policy by contacting Patrick Ballantyne, Director at (416) 947-4281.

BY ORDER OF THE BOARD OF DIRECTORS

LEONARD P. PETRILLO  
VICE PRESIDENT, GENERAL  
COUNSEL AND SECRETARY

Appendix "A"

Policy 2-401 Supervision of Trading

(1) Responsibility for Supervision and Compliance

For the purposes of Rule 2-401, a Participating Organization ("PO") shall supervise its employees, directors and officers and, if applicable, partners to ensure that trading in Exchange listed securities is carried out in compliance with Exchange Requirements. An effective supervision system requires a strong overall commitment on the part of the PO, through its board of directors, to develop and implement a clearly defined set of policies and procedures that are reasonably designed to prevent and detect violations of Exchange Requirements.

The board of directors of a PO is responsible for the overall stewardship of the firm with a specific responsibility to supervise the management of the firm. On an on-going basis, the board of directors must ensure that the principal risks for non-compliance with Exchange Requirements have been identified and that appropriate supervision and compliance procedures to manage those risks have been implemented.

Management of the PO is responsible for ensuring that the supervision system adopted by the PO is effectively carried out. The Head of Trading and any other person to whom supervisory responsibility has been delegated must fully and properly supervise all employees under their supervision to ensure their compliance with Exchange Requirements. If a supervisor has not followed the supervision procedures adopted by the PO, the supervisor will have failed to comply with their supervisory obligations under Rule 2-401(4).

When the Exchange reviews the supervision system of a PO (for example, when a violation occurs of Exchange Requirements), the Exchange will consider whether the supervision system is reasonably designed to prevent and detect violations of Exchange Requirements and whether the system was followed.

(2) Minimum Elements of a Supervision System

For the purposes of Rule 2-401, a supervision system consists of both policies and procedures aimed at preventing violations from occurring and compliance procedures aimed at detecting whether violations have occurred.

The Exchange recognizes that there is no one supervision system that will be appropriate for all POs. Given the differences among firms in terms of their size, the nature of their business, whether they are engaged in business in more than one location or jurisdiction, the experience and training of its employees and the fact that effective supervision can be achieved in a variety of ways, this Policy does not mandate any particular type or method of supervision of trading activity. Furthermore, compliance with this Policy does not relieve POs from complying with specific Exchange Requirements that may apply in certain circumstances (for example, see the requirements of Policy 2-501 and 2-502). **POs must develop and implement supervision and compliance procedures that exceed the elements identified in this Policy where the circumstances warrant.** For example, previous disciplinary proceedings, warning and caution letters from the

Exchange or the identification of problems with the supervision system or procedures by the PO or the Exchange may warrant the implementation of more detailed or more frequent supervision and compliance procedures.

Regardless of the circumstances of the PO, however, every PO must:

1. Identify the relevant Exchange Requirements, securities laws and other regulatory requirements that apply to the lines of business in which the PO is engaged (the "Trading Requirements").
2. Document the supervision system by preparing a written policies and procedures manual. The manual must be accessible to all relevant employees. The manual must be kept current and POs are advised to maintain a historical copy.
3. Ensure that employees responsible for trading in Exchange listed securities are appropriately registered and trained and that they are knowledgeable about the Trading Requirements that apply to their responsibilities. Persons with supervisory responsibility must ensure that employees under their supervision are appropriately registered and trained. The PO should provide a continuing training and education program to ensure that its employees remain informed of and knowledgeable about changes to the rules and regulations that apply to their responsibilities.
4. Designate individuals responsible for supervision and compliance. The compliance function must be conducted by persons other than those who have supervised the trading activity.
5. Develop and implement supervision and compliance procedures that are appropriate for the PO's size, lines of business in which it is engaged and whether the PO carries on business in more than one location or jurisdiction.
6. Identify the steps a firm will take when violations of Exchange Requirements, securities laws or other regulatory requirements have been identified. This may include cancellation of the trade, increased supervision of the employee or the business activity, internal disciplinary measures and/or reporting the violation to the Exchange or other regulatory organization.
7. Review the supervision system at least once per year to ensure it continues to be reasonably designed to prevent and detect violations of Exchange Requirements. More frequent reviews may be required if past reviews have detected problems with supervision and compliance. Results of these reviews must be maintained for at least five years.
8. Maintain the results of all compliance reviews for at least five years.
9. Report to the Board of Directors or, if applicable, the partners, a summary of the compliance reviews and the results of the supervision system review. These reports must be made at least annually. If the Exchange or the

PO has identified significant issues concerning the supervision system or compliance procedures, the Board of Directors or, if applicable, the partners, must be advised immediately.

**(3) Minimum Compliance Procedures for Trading on the Exchange**

A PO must develop and implement compliance procedures for trading in listed securities on the Exchange that are appropriate for its size, the nature of its business and whether it carries on business in more than one location or jurisdiction. Such procedures should be developed having regard to the training and experience of its employees and whether the firm or its employees have been previously disciplined or warned by the Exchange concerning violations of Exchange Requirements.

In developing compliance procedures, PO's must identify any exception reports, trading data and/or other documents to be reviewed. In appropriate cases, relevant information that cannot be obtained or generated by the PO should be sought from sources outside the firm including from the Exchange.

The following table identifies minimum compliance procedures for monitoring trading in listed securities on the Exchange that must be implemented by a PO. The compliance procedures and the Rules identified below are not intended to be an exhaustive list of the Rules and procedures that must be complied with in every case. POs are encouraged to develop compliance procedures in relation to all the Rules that apply to their business activities.

The Exchange recognizes that the requirements identified in the following table may be capable of being performed in different ways. For example, one PO may develop an automated exception report and another may rely upon a physical review of the relevant documents. The Exchange recognizes that either approach may comply with this Policy provided the procedure used is reasonably designed to detect violations of the relevant Rule. The information sources identified in the following table are therefore merely indicative of the types of information sources that may be used.



Minimum Compliance Procedures for Trading Supervision

Rules & Policies	Compliance Review Procedures	Potential Information Sources	Frequency & Sample Size
<b>Time Clocks</b>  <b>Rule 2-404</b>	Confirm accuracy of time clocks and computer network times.  Remove unused or out of order machines	-Time Clocks -Trading Terminal system time -OMS system time	-Quarterly
<b>Order Ticket Review</b>  <b>Rule 2-404</b>	Ensure the presence of: -time stamp -quantity -price (if Limit Order) -security name or symbol -identity of trader (initial or sales code) -Client Name or Account Number -Special instructions from any client  For CFOD orders, ensure the presence of second time stamp and clear quantity or price changes.	-Order Tickets -The Diary List (formerly the CATS Diary List)	-Quarterly -Check original client tickets for one day, but not less than 25 tickets.
<b>Electronic Records</b>  <b>Rule 2-404</b>	Verify that electronically stored order information is:  -Being stored -Retrievable -Accurate	-Firm and service bureau systems	-Annually
<b>Manipulative and Deceptive Trading</b>  <b>Rule 4-202</b> <b>Policy 4-202</b> <b>(a)(b)&amp;(c)</b>	Review trading activity for: -Wash trading. -Unrelated accounts that may demonstrate a pattern of crossing securities. -Off-market transactions which require execution on the Exchange.	-Order Tickets -The Diary List (formerly the CATS Diary List) -Trading blotters -New Client Application Forms. -Monthly Statements	-Quarterly -Review sampling period should extend over several days.

**SRO Notices and Disciplinary Decisions**

Rules & Policies	Compliance Review Procedures	Potential Information Sources	Frequency & Sample Size
<p><b>Establishing Artificial Prices</b></p> <p><b>Rule 4-202</b> <b>Policy 4-202</b> <b>Policy 4-202 (2)</b> <b>(e)(f)&amp;(g)</b></p> <p><b>Pending Rule</b> <b>- See</b> <b>Regulatory Notice 2000-034</b></p>	<p>Review tick setting trades entered at or near the close.</p> <p>Look for specific account trading patterns in tick setting trades.</p> <p>Review accounts for motivation to influence the price.</p> <p>Review separately, tick setting trades by Market on Close (MOC) or index related orders.</p>	<p>-Order Tickets</p> <p>-The Diary List (formerly the CATS Diary List)</p> <p>-Equity History Report</p> <p>-Closing Report from TSERS.</p> <p>-New Client Application Forms</p>	<p>-Monthly</p> <p>-Emphasis on trades at the end of a month, quarter or year. (for trades which are not MOC or index related)</p> <p>-For MOC or index related orders, check for reasonable price movement.</p>
<p><b>Grey or Watch List</b></p> <p><b>Rule 4-202</b></p>	<p>Review for:</p> <p>-Any trading of Grey List issues by proprietary or employee accounts.</p>	<p>-Order Tickets</p> <p>-The Diary List (formerly the CATS Diary List)</p> <p>-Trading blotters</p> <p>-Firm Grey List or Watch List</p> <p>-Monthly statements</p>	<p>-Daily</p>
<p><b>Restricted List</b></p> <p><b>Rule 4-202</b> <b>Rule 4-303</b> <b>Policy 4-303</b> <b>Rule 4-304</b></p>	<p>Review for:</p> <p>-Any trading of Restricted List issues done by proprietary or employee accounts.</p>	<p>-Order Tickets</p> <p>-The Diary List (formerly the CATS Diary List)</p> <p>-Trading blotters</p> <p>-Firm Restricted List</p> <p>-Monthly statements</p>	<p>-Daily</p>
<p><b>Front Running Customer Orders</b></p> <p><b>Rule 4-204</b> <b>Policy 4-204</b></p>	<p>Review trading activity of proprietary and employee accounts prior to:</p> <p>-Large client orders</p> <p>-Transactions that would impact the market.</p>	<p>-Order Tickets</p> <p>-The Diary List (formerly the CATS Diary List)</p> <p>-Equity History Report</p>	<p>-Quarterly</p> <p>-Sample period should extend over several days.</p>
<p><b>Sale From Control Blocks</b></p> <p><b>Rule 4-305</b> <b>Policy 4-305</b></p>	<p>Review all known sales from control blocks to ensure regulatory requirements have been met.</p> <p>Review large trades to determine if they are undisclosed sales from control block.</p>	<p>-Order Tickets</p> <p>-Trading blotters</p> <p>-New Client Application Form</p> <p>-OSC Bulletin</p> <p>-TSE listed company bulletins</p>	<p>-As required.</p> <p>-Sample trades over 250,000 shares</p>

**SRO Notices and Disciplinary Decisions**

Rules & Policies	Compliance Review Procedures	Potential Information Sources	Frequency & Sample Size
<b>Order Handling Rules</b> <b>Rule 4-402</b> <b>Policy 4-402</b> <b>Rule 4-502</b> <b>Policy 4-502</b>	Review Customer Principal trades of 5000 shares and under for compliance with Order Exposure & Customer Principal Transaction Rules.	-Order Tickets -Equity History Report -Trading blotters -The Diary List (formerly the CATS Diary List)	-Quarterly -Sample specifically: -Trader managed orders under 1200 shares. -Trader managed orders between 1200 and up to and including 5000 shares. -Verify that orders of 1200 shares and under are not arbitrarily withheld from the market.
<b>Trade Markers</b>  <b>Rule 4-403</b> <b>Policy 4-403</b>	Verify that appropriate client, employee and proprietary trade markers are being employed. Specifically:  -N -NX -R  Ensure that client orders are not being improperly entered with the pro markers.	-Order Tickets -Trading Blotters -The Diary List (formerly the CATS Diary List)	-Quarterly -Sample should include one full day of trading for orders not entered through an OMS system.
<b>Trade Disclosures</b>  <b>Rule 4-502</b> <b>Policy 4-502</b>	Verify appropriate trade disclosures are made on client confirmations  -principal -average price -related issuer	-Trading Blotters -Client Confirmations -The Diary List (formerly the CATS Diary List) -Order Tickets	-Quarterly -Sample should include non-OMS trades
<b>Normal Course Issuer Bids</b>  <b>Rule 6-501</b> <b>Policy 6-501</b>	Review NCIBs for:  Maximum stock purchase limits of 5% in 1 year or 2% in 30 days are observed  Purchases for NCIBs are not occurring while a sale from control is being made. Purchases are not made on upticks.  Trade Reporting to TSE (if firm reports on behalf of issuer).	-Order Tickets -The Diary List (formerly the CATS Diary List) -Trading Blotters New Client Application Form	-Quarterly

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

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