The Ontario Securities Commission

OSC Bulletin

September 21, 2001

Volume 24, Issue 38

(2001), 24 OSCB

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

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Published under the authority of the Commission by:
IHS/Micromedia Limited
20 Victoria Street
Toronto, Ontario
M5C 2N8

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The OSC Bulletin is published weekly by Micromedia, a division of IHS Canada, under the authority of the Ontario Securities Commission.

Subscriptions are available from Micromedia limited at the price of $575 per year. Back volumes are also available on microfiche:

2000	$475
1999	$450
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1981-1991:	$175/yr

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $35.00 per copy as long as supplies are available. OSC Bulletin Plus, a full text searchable CD-ROM containing OSC Bulletin material from January 1994 is available from Micromedia Limited. Online web subscriptions are available at

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ISSN 0226-9325

Table of Contents

Chapter 1 Notices / News Releases **5629**
1.1 Notices **5629**
1.1.1 Current Proceedings Before The Ontario Securities Commission 5629
1.1.2 NP 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement 5632
1.2 News Releases **5633**
1.2.1 CSA News Release - Securities Regulators Provide Flexibility To Mutual Funds Affected By Closure of U.S. Markets 5633

Chapter 2 Decisions, Orders and Rulings .. **5635**
2.1 Decisions **5635**
2.1.1 Vanteck (VRB) Technology Corp. - MRRS Decision 5635
2.1.2 Domtar Inc. et al. - MRRS Decision 5637
2.1.3 TD Asset Management Inc. - MRRS Decision & NI 81-102 5639
2.1.4 Tethys Energy Inc. - MRRS Decision .. 5640
2.1.5 IPC Securities Corporation - Decision . 5641
2.1.6 Canadian Satellite Communications Inc. - MRRS Decision 5642
2.1.7 USC Horizon Education Savings Plan et al. - MRRS Decision 5644
2.1.8 O&Y Real Estate Investment Trust - MRRS Decision 5646
2.1.9 Scotia Capital Inc. et al. - MRRS Decision 5648
2.1.10 Scotia Capital Inc. et al. - MRRS Decision 5650
2.1.11 Merrill Lynch Financial Assets Inc. and Merrill Lynch Canada Inc. - MRRS Decision 5652
2.1.12 Fidelity Investments Canada Limited and Dow AgroSciences Canada Inc. - MRRS Decision 5654
2.1.13 Kensington Securities Inc. - Decision .. 5659
2.1.14 Patica Securities Inc. - Decision 5660
2.2 Orders **5661**
2.2.1 UniLink Tele.com Inc. - ss. 83.1(1) 5661
2.2.2 New Bullet Group Inc. - ss. 83.1(1) 5662
2.2.3 CA-Network Inc. - s. 144 5664
2.2.4 Walters Consulting Corporation - s. 144 5665
2.3 Rulings **5666**
2.3.1 Euro American Capital Corporation - ss. 74(1) 5666

Chapter 3 Reasons: Decisions, Orders and Rulings **5669**
3.1 Decisions **5669**
3.1.1 John David Bushell 5669

Chapter 4 Cease Trading Orders **5673**
4.1.1 Temporary, Extending & Rescinding Cease Trading Orders 5673
4.2.1 Management & Insider Cease Trading Orders 5673
4.3.1 Lapsed Cease Trading Orders 5674

Chapter 5 Rules and Policies (nil) **5675**

Chapter 6 Request for Comments **5677**
6.1.1 NP 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement 5677

Chapter 7 Insider Reporting **5715**

Chapter 8 Notice of Exempt Financings **5743**
Reports of Trades Submitted on Form 45-501f1 5743
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)) 5744
Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23) 5744

Chapter 9 Legislation (nil) **5745**

Chapter 11 IPOs, New Issues and Secondary Financings **5747**

Chapter 12 Registrations **5751**
12.1.1 Securities 5751

Table of Contents (cont'd)

Chapter 13 SRO Notices and Disciplinary Proceedings **5753**
13.1.1 IDA Discipline - Peter Konidis 5753
13.1.2 TSE Hearing - Laudalino Da Costa 5754

Chapter 25 Other Information **5755**
25.1 Consent **5755**
25.1.1 Shar-Mar Holdings Ltd. and James Reid - ss. 6(1)(b), OBCA Reg. 5755

Index **5757**

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

September 21, 2001

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
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Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q. C.	—	HLM
R. Stephen Paddon, Q.C.	—	RSP

SCHEDULED OSC HEARINGS

Date to be announced	**Mark Bonham and Bonham & Co. Inc.** s. 127 Staff: TBA Panel: TBA
October 3/2001 10:00 a.m.	**Rampart Securities Inc.** ss. 127 Staff in attendance TBA Panel: TBA
October 5/2001	**Jack Banks et al.** s. 127 Mr. Ian Smith in attendance for staff. Panel: PMM
October 24/2001 10:00 a.m.	**Sohan Singh Koonar** s. 127 and 127.1 Ms. Johanna Superina in attendance for staff. Panel: PMM
November 6-9 November 13-16 December 4, 6, 7, 13, 14, 18 & 20/2001 9:30 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 K. Daniels / M. Code / J. Naster / I. Smith in attendance for staff. Panel: HIW / DB / RWD

December 5 /2001 10:00 a.m.	**Livent Inc., Garth Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol** s. 127 and 127.1 Ms. Johanna Superina in attendance for staff. Panel: HIW
December 17 /2001 10:00 a.m.	**James Frederick Pincock** ss. 127 Ms. Johanna Superina in attendance for staff. Panel: PMM

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

Michael Bourgon

DJL Capital Corp. and Dennis John Little

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

First Federal Capital (Canada) Corporation and Monter Morris Friesner

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

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

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

Offshore Marketing Alliance and Warren English

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

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

PROVINCIAL 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
November 9/ 2001 1:30 p.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
November 15/2001 9:00 a.m.	**Einar Bellfield** s. 122 Ms. Sarah Oseni in attendance for staff. Courtroom 111, Provincial Offences Court Old City Hall, Toronto

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

1.1.2 NP 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement

NOTICE OF PROPOSED NATIONAL POLICY 46-201 ESCROW FOR INITIAL PUBLIC OFFERINGS AND FORM 46-201F ESCROW AGREEMENT AND RECISSION OF ONTARIO SECURITIES COMMISSION POLICY 5.9

The Commission is publishing in today's Bulletin Proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement.

The Notice, Policy and Agreement are published in Chapter 6 of the Bulletin.

1.2 News Releases

1.2.1 CSA News Release - Securities Regulators Provide Flexibility To Mutual Funds Affected By Closure of U.S. Markets

FOR IMMEDIATE RELEASE
September 13, 2001

SECURITIES REGULATORS PROVIDE FLEXIBILITY TO MUTUAL FUNDS AFFECTED BY CLOSURE OF U.S. MARKETS

VANCOUVER - Canadian securities regulators today issued orders to assist the mutual fund industry in serving their clients' interests in the wake of the continued closure of U.S. securities and derivatives markets.

The orders issued by members of the Canadian Securities Administrators (CSA) provide flexibility to funds that have to determine the prices of U.S. securities in order to calculate the funds' net asset values. Specifically, the orders state that a fund that has a material exposure to U.S. securities that are not trading (defined as five per cent or more of the fund's total value) may choose to be exempted from having to provide a valuation for the fund while the markets remain closed. If a fund chooses to use this exemption, it may not redeem, sell or permit switches in the fund.

Funds that choose not to use the exemption, and funds with less than five per cent exposure to U.S. securities, will have to calculate their net asset values by estimating the fair value of their U.S. securities. Investors will be able to redeem, purchase or switch units in these funds.

"This action was taken to give mutual fund managers flexibility in determining the best course of action for meeting their obligations to properly value funds and to allow investors access to those funds," said Douglas Hyndman, Chair of the CSA, which represents the 13 provincial and territorial securities commissions.

Mr. Hyndman also praised the mutual fund industry for working closely with regulators to identify issues and develop solutions.

"The Canadian mutual fund industry has responded quickly to the situation in the U.S. and has worked with regulators to promote investors' best interests," Mr. Hyndman said.

The orders take effect today and are in place until U.S. markets resume operations – expected tomorrow or Monday. If U.S. markets remain closed, the orders will expire next Wednesday and regulators will review the situation.

For more information:

Frank Switzer
Ontario Securities Commission
416-593-8120

Andy Poon
B.C. Securities Commission
604-899-6880

Denis Dube
Quebec Securities Commission
514-940-2163

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Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Vanteck (VRB) Technology Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Take-over bid for Australian corporation that is not a reporting issuer in Canada - bid made in compliance with applicable Australian laws - only 22 Canadian target shareholders holding 3.77% of the outstanding target shares - offeror exempted from take-over bid requirements, subject to conditions.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95, 96, 97, 98, 100 and 104(2)(c).

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

AND

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

AND

IN THE MATTER OF
VANTECK (VRB) TECHNOLOGY CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta and Ontario (the "Jurisdictions") has received an application from Vanteck (VRB) Technology Corp. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be exempted from the requirements of the Legislation applicable to take over bids (the "Take Over Bid Requirements") in respect of the extension to the Filer's offer (the "Offer") to acquire all of the outstanding shares of Pinnacle (VRB) Limited ("Pinnacle");

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

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

1. the Filer is incorporated under the *Canada Business Corporations Act* and has its head office in British Columbia;

2. the Filer is a reporting issuer in each of the Jurisdictions and is not in default of any requirements of the Legislation;

3. the authorized capital of the Filer consists of an unlimited number of common shares (the "Vanteck Shares"), of which 29,159,435 Vanteck Shares are currently outstanding;

4. the Vanteck Shares are listed on the Canadian Venture Exchange (the "CDNX");

5. Pinnacle is a company incorporated under the laws of Australia and is not a reporting issuer in any of the Jurisdictions;

6. the authorized capital of Pinnacle consists of 61,401,098 ordinary shares (the "Pinnacle Shares"), of which 55,901,885 Pinnacle Shares are currently outstanding plus options to acquire a further 5,449,213 Pinnacle Shares; 10,938,188, or 19.56%, of the outstanding Pinnacle Shares were held by the Filer prior to making the Offer;

7. the Pinnacle Shares are listed on the Australian Stock Exchange;

8. prior to the Offer, there were a total of 22 shareholders of Pinnacle resident in Canada holding an aggregate 3.77% of the outstanding Pinnacle Shares;

9. on July 30, 2001, the Filer made the Offer to acquire all of the outstanding Pinnacle Shares not already owned by it on the basis of one Vanteck Share for every four Pinnacle Shares;

10. the Offer was unconditional in Canada, except for the requirement that the Filer obtain CDNX approval prior to the closing of the Offer; the CDNX approved the Offer and the issuance of the Vanteck Shares to the Pinnacle shareholders on August 9, 2001;

11. the Offer constituted a "take over bid" as defined in the Legislation and was therefore subject to the Take Over Bid Requirements unless otherwise exempt from those requirements pursuant to (i) specific provisions of the Legislation or (ii) discretionary relief from statutory requirements granted by the Decision Maker in each Jurisdiction; the Legislation provides that a take over

bid is exempt from the Take Over Bid Requirements where (the "De Minimis Exemption"):

(i) the number of holders in the Jurisdiction of securities of the class subject to the bid is fewer than 50;

(ii) the securities held by such holders constitute, in the aggregate, less than 2% of the outstanding securities of that class;

(iii) the bid is made in compliance with the laws of a jurisdiction recognized by the securities regulatory authority in the Jurisdiction; and

(iv) all material relating to the bid that is sent by the offeror to holders of securities of the class that is subject to the bid is concurrently sent to all holders in the Jurisdiction of such securities and filed with the securities regulatory authority in the Jurisdiction;

12. the Filer was not able to rely on the De Minimis Exemption in respect of the Offer in British Columbia because: (i) Australia is not a jurisdiction recognized by the securities regulatory authority in British Columbia and (ii) more than 2% of the outstanding Pinnacle Shares were held by residents of British Columbia;

13. the Offer was therefore made in Canada in accordance with the Take Over Bid Requirements in British Columbia, including the provision of rights of withdrawal to Pinnacle's Canadian resident shareholders as required in the Legislation, and the filing in the Jurisdictions of a copy of the take over bid circular delivered to such shareholders;

14. the Offer was made in Australia in accordance with the laws of Australia, except that, following the making of the Offer, the Filer was advised that certain of the rights granted to the Canadian shareholders in accordance with the Take Over Bid Requirements that were not required to be given, and were not given, to the Australian shareholders of Pinnacle, violated the Australian legal requirement for equal treatment of all shareholders;

15. the original expiry of the Offer in Canada was September 7, 2001 and on September 10, 2001, the Filer will take up 1,760,000 Pinnacle Shares tendered by shareholders resident in Canada in accordance with the Take Over Bid Requirements, leaving 20 shareholders of Pinnacle resident in Canada holding 0.505% of the outstanding Pinnacle Shares;

16. on September 7, 2001, the Filer announced both that the Offer was extended to September 21, 2001 (the "Extension") and that an application had been made to the Jurisdictions for an exemption from the Take Over Bid Requirements, including an exemption from the requirement to provide a right of withdrawal;

17. because of the advanced stage of the Offer and the differences in the laws, it is not feasible for the Filer to now comply with both the Australian laws and the Take Over Bid Requirements;

18. if the Filer were to launch a new bid for the outstanding Pinnacle Shares, it would be unable to rely on the De Minimis Exemption solely because Australia is not a jurisdiction recognized by the Decision Makers in the Jurisdictions; however, the Filer is not able to launch a new bid for the outstanding Pinnacle Shares under Australian law without leaving an appropriate period of time from the closing date of the Offer;

19. the Filer will provide a notice to the shareholders of Pinnacle resident in Canada advising of the Extension and of the affect of this Decision (as defined below) on the rights of the shareholders of Pinnacle resident in Canada outlined in the take over bid circular, and will file a copy of the notice with the Decision Makers in each of the Jurisdictions; and

20. during the Extension, all shareholders of Pinnacle resident in the Jurisdictions will be treated equally with other holders of Pinnacle Shares and in accordance with Australian laws;

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

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

THE DECISION of the Decision Makers under the Legislation is that the Filer is exempt from the Take Over Bid Requirements in respect of the Offer during the Extension provided that:

(i) the Filer issues a press release announcing the Extension and the affect of this Decision;

(ii) the Filer delivers the notice set out in paragraph 19 to the shareholders of Pinnacle resident in the Jurisdictions and concurrently files a copy of the notice with the Decision Maker in each of the Jurisdictions; and

(iii) during the period of the Extension and thereafter, the Offer is made in compliance with applicable Australian laws.

September 11, 2001.

"Derek E. Patterson"

2.1.2 Domtar Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer is a connected issuer, but not a related issuer, in respect of registrants that are underwriters in proposed distribution of units by the issuer - Underwriters exempt from the independent underwriter requirement in the legislation provided that issuer not in financial difficulty.

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 219(1), 224(1)(b) and 233.

Applicable Ontario Rules

Proposed Multi-Jurisdictional Instrument 33-105 *Underwriting Conflicts* (published for comment February 6, 1998).

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

AND

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

AND

**IN THE MATTER OF
CIBC WORLD MARKET INC., SALOMON SMITH
BARNEY CANADA INC. BMO NESBITT
BURNS INC., NATIONALE BANK FINANCIAL INC.,
RBC DOMINION SECURITIES INC., SCOTIA
CAPITAL INC., TD SECURITIES INC.,
BANC OF AMERICA SECURITIES CANADA CO.,
AND DESJARDINS SECURITIES INC**

AND

**IN THE MATTER OF
DOMTAR INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Newfoundland, Québec and Ontario (the "Jurisdictions") has received an application from CIBC World Market Inc. ("CIBC World"), Salomon Smith Barney Canada Inc. ("SSB"), BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Banc of America Securities Canada Co. and Desjardins Securities Inc. (collectively, the "Filers") and Domtar Inc. ("the Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement (the "Independent Underwriter Requirement") contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities of an issuer made by means of a prospectus where the issuer is a connected issuer (or the equivalent) of the registrant unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by an independent underwriters, shall not apply to the Filers in respect of proposed distribution (the "Offerings") of common shares (the "Securities") by Domtar to be made by means of a short form prospectus (the "Prospectus");

AND WHEREAS pursuant to 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 Filers have represented to the Decision Makers that:

1. The Corporation is a reporting issuer under the Legislation of each Jurisdiction and is not in default of any requirement of the Legislation.

2. The Corporation was continued under the Canada Business Corporations Act by a certificate of continuance dated December 30, 1977. The Corporation maintains its registered office at 395 de Maisonneuve Boulevard West, Montréal, Québec.

3. The Corporation is the second largest producer of uncoated freesheet papers in North America and the third largest in the world. It is also a leading manufacturer of printing, publishing, specialty and technical papers, and is a major lumber manufacturer in eastern North America. For the year ended December 31, 2000, the Corporation had operating revenues of approximately $3.6 billion and net income of approximately $275.0 million.

4. The Corporation's common shares and Series A and B preferred shares are listed on the Toronto Stock Exchange. The Corporation's common shares are also listed on the New York Stock Exchange.

5. As at August 20, 2001, the Corporation has a market capitalization of approximately $2.7 billion.

6. The Filers are proposing to act as co-lead underwriters in connection with the Offering and in such capacity are acting as representatives of the following underwriters: CIBC World, SSB, BMO Nesbitt Burns Inc. ("BMO Nesbitt"), National Bank Financial Inc. ("NBFI"), RBC Dominion Securities Inc. ("RBCDS"), Scotia Capital Inc. ("SCI"), TD Securities Inc. ("TDSI"), Banc of America Securities Canada Co. ("BAS") and Desjardins Securities Inc. ("DSI") (collectively, the "Underwriters"). No other Underwriter will underwrite a greater percentage of the Offering than CIBC World or SSB.

7. It is expected that the Corporation may issue Securities having an aggregate principal amount of up to $460 million under the Offering.

8. The Corporation is party to a credit facility with an aggregate borrowing capacity of US$2.4 billion

consisting of two twelve-month bridge loans of $460 million (the "Equity Bridge") and US$600 million (the "Bond Bridge"), respectively, a five-year US$500 million revolving credit facility and a five-year US$1 billion term loan (collectively, the "Loans") with a syndicate of banks (the "Banking Syndicate").

9. Canadian Imperial Bank of Commerce ("CIBC"), Citibank Canada ("Citibank"), Bank of Montreal ("BMO"), National Bank of Canada ("National Bank"), Royal Bank of Canada ("RBC"), Bank of Nova Scotia ("BNS"), Toronto-Dominion Bank ("TD"), Bank of America, Canada ("Bank of America") and Caisse centrale Desjardins du Québec ("Desjardins") (collectively, the "Lenders"), and certain of their respective affiliates, are members of the Banking Syndicate.

10. The Corporation is and has been in compliance with the terms of the Loans and is not in financial difficulty.

11. It is intended that the Corporation will use the proceeds of the Offering to repay the Equity Bridge.

12. CIBC World is a wholly-owned subsidiary of CIBC and SSB is an affiliate of Citibank. BMO Nesbitt is a wholly-owned subsidiary of BMO. Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of BMO. NBFI and RBCDS are indirect wholly-owned subsidiaries of National Bank and RBC, respectively. SCI and TDSI are wholly-owned subsidiaries of BNS and TD, respectively. BAS is an affiliate of Bank of America and DSI is a wholly-owned subsidiary of Desjardins-Laurentian Corporation, a majority-owned subsidiary of Mouvement Desjardins. Desjardins is the financial agent of Mouvement Desjardins.

13. The nature of the relationship among the Corporation, the Lenders and the Underwriters will be described in the Prospectus, as will details of the Loans.

14. The Lenders did not participate in the decision to make the Offering and will not participate in the determination of the terms of the distribution.

15. None of the Underwriters will benefit in any manner from the Offering other than by the payment of their fees in connection with the distribution.

16. By virtue of the Loans, the Corporation may, in connection with the Offering, be considered a "connected issuer" (or the equivalent) of the Underwriters.

17. The Corporation is not a "related issuer" (or the equivalent) of the Underwriters.

18. The Prospectus will contain the information specified in Appendix "C" of proposed Multilateral Instrument 33-105 *Underwriting Conflicts* (the "Proposed Instrument"), on the basis that the Corporation is a "connected issuer" of the Underwriters as such term is defined in the Proposed Instrument.

19. The Corporation is not under any immediate financial pressure to proceed with the Offering and has not been requested or required by the Lenders to repay the amounts owing under the Loans.

20. The Corporation is not a *"specified party"* as defined in the Proposed Instrument;

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, under the Legislation is that, in respect of Offering, the Independent Underwriter Requirement shall not apply to the Filers or any of the other Underwriters, provided that Corporation is not, at the time of the Offering, a related issuer, as defined in Instrument 33-105, of the Filers or any of the other Underwriters in the Offering and is not, at the time of Offering, a specified party as defined in Instrument 33-105.

September 10, 2001.

"Me Jean Lorrain"

2.1.3 TD Asset Management Inc. - MRRS Decision & NI 81-102

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
TD ASSET MANAGEMENT INC.

DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator in each province and territory of Canada (collectively, the "Decision Makers") has received an application from TD Asset Management Inc. ("TDAM"), as trustee and manager of all mutual funds managed by TDAM (the "TD Funds"), for a decision (the "Decision")

(i) pursuant to subsection 19.1 of NI 81-102, exempting the TD Funds from the requirement to calculate their net asset value under subsection 13.1(1), and

(ii) pursuant to clause 5.5(1)(d) of National Instrument 81-102 ("NI 81-102"), approving the suspension by the TD Funds of the right of its security holders to redeem their securities,

as a result of the closure of securities and derivatives markets in Canada and the United States on September 11 and 12, 2001;

AND WHEREAS other mutual funds subject to NI 81-102 were similarly affected by the events in the United States on September 11, 2001 (the "Non-TD Funds") and, accordingly, 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 Decision Makers have been informed or understand that:

1. the exchanges and securities markets in Canada and the United States, including

    a. The Toronto Stock Exchange, the Bourse de Montréal, the Canadian Venture Exchange and the Canadian domestic bond and money markets (collectively, the "Canadian Markets"), and

    b. the New York Stock Exchange, the American Stock Exchange, NASDAQ, the Chicago Board of Trade and other stock exchanges, futures exchanges, options exchanges and securities markets in the United States (collectively, the "U.S. Markets")

    announced the closure of their markets following the occurrence of tragic disasters in the United States on September 11, 2001;

2. the closure of the Canadian Markets and U.S. Markets prevented the trading of securities and derivatives on such markets and, consequently, the dissemination of quotes and price information on such securities or derivatives;

3. the TD Funds and Non-TD Funds that use specified derivatives are required by clause 13.1(1)(b) of NI 81-102 to calculate their net asset value once every business day;

4. mutual funds generally depend upon the dissemination of quotes and price information on securities or derivatives listed, traded or quoted on stock exchanges, futures exchanges, options exchanges or other securities markets in calculating their net asset value;

5. the continued closure of the U.S. Markets may prevent the TD Funds and Non-TD Funds that had (as at the close of business on Monday, September 10, 2001) five percent (5%) or more of their net assets invested in,

    (i) securities or specified derivatives listed, traded or quoted on the U.S. Markets, which are not trading in the U.S. Markets and are not trading on any market outside of the U.S. on the date that this Decision is being relied upon;

    (ii) other mutual funds which have five percent (5%) or more of their net assets invested in securities or specified derivatives described in (i);

    (iii) specified derivatives with underlying interests in securities, specified derivatives, commodities or mutual funds described in (i) and (ii); or

    (iv) in a combination of (i), (ii) and (iii),

    from properly calculating their net asset values (such funds collectively, the "Affected Funds").

6. many of the Affected Funds were (and continue to be) unable to rely on subsection 10.6(1) of NI 81-102 for the purpose of suspending the redemption rights of their security holders; and

7. the Canadian Markets resumed business operations on Thursday, September 13, 2001;

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 of NI 81-102, is that

(A) the TD Funds and the Non-TD Funds are exempt from subsection 13.1(1) of NI 81-102 on September 11 and 12, 2001; and

(B) each Affected Fund is exempt from subsection 13.1(1) effective September 13, 2001 until the earlier of the date that the U.S. Markets resume normal business operations or September 19, 2001, provided that the Affected Fund does not, while relying on this exemption, accept any order for the purchase or redemption of its securities;

AND IT IS FURTHER DECIDED by the Decision Makers, pursuant to clause 5.5(1)(d) of NI 81-102, to approve the suspension of the right of security holders to redeem their securities

(C) by the TD Funds and the Non-TD Funds on September 11 and 12, 2001, and

(D) by each Affected Fund relying on the exemption from subsection 13.1(1) of NI 81-102 contained in paragraph B above.

The TD Funds, Non-TD Funds and Affected Funds are subject to all other applicable provisions of NI 81-102.

September 13, 2001.

"Paul A. Dempsey"

2.1.4 Tethys Energy Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporation deemed to have ceased to be a reporting issuer following its take-over by another corporation.

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, SASKATCHEWAN, ONTARIO AND QUÉBEC**

AND

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

AND

**IN THE MATTER OF
TETHYS ENERGY INC.**

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario and Québec (the "Jurisdictions") has received an application from Tethys Energy Inc. ("Tethys") for a decision pursuant to the securities legislation (the "Legislation") of the Jurisdictions deeming Tethys 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** Tethys has represented to the Decision Makers that:

   3.1 Tethys is a corporation governed by the *Business Corporations Act* (Alberta) ("ABCA");

   3.2 Tethys's head office is located in Calgary Alberta;

   3.3 Tethys is a reporting issuer, or the equivalent, in each of the Jurisdictions by virtue of obtaining a final receipt for its prospectus in the Jurisdictions on May 27, 1997;

   3.4 Tethys is not in default of any of its obligations as a reporting issuer, or the equivalent, under the Legislation;

3.5 Tethys's authorized capital consists of an unlimited number of common shares (the "Common Shares"), and an unlimited number of preferred shares, issuable in series ("Preferred Shares") of which 29,899,047 Common Shares and no Preferred Shares are issued and outstanding;

3.6 on July 17, 2001, Northrock Resources Ltd. ("Northrock") acquired approximately 95% of the outstanding Common Shares pursuant to Northrock's offer of June 8, 2001 to purchase all of the Common Shares;

3.7 Northrock acquired the remaining outstanding Common Shares pursuant to the compulsory acquisition procedures of the ABCA;

3.8 the Common Shares were delisted from the Toronto Stock Exchange on July 18, 2001 and no securities of Tethys are listed or quoted on any exchange or market;

3.9 Tethys has no securities, including debt securities, outstanding other than the Common Shares; and

3.10 Tethys 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 pursuant to the Legislation is that Tethys is deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation.

September 5, 2001.

"Patricia M. Johnston"

2.1.5 IPC Securities Corporation - Decision

Headnote

Section 4.1 of O.S.C. Rule 31-507 – SRO Membership – Securities Dealers and Brokers – securities dealer exempted from the requirements of the Rule that it be a member of a self-regulatory organization ("SRO") under section 21.1 of the Securities Act (Ontario), provided that it amalgamates with another company and the new amalgamated company is a SRO member firm by December 31, 2001.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am. S. 21.1.

Rules Cited

O.S.C. Rule 31-507 – SRO Membership – Securities Dealers and Brokers, ss. 1.1(1), 4.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 31-507
SRO MEMBERSHIP – SECURITIES DEALERS AND BROKERS (the "Rule")

AND

IN THE MATTER OF
IPC SECURITIES CORPORATION

DECISION
(Section 4.1 of the Rule)

UPON the Director having received an application (the "Application") from IPC Securities Corporation ("IPC") seeking a decision pursuant to section 4.1 of the Rule to exempt, until December 31, 2001, IPC from the application of subsection 1.1(1) of the Rule, which would require that IPC be a member of a self-regulatory organization ("SRO") recognized by the Ontario Securities Commission (the "Commission") under section 21.1 of the Act;

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

AND UPON IPC having represented to the Director that:

1. IPC is registered as a dealer in the category of "securities dealer" under the Act;

2. IPC's registration as a dealer in the category of "securities dealer" was subject to renewal on August 13, 2001;

3. In the absence of this Decision, subsection 1.1(1) and section 2.2 of the Rule would have the effect of

requiring that, on or before August 13, 2001, IPC be a member of the Investment Dealers Association of Canada (the "IDA") or the Mutual Fund Dealers Association of Canada ("MFDA");

4. IPC's parent company, IPC Financial Network Inc. ("IPCFN") acquired Equisure Securities Ltd. ("Equisure") in July 2001. Equisure is a member of the Investment Dealers' Association of Canada (the "IDA");

5. Equisure is expected to amalgamate with IPC by November 30, 2001 and will thereafter carry on business under the name of IPC ("New IPC "). Immediately after the amalgamation, the accounts of IPC will become the accounts of New IPC, which will be a member of the IDA.

6. The amalgamation of Equisure and IPC into New IPC is expected to be final by November 30, 2001, and in any event by December 31, 2001;

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

IT IS THE DECISION of the Director, pursuant to section 4.1 of the Rule, that IPC, effective August 13, 2001, is hereby exempt from the requirement of subsection 1.1(1) of the Rule to be a member of a SRO recognized by the Commission under section 21.1 of the Act, provided that this exemption will terminate on the earlier of the effective date of the amalgamation of IPC and Equisure or January 1, 2002.

September 13, 2001.

"Peggy Dowdall-Logie"

2.1.6 Canadian Satellite Communications Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer has twelve security holders - 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
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
CANADIAN SATELLITE COMMUNICATIONS INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland (collectively, the "Jurisdictions") has received an application from Canadian Satellite Communications Inc. (the "Corporation") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Corporation be deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation;

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 Corporation has represented to the Decision Makers as follows:

1. The Corporation is a corporation under the provisions of the *Canada Business Corporations Act* (Ontario) (the "CBCA").

2. The executive offices of the Corporation are in the Province of Ontario.

3. The Corporation is a reporting issuer, or the equivalent, under the Legislation, and is not in default of any of the requirements of the Legislation save for its failure to file and deliver: i) its third quarter interim financial statements as at, and for the period ended, May 31, 2001, which were due to be filed and delivered on July 30, 2001; and ii) its Annual Information Form for the

period ended August 31, 2000, which were due to be filed and delivered on January 18, 2001.

4. The Corporation became a reporting issuer in Alberta, Saskatchewan, Ontario, Quebec and Newfoundland on December 9, 1983 when it obtained a receipt for a prospectus filed in each of those Jurisdictions. The Corporation became a reporting issuer in Nova Scotia on December 1, 1997 by order granted on December 23, 1998.

5. On August 9, 2000, Shaw Communications Inc. ("Shaw") and 605634 B.C. Ltd., a subsidiary of Shaw, made an offer (the "August 9 Offer") to acquire all the issued and outstanding common shares (the "Common Shares") of the Corporation not owned by Shaw directly or indirectly for 0.90 Class B Non-Voting Participating Shares of Shaw and $0.01 cash per Common Share and on August 31, 2000 acquired 16,818,531 Common Shares, which together with the Common Shares previously owned by Shaw represented approximately 94.3% of the outstanding Common Shares.

6. On January 5, 2001, Shaw and 613771 B.C. Ltd., a subsidiary of Shaw, made a second offer (the "January 5 Offer") to acquire all the issued and outstanding Common Shares not owned by Shaw directly or indirectly on the same basis as the August 9 Offer and on January 31, 2001 acquired an additional 2,771,524 Common Shares. Following the August 9 Offer and the January 5 Offer, Shaw directly and indirectly owned approximately 99.6% of the outstanding Common Shares.

7. On March 30, 2001, Shaw and 613771 B.C. Ltd. mailed to all "dissenting offerees" (as that term is defined in subsection 206(1) of the CBCA), notice of its intention to acquire, pursuant to the provisions of section 206 of the CBCA, all outstanding Common Shares not held by Shaw or its affiliates which were not acquired under the January 5 Offer (the "Compulsory Acquisition").

8. Pursuant to the Compulsory Acquisition, Shaw and 613771 B.C. Ltd. acquired all Common Shares held by the dissenting offerees.

9. As of July 1, 2001, there were 52,441,927 Common Shares issued and outstanding. Shaw and its affiliates held 52,302,485 Common Shares, representing 99.7% of such shares and a numbered Alberta company (the "Numbered Company"), which is not an affiliate of Shaw, held 139,442 Common Shares, representing 0.3% of such shares.

10. The Numbered Company has provided written confirmation that it understands the nature of this application and has no objections to this application.

11. Pursuant to a registration statement dated April 23, 1998 filed with the United States Securities and Exchange Commission, Star Choice Communications Inc. ("Star Choice"), a corporation under the provisions of the CBCA now wholly-owned by Shaw, issued warrants (the "Star Choice Warrants") to purchase 3,474,000 common shares in the capital of Star Choice.

12. Pursuant to a share exchange between the Corporation and Star Choice effective August 31, 1999, the Star Choice Warrants are exercisable for Common Shares. As of July 1, 2001, the outstanding Star Choice Warrants are exercisable for an aggregate of 927,405 Common Shares and are registered in the name of The Depository Trust Company on behalf of 10 beneficial holders, all of whom are resident in the United States.

13. The Common Shares were delisted from the Toronto Stock Exchange on April 2, 2001 and no securities of the Corporation are listed or posted for trading on any stock exchange.

14. The Corporation has no securities, including debt securities, outstanding other than the Common Shares and the Star Choice Warrants.

15. The Corporation does not intend to seek public financing by way of an offering of its securities.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Corporation is deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation effective as of the date of this decision.

September 5, 2001.

"John Hughes"

2.1.7 USC Horizon Education Savings Plan et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application - Scholarship plans exempted from the requirement to file with the securities regulatory authorities and to send to their security holders interim financial statements for the first and third quarters of their financial year.

Applicable Statutory Provision

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

Policies Cited

National Policy Statement No. 15.

National Policy Statement No. 41.

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

AND

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

AND

**IN THE MATTER OF
USC HORIZON EDUCATION SAVINGS PLAN
PROTÉGÉ GROUP EDUCATION SAVINGS PLAN
PROTÉGÉ INDIVIDUAL EDUCATION SAVINGS PLAN**

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from The International Scholarship Foundation (the "Foundation"), in its capacity as promoter, sponsor and administrator of Protégé Group Education Savings Plan and Protégé Individual Education Savings Plan (together, the "Protégé Plans" or a "Protégé Plan") and USC Horizon Education Savings Plan (the "Horizon Plan") (collectively, the "Plans" or a "Plan"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") exempting the Plans from the requirement to deliver and file financial statements for the first and third quarters of each financial year of the Plans;

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 Foundation has represented to the Decision Makers as follows:

1. The Foundation is a not-for-profit corporation without share capital, incorporated on February 19, 1990 under the *Canada Corporations Act*. The Foundation is the successor to an Alberta not-for-profit corporation incorporated in March 1965.

2. The Foundation was established for the purpose of providing financial assistance to students who attend post-secondary educational institutions, by sponsoring education savings plans such as the Plans.

3. The Plans are education savings plans that qualify for registration under the *Income Tax Act* (Canada) (the "Tax Act") as registered education savings plans ("RESPs"). The assets of the Plans are held in trust by The Royal Trust Company (the "Trustee") pursuant to separate trust agreements dated as of June 30, 2000 in respect of the Horizon Plan and November 8, 2000 in respect of the Protégé Plans.

4. The Horizon Plan is distributed under the USC Education Savings Plans' prospectus dated August 22, 2000 and the Protégé Plans are distributed under the Protégé Education Savings Plan prospectus dated November 22, 2000. The Plans are currently in the process of renewing their prospectuss, having filed their pro forma prospectuses separately on July 6, 2001.

5. The Plans are reporting issuers under the Legislation of each Jurisdiction and are not in default of any requirements of such Legislation.

6. The Plans are offered to each person (the "Subscriber") who enters into an education assistance agreement with the Foundation, whereby the Subscriber agrees to deposit a lump sum or series of payments in accordance with the terms of the Plan. These deposits are held by the Trustee on behalf of the Subscriber and the designated beneficiary (the "Beneficiary") of the Subscriber. Each education assistance agreement is thereafter registered under the Tax Act as RESPs.

7. In the case of an education assistance agreement under the Protégé Plans, the Subscriber authorizes certain deductions of enrolment fees and depository fees and other permitted deductions, where applicable, from these deposits. Administration fees, custodial fees and investment counsel fees are deducted from income earned on these deposits.

8. In the case of an education assistance agreement under the Horizon Plan, the Subscriber authorizes the deduction of a management fee from the income earned on these deposits, which includes all administration fees, custodial fees and investment counsel fees. There are no enrolment fees associated with the Horizon Plan.

9. The deposits accumulated over the term of a Plan may be returned to the Subscriber or the Beneficiary upon maturity or termination of the Subscriber's RESP under the Plan or, in the case of the Protégé Plans, upon

discontinuation of the Subscriber's RESP under a Protégé Plan. The income earned on such deposits is used to provide education assistance payments to the Subscriber's Beneficiary.

10. Monies deposited by Subscribers to the Plans are invested in accordance with the standard investment restrictions and practices that are contained in National Policy Statement No. 15 - Conditions Precedent to Acceptance of Scholarship or Education Plan Prospectus, and as permitted by the appropriate decision maker in each Jurisdiction. Pursuant to the investment policies adopted by the Foundation, the Plans are currently invested in:

    (a) mortgages, where the mortgages are insured under the *National Housing Act* (Canada);

    (b) Government of Canada treasury bills and bonds, debentures and short-term notes issued or guaranteed by federal or provincial governments;

    (c) Guaranteed Investment Certificates and other acknowledgments of indebtedness issued by Canadian chartered banks, provincially licensed trust companies or other similar financial institutions (collectively, "Financial Institutions") whose accounts are normally insured by the Canada Deposit Insurance Corporation or La Régie de l'assurance-depôt du Québec; and

    (d) corporate debt securities with an approved credit rating (as defined in Section 1.1. of National Instrument 81-102), subject to the condition that no more than 20% of the income on the Subscribers' deposits and corresponding Canada Education Savings Grants (the "Grant" is invested in corporate debt securities, and no more than 10% of such income is invested in the debt securities of any one issuer.

11. The Plans' prospectuses disclose that

    (a) each Subscriber will be provided annually a statement of account reflecting, for each Year of Maturity, at the end of the reporting period, the number of Plans outstanding, principal amounts on deposit and accumulated income in the Subscriber's account, and the corresponding Grant monies and accumulated income thereon;

    (b) each Subscriber will be provided with the annual report containing the annual audited financial statements of the Plans administered by the Foundation;

    (c) the semi-annual financial statements will be filed at the offices of the Decision Maker in each Jurisdiction where they are available for inspection and that, in addition, these statements are available at the website of the Jurisdictions' System for Electronic Document Analysis and Retrieval; and

    (d) upon request, a Subscriber will be provided a copy of the semi-annual financial statements of the Plans, without charge.

12. The Foundation will send out return cards annually and will maintain a supplementary mailing list in order to take advantage of the exemption from delivering interim financial statements contained in Part IV, Sections 8 and 9 of National Policy Statement No. 41 - Shareholder Communications, in respect of the semi-annual financial statements of the Plans.

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

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

THE DECISION of the Decision Makers under the Legislation is that each Plan is exempt from the requirement to file with the Decision Makers, and to send to each Subscriber of the Plan interim financial statements for the first and third quarters of the Plan's financial year, provided that this exemption terminates thirty (30) days after the occurrence of a material change in the affairs of the Plan unless the Foundation satisfies the Decision Makers that the exemption should continue.

September 13, 2001.

"Paul Moore" "R. Stephen Paddon"

2.1.8 O&Y Real Estate Investment Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unitholders pursuant to a distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – first trade relief provided for additional units of trust, subject to certain conditions – issuer relieved of certain reporting requirements, subject to certain conditions.

Statutes Cited

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

Rules Cited

Rule 45-502 Dividend or Interest Reinvestment and Stock Dividend Plans 21 OSCB 3685.

Rule 81-501 Mutual Fund Reinvestment Plans 20 OSCB 5163.

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

AND

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

AND

IN THE MATTER OF
O&Y REAL ESTATE INVESTMENT TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Yukon, Nunavut and Northwest Territories (the "Jurisdictions") has received an application from O&Y Real Estate Investment Trust ("O&Y REIT") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to the distribution or resale of units of O&Y REIT pursuant to a distribution reinvestment plan (the "DRIP");

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 O&Y REIT has represented to the Decision Makers that:

1. O&Y REIT is an unincorporated closed-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated March 8, 2001.

2. O&Y REIT is not a "mutual fund" as defined in the Legislation because the holders of Units ("Unitholders") are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of O&Y REIT as contemplated in the definition of "mutual fund" in the Legislation.

3. O&Y REIT became a reporting issuer or the equivalent thereof in each province and territory in Canada on June 7, 2001 when it obtained a receipt for its prospectus dated June 7, 2001 (the "Prospectus"). As of the date hereof, O&Y REIT is not in default of any requirements under the Legislation.

4. The beneficial interests in O&Y REIT are divided into a single class of limited voting units (the "Units"). O&Y REIT is authorized to issue an unlimited number of Units. Units represent a Unitholder's proportionate undivided beneficial interest in O&Y REIT. As of the date hereof, 30,030,000 Units are presently issued and outstanding.

5. The Units of O&Y REIT are currently listed and posted for trading on The Toronto Stock Exchange (the "TSE").

6. O&Y REIT was established to acquire a national portfolio of AAA, A and B class multi-tenant and government office buildings (or interests therein) located across Canada from O&Y Properties Inc., a subsidiary of O&Y Properties Corporation ("OYPC"). OYPC is a reporting issuer or the equivalent thereof in each province of Canada and is not in default of any requirements under the legislation. OYPC had been a reporting issuer or the equivalent thereof in each province of Canada for more than 12 months.

7. The objectives of O&Y REIT are to (i) provide Unitholders with stable and growing cash distributions, payable monthly and to the maximum extent reasonably possible, tax-deferred; and (ii) maximize Unit value through ongoing active management of the assets of O&Y REIT and the acquisition of additional office properties or interests therein.

8. O&Y REIT currently intends to make cash distributions to Unitholders monthly, equal, on an annual basis, to approximately 85% of its Distributable Income (as such term is defined in the Declaration of Trust).

9. O&Y REIT intends to establish the DRIP pursuant to which Unitholders may, at their option, invest cash distributions paid on their Units in additional Units

("Additional Units"). The DRIP will not be available to Unitholders who are not Canadian residents.

10. Distributions due to participants in the DRIP ("DRIP Participants") will be paid to CIBC Mellon Trust Company in its capacity as agent under the DRIP (in such capacity, the "DRIP Agent") and applied to purchase Additional Units. All Additional Units purchased under the DRIP will be purchased by the DRIP Agent directly from O&Y REIT.

11. The price of Additional Units purchased with such cash distributions will be the volume weighted average of the trading price for a board lot of Units on the TSE for the five trading days immediately preceding the relevant distribution date. Unitholders who elect to participate in the DRIP will receive a further distribution of Additional Units equal to 3% of each distribution that is reinvested under the DRIP. No commissions, service charges or brokerage fees will be payable by DRIP Participants in connection with the DRIP.

12. Additional Units purchased under the DRIP will be registered in the name of the DRIP Agent, as agent for the DRIP Participants.

13. Unitholders may terminate their participation in the DRIP at any time by written notice to the DRIP Agent. Thereafter, distributions payable to such Unitholders will be by cheque. O&Y REIT has the right to amend, suspend or terminate the DRIP at any time, provided that such action shall not have a retroactive effect which would prejudice the interests of the DRIP Participants. All DRIP Participants will be sent notice of any such amendment, suspension or termination.

14. The distribution of the Additional Units by O&Y REIT pursuant to the DRIP cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the DRIP involves the reinvestment of Distributable Income distributed by O&Y REIT and not the reinvestment of dividends or interest of O&Y REIT.

15. The distribution of the Additional Units by O&Y REIT pursuant to the DRIP cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as O&Y REIT is not a "mutual fund" as defined in the Legislation.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the trades of Additional Units by O&Y REIT to the DRIP Participants pursuant to the DRIP shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

(a) at the time of the trade O&Y REIT is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

(b) no sales charge is payable in respect of the trade;

(c) O&Y REIT has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:

  (i) their right to withdraw from the DRIP and to make an election to receive cash instead of Units on the making of a distribution of income by O&Y REIT; and

  (ii) instructions on how to exercise the right referred to in (i);

(d) prior to June 7, 2002 (the date on which O&Y REIT will have been a reporting issuer for 12 months), the aggregate number of Additional Units issued or issuable to beneficial holders of Units pursuant to the DRIP shall not exceed 2% of the aggregate number of Units outstanding at the time of the trade; and

(e) the first trade in Additional Units acquired pursuant to this Decision in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation of such Jurisdiction (the "Applicable Legislation") unless

  (i) at the time of the first trade, O&Y REIT is a reporting issuer or the equivalent under the Applicable Legislation;

  (ii) no unusual effort is made to prepare the market or to create a demand for the Units;

  (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade;

  (iv) if the seller of the Additional Units is an insider of O&Y REIT, the seller has reasonable grounds to believe that O&Y REIT is not in default of any requirement of the Applicable Legislation;

  (v) in all jurisdictions other than Quebec, the first trade is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of Units of O&Y REIT so as to affect materially the control of O&Y REIT or more than 20% of the outstanding voting securities of O&Y REIT except where there is evidence showing that the holding of those securities does not affect materially the control of O&Y REIT; and

  (vi) disclosure of the initial distribution of the Additional Units is made to the relevant Jurisdictions by providing the particulars of the date of the distribution of such Additional Units, the number of such Additional Units and the

purchase price paid or to be paid for such Additional Units in:

(a) an information circular or take-over bid circular filed in accordance with the Legislation; or

(b) a letter filed with the Decision Maker in the relevant Jurisdiction by a person or company certifying that the person or company has knowledge of the facts contained in the letter,

when O&Y REIT distributes such Additional Units for the first time and thereafter, not less frequently than annually, unless the aggregate number of Additional Units so traded in any month exceeds 1% of the Units outstanding at the beginning of a month in which the Additional Units were traded, in which case a separate report shall be filed in each relevant Jurisdiction (other than Quebec) in respect of that month within ten days of the end of such month.

September 14, 2001.

"Howard I. Wetston" "Stephen N. Adams"

2.1.9 Scotia Capital Inc. et al. - MRRS Decision

Headnote

MRRS - issuer is a connected, but not a related issuer, in respect of registrants that are underwriters in a proposed distribution by the issuer - underwriters exempt from the independent underwriter requirement in the legislation provided that issuer not in financial difficulty.

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 219(1), 224(1)(6) and 233.

Applicable Ontario Rules

Proposed Multi-Jurisdictional Instrument 33-105: Underwriting Conflicts (1998), 21 OSCB 788.

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

AND

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

AND

**IN THE MATTER OF
SCOTIA CAPITAL INC.,
NATIONAL BANK FINANCIAL INC.
AND ADVANTAGE ENERGY INCOME FUND**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Québec and Newfoundland (the "Jurisdictions") have received an application from Scotia Capital Inc. on its own behalf and on behalf of National Bank Financial Inc. (collectively, the "Bank Affiliated Underwriters") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation that at least 50% of an offering of securities to be underwritten by independent underwriters, where the offering is otherwise being underwritten by underwriters in respect of which the issuer is a "connected issuer" (the "Proportional Independent Underwriter Requirements", or the equivalent, shall not apply to a proposed distribution of trust units (the "Trust Units") of Advantage Energy Income Fund (the "Issuer") to be made by way of a short form prospectus (the "Offering");

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 Bank Affiliated Underwriters have represented to the Decision Makers that:

1. The Issuer is an open-end investment trust created on April 17, 2001 under the laws of the Province of Alberta pursuant to a trust indenture between Search Energy Corp., 687371 Alberta Ltd. and Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada), as trustee.

2. The Issuer is a reporting issuer under the securities laws of the Province of Ontario and is a P.O.P. issuer in each of the provinces of Canada.

3. The Trust Units are listed and posted for trading on The Toronto Stock Exchange.

4. The Issuer will enter into an underwriting agreement prior to filing a final prospectus (the "Underwriting Agreement") among the Issuer and Scotia Capital Inc., National Bank Financial Inc., CIBC World Markets Inc. and Merrill Lynch Canada Inc. (collectively, the "Underwriters") pursuant to which the Issuer will agree to issue and sell and the Underwriters will agree to purchase, as principals, Trust Units of the Issuer.

5. The Underwriting Agreement will provide, among other things, for the payment of a commission to the Underwriters equal to a fixed percentage of the gross proceeds of the Offering. The commission will be paid on a pro rata basis to the Underwriters based upon the amount of Trust Units that the Underwriters have each agreed to undertake to sell on behalf of the Issuer.

6. The proportion of the Offering to be sold on behalf of the Issuer by the Underwriters pursuant to the Underwriting Agreement is as follows:

(i)	Scotia Capital Inc.	40.0%
(ii)	National Bank Financial Inc.	25.0%
(iii)	CIBC World Markets Inc.	17.5%
(iv)	Merrill Lynch Canada Inc.	17.5%

7. The Issuer has filed a preliminary short form prospectus dated August 30, 2001 and will undertake in the Underwriting Agreement to file a short form prospectus with the securities regulatory authorities in each of the provinces of Canada and to obtain a receipt therefor in order to qualify the Trust Units for distribution in those provinces. Alberta has been designated as the principal jurisdiction for filing of the prospectuses.

8. The Underwriters will not benefit in any manner from the Offering other than the payment of the commissions described in paragraph 5 above. However, it is currently intended that the net proceeds of the Offering will be used to repay bank indebtedness.

9. The Issuer's wholly owned operating subsidiary, Search Energy Corp. ("Search") has a $95 million credit facility (the "Credit Facility") currently established with three Canadian banks (the "Banks"). Each of Scotia Capital Inc. and National Bank Financial Inc. are indirect wholly owned subsidiaries of one of the Banks. As at July 31, 2001, Search owed the Banks approximately $86 million under the Credit Facility.

10. The nature of the relationship among the Issuer and each of the Bank-Affiliated Underwriters and the Banks will be described in the prospectuses.

11. The prospectuses will contain a certificate signed by each Underwriter in accordance with Item 21.2 of Form 44-101F3 to National Instrument 44-101.

12. The net proceeds of the Offering will be used to provide working capital to Search which in turn will be used to repay a portion of its indebtedness to the Banks which indebtedness was utilized to acquire Due West Resources Inc.

13. The Issuer is not, in connection with the Offering, a "related issuer" of any of the Underwriters for the purposes of Part XIII of the Regulation or for purposes of the Proposed Multi-Jurisdictional Instrument 33-105 as published February 6,1998 (the "1998 Proposed Instrument"). However, by virtue of the relationships described above, the Issuer may, in connection with the Offering, be a "connected issuer" of the Bank Affiliated Underwriters for the purposes of Part XIII of the Regulation and for purposes of the 1998 Proposed Instrument.

14. The decision to undertake the Offering, including the determination of the terms of the distribution, was made through negotiation between Search and Advantage Investment Management Ltd. (the Manager of the Issuer) on behalf of the Issuer and Scotia Capital Inc., on its own behalf and on behalf of the other Underwriters, without involvement of the Banks.

15. The prospectus relating to the Offering will contain such disclosure concerning the nature of the relationship among the Issuer, the Bank Affiliated Underwriters and the Banks as would be required under Appendix "C" of the 1998 Proposed Instrument.

16. The Issuer is not in financial difficulty.

17. The Issuer is not a "specified party" as that term is defined in the 1998 Proposed Instrument.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Bank-Affiliated Underwriters shall be exempted from the Proportional Independent Underwriter Requirements contained in the Legislation in respect of the Offering, provided that:

(a) at the time of the Offering, the Issuer is not a "specified party" as that term is defined in the

1998 Proposed Instrument, and the Issuer is not a "related issuer" of an Underwriter as that term is defined in the Proposed Instrument; and

(b) the prospectus relating to the Offering contains disclosure of the relationship between the Issuer, the Bank Affiliated Underwriters and the Banks as would be required under Appendix "C" of the 1998 Proposed Instrument.

September 11, 2001.

"Paul M. Moore" "R. Stephen Paddon"

2.1.10 Scotia Capital Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer is a connected, but not a related issuer, in respect of registrants that are underwriters in a proposed distribution of by the issuer - underwriters exempt from the independent underwriter requirement in the legislation provided that issuer not in financial difficulty.

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 219(1), 224(1)(6) and 233.

Applicable Ontario Rules

Proposed Multi-Jurisdictional Instrument 33-105: Underwriting Conflicts (1998), 21 OSCB 788.

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

AND

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

AND

**IN THE MATTER OF
SCOTIA CAPITAL INC.
RBC DOMINION SECURITIES INC.
TD SECURITIES INC.
BMO NESBITT BURNS INC.
MERRILL LYNCH CANADA INC.
AND CIBC WORLD MARKETS INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Alberta, Ontario, Quebec and Newfoundland (the "**Jurisdictions**") has received an application from Scotia Capital Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Merrill Lynch Canada Inc., and CIBC World Markets Inc. (collectively, the "**Applicants**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement (the "**Independent Underwriter Requirement**") contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities of a connected issuer (or the equivalent) or related issuer (or the equivalent) of the registrant by means of a prospectus unless a specified portion of the distribution is underwritten by an independent underwriter, shall not apply to the Applicants in connection with the offerings from time to time (each, an "**Offering**" and collectively, the "**Offerings**") of medium term notes (the "**Medium Term Notes**") by Agrium Inc. (the "**Issuer**") being made by means of a short form base shelf prospectus (the

"**Prospectus**"), prospectus supplements (each a "**Prospectus Supplement**") and/or pricing supplements (each, a "**Pricing Supplement**");

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 Applicants have represented to the Decision Makers that:

1. The Applicants are registrants under the Legislation, whose head offices are located in the Province of Ontario.

2. The Issuer is a corporation incorporated under the laws of the Province of Alberta.

3. The Issuer is one of the largest North American producers of nitrogen-based fertilizers and a major producer of potash and phosphate-based fertilizers. The Issuer is a leader in the wholesale marketing and distribution of fertilizers and related products to the North American agricultural industry. The Issuer is also a significant retailer of fertilizers, chemical and related products in the North American market through its 225 retail farm centers.

4. The Issuer is a reporting issuer under the securities legislation of each of the provinces of Canada. The Issuer's outstanding common shares are listed on The Toronto Stock Exchange and the New York Stock Exchange.

5. On July 31, 2001, the Issuer had a market capitalization in excess of $1.8 billion.

6. The Issuer has entered into a dealer agreement dated August 7, 2001 with the Applicants whereby the Issuer will agree to issue and sell, and the Applicants will agree to purchase, as principals, the Medium Term Notes.

7. The Issuer filed a preliminary short form base shelf prospectus dated May 14, 2001 and the Prospectus dated June 26, 2001 with the securities regulatory authorities in each of the provinces of Canada in order to qualify up to $500,000,000 principal amount of Medium Term Notes for distribution in those provinces.

8. The Issuer has filed a Prospectus Supplement (the "**MTN Supplement**") with the securities regulatory authorities in each of the provinces of Canada in order to create the Issuer's Medium Term Note program and allowing it to issue up to $500,000,000 principal amount of Medium Term Notes.

9. The Issuer currently has credit facilities (collectively, the "**Credit Facilities**") with Canadian chartered banks (the "**Banks**") of which certain of the Applicants are subsidiaries. As at July 31, 2001, the following amounts are outstanding under the Credit Facilities:

Bank of Nova Scotia	US$68,600,000
Royal Bank of Canada	US$41,100,000

10. The proceeds of an Offering, before deducting the Applicants' fees and expenses of such Offering, are not presently known and will depend on the principal amount of the Medium Term Notes distributed in each Offering pursuant to an applicable Prospectus Supplement and/or Pricing Supplement. The Offerings on an aggregate basis in any event will not exceed $500,000,000. The proceeds will be used by the Issuer to reduce outstanding indebtedness of the Issuer or its subsidiaries which may include indebtedness owing under the Credit Facilities and any other credit facilities entered into by the Issuer in the future, to finance capital expenditures and investments by the Issuer or its subsidiaries or for general corporate purposes.

11. In the event of distribution of Medium Term Notes under an Offering, the Issuer may be considered a "connected issuer" (or the equivalent) for purposes of the Legislation and Proposed Multi-Jurisdictional Instrument 33-105 published in February, 1998 (the "1998 Proposed Instrument 33-105") of some or all of the Applicants as each are directly or indirectly wholly-owned or majority-owned subsidiaries or affiliates of Banks which are or may become lenders to the Issuer and to which the Issuer is presently or may in the future become indebted. The Issuer is not a "related issuer" (or the equivalent) as defined in the Legislation and the 1998 Proposed Instrument 33-105.

12. The proportionate percentage share of each Offering attributable to each of the Applicants is not presently known, and may vary as between one or more of such Offerings, to be determined at the time of each such Offering.

13. The Applicants, if and when acting as dealers in respect of an Offering, may not comply with the Independent Underwriter Requirement.

14. The nature and details of the relationship between the Issuer, the Applicants and the applicable Banks is described in the MTN Supplement as prescribed by the 1998 Proposed Instrument 33-105 and the MTN Supplement contains a certificate signed by each Applicant in accordance with National Instrument 44-102.

15. Each Pricing Supplement will contain such disclosure concerning the nature of the relationship between the Issuer, the Applicants and the Banks as would be required under Appendix "C" of the 1998 Proposed Instrument 33-105.

16. The Applicants will receive no benefit relating to the Offerings other than the payment of their fees in connection therewith.

17. The decision to issue the Medium Term Notes, including the determination of the terms of the distribution of Medium Term Notes, was made through negotiations between the Issuer and the Applicants without involvement of any Banks.

18. The Issuer is in good financial condition and is not a "specified party" as defined in the 1998 Proposed Instrument 33-105.

AND WHEREAS under the System, this MRSS 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 THE DECISION of the Decision Makers under the Legislation that the Independent Underwriter Requirement shall not apply to the Applicants in connection with the Offerings by the Issuer provided that:

A. at the time of each Offering, the Issuer is not a "specified party" as defined in the 1998 Proposed Instrument 33-105, and the Issuer is not a "related issuer" as defined in the 1998 Proposed Instrument 33-105 of an Applicant participating in such Offering; and

B. if, at the time of an Offering, the Issuer is a "connected issuer" of an Applicant participating in such Offering, the Pricing Supplement relating to such Offering contains disclosure of the relationship between the Issuer, the Applicant and the Bank as would be required under Appendix "C" of the 1998 Proposed Instrument 33-105.

September 14, 2001.

"Paul M. Moore" "R. Stephen Paddon"

2.1.11 Merrill Lynch Financial Assets Inc. and Merrill Lynch Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System - issuer of asset-backed securities exempt from the requirement to prepare, file and deliver interim and annual financial statements and annual information circulars or, where applicable, annual reports in lieu of an information circular subject to conditions, including the requirement to prepare, file and deliver monthly and annual reports regarding performance of pools of securities assets.

Applicable Ontario Statutory Provisions

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

Regulations Cited

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

Rules & Policies Cited

National Policy Statement No. 41.

National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

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

AND

IN THE MATTER OF
MERRILL LYNCH FINANCIAL ASSETS INC.
AND MERRILL LYNCH CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Newfoundland, Nova Scotia and Saskatchewan (the "Jurisdictions") issued on November 30, 2000 a decision (the "Merrill Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that provisions of the Legislation concerning the preparation, filing and delivery of interim and annual financial statements and the annual filing of a form by a reporting issuer shall not apply to Merrill Lynch Mortgage Loans Inc., subsequently renamed Merrill Lynch Financial Assets Inc. (the "Issuer"), and Merrill Lynch Canada Inc. ("ML Canada", and together with the Issuer, the "Applicants") in respect of certain offerings of

commercial mortgage pass-through certificates specified in the Merrill Decision;

AND WHEREAS the Merrill Decision contemplates that the Issuer may from time to time issue additional certificates in connection with similar asset-backed securities transactions, and may periodically apply for a variation of the terms of the Merrill Decision to extend the relief granted thereby to such additional certificates;

AND WHEREAS the Issuer has now completed two additional offerings of commercial mortgage pass-through certificates and is seeking a variation of the Merrill Decision so as to extend such relief to such additional certificates;

AND WHEREAS the Applicants are seeking to clarify certain ambiguous language contained in the Merrill Decision;

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 and ML Canada have 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. By articles of amendment dated March 15, 2001, Merrill Lynch Mortgage Loans Inc. changed its name to Merrill Lynch Financial Assets Inc.

2. The head offices of the Issuer and ML Canada are both located in Toronto, Ontario.

3. The Issuer is a special-purpose corporation whose activities are limited to the issuance of asset-backed securities. The Issuer has no material assets and does not and will not carry on any activities other than the issuance of asset-backed securities.

4. The Issuer is a reporting issuer or equivalent pursuant to the securities legislation of certain of the provinces of Canada and is not in default of any of the requirements thereunder. As described below, the Issuer has received relief from the continuous disclosure requirements under the Legislation from the securities regulatory authorities in the Jurisdictions in respect of all of its public offerings to date, other than the two most recent offerings made by the Issuer, namely the offering of the LBC Certificates (as described below), and the C-5 Certificates (as described below).

5. On November 30, 2000 the Decision Makers issued a decision (the "Merrill Decision") pursuant to the Legislation that provisions of the Legislation concerning the preparation, filing and delivery of interim and annual financial statements and the annual filing of a form by a reporting issuer shall not apply to the Issuer in respect of certain offerings of commercial mortgage pass-through certificates specified in the Merrill Decision.

6. In the Merrill Decision, the Issuer represented that it 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 in the Merrill Decision so as to include such additional certificates.

7. Since the date of the Merrill Decision, the Issuer has made two additional offerings of asset-backed securities, namely the LBC Certificates (as described below), and the C-5 Certificates (as described below).

8. The Merrill Decision contemplates the periodic application by the Issuer for a variation of the terms of the Merrill Decision to extend the relief granted thereby to such additional offerings. The Merrill Decision contemplates the extension of such relief to such additional offerings by means of periodic amendment to the defined term "Additional Certificates", which is defined to mean such certificates or classes of certificates as are listed in the schedule to the Merrill Decision (the "Schedule").

9. The Issuer is now seeking to vary the terms of the Merrill Decision, as contemplated by the Merrill Decision, by amending the definition of Additional Certificates to include the LBC Certificates (as described below), and the C-5 Certificates (as described below).

10. On January 23, 2001 the Issuer filed a short form prospectus and on January 24, 2001 the Issuer filed a prospectus supplement with each of the Canadian provincial securities regulatory authorities for the issuance of $187,680,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 229 conventional, fixed rate mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2001-LBC (the "LBC Certificates") and received receipts for such prospectus from each of the Canadian provincial securities regulatory authorities.

11. On May 11, 2001 the Issuer filed a short form prospectus and on May 15, 2001 the Issuer filed a prospectus supplement with each of the Canadian provincial securities regulatory authorities for the issuance of $221,990,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 55 conventional, fixed rate mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2001-Canada 5 (the "C-5 Certificates").

12. In order for the Issuer to continue to be permitted the continuous disclosure relief which was granted in the Merrill Decision, the Applicants request that the Merrill Decision be amended to include a reference to the LBC Certificates and the C-5 Certificates in the Schedule.

13. Except as noted in paragraph 1 of this Decision Document, all of the factual statements concerning the

Applicants that are contained in the Merrill Decision remain true as of the date hereof.

14. The Issuer is further seeking an amendment to the Merrill Decision to clarify certain ambiguous language therein. The inclusion of the words "may be required by the Legislation and/or" in paragraph 24 and the words "required by the Legislation and/or" in subparagraph 29(a) of the Merrill Decision may have the effect of making the Merrill Decision unclear in its meaning.

AND 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 pursuant to the Legislation that:

1. The Schedule to the Merrill Decision shall be amended by the deletion of the word "None", and the insertion of the following paragraphs:

   "1. $187,680,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 229 conventional, fixed rate mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2001-LBC".

   "2. $221,990,000 (initial certificate balance) of commercial mortgage pass-through certificates evidencing co-ownership interests in a pool of 55 conventional, fixed rate mortgage loans, designated as Commercial Mortgage Pass-Through Certificates, Series 2001-Canada 5".

2. Paragraph 24 of the Merrill Decision shall be amended by the deletion of the phrase "may be required by the Legislation and/or".

3. Subparagraph 29(a) of the Merrill Decision shall be amended by the deletion of the phrase "required by the Legislation and/or".

4. Paragraph 8 of the Merrill Decision shall be amended by the deletion of the word "firm" and the replacement of such deleted word with the word "first".

September 17, 2001.

"Paul Moore" "R. Stephen Paddon"

2.1.12 Fidelity Investments Canada Limited and Dow AgroSciences Canada Inc. - MRRS Decision

Headnote

MRRS Decision

Mutual fund dealer exempted from the Dealer Registration Requirement of the Legislation of the Jurisdictions for trades of common shares made by a mutual fund dealer, in its capacity as a group plan administrator of an employee retirement savings program of a corporation, for, or on behalf of, employees, former employees, spouses of employees, spouses of former employees, the EPSP, employee RRSPs and employee spouse RRSPs of the corporation.

Ontario Only- Director's Decision

Relief from "suitability" requirement in paragraph 1.5(1)(b) of OSC Rule 31-505, pursuant to section 4.1 of OSC Rule 31-505, that would otherwise arise as a result of the group plan administrator purchasing or selling common shares for, or on behalf of, the above-mentioned persons, subject to the above-mentioned persons receiving a corresponding acknowledgment or having been sent a corresponding notice and the group plan administrator not making any recommendation or giving any investment advice regarding the purchase and sale of common shares of the corporation.

Applicable Ontario Statute

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

Applicable Ontario Securities Commission Rule

Rule 31-505 "Conditions of Registration" (1999) 22 O.S.C.B. 731, ss. 1.5 and 4.1.

Staff Note:

Relief from the suitability requirement corresponding to that obtained in Ontario was not required in Manitoba, Quebec and Saskatchewan.

The relief was not required in Manitoba and Saskatchewan because the mutual fund dealer was advised that staff of these jurisdictions took the view that under their legislation an exemption from the "Dealer Registration Requirement", as defined in National Instrument 14-101, is interpreted as meaning the suitability requirement does not apply to "exempted trading activity" to be carried on by the registered mutual fund dealer.

Furthermore, relief from the suitability requirement was not required in Quebec since the mutual fund dealer is not registered as a mutual fund dealer with the Commission des valeurs mobilières du Québec, and therefore not subject to suitability requirements under Quebec's securities legislation.

Alberta has issued a separate decision exempting the applicant from the suitability requirement under Alberta's securities legislation.

IN THE MATTER OF
THE CANADIAN SECURITIES LEGISLATION
OF ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
FIDELITY INVESTMENTS CANADA LIMITED AND
DOW AGROSCIENCES CANADA INC.

MRRS DECISION DOCUMENT AND
DECISION OF THE DIRECTOR
UNDER SECURITIES LEGISLATION OF ONTARIO

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario and Quebec (the "Jurisdictions") has received an application from Fidelity Investments Canada Limited ("Fidelity") for a decision under the securities legislation of the Jurisdictions (the "Legislation"), that the requirement (the "Dealer Registration Requirement") in the Legislation that prohibits a person or company from trading in a security unless the person or company is registered in the appropriate category of registration under the Legislation shall not apply to certain trades in shares ("Common Shares") of common stock of The Dow Chemical Company ("Dow U.S."), to be made by Fidelity for, or on behalf of, persons that are Employees, Spouses of Employees, Former Employees, Spouses of Former Employees, the EPSP, Employee RRSPs and Employee Spouse RRSPs (as such terms are defined below) in its capacity as a group plan administrator of a retirement savings program (the "Program") of Dow AgroSciences Canada Inc. ("Dow Canada") (which includes the EPSP, Employee RRSPs and Employee Spouse RRSPs);

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 Fidelity has represented to the Decision Makers that:

1. Fidelity, a corporation continued under the laws of Ontario, is registered in all Jurisdictions as a dealer in the category of "mutual fund dealer" and is also, or will be, registered in certain Jurisdictions as an "adviser" in the categories of "investment counsel" and "portfolio manager".

2. Fidelity has applied for relief pursuant to the Legislation of the Jurisdictions (other than Quebec), exempting it from the requirements under the Legislation: (i) to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") on or after July 2, 2002; and (ii) to file with the MFDA an application for membership and corresponding fees for membership before the required date under the Legislation of the Jurisdictions. Fidelity, as of July 20, 2001, has obtained an exemption from these requirements under the securities legislation of Ontario and Alberta, however, corresponding orders or decisions have not been obtained under the Legislation of the other Jurisdictions.

3. Fidelity's registration under the Legislation of the Jurisdictions (other than Quebec) as a "mutual fund dealer" has been, or is expected to be, restricted to certain trades which are incidental to its principal business. The restricted trading activity includes trades by Fidelity to a participant in an employer-sponsored registered plan or other savings plan until the earlier of: (i) the assumption of such trading activity by Fidelity Retirement Services Company of Canada Limited ("New Fidelity"), a wholly-owned subsidiary of Fidelity; and (ii) July 2, 2002.

4. Fidelity intends on transferring its group plan administration of the Program to New Fidelity no later than July 2, 2002.

5. Dow Canada, a corporation incorporated under the laws of Canada, is not a reporting issuer (or the equivalent under the Legislation of the Jurisdictions) in any of the Jurisdictions.

6. Dow Canada develops, manufactures and markets products for pest management, agricultural production and other biotechnology products.

7. Dow Canada is a subsidiary of Dow U.S., a corporation incorporated under the laws of the State of Delaware.

8. Dow U.S. is a science and technology company that provides chemical, plastic and agricultural products and services to consumer markets.

9. Dow U.S. is not a reporting issuer (or the equivalent under the Legislation of the Jurisdictions) in any of the Jurisdictions.

10. The Common Shares are registered with the Securities and Exchange Commission in the United States of America (the "USA") under the Securities Exchange Act of 1934 and Dow U.S. is subject to the reporting requirements thereunder.

11. The Common Shares are listed and posted for trading on the New York Stock Exchange (the "NYSE").

12. Under the Program, Dow Canada selects mutual funds that persons (each an "Employee") who are employees of Dow Canada or designated affiliates of Dow Canada, and who participate in the Program, may purchase through payroll deductions or through lump sum payments.

13. Investments made by Employees under the Program are made through the following plans:

(i) an "employees profit sharing plan" (the "EPSP"), as defined in the *Income Tax Act* (Canada) (the "Tax Act"), that has been established for the benefit of persons who are Employees;

(ii) "registered retirement savings plans" (each, an "Employee RRSP"), as defined in the Tax Act, that have been established by or for the benefit of persons who are Employees;

(iii) "registered retirement savings plans" (each, an "Employee Spouse RRSP"), as defined in the Tax Act, that have been established by or for the benefit of persons (collectively, "Spouses") who are legally married to or are the "common law partners" (as defined in the Tax Act) of persons who are Employees;

14. Under the Program, Spouses of Employees are also permitted to invest amounts in their Employee Spouse RRSPs in certain mutual funds offered through Fidelity.

15. Under the Program, Dow Canada proposes to permit Employees to purchase Common Shares through the EPSP, their Employee RRSPs and their Employee Spouse RRSPs, and, to permit Spouses of Employees to purchase Common Shares through their Employee Spouse RRSPs.

16. Dow Canada also proposes to match a specified portion of an Employee's purchases of Common Shares under the Program. These matching contributions from Dow Canada are allocated by the Employee to the Employee RRSP, Employee Spouse RRSP or EPSP and may be invested as directed by the Employee in the mutual funds available in the Program and in Common Shares.

17. Under the Program, it is proposed that Fidelity carry out the following activities

(i) receive orders from Employees to purchase Common Shares (including Common Shares to be purchased with Dow Canada matching contributions or upon the automatic reinvestment of dividends paid in respect of Common Shares) on behalf of Employees through the EPSP or for their Employee RRSPs or for their Employee Spouse RRSPs;

(ii) receive orders from Spouses of Employees to purchase Common Shares (including Common shares to be purchased upon the automatic reinvestment of dividends paid in respect of Common Shares) for their Employee Spouse RRSPs;

(iii) receive orders from Employees, and from persons ("Former Employees") that were, but have since ceased to be, Employees, to sell Common Shares held on their behalf in the EPSP or through their Employee RRSPs;

(iv) receive orders from Spouses of Employees or Former Employees to sell Common Shares held through their Employee Spouse RRSPs;

(v) "match" the orders to purchase Common Shares, referred to in subparagraphs (i) or (ii), against orders to sell Common Shares, referred to in subparagraphs (iii) or (iv), with the offsetting purchases and sales (a "Matching Transaction") effected by way of book entries in the corresponding accounts maintained by Fidelity under the Program and the funds received in respect of the purchase remitted by Fidelity to the vendor;

(vi) transmit orders to purchase or sell Common Shares, referred to above, which are not effected in a Matching Transaction, either:

(a) for execution in a Jurisdiction through a registered dealer that is registered under the Legislation, in each of the Jurisdictions where the order is received and executed, as a dealer in a category that permits it to act as a dealer for the subject trade; or

(b) for execution through the facilities of the NYSE or another stockexchange outside of Canada through a person or company that is appropriately licensed to carry on the business of a broker/dealer under the applicable securities legislation in the jurisdiction where the trade is executed;

(vii) maintain books and records in respect of the foregoing, reflecting, among other things: all related payments, receipts, account entries and adjustments.

18. Records of Common Shares held under the Program on behalf of Employees, Former Employees, Spouses of Employees, Spouses of Former Employees, the EPSP, Employee RRSPs and Employee Spouse RRSPs (collectively, "Program Participants") will be maintained by Fidelity, and the Common Shares will be held by a custodian that is not affiliated with Fidelity, Dow U.S. or Dow Canada.

19. When an Employee becomes a Former Employee, the Former Employee, the EPSP in respect of the Former Employee, the Employee RRSP of the Former Employee, the Spouse of the Former Employee, and the corresponding Employee Spouse RRSP will not be permitted to make further purchases of Common Shares under the Program, other than Common Shares to be purchased upon the automatic reinvestment of dividends paid in respect of Common Shares, but, subject to time limitations in certain cases, the foregoing will be permitted to continue to hold, through the Program, Common Shares previously purchased on their behalf under the Program, to instruct Fidelity from time to time to sell Common Shares then held on their behalf by Fidelity, or to transfer such Common Shares to an account with another dealer.

20. To participate in the Program, Employees and Spouses of Employees must enrol through Fidelity by application, which may be completed: in writing; on the telephone, by way of a recorded call; or, through the Internet, by way of secure access to Fidelity's website.

21. Employees and Spouses of Employees who enrol in the Program on or after the effective date of this MRRS Decision will be required when completing the enrolment application to acknowledge that Fidelity will not be performing any "suitability" analysis with respect to any purchase or sale of Common Shares on their behalf, or on behalf of their spouse, under the Program: by signing the application form, where the application is completed in writing; orally, where the application is completed on the telephone; or, by making the appropriate selection on Fidelity's website, where the application is completed on the Internet.

22. Employees and Spouses of Employees that are enrolled in the Program and whose enrolment in the Program occurred on or prior to the effective date of this MRRS Decision will be sent, not less than 5 days before the effective date of this MRRS Decision, written or electronic notice from Fidelity (or Dow Canada on behalf of Fidelity) that Fidelity will not perform "suitability" analysis with respect to any purchase or sale of Common Shares on their behalf under the Program.

23. No Program Participant will be charged any trading commissions, fees, costs or other expenses in respect of the purchase or sale of any Common Shares on behalf of the Program Participant under the Program.

24. Except for ascertaining the "suitability" of trades made under the Program, Fidelity will comply with all other conditions or other requirements under the Legislation of each Jurisdiction that would be applicable to it as a mutual fund dealer if the Common Shares were shares or units of a mutual fund, with respect to any purchase, sale or holding of Common Shares, by Fidelity on behalf of Program Participants under the Program, including requirements relating to, but not limited to: capital requirements; record keeping; account supervision; segregation of funds and securities; confirmations of trades; "know your client"; and statements of account.

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

THE MRRS DECISION of the Decision Makers under the Legislation of each Jurisdiction is that on or after August 31, 2001 the following trades in a Jurisdiction shall not be subject to the Dealer Registration Requirement under the Legislation of the Jurisdiction:

(a) trades that are described in:

(i) paragraph 17 (i) or (ii),
(ii) paragraph 17 (iii) or (iv), and
(iii) paragraph 17 (v);

(b) trades that are described in:

(i) paragraph 17 (i) or (ii), and
(ii) paragraph 17 (vi)(a);

(c) trades that are described in:

(i) paragraph 17 (iii) or (iv), and
(ii) paragraph 17 (vi)(a);

(d) trades that are described in:

(i) paragraph 17(i) or (ii), and
(ii) paragraph 17(vi)(b); and

(e) trades that are described in:

(i) paragraph 17 (iii) or (iv), and
(ii) paragraph 17 (vi)(b),

PROVIDED THAT:

1. in the case of each trade in a Jurisdiction referred to in the above paragraphs (a) to (e), Fidelity is, at the time of the trade, registered under the Legislation of the Jurisdictions as a dealer in the category of "mutual fund dealer", and, the trade is made on behalf of Fidelity by a person that is registered under the Legislation to trade mutual funds on behalf of Fidelity as a salesperson or officer;

2. in the case of the trades described in clause (e):

(i) at the time of the trade, Dow U.S. is not a reporting issuer (or the equivalent) under the Legislation of the Jurisdiction;

(ii) at the time of the acquisition of the subject Common Shares by the selling Program Participant there was a *de minimis* market in the Jurisdiction (as defined below); and

(iii) the trade is executed:

(a) through the facilities of a stock exchange outside of Canada;
(b) on the Nasdaq Stock Market; or
(c) on the Stock Exchange Automated Quotation System of the London Stock Exchange Limited;

where, for the purposes of the above paragraph (ii) there shall be a *de minimis* market in a Jurisdiction if, at the relevant time:

(a) persons or companies whose last address as shown on the books of Dow U.S. was in the Jurisdiction and who held Common Shares:

(i) did not hold Common Shares representing more than 10 per cent of the outstanding Common Shares; and

(ii) did not represent in number more than 10 per cent of the total number of holders of the Common Shares; or

(b) persons or companies who were in the Jurisdiction and who beneficially owned Common Shares:

(i) did not beneficially own more than 10 per cent of the outstanding Common Shares; and

(ii) did not represent in number more than 10 per cent of the total number of holders of Common Shares;

3. this MRRS Decision will terminate upon the earlier of:

(i) the assumption of the activity referred to in paragraph 17 by New Fidelity; and

(ii) July 2, 2002.

August 1, 2001.

"Paul M. Moore" "R. Stephen Paddon"

DECISION OF THE DIRECTOR UNDER THE SECURITIES LEGISLATION OF ONTARIO

WHEREAS the Director of the Ontario Securities Commission (the "Director") has received an application from Fidelity for a decision of the Director, pursuant to section 4.1 of Ontario Securities Commission Rule 31-505 Conditions of Registration (the "Registration Rule"), that the requirements of paragraph 1.5(1)(b) of the Registration Rule (the "Suitability Requirements") to make enquiries of each Program Participant, that would otherwise arise as a result of Fidelity purchasing or selling Common Shares on behalf of the Program Participant, as described in the MRRS Decision above, to determine (a) the general investment needs and objectives of the Program Participants; and (b) the suitability of a proposed purchase or sale of Common Shares for the Program Participants, do not apply to Fidelity, subject to certain terms and conditions;

AND WHEREAS Fidelity has made to the Director the same representations referred to in the above MRRS Decision;

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

IT IS THE DECISION of the Director, pursuant to section 4.1 of the Registration Rule, that, effective on the effective date of the above MRRS Decision, the Suitability Requirements contained in paragraph 1.5(1)(b) of the Registration Rule shall not apply to Fidelity as a result of Fidelity purchasing or selling Common Shares on behalf of the Program Participant, as described in the above MRRS Decision, provided that, in the circumstances of each such purchase or sale:

(i) the Program Participant, or, in the case of a Program Participant that is the EPSP, an Employee RRSP or an Employee Spouse RRSP, the corresponding Employee or Spouse, has given the corresponding acknowledgement or has been sent the corresponding notice, referred to in paragraphs 21 or 22 of the above MRRS Decision; and

(ii) Fidelity does not make any recommendation or give any investment advice with respect to the purchase or sale.

AND PROVIDED ALSO THAT, this Director's Decision will terminate upon the earlier of:

(i) the assumption of the activity referred to in paragraph 17 of the above MRRS Decision by New Fidelity; and

(ii) July 2, 2002.

August 1, 2001.

"Randee Pavalow"

2.1.13 Kensington Securities Inc. - Decision

Headnote

Section 4.1 of O.S.C. Rule 31-507 SRO Membership – Securities Dealers and Brokers - Security dealer exempted from the requirement that it be a member of a self-regulatory organization under section 21.1 of the Act, for an interim period, pending the change in its category of registration to "limited market dealer".

Statute Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 21.1.

Rules Cited

O.S.C. Rule 31-507 SRO Membership – Securities Dealers and Brokers, ss. 1.1(1), 4.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION
RULE 31-507 SRO MEMBERSHIP-
SECURITIES DEALERS AND BROKERS (the "Rule")

AND

IN THE MATTER OF
KENSINGTON SECURITIES INC.

DECISION
(Section 4.1 of the Rule)

UPON the Director having received an application (the "Application") from Kensington Securities Inc. ("Kensington") seeking a decision pursuant to section 4.1 of the Rule to exempt Kensington from the application of subsection 1.1(1) of the Rule, which would require that Kensington be a member of a self-regulatory organization recognized by the Ontario Securities Commission (the "Commission") under section 21.1 of the Act;

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

AND UPON Kensington having represented to the Director that:

1. Kensington is registered under the Act as a dealer in the category of "securities dealer";

2. Kensington's registration under the Act as a dealer in the category of "securities dealer" was subject to renewal on August 1, 2001 (the "Renewal Date");

3. in the absence of this Decision, subsection 1.1(1) and section 2.2 of the Rule would have the effect of requiring that, on or before the Renewal Date, Kensington be a member of the Investment Dealers Association of Canada or the Mutual Fund Dealers Association of Canada, in order to be registered under the Act as a "securities dealer";

4. Kensington intends to apply to change its category of registration under the Act as a dealer from "securities dealer" to "limited market dealer";

5. Kensington does not now hold any client funds or client securities and has not held any client funds or client securities since the Renewal Date;

6. since the Renewal Date, any trading activity engaged in by Kensington pursuant to its registration under the Act as a "securities dealer" has been restricted to trading activities which would be permitted a dealer pursuant to the registration of the dealer as a "limited market dealer", in accordance with section 2.1 of Ontario Securities Commission Rule 31-503 B Limited Market Dealers; and

7. any future trading activities to be engaged in by Kensington, pursuant to its registration under the Act as a "securities dealer" will, until its category of registration is changed from "securities dealer" to "limited market dealer", be restricted to trading activities which would be permitted a dealer pursuant to the registration of the dealer under the Act as a "limited market dealer", in accordance with section 2.1 of Ontario Securities Commission Rule 31-503 - Limited Market Dealers;

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

IT IS THE DECISION of the Director, pursuant to section 4.1 of the Rule, that, effective the Renewal Date, Kensington is exempt from the requirements of subsection 1.1(1) of the Rule, provided that this exemption shall terminate on the date that is the earlier of:

A. the date that Kensington obtains registration under the Act as a dealer in the category "limited market dealer"; or

B. September 30, 2001.

August 31, 2001.

"Peggy Dowdall-Logie"

2.1.14 Patica Securities Inc. - Decision

Headnote

Section 4.1 of O.S.C. Rule 31-507 – SRO Membership – Securities Dealers and Brokers – securities dealer exempted from the requirements of the Rule that it be a member of a self-regulatory organization ("SRO") under section 21.1 of the Securities Act (Ontario), while IDA membership under review until the earlier of the date IDA membership is granted or January 1, 2002.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B. 16.
Securities Act, R.S.O. 1990, c. S.5, as am. S. 21.1.

Rules Cited

O.S.C. Rule 31-507 – SRO Membership – Securities Dealers and Brokers, ss. 1.1(1), 4.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 31-507
SRO MEMBERSHIP – SECURITIES DEALERS AND BROKERS (the "Rule")

AND

IN THE MATTER OF
PATICA SECURITIES INC.

DECISION
(Section 4.1 of the Rule)

UPON the Director having received an application (the "Application") from Patica Securities Inc. ("Patica") seeking a decision pursuant to section 4.1 of the Rule to exempt, until December 31, 2001, Patica from the application of subsection 1.1(1) of the Rule, which would require that Patica be a member of a self-regulatory organization ("SRO") recognized by the Ontario Securities Commission (the "Commission") under section 21.1 of the Act;

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

AND UPON Patica having represented to the Director that:

1. Patica is a corporation incorporated under the *Business Corporations Act* (Ontario) and is not a reporting issuer in any of the provinces or territories of Canada or in any other jurisdiction;

2. Patica is registered under the Act as a dealer in the category of "securities dealer";

3. Patica's registration under the Act as a dealer in the category of "securities dealer" was subject to renewal on September 9, 2001 (the "Renewal Date");

4. in the absence of this Decision, subsection 1.1(1) and section 2.2 of the Rule would have the effect of requiring that, on or before September 9, 2001, Patica be a member of the Investment Dealers Association of Canada (the "IDA") or the Mutual Fund Dealers Association of Canada ("MFDA"), in order to be registered under the Act as a "securities dealer";

5. by letter dated July 3, 2001, Patica applied for membership in the IDA, which application is currently under review by the IDA;

6. it is unlikely that the IDA will be in a position to complete its review of Patica's application for membership prior to the Renewal Date;

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

IT IS THE DECISION of the Director, pursuant to section 4.1 of the Rule, that Patica, effective September 9, 2001, is hereby exempt from the requirement of subsection 1.1(1) of the Rule to be a member of a SRO recognized by the Commission under section 21.1 of the Act, provided that this exemption will terminate on the earlier of the date that Patica's membership in the IDA is approved or January 1, 2002.

September 18, 2001.

"Peggy Dowdall-Logie"

2.2 Orders

2.2.1 UniLink Tele.com Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since June 22, 1999 and in Alberta since November 26, 1999 - issuer listed and posted for trading on the Canadian Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 83.1(1).

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

AND

IN THE MATTER OF
UNILINK TELE.COM INC.

ORDER
(Subsection 83.1(1))

UPON the application of UniLink Tele.com Inc. (the "Company") for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purposes of Ontario securities law;

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

AND UPON the Company representing to the Commission as follows:

1. The Company was incorporated under the Company Act (British Columbia) on March 2, 1999.

2. The head office of the Company is located at 3390 Midland Avenue, Unit 11, Scarborough, Ontario. The address for the registered and records office of the company is Suite 1750 - 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

3. The authorized capital of the Company consists of 100,000,000 common shares of which 28,719,000 common shares are issued and outstanding as at August 31, 2001.

4. The Company has 21,000,000 common shares of the Company or approximately 73% of the total issued common shares of the Company registered to residents of Ontario, whose last address on the Company's register of shareholders was in Ontario, as at August 31, 2001.

5. The Company is a reporting issuer under the Securities Act (British Columbia) (the "BC Act") since June 22, 1999 and became a reporting issuer under the Securities Act (Alberta) (the "Alberta Act") on November 26, 1999 as a result of the merger of the Vancouver Stock Exchange and the Alberta Stock Exchange to form the Canadian Venture Exchange ("CDNX"). The Company is not in default of any requirements of the BC Act and Alberta Act.

6. The Company is not a reporting issuer in Ontario, and is not a reporting issuer, or equivalent, in any other jurisdiction, except British Columbia and Alberta.

7. The Company was listed as a capital pool company on the CDNX, but completed its Qualifying Transaction, as defined under Policy 2.4 of the CDNX, on October 16, 2001, and therefore is no longer designated a capital pool company under the policies of the CDNX.

8. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.

9. The continuous disclosure materials filed by the Company under the BC Act since June 22, 1999 and under the Alberta Act since November, 1999 are available on the System Electronic Document Analysis and Retrieval.

10. The common shares of the Company are listed on the CDNX, and the Company is in compliance with all requirements of the CDNX.

11. The Company has not been subject to any penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and has not entered into any settlement agreement with any Canadian securities regulatory authority.

12. Neither the Company nor any of its officers, directors nor, to the knowledge of the Company, its officers and directors, any of its controlling shareholders, has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13. Neither the Company nor any of its officers, directors, nor to the knowledge of the Company, its officers and directors, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with

creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

14. None of the officers or directors of the Company, nor to the knowledge of the Company, its officers and directors, any of its controlling shareholders, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

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

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Company be deemed a reporting issuer for purposes of the Act.

September 7, 2001.

"Paul Moore" "R.Stephen Paddon"

2.2.2 New Bullet Group Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since March 7, 1985 and in Alberta since November 26, 1999 - issuer listed and posted for trading on the Canadian Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 83.1(1).

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

AND

IN THE MATTER OF
NEW BULLET GROUP INC.

ORDER
(Subsection 83.1(1))

UPON the application of New Bullet Group Inc. (the "Issuer") for an order pursuant to subsection 83.1(1) of the Act deeming the Issuer to be a reporting issuer for the purposes of Ontario securities law;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the "Commission");

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

1. The Issuer was incorporated on November 6, 1981 under the name "Bullet Energy Ltd." by filing a Memorandum and Articles with the Registrar of Companies under the *Company Act* (British Columbia). It changed its name to "The Bullet Group, Inc." on March 7, 1985; to "Consolidated Bullet Group, Inc." on August 7, 1992; and to "New Bullet Group Inc." on September 4, 1996.

2. The Issuer has been a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act") since March 7, 1985, and became a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") on November 26, 1999 as a result of the merger of the Vancouver Stock Exchange and the Alberta Stock Exchange to form the Canadian Venture Exchange (the "CDNX").

3. The Issuer is not in default of any of the requirements of the BC Act or the Alberta Act and the Issuer is in compliance with all the requirements of the CDNX.

4. The Issuer is not a reporting issuer in Ontario or in any other jurisdiction, other than B.C. and Alberta.

5. The authorized capital stock of the Issuer consists of 100,000,000 common shares without par value.

6. As at August 31, 2001, 11,838,346 common shares, 450,000 options, and 375,000 warrants to purchase common shares of the Issuer were outstanding. As at August 31, 2001, 9,192,789 common shares representing 77.65% of the Issuer's outstanding common shares were registered to residents in Ontario.

7. The common shares of the Issuer are listed on the Canadian Venture Exchange and the Issuer is in compliance with all requirements of the CDNX.

8. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.

9. The continuous disclosure materials filed by the Issuer under the BC Act and the Alberta Act are available on the System for Electronic Document Analysis and Retrieval.

10. The Issuer is not a capital pool company as defined in the policies of the CDNX.

11. Neither the Issuer nor any of its current officers, directors or controlling shareholders has (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

12. Neither the Issuer nor any of its current officers, directors or controlling shareholders is subject to any (i) known ongoing or concluded investigations by any Canadian securities regulatory authority or any court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver manager or trustee, within the preceeding ten years.

13. No director, officer or controlling shareholder of the Issuer is or has been, within the preceeding ten years, a director or officer of any other issuer which has been the subject of, (i) any cease-trade or similar order, or order that denied access to any exemption under Ontario securities law, for a period of more than thirty consecutive days; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver manager or trustee.

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

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Issuer is deemed to be a reporting issuer for the purposes of Ontario securities law.

September 14, 2001.

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

2.2.3 CA-Network Inc. - s. 144

Headnote

Section 144 - revocation of cease trade order upon remedying, to the extent possible, 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, c.S.5 (the "Act")

AND

IN THE MATTER OF
CA-NETWORK INC.
(the "Issuer")

ORDER
(Section 144)

WHEREAS on July 5, 1979 the Ontario Securities Commission (the "Commission") pursuant to the predecessor to section 6 of the Act assigned to the Director (as that term is defined in the predecessor to subsection 1(1) of the Act) the powers of the Commission under the predecessor to section 127 of the Act, to be exercised only where a reporting issuer has failed to file financial statements, auditors' reports thereon, or interim financial statements required to be filed under the predecessor to Part XVIII of the Act;

AND WHEREAS the securities of CA-Network Inc. (the "Issuer") are subject to a Temporary Order of the Director dated April 3, 2001 under paragraph 127(1)2 and subsection 127(5) of the Act extended by the Order of the Director dated April 12, 2001 (collectively referred to as the "Cease Trade Order") directing that trading in the securities of the Issuer cease;

AND WHEREAS the Issuer has made application to the Commission pursuant to section 144 of the Act for an order revoking the Cease Trade Order;

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

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

1. The Issuer is a reporting issuer under the Act and except for the Cease Trade Order, the Issuer is not in default with the financial and continuous disclosure requirements of the Act and the regulations made thereunder;

2. The authorized capital of the Issuer consists of an unlimited number of common shares of which 20,766,275 are issued and outstanding as at the date hereof;

3. The Cease Trade Order was issued as a result of the Issuer's failure to file with the Commission audited annual statements for the year ended October 31, 2000 (collectively, the "Financial Statements") and interim statements for the three month period ended January 31, 2001 (the "Interim Statements") as required by the Act or sent to the shareholders of the Issuer because the Issuer was inactive;

4. The Financial Statements for the year ended October 31, 2000 were filed with the Commission via SEDAR on August 23, 2001, and the Interim Statements for the periods ended January 31, 2001 and April 30, 2001 were filed on July 12, 2001;

5. The Financial Statements and the Interim Statements were mailed to the shareholders of the Issuer on August 28, 2001;

6. Except for the Cease Trade Order, the Issuer is not otherwise in default of any of the requirements of the Act or the Regulation; and

7. The Issuer has been subject to previous cease trade orders issued by the Commission, in 1987, 1988 and 1991.

AND UPON the Commission being satisfied that the Issuer is now current with the financial disclosure requirements under Part XVIII of the Act;

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

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order be revoked.

September 7, 2001.

"John Hughes"

2.2.4 Walters Consulting Corporation - 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
WALTERS CONSULTING CORPORATION

ORDER
(Section 144)

WHEREAS the securities of

WALTERS CONSULTING CORPORATION (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 25 day of May, 2001, as extended by a further order (the "Extension Order") of a Director, made on the 8 day of June, 2001, 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.

September 5, 2001.

"John Hughes"

2.3 Rulings

2.3.1 Euro American Capital Corporation - ss. 74(1)

Headnote

Subsection 74(1) of the Act- U.S. broker-dealer establishing office in Toronto exempt from subsection 25(1) of the Act, subject to certain conditions, solely for the purpose of performing initial telephone prospecting for interested U.S. investors, sending information packages to prospective U.S. investors and assisting clients by answering questions regarding the documentation sent to them.

Statutes Cited

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

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

AND

IN THE MATTER OF
EURO AMERICAN CAPITAL CORPORATION

RULING
(Subsection 74(1) of the Act)

UPON the application (the "Application") of Euro American Capital Corporation (the "Applicant") to the Ontario Securities Commission (the "Commission"), pursuant to subsection 74(1) of the Act, for an exemption from the registration requirements in subsection 25(1) of the Act, in relation to the Applicant's proposed establishment of an office based in Toronto, Ontario (the "Toronto Office") and the proposed activities of the employees of the Toronto Office, subject to certain terms and conditions;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated under the laws of the State of Texas in 1997 and is resident in the United States.

2. The Applicant is currently registered in good standing as a broker/dealer with the United States Securities and Exchange Commission (the "SEC") and in most of the States of the United States, and is a member in good standing of the National Association of Securities Dealers (the "NASD").

3. The Applicant is not registered in any capacity with any securities regulatory authorities in Canada.

4. The Applicant's head office is located in Plano, Texas (the "Head Office"). The Applicant maintains all NASD mandated client account records at this location, with NASD mandated copies at the Toronto location, and this office is where its principal compliance personnel are based, where all new accounts are qualified, where all of its salespersons are registered and where all of its sales are consummated.

5. The Applicant offers and distributes investment products, pursuant to private placement exemptions to the U.S. registration statement/prospectus requirements, only to U.S. domiciled, high net worth, sophisticated investors.

6. Based on the nature of the Applicant's business and its geographically diverse U.S. client base, its sales are almost exclusively completed via telephone. Sales are also completed by investors returning completed sales documentation and funds to the Head Office for processing.

7. Staff in the Applicant's Toronto Office will deal only with U.S. resident investors. Activities will consist only of telephone prospecting, sending of information packages to prospective investors and assisting clients by answering basic questions concerning completion of documents and content of the information packages. All sales consummation and account administration activities would be handled through the Head Office.

8. The Toronto Office will be registered with the NASD as a branch office of the Applicant and each of the telephone prospecting employees in that office will be required to pass the NASD administered securities examinations.

9. The Toronto Office, and all activities of Toronto Office employees, will be subject to the regulatory requirements of the SEC and the NASD. Primary compliance oversight for the Toronto Office will be the responsibility of the Head Office, which is also subject to SEC and NASD review.

10. The Applicant does not currently, and does not intend to, market to or solicit residents of Ontario or Canada, and no securities sales will take place in Canada.

11. The Applicant desires to establish and operate the Toronto Office solely for economic reasons, as the Applicant believes that it can attract qualified staff and access other resources at lower costs than in the United States.

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

IT IS RULED, pursuant to subsection 74(1) of the Act, that subsection 25(1) of the Act shall not apply to the Applicant in relation to its establishment and operation of an office in the City of Toronto, Ontario, and, will not apply to the proposed activities of the Applicant's employees in the Toronto Office, provided that:

(a) the Applicant and the Applicant's Toronto Office employees, shall perform only activities

described in paragraph 7 above or activities incidental thereto;

(b) the activities listed in paragraph (a) shall be restricted to investors that are residents of the United States;

(c) the Applicant and its employees shall not solicit or sell securities to any residents of Ontario without first obtaining registration as a dealer in Ontario; and

(d) the Applicant remains registered in good standing as a broker-dealer with the SEC and the NASD and remains registered with the securities regulatory authority in each jurisdiction where it solicits or sells securities.

September 7, 2001.

"Paul M. Moore" "R. Stephen Paddon"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Decisions

3.1.1 John David Bushell

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

AND

**IN THE MATTER OF
THE APPLICATION FOR
REINSTATEMENT OF REGISTRATION OF
JOHN DAVID BUSHELL**

**HEARING BEFORE THE DIRECTOR
PURSUANT TO SUBSECTION 26(3) OF THE SECURITIES ACT**

HELD ON: OCTOBER 12, 2000

HELD AT: Ontario Securities Commission
20 Queen Street West
17th Floor
Toronto, Ontario

HELD BEFORE: WILLIAM R. GAZZARD
Director
Capital Markets

APPEARANCES: KATHRYN J. DANIELS For the Staff of the Commission

JOHN D. BUSHELL Representing himself

REASONS

The decision of the Director in this matter was to refuse the application of Mr. John David Bushell for reinstatement of his registration as a salesperson to act on behalf of Bank of Montreal Investor Services Limited ("BOMIS"). This decision was issued on January 26, 2001. The following are the reasons for the decision:

BACKGROUND

At the time of the hearing the applicant was employed by BOMIS. He was previously employed as a salesperson at A.C. MacPherson and Company, Inc. ("MacPherson") from February, 1999 until February, 2000. His registration as a salesperson was suspended on February 7, 2000 as a result of his resignation from MacPherson. Mr. Bushell was ill and did not work from December, 1999 until his resignation in February, 2000. Prior to becoming a salesperson, Mr. Bushell was employed by MacPherson as a telemarketer commencing in October or November, 1998. MacPherson was an investment dealer and a member of the Investment Dealers Association (I.D.A.) whose registration was terminated by the Ontario Securities Commission (the "Commission") by an order dated April 6, 2000 pursuant to section 127 of the *Securities Act* (Ontario) (the "Act").

The suspension of Mr. Bushell's registration remains in effect until notice of employment is received from another dealer and reinstatement of registration is approved by the Director in accordance with subsection 25(2) of the Act. The first of these conditions has been satisfied; however, Staff of the Registration Branch of the Commission opposed reinstatement of the applicant's registration. Accordingly, a hearing was convened before the Director on October 12, 2000 pursuant to subsection 26(3) of the Act.

EVIDENCE

Mr. Bushell gave the only testimony presented at the hearing. He testified that he commenced his employment with MacPherson as a telemarketer. He became registered as a salesperson in February, 1999, and assumed the role of a "junior" salesperson at MacPherson. As a salesperson, he cold-called clients from lead cards generated by the telemarketing department of MacPherson. His job was primarily to inquire about the sale of a single security chosen by the firm and which the firm owned as principal at the time. He would sell a single security for up to a month. Once a sale was made, Mr. Bushell testified that the client information, including the know-your-client form and client mailing details, were passed on by the trading manager to a "senior" salesperson who would then act as the client's broker. Once the client had been passed on to a "senior" salesperson, Mr. Bushell had no further contact with the client. Mr. Bushell testified that he earned commissions at the rate of 15% on sales to a client if the sale was from a principal position held by the firm, and at a rate of 7½ % on subsequent sales from principal trades made by "seniors" where the senior salesperson sold the client securities from a principal position. Agency trades made by Mr. Bushell generated a commission of 1% of the value of the sale.

Mr. Bushell testified that he did not know how the prices of the securities he sold from principal positions were determined except that they were set through a dealer market. Furthermore, he stated that he made no effort to investigate how prices were set. However, he acknowledged that on occasion, when MacPherson moved from marketing one security to the next, both the volume of trading of the security no longer being sold and the price would drop.

Mr. Bushell testified that he was aware of the large mark-ups, in excess of 100%, on securities, which he sold from the firm's principal positions. He also acknowledged that in making recommendations to a client, a salesperson must carefully analyze client information and the quality of the security being sold.

Mr. Bushell testified that he completed know-your-client forms, performed suitability screening on clients, periodically declined unsuitable clients, advised clients that the securities he was selling were being sold from a principal position and were high-risk securities, and was not involved in high pressure sales practices.

SUMMARY OF THE APPLICANT'S SUBMISSIONS

Mr. Bushell argued that the moment he became employed by MacPherson he was "doomed" and his career was put in jeopardy. He submitted that he was placed in a situation where his integrity would be questioned through no fault of his own, given that the problems at MacPherson began before he joined the firm. Mr. Bushell submitted that he had applied for employment at MacPherson because it was a member of the Investment Dealers Association and as such he expected that it was a reputable firm. As well, he submitted that he had no reason to believe that anything untoward was being done at MacPherson until the moment where he learned, through the Canada Newswire, of the Commission's action against MacPherson.

Mr. Bushell testified that he first learned of the Commission's investigation of MacPherson through the Canada Newswire when he was at home due to illness. He stated that this news prompted him to return to work so that he could assess the situation, and that he did not engage in any sales at that time. Mr. Bushell submitted that he believed that it would have been wrong to engage in sales through MacPherson under the circumstances, and thus he asked MacPherson for a release.

He submitted that no evidence had been introduced that established that his sales practices were inappropriate and that, in fact, they were appropriate. Mr. Bushell submitted that he did not engage in high-pressure sales practices. He stated that he would decline people where the securities being sold did not accord with their financial needs. As well, he stated that he did not know that the stocks he was selling were being manipulated by MacPherson. Finally, Mr. Bushell submitted that he did not act in a wilfully blind manner.

SUMMARY OF STAFF'S SUBMISSIONS

Ms. Daniels stated that Staff of the Commission recommended that Mr. Bushell not be registered at this time. She submitted that for the Director to come to the same conclusion, Staff must demonstrate that Mr. Bushell is either not fit for registration, or that his registration is otherwise objectionable.

Ms. Daniels submitted that under securities legislation, both salespersons and dealers who employ salespersons have an obligation to act honestly, fairly, and in good faith toward their clients. She submitted that in the decisions of the Commission in Price Warner Securities (2000), 23 OSCB 5653 and Gordon-Daly Grenadier Securities (Re) ("Gordon-Daly) (2000), 23 OSCB 5541, the practice of selling securities to clients at excessive mark-ups was found to be a failure to deal honestly, fairly, and in good faith with a client.

Ms. Daniels submitted that Mr. Bushell was wilfully blind as to what was going on at MacPherson. In that regard, Ms. Daniels referred to the Director's Decision in Jaynes (Re) (2000), 23 OSCB 1543, and the conclusion reached by Ms. Wolburgh-Jenah that wilful blindness is not a proper and compelling defence.

Ms. Daniels asked the Director to find that Mr. Bushell, by not acting in his clients' best interests, failed to act honestly, fairly, and in good faith towards his clients and, therefore, is not fit for registration.

DIRECTOR'S FINDINGS

As a registrant, Mr. Bushell was subject to Part 2.1 of OSC Rule 31-505 and was under an obligation to act fairly, honestly, and in good faith with his clients. In my view, Mr. Bushell failed to met this obligation in two related ways.
First, he sold securities to clients at excessive mark-ups. In this regard, I accept the proposition set out in Gordon-Daly which states that, "Principal sales by a dealer at excessive mark-ups, especially when the dealer is able to set the selling price because it is a party to most of the trades in the securities, just cannot be considered to be fair dealing or in the interests of clients."

Mr. Bushell admitted that most of the sales he made to clients were from a principal position and the mark-ups on those securities were often in excess of 100%. I find the size of these mark-ups to be analogous to those in the Gordon-Daly decision which were found to constitute excessive mark-ups; therefore, the sales were not in the best interests of his clients.

Essentially, Mr. Bushell's defence was that he assumed that the mark-ups resulted from prices set by the market, and that as a result they were appropriate. In effect, he denies knowing that such mark-ups were excessive. Even if I accept Mr. Bushell's statement that he did not realize that the mark-ups were excessive, the view of the Commission as set out in the Gordon-Daly settlement does not require that the registrant believe that mark-ups were excessive in order to find that he or she did not act in the best interests of his or her clients. In my view, being unaware that such mark-ups are excessive is not an appropriate defense.

I accept Staff's submission that Mr. Bushell was wilfully blind that the mark-ups made by MacPherson were excessive. Mr. Bushell had been at the firm for 14 months and had been employed as both a telemarketer and a "junior" salesperson; he was or should have been aware of the firm's methods of operation and sales practices. As well, Mr. Bushell admitted that he knew that after a period of time, when the promotion of particular securities by MacPherson had ceased, the volume of trading and the price of the securities fell. He was also aware of the remarkable size of the mark-ups and the high commission he was paid to sell such securities and he either knew or ought to have known that this diverged from the industry standard. The *Jaynes* decision provides that, "Wilful blindness is not a proper or compelling defence," and I would add that this particularly applies where wilful blindness is motivated by financial gain.

Mr. Bushell also failed to act in accordance with his duties as a registered salesperson by neglecting to determine the suitability of the securities he was selling to his clients. Mr. Bushell stated that he simply sold the securities that he was told to sell by MacPherson without doing any analysis to determine if these securities represented an appropriate investment for individual clients. In the circumstances, the suitability obligation included an inquiry into how prices of securities were set and their appropriateness for particular clients, taking into account the prices being paid.

While I accept that Mr. Bushell did not act dishonestly or fraudulently, neither did he meet the standard of conduct required of a registrant while at MacPherson, and thus I have decided against allowing reinstatement of Mr. Bushell's registration at this time. However, in the interests of fairness I will provide some guidance as to actions that Mr. Bushell could take which would incline me to look favourably upon his application were he to reapply and were the matter to come before me. First, as noted in Re Jaynes (2000), 23 OSCB 1543 and RE Curia (2000) 23 OSCB 7505, this is a case, where, in my opinion, it is would be of benefit for the applicant to have a period of reflection and to spend time in an environment which has well-established compliance procedures. However, given that Mr. Bushell has been unregistered for a year and has been employed with BOMIS, he has in my view spent sufficient time away from the industry. Second, Mr. Bushell would strengthen a future application by retaking and successfully completing the Conduct and Practices Handbook course. Mr. Bushell should also be prepared to demonstrate good conduct during the period while his registration was suspended. Finally, he should be made aware that in relation to any future application for reinstatement that he may elect to file, the Director responsible for considering the application may decide that additional remedial terms and conditions be placed on his registration.

June 30, 2001.

"William R. Gazzard"

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Chase Resource Corporation	31 Aug 01	12 Sep 01	14 Sep 01	-
National Health Stores Inc.	05 Sep 01	17 Sep 01	18 Sep 01	-
Borealis Exploration Limited	13 Sep 01	25 Sep 01	-	-
ITI Education Corporation	18 Sep 01	28 Sep 01	-	-

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Dotcom 2000 Inc.	29 May 01	11 Jun 01	11 Jun 01	-	23 Jul 01
St. Anthony Resources Inc.	29 May 01	11 Jun 01	11 Jun 01	23 Jun 01	-
Galaxy OnLine Inc. Melanesian Minerals Corporation	29 May 01	11 Jun 01	11 Jun 01	24 Jul 01	-
Brazilian Resources, Inc. Link Mineral Ventures Ltd. Nord Pacific Limited	30 May 01	12 Jun 01	12 Jun 01	-	23 Jul 01
Landmark Global Financial Corp.	30 May 01	12 Jun 01	12 Jun 01	28 Jun 01	-
Dominion International Investments Inc.	12 Jun 01	25 Jun 01	25 Jun 01	-	23 Jul 01
Zamora Gold Corp.	13 Jun 01	26 Jun 01	26 Jun 01	18 Jul 01	-
Consumers Packaging Inc.	20 Jun 01	03 Jul 01	-	05 Jul 01	-
Systech Retail Systems Inc.	27 Jun 01	10 Jul 01	10 Jul 01	23 Aug 01	-
United Trans-Western, Inc.	05 Jul 01	18 Jul 01	19 Jul 01	-	23 Jun 01
Digital Duplication Inc.	10 Jul 01	23 Jul 01	23 Jul 01	24 Aug 01	-
Online Direct Inc.	22 Aug 01	04 Sep 01	04 Sep 01	-	-
Aquarius Coatings Inc.	23 Aug 01	05 Sep 01	06 Sep 01	-	-

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Primenet Communications Inc.	29 Aug 01	11 Sep 01	11 Sep 01	-	-
Unirom Technologies Inc. Zaurak Capital Corporation	30 Aug 01	12 Sep 01	12 Sep 01	-	-
Galaxy Online Inc.	14 Sep 01	27 Sep 01	-	-	-

4.3.1 Lapsed Cease Trading Orders

Company Name	Date of Lapse/Expire
David S. Reid Limited	14 Sep 01
Minpro International Ltd.	19 Sep 01

Chapter 5

Rules and Policies

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 6

Request for Comments

6.1.1 NP 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement

NOTICE

PROPOSED NATIONAL POLICY 46-201 ESCROW FOR INITIAL PUBLIC OFFERINGS AND FORM 46-201F ESCROW AGREEMENT AND RECISSION OF ONTARIO SECURITIES COMMISSION POLICY 5.9

Effective today, the Commission, together with other members of the Canadian Securities Administrators (CSA), is publishing for comment National Policy 46-201 *Escrow for Initial Public Offerings.*

Background

The CSA believes that a simplified, uniform national approach to escrow promotes greater efficiency and places issuers, principals and public investors in different jurisdictions on a more level footing. As such, the CSA determined to develop a national escrow policy that would apply to initial public offerings by prospectus (IPOs). To achieve its objective, the policy would have to appropriately balance the regulatory objectives of facilitating capital formation in Canada and protecting investors. Further, it would have to be clear, consistent, understandable and administratively efficient.

The CSA considered the objectives and role of escrow requirements in the context of IPOs. The fundamental objective of escrow requirements is to encourage continued interest and involvement in an issuer, for a reasonable period after its IPO, by those principals whose continuing role would be reasonably considered relevant to an investor's decision to subscribe to the issuer's IPO. The CSA determined that many of the factors and assessments often associated with escrow such as controlling cheap stock are more properly addressed by underwriters appropriately exercising their responsibilities related to IPO pricing and timing.

In May 1998, the Commission, together with the other members of the CSA, published for comment a proposal for uniform terms of escrow applicable to IPOs ((1998), 21 OSCB 2927). After that time, issuers conducting IPOs could choose to follow either the proposed uniform escrow regime or the escrow policy in effect in their own jurisdictions.

On March 17, 2000, the CSA published CSA Notice 46-301 *Proposal for Uniform Terms of Escrow Applicable to Initial Public Distributions* describing a revised proposal for an IPO escrow regime and permitting issuers to use it at their option ((2000), 23 OSCB 1936). The 2000 proposal encompassed several fundamental changes to the 1998 proposal in response to comments which we received. The changes were identified in the Notice.

After publishing the 1998 and 2000 proposals, we received requests to approve amendments to existing escrow agreements to permit the release of escrow securities on the terms in those proposals. On June 15, 2001, we published CSA Notice 46-302 *Consent to Amend Existing Escrow Agreements* permitting, on certain conditions, escrow agreements which predate the 2000 proposal to be amended to reflect the release terms contained in that proposal.((2001), 24 OSCB 3583).

The proposed National Policy replaces CSA Notices 46-301 and 46-302.

Local Escrow Policies

In exercising his/her discretion under s. 61(2)(f) of the Act, the Director will permit an issuer to follow the proposed National Policy pending its adoption by the Commission. During this period, an industrial issuer may also follow OSC Policy 5.9 - *Escrow Guidelines - Industrial Issuers*. The Commission intends to rescind OSC Policy 5.9 at the end of this period and will request that the Lieutenant Governor in Council revoke section 79 and Forms 17 and 18 of the Regulation made under the Securities Act.

Certain other Canadian jurisdictions have maintained their local escrow policies on an interim basis while others have not. Therefore, until the National Policy is adopted on a permanent basis, the securities regulator in a particular province may permit issuers conducting IPOs in that province to rely on either the proposed National Policy or the province's local escrow policy. Please see each local notice announcing the publication of the proposed National Policy to determine whether a particular local policy is still in effect.

If an issuer wishes to follow a local escrow policy and proposes to offer securities in more than one jurisdiction, CSA members will apply mutual reliance principles.

National Policy

We, together with market participants, have considered the 2000 proposal since the publication of CSA Notice 46-301. The proposed National Policy contains substantially the same terms as the 2000 proposal. However, a limited number of changes have been made in response to comments we received on the 1998 proposal and on the basis of additional research which has been conducted since that time. The more important changes are set out below.

- The "exempt issuer category" has been expanded to include an issuer which has a market capitalization of at least $100 million on completion of its IPO. This change was made on the basis of significant research

which was conducted to ensure that the proposed National Policy does not impose any significant regulatory disadvantage on Canadian issuers relative to their U.S. counterparts. In conducting our research, we consulted with U.S. securities lawyers, U.S. state securities regulators, the North American Securities Administrators Association and the Pacific Exchange to get a clearer understanding of the resale restrictions and lock-up (or escrow) restrictions imposed on shareholders of companies that do IPOs in the U.S.

- Changes have been made to the category of "principals" whose securities are subject to escrow, including:

  - securities held by a principal that carry less than 1% of the voting rights attached to an issuer's outstanding securities immediately following its IPO are not subject to escrow; and

  - a principal's spouse and their relatives that live at the same address as the principal are treated as principals rather than all of the associates and affiliates of the principal being so treated.

- Escrowed securities may be transferred within escrow to a person or company that before the transfer holds more than 20% of the voting rights attached to an issuer's outstanding securities and to a person or company that after the transfer will hold more than 10% of such voting rights. The 10% holder after the transfer must also have the right to elect or appoint one or more directors or senior officers of the issuer or any of its material operating subsidiaries. This is in addition to the transfers within escrow that are permitted in the 2000 proposal.

- A person or company approved by a Canadian exchange to act as a transfer agent may be an escrow agent.

- Escrow agreements which predate the proposed National Policy may be amended to reflect the release terms contained in the proposed National Policy.

Summary of Written Comments

A summary of the written comments received on the 1998 proposal, the CSA's responses and a discussion of the changes incorporated in the National Policy is attached as Appendix "B" to this Notice. Appendix "A" contains a list of the commenters.

Regulations to be Revoked

The Commission will request the Lieutenant Governor in Council to revoke section 79 and Forms 17 and 18 of the Regulation made under the Securities Act.

Recission of Policies

The proposed National Policy and Form will result in the recission of OSC Policy 5.9. The text of the proposed recission will be as follows:

"Policy 5.9 is hereby rescinded."

Request for Comments

You are invited to comment on National Policy 46-201 and Form 46-201F. Please submit your comments in writing on or before November 20, 2001.

Please send us two copies of your comments, addressed as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
Registrar of Securities, Nunavut

c/o Brenda Benham
Director, Policy and Legislation
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Fax: (604) 899-6506
Email: bbenham@bcsc.bc.ca

Please also send your comments to the Commission des valeurs mobilières du Québec as follows:

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3

If you are not sending your comments by e-mail, please send a diskette containing your comments (in DOS or Windows format, preferably Word).

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Questions

Please refer your questions to any of:

Wendy Woloshyn
Legal Counsel, Policy and Legislation
British Columbia Securities Commission
Telephone: (604) 899-6642
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Ian McIntosh
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Saskatchewan Securities Commission
Telephone: (306) 787-5867
Fax: (306) 787-5899
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Bob Bouchard
Director, Corporate Finance
Manitoba Securities Commission
Telephone: (204) 945-2555
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September 21, 2001

APPENDIX "A"

LIST OF COMMENTERS

General

Swinton & Company, Barristers & Solicitors
Vancouver Stock Exchange
Scott & Aylen, Lawyers
Canadian Dealing Network Inc. (CDN)
Catalyst Corporate Finance Lawyers
Ogilvy Renault, Barristers & Solicitors
Union Securities Ltd.
Osler, Hoskin & Harcourt, Barristers & Solicitors
Montpellier & McKeen, Barristers & Solicitors
Prospectors & Developers Association of Canada (PDAC)
Davies, Ward & Beck, Barristers & Solicitors
Armstrong Perkins Hudson, Barristers & Solicitors
Investment Dealers Association of Canada (IDA)

Transfer Agents

Security Transfer Association of Canada (3 comment letters)
Equity Transfer Services Inc.
Pacific Corporate Trust Company
The Trust Company of Bank of Montreal
TD Trust Company

Venture Capitalists

Canadian Venture Capital Association (CVCA) (2 comment letters)
Davis & Company (on behalf of Ventures West Management Inc., Royal Bank Capital Corporation, Business Development Bank and Working Opportunity Fund)
Réseau Capital (2 comment letters)
Société Innovatech Québec et Chaudière-Appalaches
GrowthWorks Capital Ltd.
Bank of Montreal Capital Corporation
Mercator Investments Limited
Elnos Corporation
Royal Bank Capital Corporation
BCE Capital
Clairvest Group Inc.
Investissemenets Novacap Inc.
Saskatchewan Government Growth Fund
Les placements Telsoft Inc.
Hydro-Québec CapiTech
Whitecastle Investments Limited

APPENDIX "B"

SUMMARY OF COMMENTS RECEIVED AND RESPONSES OF THE CSA ON PROPOSAL FOR A NATIONAL ESCROW REGIME APPLICABLE TO INITIAL PUBLIC DISTRIBUTIONS

The CSA received submissions on the Proposal for a National Escrow Regime Applicable to Initial Public Distributions (the "initial proposal") from the 34 commenters listed in Appendix "A".

The CSA considered the submissions received in revising the initial proposal and preparing the National Policy. We thank all the commenters for providing their comments.

The following is a summary of comments received on the initial proposal, together with the CSA's responses, organized by topic. This summary is organized into three parts:

A. General Comments (comments on all aspects of the initial proposal, except the "passive investor" provisions and provisions directly affecting escrow agents)

B. Comments on passive investor provisions (including venture capital organizations' comments)

C. Escrow agents' comments

A. General Comments

1. Competition with United States Capital Markets

The paramount concern voiced by the commenters was that the proposed Canadian escrow regime continues to put the Canadian exchanges at a significant competitive disadvantage to United States exchanges and electronic trading systems. Many of the commenters raised this issue when commenting on specific aspects of the initial proposal. A few commenters raised the issue generally in support of suggestions that the Canadian escrow regime be abolished entirely or replaced with another regime that would be no more restrictive than United States resale restrictions. (See Abolish/Replace the Escrow Regime below.)

The CSA take this issue very seriously. We consulted with US securities lawyers, US state securities regulators, the North American Securities Administrators Association (NASAA) and the Pacific Exchange to get a clearer understanding of the resale restrictions and lock-up (or escrow) restrictions imposed on securityholders of issuers that do initial public offerings (IPOs) in the US.

Comparison of National Policy with US Regime

Offering size

US market participants and regulators advised that the regulatory and due diligence costs of a public offering in the US are quite high. Consequently, IPOs for less than US $20 million are not common. Very few US underwriters are interested in raising financing below this level. Most issuers that seek a listing on the Canadian Venture Exchange Inc. (CDNX) and many that seek a listing on The Toronto Stock

Exchange Inc. (TSE) raise less than this amount and, therefore, do not realistically have the option to conduct an IPO in the US. Smallcap and microcap companies in the US often obtain financing through private placements and semi-public offerings, delaying an IPO until later in their development cycles. By a "semi-public offering", we mean a public offering that is conducted under US state securities legislation that is basically equivalent to a private placement under US federal securities law.

Senior Issuers

While it is difficult to compare listing criteria, we found that the minimum original listing requirements of the TSE are lower than those of the Nasdaq National Market or the New York Stock Exchange (NYSE) and in the range of those of the American Stock Exchange (AMEX) and the Nasdaq Smallcap Market. Even the TSE's highest original listing criteria, those for its "exempt" issuer category, are, with one exception, generally lower than those of the Nasdaq National Market or the NYSE, although they are somewhat higher than those of AMEX.

Because exemption from escrow under the National Policy is tied to exempt listing status on the TSE, most issuers that would be exempt from escrow in the US because they qualify for listing on the NYSE or Nasdaq National Market would also be exempt from escrow in Canada under the National Policy. Indeed, some Canadian issuers that might be subject to escrow or lock-up arrangements if they conducted their IPO in the US could be exempt from escrow under the National Policy.

The one exception mentioned above is that an issuer can list on the Nasdaq National Market if it has a market capitalization of at least US $75 million after its IPO. This would not necessarily qualify it for listing in the TSE's exempt category. However, issuers with that market capitalization would also, at current currency exchange rates, be exempt from escrow under the National Policy because we have changed the category of "exempt issuer" under the National Policy to include issuers with a market capitalization of at least $100 million after their IPO.

Junior Issuers

It appears that Canadian issuers conduct IPOs earlier in their growth cycles than those in the US. The feedback we have received suggests that issuers of the type listed on CDNX and certain of the junior issuers on the TSE would not be able to conduct an IPO in the US at all because of the significant costs. In the US markets, those types of issuers would often be restricted to private financing until they grow enough to list on a national securities exchange. If these junior issuers conducted a semi-public offering in the US, the majority of the state securities commissions would require the imposition of a lock-up either on the basis of NASAA policies or under their own state laws. Under the policies, a broader category of persons would be subject to escrow and the terms of release would generally be more onerous than would be the case under the National Policy. Issuers that are doing a registered offering with the US Securities and Exchange Commission and using Coordinated Review at the US state level are subject to escrow or lock-up under the NASAA policy regarding promotional shares.

Other

In addition to regulator-imposed lock-ups, US underwriters and market makers typically impose lock-up arrangements. Hold periods are also imposed under US federal securities law (Rule 144 under the Securities Act of 1933).

Conclusions

Many Canadian issuers are choosing to list in the US. Some are trading over-the-counter in the US without ever having conducted an IPO in either country. We acknowledge that this emigration of secondary market trading to the US may have important effects on the Canadian capital markets, but our research and analysis indicate that the National Policy should not be a factor in issuers' decisions on where to have their securities traded.

Changes to initial proposal to address competition concerns

We made significant changes to the initial proposal to ensure that an issuer that elects to list on a Canadian exchange is not subject to greater restrictions than are reasonable to accomplish the purpose of escrow. We narrowed the scope of the National Policy, applying it only to issuers that are not TSE exempt issuers or issuers with a market capitalization of less than $100 million after their IPO, cutting the escrow periods in half, and offering added flexibility to principals in dealing with their securities at the time of the IPO.

The following changes have been made to the initial proposal to address the competition concerns raised by some of the commenters:

- The class of exempt issuers has been broadened.
- The escrow period has been shortened:
  - ◇ for established issuers from 3 years to 18 months with 4 equal releases, starting on the listing date and then every 6 months from listing, and
  - ◇ for emerging issuers from 6 years to 3 years with 7 releases, 10% on listing and then 15% every 6 months from listing.
- The definition of principal has been narrowed:
  - ◇ The percentage equity interest that, alone, will subject a securityholder to escrow requirements has been increased from 10% to more than 20% of the voting rights attached to the issuer's outstanding securities.
  - ◇ A securityholder holding more than 10% but 20% or less of the voting rights attached to the issuer's outstanding securities will only be subject to escrow requirements if the securityholder selects, or has the right to select, one or more directors or senior officers of the issuer or a material operating subsidiary.
  - ◇ Percentage equity interest will be calculated after the issuer's IPO, instead of before.
- A de minimis exception has been added.

◊ A principal will not be subject to escrow requirements if the principal holds less than 1% of the voting rights attached to the issuer's outstanding securities, calculated after the issuer's IPO.

- Principals have been provided with an early liquidity opportunity. At the time of the issuer's IPO, principals may sell their escrow securities free of escrow restrictions in a secondary offering disclosed in the issuer's IPO prospectus.

◊ If the secondary offering is firmly underwritten, any principal may sell escrow securities.

◊ If the secondary offering is on a best efforts basis, only principals other than promoters, directors and senior officers of the issuer or any of its material operating subsidiaries, may sell their escrow securities, provided all or the specified minimum number of the securities offered by the issuer in the IPO are sold prior to the secondary offering.

2. Abolish/Replace the Escrow Regime

One commenter suggested that the escrow regime could be abolished altogether. In the commenter's view, the escrow regime is not needed to accomplish the stated purpose of escrow, i.e. to tie management and other key principals to the issuer, as current rules and market forces already accomplish this objective.

The CSA remain convinced that escrow continues to serve an important function in the Canadian marketplace. The CSA do not agree that current rules and market forces, without escrow, alone will be sufficient encouragement for management and other key principals to devote their time and attention to carrying out the issuer's IPO business plan.

A few commenters suggested that the Canadian escrow regime be replaced with resale restrictions closely replicating US Rule 144 limitations, or other rules that would be no more stringent than the escrow regime in place in the US. For the reasons discussed above, our research and analysis indicate that the National Policy should not be a factor in issuers' decisions where to have their securities traded.

Another commenter suggested an alternative approach. Principals would be prevented from selling into the open market for an 18-month period. After that, they would be required to provide 7 days prior notice before selling into the open market. We believe that the regime in the National Policy is preferable because shares are released on a staged basis, beginning on listing, and then every 6 months thereafter, and the length of escrow is related to the classification of the issuer. This approach provides greater predictability for market participants while offering principals earlier and increasing liquidity.

One commenter emphasized that Canadian escrow requirements should be easily understood and flexible so that Canadian issuers do not choose to go public in the US to avoid an onerous, complex regime.

One of the CSA's objectives in reviewing the initial proposal for revision was to ensure that the proposal would be easy to understand and apply so that compliance would be straightforward and administration would be efficient. We have made several changes to the initial proposal, including:

- adoption of exchange classifications for use in the National Policy,

- revisions to the definition of principal for persons and companies that are "principals" as a consequence of equity interest, basing the test for such principals on objective factors that are easily determined, eliminating the need for a definition of "passive investor" and a determination as to whether a particular securityholder is a "passive investor",

- basing escrow requirements upon completion of a take-over or other business combination on objective factors that are easily determined, and

- presenting the National Policy in plain language, addressing clearly and logically the questions most likely to arise.

3. Purpose of the Escrow Regime

While commenters generally concurred with the stated purpose of escrow, some of the commenters noted that there were other rationales for escrow that were not reflected in the initial proposal. One of these, "controlling cheap stock", prevents principals from selling securities that they acquired at a price that is significantly less than the IPO price into the market shortly after the issuer's IPO which depresses the trading price of the securities. Another rationale is to provide founders with a degree of control during the formative stages of an issuer.

The CSA considered and reconfirmed the stated purpose of escrow: to encourage the issuer's principals to remain with and devote their time and attention to the issuer for an appropriate period after the issuer's IPO to best enable the issuer to carry out the IPO business plan. In our view, the role of the issuer's underwriter includes dealing with valuation issues in the course of pricing the IPO.

4. Failure to Recognize Value

Several commenters expressed concern that value contributed to the issuer by principals was not recognized in the initial proposal. Commenters suggested that principals would be discouraged from providing value for their securities as a consequence of the initial proposal not making any distinction between securities issued for value, and securities issued for nominal or little consideration. A commenter suggested that principals are more committed if they have contributed value. Another commenter suggested that seed capital investors would be unwilling to become principals because they will not want their shares subjected to escrow requirements. Commenters raised US competition concerns, stating that principals that have paid fair value for their securities will choose to list where their contribution is recognized.

Commenters suggested several alternative models. Some suggested a formula tied to price paid, others also took dilution of the issuer's assets into account in the formula. Most of these commenters agreed with the elimination of property

valuations to support the issuance of free-trading shares to founders, although there was a commenter that disagreed.

The CSA are of the view that issues of value are better dealt with by underwriters in pricing the issuer's IPO, than by standard, mandatory escrow requirements imposed by the CSA. The CSA do not disagree with commenters that expressed the concern that principals should not be discouraged from contributing value to the issuer, but do not believe that the National Policy would have this result. However, the CSA do not agree that a seed capital investor's decision as to whether or how to participate in the management of an issuer will be governed by whether escrow requirements will apply to the investor, especially with the reduction in escrow periods and the opportunity for principals to participate in a permitted secondary offering at the time of the issuer's IPO.

5. Time-based Model vs. Performance-based Model

A commenter suggested that a performance factor should remain in the escrow release formula because this would align the interests of the public shareholders with the issuer's principals. The commenter's view was that in a purely time-based release formula, there is an incentive for the principals to take the issuer public prematurely, because the sooner the issuer goes public, the sooner their shares will be released from escrow.

The CSA do not agree that failure to include a performance factor in the release formula will have the result of an issuer going public prematurely. The timing of a particular issuer's IPO depends on many factors, especially the issuer's need for capital, and the comparative cost to the issuer of capital from available sources. Furthermore, the farther along the issuer's stage of development, the shorter the period of escrow, and for securities of issuers that are sufficiently developed to qualify as exempt issuers based on the TSE's criteria or significant market capitalization, no escrow will be required.

We believe that there are other mechanisms in place to align the interests of principals and shareholders, including fiduciary and statutory duties of principals, prospect of growth in personal holdings of the issuer's securities, stock options and conventional employment arrangements.

We do agree with this commenter that, in most cases, if principals have attracted a take-over bid for the issuer, the securities of the principals should be released from escrow, but not for the same reason as stated by this commenter. (See Release from Escrow – Release upon Take-over Bid below.)

6. Persons whose Securities are subject to Escrow Requirements (Definition of Principal)

A few commenters thought that the definition of principal was too broad and should be restricted to persons who are key to the issuer's success. A commenter suggested that it would be more appropriate to calculate percentage equity interest for the purpose of the definition after the issuer's IPO, rather than before. A few commenters suggested that directors and officers with nominal shareholdings be excluded from escrow requirements.

The CSA generally agree with these comments and have narrowed the definition of principal. We believe that whether a securityholder is subject to escrow requirements should be based on whether the securityholder has effective control over the issuer or a significant influence on management. Those that do should be subject to escrow requirements.

Therefore, we have made the following changes to the definition of principal that was contained in the initial proposal:

- The percentage equity interest that, alone, will subject a securityholder to escrow requirements has been increased from 10% to more than 20% of the voting rights attached to the issuer's outstanding securities, calculated after the issuer's IPO, rather than before.

- A securityholder holding more than 10% but 20% or less of the voting rights attached to the issuer's outstanding securities will only be subject to escrow requirements if the securityholder selects, or has the right to select, one or more directors or senior officers of the issuer or a material operating subsidiary. The percentage equity interest will be calculated after the issuer's IPO, rather than before.

We also agree that a de minimis exception is appropriate. Therefore we have added a provision to the National Policy that excludes from escrow securities held by principals that hold less than 1% of the voting rights attached to the issuer's outstanding securities. The percentage equity interest will be calculated after the issuer's IPO.

A commenter suggested that associates should be excluded from the definition of "principal". We agree that including all associates of the principal is too broad, and therefore have limited the associates that will be treated as principals to the principal's spouse and relatives who share the same home.

A commenter stated that a person who has acted as a promoter a long time prior to the issuer's IPO should not be subject to escrow. The CSA agree with this comment and have restricted the definition of principal to apply to persons that have acted as promoters of the issuer within two years of the issuer's IPO.

7. Escrow Periods

Several commenters stated that the length of the escrow period in the initial proposal was unnecessarily long. Some commenters made this comment in the context of competition concerns. One commenter pointed out that the proposed period was far longer than an issuer would generally need to carry out its IPO business plan. Another commenter noted that principals that cause their issuers to carry out IPOs for the purpose of creating greater investment liquidity would not do so if the escrow requirements are too onerous. A commenter noted that unreasonable escrow requirements could lead to management appointing nominee boards in order to attempt to evade the escrow requirements.

We agree that the escrow periods in the initial proposal were longer than necessary. We have made the following changes:

- The escrow period for emerging issuers has been shortened from 6 years to 3 years with 10% of a

principal's securities released on listing and the balance released in 6 equal instalments in 6 month intervals after listing.

- The escrow period for established issuers has been shortened from 3 years to 18 months with 25% of a principal's securities released on listing and the balance released in 3 equal instalments at 6 month intervals after listing.
- The class of exempt issuers has been expanded. An exempt issuer is now defined as an issuer that, upon completion of its IPO, is classified as an exempt issuer on the TSE or has a market capitalization of at least $100 million after its IPO. As a consequence of this change, approximately 20% of issuers that were subject to escrow in 1997 and 1998 would be exempt issuers under the National Policy.

The concept of an issuer changing its classification from emerging issuer to established issuer status has been retained. If an emerging issuer becomes an established issuer, there will be an automatic release of escrow securities equal to the amount of securities that would have been released to date as if it were an established issuer on its IPO, and any securities remaining in escrow will be released in accordance with the established issuer schedule.

8. Issuer Classification Thresholds

The CSA received several comments on thresholds. A few commenters stated that the threshold for exempt issuer status was too high. As noted above, we agree and have lowered the threshold for exempt issuer status by adopting the TSE category for exempt issuers.

A few commenters stated that the categories resulted in inappropriate treatment for technology issuers that often have limited cash flow and profit. Other commenters pointed out inconsistencies in the treatment of research issuers once such issuers begin commercialization of product.

A commenter stated that the emerging issuer definition was confusing, and should be stated in positive terms. Another commenter made detailed suggestions as to certain elements of the natural resource category, in line with industry criteria and practice.

The CSA agree that the classifications set out in the initial proposal were not entirely appropriate, nor were they easily applied. In consultation with the Canadian exchanges, we adopted exchange categories for use under the National Policy.

In particular:

- TSE listed exempt issuers are be classified as "exempt issuers".
- Other TSE listed issuers and CDNX listed Tier 1 issuers are classified as "established issuers".
- CDNX listed Tier 2 issuers are classified as "emerging issuers".
- Issuers listed only on the Bourse de Montréal Inc. (Bourse) are classified based on the same criteria. If a Bourse-listed issuer meets the CDNX Tier 1 minimum listing criteria, the issuer is classified as an "established issuer". Otherwise the issuer is classified as an "emerging issuer".

In addition, to address competition concerns, issuers whose market capitalization after their IPO is at least $100 million are also exempt from escrow.

A few commenters suggested that more categories be created to allow for differences in treatment among issuers that are not exempt. We believe that these concerns are addressed by the significant reduction in escrow periods.

9. Treatment of Options

One commenter suggested that we broaden the definition of "option" to exclude from escrow options exercisable for cash, shares or a combination of both to allow issuers flexibility in designing compensation programs. We believe that broadening the exclusion may invite abuse.

A commenter stated that all options be excluded from application of the escrow regime. We disagree because options are no different from other securities. There is an exception for non-transferable incentive stock options issued to directors, officers or employees because these are governed by other policies.

Another commenter stated that issuers would avoid granting options to insiders until after the IPO is receipted in order to avoid the application of escrow. We do not see this as a problem because the exercise price of options must be at least equal to the market price of the securities on the day they are granted.

10. Change in the Issuer's Status after the IPO

A few commenters commented that established issuers should be allowed to become exempt issuers after their IPO, which would result in the immediate release of all escrow securities. There is no compelling need for this change since we reduced the length of the escrow period for established issuers. An18-month escrow period is too short a period to warrant a review. Therefore we have not included a provision for change in status from an established issuer to an exempt issuer.

11. Release from Escrow – Departure of Principals

A commenter stated that the securities of an officer who is terminated without cause should be automatically released from escrow, as the rationale for escrow no longer exists, although the commenter was of the view that voluntary resignation should not result in a release.

Another commenter stated that there should be an automatic release from escrow of the securities of any director or officer who leaves the position, whether voluntarily or involuntarily.

We disagree with the automatic release from escrow of the shares of departing principals, because this may encourage principals to depart prematurely. However, we agree that it would be beneficial to allow a departing principal to transfer

shares to a new principal, and to allow principals to transfer shares among themselves, to reflect re-arrangements of responsibilities. Therefore the National Policy allows transfers among principals at any time.

12. Release from Escrow - Release upon Take-over Bid

Several commenters questioned the rationale for requiring exchanged securities to be substituted for previously escrowed securities on completion of a take-over bid. The reasons stated included:

- Minority securityholders of the acquiror do not need or expect escrow protection.
- In an exchange bid, the participation of the initial principals will be diluted.
- Control of the issuer will in most cases shift away from the initial principals.
- Escrow continuation may artificially affect the consideration paid in the transaction and may reduce the value obtained by the shareholders of the target company.

Some of the commenters suggested that:

- Securities should be released if the principal will not be a principal of the successor issuer after completion of the take-over bid.
- Securities should be released if the successor issuer is an exempt issuer after completion of the take-over bid.
- The opportunity for change of status should be available to the successor issuer after completion of the take-over bid.
- Securities should be released from escrow if the principal's holding in the successor issuer is de minimis after completion of the take-over bid.

We agree. These changes have been made.

13. Release from Escrow – Release upon Death

A few commenters questioned the news release requirement upon the death of a principal, especially where the death does not constitute a material change. The CSA agree. The National Policy does not require a news release. In the event the death constitutes a material change in the affairs of the issuer, general disclosure requirements will apply.

14. Release from Escrow – Release upon Emerging Issuer Becoming Established Issuer

A commenter questioned the provision requiring released securities to be returned to escrow if the issuer did not meet the criteria for becoming an established issuer. We agree that this would have been a problem; however with the change to exchange classifications, there will be no doubt whether an issuer's classification has changed, and therefore this situation should not arise.

15. Transfers within Escrow – Transfers to Directors and Senior Officers

A few commenters questioned the propriety of requiring the issuer's board of directors to approve a transfer between directors and senior officers. While directors are required to act in the issuer's best interest, they note that these may not be the same as the shareholders or otherwise consistent with the purposes of escrow.

We disagree. At the time of the transfer, a decision made in the best interests of the issuer furthers the purpose of escrow. The transfer to a new director or senior officer or an existing director or senior officer will further the successful completion of the issuer's business plan.

A commenter notes that it is inconsistent to require all principals to escrow their securities and then restrict transfers to directors and senior officers. We agree. The National Policy permits the transfer of escrow securities to a 20% holder and to a person or company that will be a 10% holder with the right to appoint a director or senior officer after the transfer.

16. Transfers within Escrow – Transfers upon Bankruptcy or to Certain Plans

A commenter stated that the provision allowing transfers to RRSPs and RRIFs should be expanded to allow transfers to spousal RRSPs, to allow holders of escrow securities more latitude in tax planning, provided the securities remain in escrow on the same terms.

We agree. The National Policy allows transfers within escrow to any similar registered plan with a trustee, provided the beneficiaries of the plan are limited to the original principal, and his or her spouse, children and parents.

A commenter stated that RRSP trustees might be unwilling to sign the escrow agreements. We are not aware of this having been a problem in the past.

A commenter noted that if the principal goes bankrupt the trustee would need to sell the escrow securities. We have not made this change. The trustee will be subject to the same restrictions upon transfer of the escrow securities as applied to the principal. This result is consistent with the purpose of escrow and accurately reflects the value of the escrow securities.

17. Dealing with Escrow Securities – Prohibitions on Pledging Escrow Securities

Several commenters stated that the outright prohibition on pledging escrow securities was unduly restrictive, and that principals should be permitted to pledge their escrow securities as security for a loan. A commenter pointed out that the prohibition is particularly problematic for active business corporations that often charge assets in standard banking arrangements.

The CSA also took note of the fact that in certain Canadian jurisdictions, the pledge of escrow securities is common business practice. We balanced these comments against the anti-avoidance purpose of the prohibition and the concern that

a principal may be less committed to the issuer if the securities have been pledged, and would certainly be less committed if the securities have been realized upon by the pledgee.

The National Policy permits a principal to pledge, mortgage or charge escrow securities as collateral for a loan from a financial institution. If the financial institution realizes upon the securities, the securities will be subject to the same escrow conditions as they were in the hands of the principal. In addition, anti-avoidance provisions have been added to the National Policy and standard escrow agreement.

18. Secondary Offerings

A few commenters urged the CSA to consider the introduction of an automatic release mechanism for secondary offerings by way of prospectus. In support they pointed out that:

- Prospectus level disclosure exists.
- The sale demonstrates the favourable attitude of the market to the secondary offering.
- If a situation arises that securities regulators perceive as abusive, the securities regulators may refuse to give a receipt for the prospectus.
- Securities regulators have allowed releases in these circumstances in the past.
- It would weaken the US competitive advantage, as it would parallel the US policy allowing affiliates to sell their shares free of Rule 144 limitations by preparing a registration statement.

The CSA agree that it would be beneficial to permit principals to sell their escrow securities at the time of the issuer's IPO in a secondary offering that is disclosed in the IPO prospectus. Under the National Policy, if the secondary offering is underwritten, any principal may sell their escrow securities. If the secondary offering is on a best efforts basis, only principals that are not promoters, directors or senior officers may sell their escrow securities, provided all or the specified minimum number of securities offered by the issuer in the IPO are sold.

The National Policy restricts secondary offerings by principals to the time of the issuer's IPO. The IPO purchasers will have notice of the securities to be sold or proposed to be sold by principals, and will be able to form their decisions to purchase securities in the IPO based on full information.

19. Non-Compliant Arrangements

Two commenters stated that it was unduly burdensome not to assign responsibility for accepting non-compliant arrangements to only one jurisdiction. Securities regulators in each jurisdiction where the issuer's IPO prospectus is filed have jurisdiction over the escrow agreement and the escrow securities. The securities regulators will apply mutual reliance principles in administering the National Policy.

20. Transitional

A commenter suggested that the initial proposal be amended to include a mechanism for opting into the new regime. Another commenter requested clarification of the escrow requirements that will apply once the rule is adopted.

Section 8.1 of the National Policy permits, on the conditions set out in that section, amendments to escrow agreements made prior to the date of the National Policy to reflect the release terms in the National Policy.

21. Application to Reverse Take-Overs, Junior Capital Pool Companies and Similar Transactions

A commenter requested guidance on the terms of escrow that will apply to reverse take-overs, junior capital pool companies and similar transactions.

Another commenter suggested that the CSA should decline to make escrow requirements based on the initial proposal for reverse take-overs, junior capital pool companies and similar transactions. In the commenter's opinion, the terms of the initial proposal were not appropriate for these transactions and would be detrimental to the policy objectives of these initiatives.

We have worked in consultation with representatives of the Canadian exchanges in revising the initial proposal. We have deferred to the Canadian exchanges for escrow policies applicable to reverse take-overs, reorganizations, reactivations, junior capital pool companies, major acquisitions and similar transactions, and to direct listings. The policies of the Canadian exchanges are consistent and harmonious with the National Policy.

22. Additional Requirements if there is no Underwriter or Listing

Two commenters questioned the rationale for imposing additional escrow requirements if there is no underwriter involved in an IPO, or if an issuer's equity securities will not be listed on a Canadian exchange on completion of its IPO. They pointed out that underwriters do not generally require a lock-up for more than 180 days, and the securities held by pre-IPO shareholders would generally be subject to a one year hold period from listing under applicable legislation.

The National Policy continues to make it clear that securities regulators may impose additional or different escrow terms in these circumstances. This is because the function served by the underwriters when they price an IPO, effectively valuing the issuer, and the function served by a Canadian exchange in regulating the issuer are not present.

23. Application on a National Basis

Most commenters supported a national regime, although one commenter was of the view that different escrow arrangements are appropriate to allow for innovation and market segmentation. The commenter pointed out that each Canadian exchange has developed a different market segment and needs a framework that allows the specialization to continue.

The CSA believe that this commenter's concern has been addressed by the reorganization of the Canadian exchanges and the revisions to the initial proposal made in consultation with the Canadian exchanges.

24. Mergers and Amalgamations

A commenter suggested that an exemption from the initial proposal be available for an IPO of an amalgamated company. The CSA agree and made this change.

The CSA also noted that the initial proposal did not adequately deal with the escrow of securities of issuers resulting from business combinations (successor issuers). Section 5.3 of the National Policy addresses the escrow of securities of successor issuers.

B. Comments on Passive Investor Provisions and the Treatment of Venture Capital Organizations

Under the initial proposal:

- An investor holding more than 10% of the outstanding voting securities of an issuer (other than an exempt issuer) prior to the issuer's IPO was subject to escrow requirements, unless the investor was a "passive investor".

- An "institutional investor" was deemed to be a "passive investor" unless the institutional investor selected a director or senior officer or effectively controlled the issuer.

- Venture capital organizations were not included in the list of investors that were considered "institutional investors".

- An investor could apply to a securities regulator to be considered a passive investor. The initial proposal included a list of relevant factors.

The CSA received many comments from venture capital organizations and other commenters with respect to this aspect of the initial proposal.

Venture capital organizations stated that their securities should be exempt from escrow, citing the following reasons:

- There is no rationale that justifies imposing escrow on venture capital organizations because IPO investors do not look to them as principals responsible for carrying out the IPO business plan.

- Venture capital investments are generally designed for the medium term. The venture capital organization will have typically held the investment for 3 to 8 years prior to the issuer's IPO, and should not be denied an exit opportunity at the IPO stage.

- If venture capital organizations are forced to hold their investments in issuers for the additional length of time required by the initial proposal, they will decrease their investment in start-ups.

- IPOs by Canadian issuers in Canada will be less frequent because issuers will choose to conduct their IPOs in the US or will sell equity to strategic buyers.

- The delay of sales by venture capital organizations of their escrow securities will delay the recycling of venture capital funds into other pre-public issuers.

- Sources of capital for venture capital organizations will shrink, because investors in venture capital organizations will not want to receive escrow securities or a delayed return.

They claimed that the initial proposal contrasted sharply with the local policies under which venture capital organizations were operating.

Venture capital organizations and others had the following comments on the initial proposal:

- Venture capital organizations should be included in the list of institutional investors. One commenter questioned the distinction between the Business Development Bank of Canada and financial institutions that make investments directly (which were included in the list of institutional investors) and financial institutions that make investments through venture capital subsidiaries (which were not considered institutional investors).

- Venture capital organizations should not be precluded from being considered institutional investors as a consequence of having selected a director or senior officer of the issuer. Venture capital organizations often put a nominee on the issuer's board of directors as a means of obtaining information about the issuer. This is beneficial to the issuer as it provides the issuer with access to the venture capital organization's experience. Board representation is not synonymous with control or direction over the issuer and a test for de facto control would be more appropriate.

- Effective control should be determined at the conclusion of the issuer's IPO, not prior to the IPO.

- A discretionary relief provision should be added allowing a venture capital organization that is not otherwise exempt as an institutional investor to apply for a designation as an institutional investor, to avoid the necessity of applying on an investment-by-investment basis.

- Greater clarification should be made to the factors listed for consideration as a passive investor. Examples of factors requiring greater clarification include that the investor not be "involved in the management of the issuer", and not have a prior or existing "significant relationship" with a principal of the issuer.

- If the securities held by a venture capital organization are escrowed, a provision should be added permitting the distribution of the escrow securities to the beneficial owners of the venture capital organization.

In response, the National Policy:

- rationalizes the treatment of venture capital organizations with other significant investors and dispenses with the problematic concepts of "passive investor" and "institutional investor",
- ensures that the imposition of escrow on securities of significant investors is consistent with the purpose of escrow,
- ensures that the escrow regime is reasonable and will not unduly interfere with venture capital investment,
- makes the test for determining whether an investor's securities will be subject to escrow objective and straightforward, and
- eliminates the need for costly and time-consuming applications which can result in inconsistent treatment of investors.

We have redesigned the definition of principal as it relates to significant investors, so that:

- an investor will be considered a principal if the investor holds more than 20% of the voting rights attached to the issuer's outstanding securities after completion of the issuer's IPO, and
- an investor that holds more than 10% but 20% or less of the voting rights attached to the issuer's outstanding securities after the issuer's IPO will only be considered a principal if the investor selects or has the right to select a director or senior officer of the issuer or a material operating subsidiary.

The CSA are of the view that an investor holding more than 20% of the voting securities of a public issuer is likely to have effective control of or significant influence over the issuer.

The CSA are also of the view that if an investor holding more than 10%, but 20% or less of the voting rights attached to the issuer's outstanding securities has selected or has the right to select a director or senior officer of the issuer or of a material operating subsidiary upon the completion of the issuer's IPO, then it is likely that the investor is participating in the management of the issuer through the selection of a "corporate director". Accordingly, the investor's securities should be subject to escrow.

This approach is consistent with the purpose of escrow. The test is objective, straightforward and applies to all investors equally. We believe that it is fair and appropriate to subject the securities of a venture capital organization to escrow if it is participating in management of the issuer.

The CSA believe that changes made to other aspects of the initial proposal address the liquidity concerns expressed by the venture capital organizations. These include the following:

- We have expanded the class of exempt issuers.
- We have significantly reduced the escrow period from 3 years to 18 months for an established issuer, and from 6 years to 3 years for an emerging issuer.
- 75% of the venture capital organization's securities in an established issuer, and 40% of its securities in an emerging issuer, will be released within one year from listing.
- An emerging issuer may become an established issuer, resulting in an automatic release of securities no longer subject to escrow under the established issuer release schedule, and an accelerated release of any remaining securities.
- All of the venture capital organization's securities in an issuer may be sold at the time of the issuer's IPO in a secondary offering on a firmly underwritten basis or, subject to certain conditions, on a best efforts basis, so long as the secondary offering is disclosed in the IPO prospectus.

C. ESCROW AGENTS' COMMENTS

1. Trust Company as Escrow Agent

Several commenters disagreed with the initial proposal that only trust companies be permitted to act as escrow agents, and commented that transfer agents should be permitted to act as escrow agents. The following reasons were given in support:

- Transfer agents have control over registration of securities, and associated rights of ownership are in the transfer agent's hands.
- The initial proposal will not result in equality in treatment of companies that provide escrow agent services from province to province, as requirements for a trust company under trust legislation differ from province to province.
- The initial proposal is anti-competitive and will result in higher costs being paid by issuers.
- The requirement does not add to the protection of the investing public, as the escrow agency relationship is a contractual relationship, the escrow agent is not asked to exercise any discretionary trust powers, the escrow securities are in registered form, not readily fungible and are not covered by CDIC insurance.

We agree that the class of persons who could act as escrow agent under the initial proposal was too limited. The National Policy permits any person or company that a Canadian exchange has approved to act as a transfer agent to be an escrow agent.

Another commenter stated that the underwriter for the issuer's IPO and legal counsel should also be entitled to act as escrow agent. The CSA are of the view that trust companies and other persons and companies that act as transfer agents have

the appropriate relationship with the issuer and infrastructure in place to carry out escrow agent duties.

2. Indemnification of Escrow Agent

A few commenters stated that the indemnity of the escrow agent should be from the issuer and the securityholders, jointly and severally. This change was made.

A few commenters requested that language be added providing that the indemnity survives the release of all escrow securities and the termination of the escrow agreement. This change was made.

3. Drafting Comments

CSA received several technical drafting comments for the escrow agreement that we adopted.

4. Additional Provisions

A commenter suggested that a provision for the appointment of the escrow agent should be added to the escrow agreement. This change was made.

A commenter suggested that a provision be added to the escrow agreement directing the escrow agent to release escrow securities upon evidence of a decision of the appropriate securities regulators. To address this and other comments, we have added to the escrow agreement provisions noting the securities regulators with jurisdiction and requiring the consent of securities regulators to any amendments.

Commenters requested that the following provisions be added to the escrow agreement:

- The Escrow Agent shall not be responsible for the sufficiency, correctness, genuineness or validity of any securities deposited with it.
- The Escrow Agent shall be protected in acting upon any written document it receives, as to the document's due execution, validity and effectiveness, and the truth of its contents.
- The Escrow Agent may employ independent counsel and other advisors for the purpose of discharging its duties under the escrow agreement at the cost of the Issuer.
- The Escrow Agent shall have no duties or liabilities except those expressly set forth in the escrow agreement.
- The Escrow Agent shall not be bound by any notice of a claim or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of the escrow agreement unless received by it in writing, and signed by the other parties, and, if the duties or indemnification of the Escrow Agent herein are affected, unless it shall have given its prior written consent.
- This is the entire agreement among the parties concerning the subject matter set out herein and supersedes any and all prior understandings and agreements.

We agree and added similar provisions to the escrow agreement.

We did not agree with the suggestion to add a provision stating that the Escrow Agent shall not be liable for any action taken or omitted by it, or any action suffered by it to be taken or omitted excepting only its own gross negligence or wilful misconduct. We do not agree that this is an appropriate standard of care. The appropriate standard of care is negligence.

NATIONAL POLICY 46-201
ESCROW FOR INITIAL PUBLIC OFFERINGS

TABLE OF CONTENTS

PART	TITLE
Part I	Purpose and Interpretation 1.1 What is the purpose of escrow? 1.2 Interpretation 1.3 Will a Canadian exchange impose additional escrow terms?
Part II	Application of the Policy 2.1 When does this Policy apply? 2.2 What are the exceptions? 2.3 How does this Policy apply to special warrant prospectuses? 2.4 Can securities regulators impose additional or different terms?
Part III	Escrow Classifications 3.1 Escrow classifications 3.2 Exempt issuers 3.3 Established and emerging issuers 3.4 When is an issuer classified for escrow purposes? 3.5 Whose securities are subject to escrow? 3.6 Are any principals exempt from escrow requirements? 3.7 What types of securities are subject to escrow? 3.8 What is a permitted secondary offering? 3.9 Is there a standard form of escrow agreement? 3.10Who may be an escrow agent?
Part IV	Release of Escrow Securities from Escrow 4.1 When are escrow securities released from escrow? 4.2 Release schedule for established issuers 4.3 Release schedule for emerging issuers 4.4 What happens if an emerging issuer becomes an established issuer after its IPO? 4.5 Release of escrow securities on death of holder 4.6 Release of escrow securities
Part V	Business Combinations 5.1 When does this Part apply? 5.2 Can a holder of escrow securities tender them in a business combination? 5.3 If the holder receives securities of another issuer in exchange for the holder's escrow securities, will the new securities be subject to escrow? 5.4 If the new securities are subject to escrow, when will they be released?
Part VI	Dealing with Escrow Securities 6.1 Can a holder of escrow securities vote and receive distributions on the escrow securities? 6.2 Restrictions on dealing with escrow securities 6.3 When can a holder of escrow securities transfer them within escrow? 6.4 Can a holder pledge, mortgage or charge escrow securities as collateral for a loan? 6.5 Can a holder exchange or convert convertible escrow securities?
Part VII	General Provisions 7.1 Amendments to escrow agreement require regulatory approval 7.2 Will mutual reliance principles apply to escrow filings? 7.3 What happens if an issuer does not complete its IPO? 7.4 Do local resale restrictions still apply to escrow securities after they are released from escrow?
Part VIII	Amendment of Release Terms in Escrow Agreements Made Prior to this Policy 8.1 Can the release terms of escrow agreements made prior to this Policy be amended?
Part IX	Effective Date
Appendix	

NATIONAL POLICY 46-201
ESCROW FOR INITIAL PUBLIC OFFERINGS

Securities regulators usually require an issuer making an initial public offering to enter into an escrow agreement with its principals and an escrow agent. We may also require an escrow agreement in connection with a prospectus when public investors are asked to finance a significant change of business and escrow has not been previously imposed on the issuer's principals in connection with that business.

Under an escrow agreement principals place their securities in escrow with an escrow agent. Principals are restricted from selling or dealing in other ways with the escrow securities until they are released from escrow according to the escrow agreement.

This Policy describes the circumstances where securities regulators consider an escrow agreement necessary or desirable and the terms of escrow we consider appropriate. Until recently, different provinces had different escrow policies. This Policy describes uniform terms for escrow agreements that will be used throughout Canada.

Part I – Purpose and Interpretation

1.1 What is the purpose of escrow?

(1) A public investor who buys securities in an initial public offering or an offering to fund a significant change of business relies on the issuer's management and principal securityholders to carry out the plans described in the issuer's prospectus. This is particularly true for issuers with a limited history of operations.

(2) An escrow agreement ties the issuer's management and its principal securityholders to the issuer by restricting their ability to sell their securities for a period of time following the issuer's offering. This gives them an incentive to devote their time and attention to the issuer's business while they are securityholders.

1.2 Interpretation

(1) When we refer to securities that a person or company "holds", we mean that the person or company has direct or indirect beneficial ownership of, or control or direction over, the securities.

(2) You should use common sense in applying this Policy to your own circumstances, as we will apply the Policy according to its purpose.

1.3 Will a Canadian exchange impose additional escrow terms?

A Canadian exchange may impose additional conditions or more stringent release terms.

Part II – Application of the Policy

2.1 When does this Policy apply?

This Policy applies when an issuer and/or one or more of its securityholders distributes shares or convertible securities (both defined in section 3.7) to the public by prospectus in one of the following ways (an **IPO**):

(a) an initial distribution by the issuer

(b) a distribution by one or more of the issuer's securityholders if it is the initial public distribution of the issuer's securities (e.g., a corporate spin-off)

(c) a distribution, other than an initial distribution, by a reporting issuer and/or one or more of its securityholders, if no escrow has been previously imposed by a securities regulator or a Canadian exchange on the issuer's principals in connection with its current business.

2.2 What are the exceptions?

(1) This Policy does not apply to a distribution by:

(a) an exempt issuer (defined in section 3.2);

(b) a capital pool company under Canadian Venture Exchange Inc. (CDNX) Policy 2.4;

(c) a Tier 3 issuer listed on CDNX; or

(d) an issuer that, following a business combination, is a successor to issuers whose principals have been subject to escrow requirements.

(2) This Policy generally does not apply when there is only a prospectus that does not offer securities to the public, such as a prospectus that an issuer files with a securities regulator only to become a "reporting issuer".

2.3 How does this Policy apply to special warrant prospectuses?

(1) Special warrants are convertible securities that a principal is required to place in escrow. The principal must also place the securities issued on conversion of the special warrants in escrow, even if the securities are qualified under the prospectus.

(2) A prospectus that only qualifies the securities issued on conversion of special warrants is generally not an IPO prospectus because there are no additional proceeds raised. However, if there is a market for the securities, the prospectus may be considered an IPO prospectus for the purpose of this Policy. Otherwise, the IPO prospectus will be the next prospectus of the issuer that makes a public offering.

2.4 Can securities regulators impose additional or different terms?

A securities regulator may impose additional or different escrow terms if:

(a) an underwriter has not signed the IPO prospectus;

(b) the issuer has not applied to have its securities listed on a Canadian exchange, or a Canadian exchange has not agreed to list the securities distributed under the IPO prospectus; or

(c) there are other exceptional circumstances.

Part III – Escrow Classifications

3.1 Escrow classifications

Issuers are classified as either exempt issuers, established issuers or emerging issuers. Whether or not an issuer's securities will be subject to escrow, and the schedule for release of escrow securities from escrow will depend on the classification of the issuer.

3.2 Exempt issuers

Securities regulators do not generally consider that escrow is necessary for an exempt issuer. An **exempt issuer** is an issuer that, after its IPO:

(a) has securities listed on The Toronto Stock Exchange (TSE) and is classified by the TSE as an exempt issuer; or

(b) has a market capitalization of at least $100 million. (In calculating market capitalization, multiply the number of the outstanding securities of the class of securities offered on the IPO, on completion of the IPO, by the IPO price.)

3.3 Established and emerging issuers

(1) Securities regulators generally consider that escrow is necessary for established and emerging issuers.

(2) An **established issuer** is an issuer that, after its IPO:

(a) has securities listed on the TSE and is not classified by the TSE as an exempt issuer;

(b) has securities listed on the CDNX and is a CDNX Tier 1 issuer; or

(c) has securities listed on the Bourse de Montréal Inc. **(Bourse)** and is eligible to be classified as a CDNX Tier 1 issuer.

(3) An **emerging issuer** is an issuer that, after its IPO, is not an exempt issuer or an established issuer.

3.4 When is an issuer classified for escrow purposes?

An issuer is classified based on its circumstances immediately after completion of its IPO. If an emerging issuer becomes an established issuer at a later point, it may have the release schedule changed. See section 4.4.

3.5 Whose securities are subject to escrow?

(1) Securities regulators generally require principals of an emerging or established issuer to place their securities in escrow under an escrow agreement.

(2) A **principal** of an issuer is:

(a) a person or company who acted as a promoter of the issuer within two years before the IPO prospectus

(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus

(c) a **20% holder** – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO

(d) a **10% holder** – a person or company that

(i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO and

(ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

(3) In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

(4) A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

(5) A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

3.6 Are any principals exempt from escrow requirements?

A principal that holds securities carrying less than 1% of the voting rights attached to an issuer's outstanding securities immediately after its IPO is not subject to escrow requirements. (In calculating this percentage, include securities that may be issued to that principal under outstanding convertible securities in both the principal's securities and the total securities outstanding.)

3.7 What types of securities are subject to escrow?

3.7.1 Escrow securities

(1) The following securities are subject to escrow **(escrow securities)** if a principal holds them immediately before the issuer's IPO:

(a) **shares** – equity securities that carry the right to participate in earnings and assets remaining on winding-up or liquidation, including common shares, restricted voting shares, subordinate voting shares, multiple voting shares and non-voting shares

(b) **convertible securities** – securities that allow the holder to acquire shares or other convertible securities (such as warrants, special warrants qualified under the IPO prospectus, convertible shares, convertible debentures, rights and options), except for non-transferable incentive stock options issued to principals of the issuer to purchase securities solely for cash at a price equal to or greater than the IPO price

(2) Securities will be released from escrow if they are sold in a "permitted secondary offering" which is defined in section 3.8.

3.7.2 Additional escrow securities

Shares and convertible securities that a holder of escrow securities acquires in relation to securities that are in escrow at the time:

(a) as a dividend or other distribution;

(b) on the exercise of a right of purchase, conversion or exchange, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange; or

(d) from a successor issuer in a business combination, if this is required under Part V

(additional escrow securities) must be placed in escrow by the holder.

3.8 What is a permitted secondary offering?

(1) A principal may sell its securities in the issuer in the issuer's IPO free of escrow in the following circumstances **(a permitted secondary offering)**:

(a) the sale is conducted on a firmly underwritten basis; or

(b) the sale is conducted on a best efforts basis after completion of the sale by the issuer of all or the specified minimum number of its securities offered in the IPO (if any), if the principal is not a promoter, director or senior officer of the issuer or any of its material operating subsidiaries.

(2) The permitted secondary offering must be disclosed in the IPO prospectus.

3.9 Is there a standard form of escrow agreement?

The terms of escrow are set out in a written escrow agreement among an emerging issuer or an established issuer, an escrow agent and the issuer's principals whose securities are subject to escrow. The standard form of escrow agreement is attached as an Appendix to this Policy. An issuer must file a copy of the signed escrow agreement with securities regulators in the jurisdictions where the issuer files its IPO prospectus.

3.10 Who may be an escrow agent?

A person or company approved by a Canadian exchange to act as a transfer agent may be an escrow agent.

Part IV – Release of Escrow Securities from Escrow

4.1 When are escrow securities released from escrow?

(1) The release of escrow securities from escrow will vary depending on the escrow classification of the issuer that issued the securities. Principals of established issuers will have their escrow securities released from escrow over an 18-month period. Principals of emerging issuers will have their escrow securities released over a three-year period. The timing of escrow release will also be affected if a securityholder dies, if an emerging issuer becomes an established issuer, or if an issuer is party to a business combination.

(2) The escrow agreement sets out release procedures for escrow securities.

4.2 Release schedule for established issuers

4.2.1 Usual case

A principal's escrow securities in an established issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange **(the listing date)**	25% of the escrow securities
6 months after the listing date	25% of the escrow securities
12 months after the listing date	25% of the escrow securities
18 months after the listing date	25% of the escrow securities

4.2.2 If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering more than 25% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	33 1/3% of the unsold escrow securities
12 months after the listing date	33 1/3% of the unsold escrow securities
18 months after the listing date	33 1/3% of the unsold escrow securities

(2) If a principal has sold in a permitted secondary offering 25% or less of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
On the listing date	25% of the escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	25% of the escrow securities
12 months after the listing date	25% of the escrow securities
18 months after the listing date	25% of the escrow securities

4.2.3 Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, they are released in equal portions on the remaining release dates.

4.3 Release schedule for emerging issuers

4.3.1 Usual case

A principal's escrow securities in an emerging issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange **(the listing date)**	10% of the escrow securities
6 months after the listing date	15% of the escrow securities
12 months after the listing date	15% of the escrow securities
18 months after the listing date	15% of the escrow securities
24 months after the listing date	15% of the escrow securities
30 months after the listing date	15% of the escrow securities
36 months after the listing date	15% of the escrow securities

4.3.2 Alternate meaning of "listing date"

The **listing date** is the date the issuer completes its IPO if:

(a) the issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the issuer's securities are listed on a Canadian exchange immediately before its IPO.

4.3.3 If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering more than 10% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	16 2/3% of the unsold escrow securities
12 months after the listing date	16 2/3% of the unsold escrow securities
18 months after the listing date	16 2/3% of the unsold escrow securities
24 months after the listing date	16 2/3% of the unsold escrow securities
30 months after the listing date	16 2/3% of the unsold escrow securities
36 months after the listing date	16 2/3% of the unsold escrow securities

(2) If a principal has sold in a permitted secondary offering 10% or less of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
On the listing date	10% of the escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	15% of the escrow securities
12 months after the listing date	15% of the escrow securities
18 months after the listing date	15% of the escrow securities
24 months after the listing date	15% of the escrow securities
30 months after the listing date	15% of the escrow securities
36 months after the listing date	15% of the escrow securities

4.3.4 Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, they are released in equal portions on the remaining release dates.

4.4 What happens if an emerging issuer becomes an established issuer after its IPO?

(1) An emerging issuer becomes an established issuer if it:

(a) lists its securities on the TSE;

(b) becomes a CDNX Tier 1 issuer;

(c) has its securities listed on the Bourse and become eligible to be classified as a CDNX Tier 1 issuer; or

(d) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms or, if the issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of CDNX Tier 1.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the listing date.

4.5 Release of escrow securities on death of holder

If a holder of escrow securities dies, the holder's escrow securities will be released from escrow.

4.6 Release of escrow securities

Once escrow securities are released from escrow, they are no longer escrow securities for the purpose of this Policy.

Part V – Business Combinations

5.1 When does this Part apply?

This Part applies to business combinations. A **business combination** is:

(a) a formal take-over bid
(b) a plan of arrangement
(c) an amalgamation
(d) a merger
(e) any other similar transaction

5.2 Can a holder of escrow securities tender them in a business combination?

(1) Yes, a holder of escrow securities can tender them in a business combination. The tendered escrow securities will be released from escrow and delivered under the business combination if the terms and conditions of the business combination have been satisfied or waived.

(2) The escrow agreement contains special procedures for tendering escrow securities.

5.3 If the holder receives securities of another issuer in exchange for the holder's escrow securities, will the new securities be subject to escrow?

If the holder receives securities of another issuer (successor issuer) in exchange for the holder's escrow securities, the new securities will be subject to escrow, if immediately upon completion of the business combination:

(a) the successor issuer is not an exempt issuer (defined in section 3.2);

(b) the holder is a principal (defined in section 3.5) of the successor issuer; and

(c) the holder holds more than 1% of the voting rights attached to the successor issuer's outstanding securities. (In calculating this percentage, include securities that may be issued to the principal under outstanding convertible securities to both the principal's securities and the total securities outstanding.)

5.4 If the new securities are subject to escrow, when will they be released?

(1) If the new securities are subject to escrow, the escrow agent will hold the new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that were exchanged.

(2) However, if the issuer is an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the issuer's listing date, all escrow securities will be released immediately.

(3) If the issuer is an emerging issuer, the successor issuer is an established issuer and the business combination occurs within 18 months after the issuer's listing date, all escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the issuer's listing date.

Part VI – Dealing with Escrow Securities

6.1 Can a holder of escrow securities vote and receive distributions on the escrow securities?

A holder of escrow securities may vote and receive distributions on the holder's escrow securities.

6.2 Restrictions on dealing with escrow securities

Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal cannot sell, transfer, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with the holder's escrow securities or the related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

6.3 When can a holder of escrow securities transfer them within escrow?

(1) A holder may transfer escrow securities within escrow:

(a) to existing or, upon their appointment, incoming directors or senior officers of the issuer or any of its material operating subsidiaries, if the issuer's board of directors has approved the transfer;

(b) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the issuer's outstanding securities;

(c) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the issuer or any of its material operating subsidiaries;

(d) to a trustee in bankruptcy or another person or company entitled to escrow securities on the bankruptcy of the holder;

(e) to a financial institution on the realization of escrow securities pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; or

(f) to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the beneficiaries of the plan or fund are limited to the holder and his or her spouse, children and parents.

(2) The escrow agreement sets out transfer procedures for escrow securities.

(3) Securities laws and other legislation may impose additional restrictions on transfer. (See section 7.4.)

6.4 Can a holder pledge, mortgage or charge escrow securities as collateral for a loan?

A holder can pledge, mortgage or charge escrow securities to a financial institution as collateral for a loan. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

6.5 Can a holder exchange or convert convertible escrow securities?

A holder of a convertible security that is in escrow may exchange or convert the security within escrow. Securities acquired on conversion or exchange of convertible escrow securities are additional escrow securities and remain in escrow.

Part VII – General Provisions

7.1 Amendments to escrow agreement require regulatory approval

The securities regulator in each jurisdiction where the issuer files its IPO prospectus has jurisdiction over the escrow agreement and escrow securities of the issuer. No amendment to an escrow agreement is valid unless the securities regulators that have jurisdiction have approved it.

7.2. Will mutual reliance principles apply to escrow filings?

Yes, the securities regulators will apply mutual reliance principles in administering this Policy.

7.3 What happens if an issuer does not complete its IPO?

If an issuer does not complete its IPO and becomes a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, its escrow agreement will remain in effect until the securities regulators in those jurisdictions order that the issuer has ceased to be a reporting issuer.

7.4 Do local resale restrictions still apply to escrow securities after they are released from escrow?

Although this Policy may permit the release of escrow securities from escrow or permit a holder to transfer or deal in other ways with escrow securities, other restrictions imposed by securities legislation, securities regulators and Canadian exchanges will still apply.

Part VIII – Amendment of Release Terms in Escrow Agreements Made Prior to this Policy

8.1 Can the release terms of escrow agreements made prior to this Policy be amended?

(1) The securities regulators consent to amendments to escrow agreements made prior to the date of this Policy **(existing escrow agreements)** to reflect the release terms of this Policy on the following conditions:

(a) The issuer's board of directors must have approved the amendment.

(b) All parties to the existing escrow agreement, except parties whose securities are no longer in escrow, must have agreed to the amendment.

(c) The issuer must have obtained any approval by a Canadian exchange required by the existing escrow agreement.

(d) The amendment must have been approved by a majority vote of the securityholders of the issuer, or consented to by securityholders holding a majority of the securities of the issuer, excluding in each case escrow securityholders and their affiliates and associates.

(e) The amendment to the release terms must apply to all escrow securities.

(f) Once the escrow agreement has been amended and these conditions have been met, the issuer must issue a news release at least 60 days before the first release of escrow securities under the amended escrow agreement notifying the market of the amendment and the new release terms.

(g) The issuer's classification as an exempt, established or emerging issuer must be determined at the date of the news release.

(h) The news release must set out the date of the first release of escrow securities under the amended escrow agreement. The first release date must be at least 60 days after the news release and that date will take the place of the listing date for purposes of the appropriate release schedule under this Policy.

(i) If the issuer is an exempt issuer, all escrow securities may be released no earlier than 60 days after the news release, subject to the 10% limit in (k) below.

(j) If the issuer is an emerging or an established issuer, the new release schedule must be the schedule included in this Policy for that class of issuer, subject to the 10% limit in (k) below.

(k) The number of escrow securities to be released at any one time may not exceed 10% of the issuer's outstanding securities at the time of release. Securities remaining in escrow after the last scheduled release will continue to be released from escrow at 6-month intervals until all escrow securities have been released.

(l) Escrow securities must be released on a pro rata basis, with each holder of escrow securities receiving the same percentage of the escrow securities that are released as the percentage of total escrow securities held by the holder.

(m) The issuer must file with the securities regulators in the jurisdictions where it filed its IPO prospectus:

(i) a copy of the amended escrow agreement, and

(ii) a certificate of a director or senior officer of the issuer confirming that the escrow agreement has been amended in accordance with this Part.

(2) The parties to an existing escrow agreement may amend the agreement by entering into an agreement in the form of Form 46-201F Escrow Agreement.

(3) Our consent does not limit the right of a Canadian exchange to impose additional conditions or more stringent release terms.

Part IX – Effective Date

This Policy takes effect on September 21, 2001.

This is the form required for escrow arrangements under National Policy 46-201 Escrow for Initial Public Offerings.

APPENDIX

FORM 46-201F
ESCROW AGREEMENT

TABLE OF CONTENTS

PART TITLE

PART 1 ESCROW
- 1.1 Appointment of Escrow Agent
- 1.2 Deposit of Escrow Securities in Escrow
- 1.3 Direction to Escrow Agent

PART 2 RELEASE OF ESCROW SECURITIES
- 2.1 Release Schedule for an Established Issuer
- 2.2 Release Schedule for an Emerging Issuer
- 2.3 Delivery of Share Certificates for Escrow Securities
- 2.4 Replacement Certificates
- 2.5 Release upon Death

PART 3 EARLY RELEASE ON CHANGE OF ISSUER STATUS
- 3.1 Becoming an Established Issuer
- 3.2 Release of Escrow Securities
- 3.3 Filing Requirements
- 3.4 Amendment of Release Schedule
- 3.5 First Release under New Schedule

PART 4 DEALING WITH ESCROW SECURITIES
- 4.1 Restriction on Transfer, etc.
- 4.2 Pledge, Mortgage or Charge as Collateral for a Loan
- 4.3 Voting of Escrow Securities
- 4.4 Dividends on Escrow Securities
- 4.5 Exercise of Other Rights Attaching to Escrow Securities

PART 5 PERMITTED TRANSFERS WITHIN ESCROW
- 5.1 Transfer to Directors and Senior Officers
- 5.2 Transfer to Other Principals
- 5.3 Transfer upon Bankruptcy
- 5.4 Transfer upon Realization of Pledged, Mortgaged or Charged Escrow Securities
- 5.5 Transfer to Certain Plans and Funds
- 5.6 Effect of Transfer Within Escrow

PART 6 BUSINESS COMBINATIONS
- 6.1 Business Combinations
- 6.2 Delivery to Escrow Agent
- 6.3 Delivery to Depositary
- 6.4 Release of Escrow Securities to Depositary
- 6.5 Escrow of New Securities
- 6.6 Release from Escrow of New Securities

PART 7 ESCROW AGENT
- 7.1 Escrow Agent Not Responsible for Genuineness
- 7.2 Escrow Agent Not Responsible for Furnished Information
- 7.3 Escrow Agent Not Responsible after Release
- 7.4 Indemnification of Escrow Agent
- 7.5 Additional Provisions
- 7.6 Remuneration of Escrow Agent
- 7.7 Resignation of Escrow Agent

PART 8 NOTICES
- 8.1 Notice to Escrow Agent
- 8.2 Notice to Issuer
- 8.3 Deliveries to Securityholders
- 8.4 Change of Address
- 8.5 Postal Interruption

PART 9 GENERAL
- 9.1 Interpretation – "holding securities"
- 9.2 Further Assurances
- 9.3 Time
- 9.4 Incomplete IPO
- 9.5 Jurisdiction
- 9.6 Consent of Securities Regulators to Amendment
- 9.7 Governing Laws
- 9.8 Counterparts
- 9.9 Singular and Plural
- 9.10 Language
- 9.11 Benefit and Binding Effect
- 9.12 Entire Agreement
- 9.13 Successor to Escrow Agent

Schedule "A"

Schedule "B"

ESCROW AGREEMENT

THIS AGREEMENT is made as of the ______ day of ______________, ______

AMONG:

(the "**Issuer**")

AND:

(the "**Escrow Agent**")

AND:

EACH OF THE UNDERSIGNED SECURITYHOLDERS OF THE ISSUER
(a "**Securityholder**" or "**you**")

(collectively, the "**Parties**")

This Agreement is being entered into by the Parties under National Policy 46-201 Escrow for Initial Public Offerings (the **Policy**) in connection with the proposed distribution by the Issuer, an [established/emerging] issuer, of [describe securities] by prospectus (the **IPO**) and/or a proposed distribution by certain Securityholders, namely [names of Securityholders], of [specify number of securities distributed by each Securityholder and what percentage of each Securityholder's securities that number represents] (the **permitted secondary offering**).

For good and valuable consideration, the Parties agree as follows:

PART 1 ESCROW

1.1 Appointment of Escrow Agent

The Issuer and the Securityholders appoint the Escrow Agent to act as escrow agent under this Agreement. The Escrow Agent accepts the appointment.

1.2 Deposit of Escrow Securities in Escrow

(1) You are depositing the securities **(escrow securities)** listed opposite your name in Schedule "A" with the Escrow Agent to be held in escrow under this Agreement. You will deliver to the Escrow Agent any share certificates or other evidence of these securities you receive.

(2) If you receive any other securities **(additional escrow securities)**:

(a) as a dividend or other distribution on escrow securities;

(b) on the exercise of a right of purchase, conversion or exchange attaching to escrow securities, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange of escrow securities; or

(d) from a successor issuer in a business combination, if Part 6 of this Agreement applies,

you will deposit them in escrow with the Escrow Agent. You will deliver to the Escrow Agent any share certificates or other evidence of those additional escrow securities. When this Agreement refers to **escrow securities**, it includes additional escrow securities.

(3) You will deliver to the Escrow Agent any replacement share certificates or other evidence of additional escrow securities issued to you.

1.3 Direction to Escrow Agent

The Issuer and the Securityholders direct the Escrow Agent to hold the escrow securities in escrow until they are released from escrow under this Agreement.

PART 2 RELEASE OF ESCROW SECURITIES

2.1 Release Schedule for an Established Issuer

2.1.1 Usual case

If the Issuer is an **established issuer** (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows:

On ________, 2___, the date the Issuer's securities are listed on a Canadian exchange **(the listing date)**	25% of your escrow securities
6 months after the listing date	25% of your escrow securities
12 months after the listing date	25% of your escrow securities
18 months after the listing date	25% of your escrow securities

2.1.2 If there is a permitted secondary offering

(1) If the Issuer is an established issuer and you have sold in a permitted secondary offering more than 25% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the Issuer's IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	33 1/3% of your unsold escrow securities
12 months after the listing date	33 1/3% of your unsold escrow securities
18 months after the listing date	33 1/3% of your unsold escrow securities

(2) If the Issuer is an established issuer and you have sold in a permitted secondary offering 25% or less of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the Issuer's IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	25% of your escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	25% of your escrow securities
12 months after the listing date	25% of your escrow securities
18 months after the listing date	25% of your escrow securities

2.1.3 Additional escrow securities

If you acquire additional escrow securities, those securities will be released in equal portions on the remaining release dates.

2.2 Release Schedule for an Emerging Issuer

2.2.1 Usual case

(1) If the Issuer is an **emerging issuer** (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows:

On ________, 2____, the date the Issuer's securities are listed on a Canadian exchange **(the listing date)**	10% of your escrow securities
6 months after the listing date	15% of your escrow securities
12 months after the listing date	15% of your escrow securities
18 months after the listing date	15% of your escrow securities
24 months after the listing date	15% of your escrow securities
30 months after the listing date	15% of your escrow securities
36 months after the listing date	15% of your escrow securities

(2) The **listing date** is the date the Issuer completes its IPO if:

(a) the Issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the Issuer's securities are listed on a Canadian exchange immediately before its IPO.

2.2.2 If there is a permitted secondary offering

(1) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering more than 10% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the Issuer's IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	16 2/3% of your unsold escrow securities
12 months after the listing date	16 2/3% of your unsold escrow securities
18 months after the listing date	16 2/3% of your unsold escrow securities
24 months after the listing date	16 2/3% of your unsold escrow securities
30 months after the listing date	16 2/3% of your unsold escrow securities
36 months after the listing date	16 2/3% of your unsold escrow securities

(2) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering 10% or less of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the Issuer's IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	10% of your escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	15% of your escrow securities
12 months after the listing date	15% of your escrow securities
18 months after the listing date	15% of your escrow securities
24 months after the listing date	15% of your escrow securities
30 months after the listing date	15% of your escrow securities
36 months after the listing date	15% of your escrow securities

2.2.3 Additional escrow securities

If you acquire additional escrow securities, those securities are released in equal portions on the remaining release dates.

2.3 Delivery of Share Certificates for Escrow Securities

The Escrow Agent will send to each Securityholder the share certificates or other evidence of that Securityholder's escrow securities released from escrow as soon as reasonably practicable after the release. The share certificates or other evidence of the escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise before the escrow securities are released from escrow.

2.4 Replacement Certificates

If, on the date a Securityholder's escrow securities are to be released, the Escrow Agent holds a share certificate or other evidence representing more escrow securities than are to be released, the Escrow Agent will deliver the share certificate or other evidence to the Issuer or its transfer agent and request replacement share certificates or other evidence. The Issuer will cause replacement share certificates or other evidence to be prepared and delivered to the Escrow Agent. After the Escrow Agent receives the replacement share certificates or other evidence, the Escrow Agent will send to the Securityholder or at the Securityholder's direction, the replacement share certificate or other evidence of the escrow securities released. The Escrow Agent and Issuer will act as soon as reasonably practicable.

2.5 Release upon Death

(1) If a Securityholder dies, the Securityholder's escrow securities will be released from escrow. The Escrow Agent will deliver the share certificates or other evidence of the escrow securities to the Securityholder's legal representative.

(2) Prior to delivery the Escrow Agent must receive:

(a) a certified copy of the death certificate; and

(b) any evidence of the legal representative's status that the Escrow Agent may reasonably require.

PART 3 EARLY RELEASE ON CHANGE OF ISSUER STATUS

3.1 Becoming an Established Issuer

If the Issuer is an emerging issuer on the date of this Agreement and, during this Agreement, the Issuer:

(a) lists its securities on The Toronto Stock Exchange;

(b) becomes a Canadian Venture Exchange (**CDNX**) Tier 1 issuer;

(c) if the Issuer's securities are listed on the Bourse de Montréal Inc., becomes eligible to be classified as a CDNX Tier 1 issuer; or

(d) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms or, if the Issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of CDNX Tier 1,

then the Issuer becomes an **established issuer**.

3.2 Release of Escrow Securities

(1) When an emerging issuer becomes an established issuer, the release schedule for its escrow securities changes.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the listing date.

3.3 Filing Requirements

(1) Escrow securities will not be released under this Part until the Issuer does the following:

(a) at least 20 days before the date of the first release of escrow securities under the new release schedule, files with the securities regulators in the jurisdictions in which it is a reporting issuer

(i) an officer's certificate stating

(A) that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition, and

(B) the number of escrow securities to be released on the first release date under the new release schedule, and

(ii) a copy of a letter or other evidence from the exchange or quotation service confirming that the Issuer has satisfied the condition to become an established issuer; and

(b) at least 10 days before the date of the first release of escrow securities under the new release schedule, issues and files with the securities regulators in the jurisdictions in which it is a reporting issuer a news release disclosing details of the first release of the escrow securities and the change in the release schedule.

(2) If escrow securities remain in escrow after the first release under the new release schedule, then within 10 days after the date of the first release, the Issuer will deliver to the Escrow Agent and file with the securities regulators in the jurisdictions in which it is a reporting issuer an amended copy of this Agreement (with amendments indicated).

3.4 Amendment of Release Schedule

This Agreement will be deemed to be amended to reflect the new release schedule after the Escrow Agent receives an officer's certificate

(a) stating that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition;

(b) stating that the release schedule for the Issuer's escrow securities has changed;

(c) stating that the Issuer has issued a news release at least 10 days before the first release date under the new release schedule and specifying the date that the news release was issued; and

(d) specifying the new release schedule.

3.5 First Release under New Schedule

(1) The Escrow Agent will release your escrow securities in accordance with the amended Agreement.

(2) The share certificates or other evidence of a Securityholder's escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise before the escrow securities are released from escrow.

PART 4 DEALING WITH ESCROW SECURITIES

4.1 Restriction on Transfer, etc.

Unless it is expressly permitted in this Agreement, you will not sell, transfer, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with your escrow securities or the related share certificates or other evidence of the escrow securities. If a Securityholder is a private company controlled by one or more principals (as defined in section 3.5 of the Policy) of the Issuer, the Securityholder may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

4.2 Pledge, Mortgage or Charge as Collateral for a Loan

You may pledge, mortgage or charge your escrow securities to a financial institution as collateral for a loan. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

4.3 Voting of Escrow Securities

You may vote your escrow securities.

4.4 Dividends on Escrow Securities

You may receive a dividend or other distribution on your escrow securities, and elect the manner of payment from the standard options offered by the Issuer. If the Escrow Agent receives a dividend or other distribution on your escrow securities, other than additional escrow securities, the Escrow Agent will pay the dividend or other distribution to you on receipt.

4.5 Exercise of Other Rights Attaching to Escrow Securities

You may exercise your rights to exchange or convert your escrow securities.

PART 5 PERMITTED TRANSFERS WITHIN ESCROW

5.1 Transfer to Directors and Senior Officers

(1) You may transfer escrow securities within escrow to existing or, upon their appointment, incoming directors or senior officers of the Issuer or any of its material operating subsidiaries, if the Issuer's board of directors has approved the transfer.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a certified copy of the resolution of the board of directors of the Issuer approving the transfer;

(b) an officer's certificate stating that the transfer is to an existing or, upon his or her appointment, an incoming director or senior officer of the Issuer or a material operating subsidiary and that any required approval from the Canadian exchange the Issuer is listed on has been received;

(c) an acknowledgment in the form of Schedule "B" signed by the transferee;

(d) copies of the letters sent to the securities regulators accompanying the acknowledgement; and

(e) a transfer power of attorney, duly completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.2 Transfer to Other Principals

(1) You may transfer escrow securities within escrow:

(a) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities; or

(b) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

(2) Prior to the transfer the Escrow Agent must receive:

(a) an officer's certificate stating that

(i) the transfer is to a person or company that the officer believes, after reasonable investigation, holds more than 20% of the voting rights attached to the Issuer's outstanding securities before the proposed transfer, or

(ii) the transfer is to a person or company that

(A) the officer believes, after reasonable investigation, will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

(B) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries

after the proposed transfer, and

(iii) any required approval from the Canadian exchange the Issuer is listed on has been received;

(b) an acknowledgment in the form of Schedule "B" signed by the transferee;

(c) copies of the letters sent to the securities regulators accompanying the acknowledgement; and

(d) a transfer power of attorney, duly executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.3 Transfer upon Bankruptcy

(1) You may transfer escrow securities within escrow to a trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy.

(2) Prior to the transfer, the Escrow Agent must receive:

(a) a certified copy of either

(i) the assignment in bankruptcy filed with the Superintendent of Bankruptcy, or

(ii) the receiving order adjudging the Securityholder bankrupt;

(b) a certified copy of a certificate of appointment of the trustee in bankruptcy;

(c) a transfer power of attorney, duly completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(d) an acknowledgment in the form of Schedule "B" signed by the trustee in bankruptcy or other person or company legally entitled to the escrow securities.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.4 Transfer Upon Realization of Pledged, Mortgaged or Charged Escrow Securities

(1) You may transfer escrow securities you have pledged, mortgaged or charged under section 4.2 to a financial institution as collateral for a loan within escrow to the lender on realization.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a statutory declaration of an officer of the financial institution that the financial institution is legally entitled to the escrow securities;

(b) a transfer power of attorney, duly executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the financial institution.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.5 Transfer to Certain Plans and Funds

(1) You may transfer escrow securities within escrow to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the beneficiaries of the plan or fund are limited to you and your spouse, children and parents.

(2) Prior to the transfer the Escrow Agent must receive:

(a) evidence from the trustee of the transferee plan or fund, stating that, to the best of the trustee's knowledge, the beneficiaries of the plan or fund do not include any person or company other than you and your spouse, children and parents;

(b) a transfer power of attorney, duly executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the trustee of the plan or fund.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.6 Effect of Transfer Within Escrow

After the transfer of escrow securities within escrow, the escrow securities will be held in escrow and released from escrow under this Agreement on the same terms that applied before the transfer.

PART 6 BUSINESS COMBINATIONS

6.1 Business Combinations

This Part applies to the following (**business combinations**):

(a) a formal take-over bid
(b) a plan of arrangement
(c) an amalgamation
(d) a merger
(e) any other similar transaction

6.2 Delivery to Escrow Agent

You may tender your escrow securities to a person or company in a business combination. At least three business days prior to the date the escrow securities must be tendered under the business combination, you must deliver to the Escrow Agent:

(a) a written direction signed by you that directs the Escrow Agent to deliver to the depositary under the business combination either

(i) share certificates or other evidence of the escrow securities, or

(ii) if you have provided the Escrow Agent with a notice of guaranteed delivery or similar notice of your intent to tender the escrow securities to the business combination, that notice,

and a duly completed and executed cover letter or similar document and, where required, transfer power of attorney duly completed and executed for transfer in accordance with the requirements of the depositary, and any other documentation specified or provided by you and required to be delivered to the depositary under the business combination; and

(b) any other information concerning the business combination as the Escrow Agent may reasonably require.

6.3 Delivery to Depositary

Immediately after the Escrow Agent receives the documents and information required under section 6.2, the Escrow Agent will deliver to the depositary, in accordance with the direction, the documentation described in 6.2(a), and a letter addressed to the depositary that

(a) identifies the escrow securities that are being tendered;

(b) states that the escrow securities are held in escrow;

(c) states that the escrow securities are delivered only for the purposes of the business combination and that they will be released from escrow only after the Escrow Agent receives the information described in section 6.4;

(d) if share certificates or other evidence of the escrow securities have been delivered to the depositary, requires the depositary to return to the Escrow Agent, as soon as practicable, the share certificates or other evidence of escrow securities that are not released from escrow into the business combination; and

(e) where applicable, requires the depositary to deliver or cause to be delivered to the Escrow Agent, as soon as practicable, share certificates or other evidence of additional escrow securities that you acquire under the business combination.

6.4 Release of Escrow Securities to Depositary

The Escrow Agent will release from escrow the tendered escrow securities when the Escrow Agent receives a declaration signed by the depositary or, if the direction identifies the depositary as acting on behalf of another person or company in respect of the business combination, by that other person or company, that:

(a) the terms and conditions of the business combination have been met or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

6.5 Escrow of New Securities

If you receive securities (**new securities**) of another issuer (**successor issuer**) in exchange for your escrow securities, the new securities will be subject to escrow in substitution for the tendered escrow securities if, immediately after completion of the business combination:

(a) the successor issuer is not an **exempt issuer** (as defined in section 3.2 of the Policy);

(b) you are a **principal** (as defined in section 3.5 of the Policy) of the successor issuer; and

(c) you hold more than 1% of the voting rights attached to the successor issuer's outstanding securities (In calculating this percentage, include securities that may be issued to you under outstanding convertible securities in both your securities and the total securities outstanding.)

6.6 Release from Escrow of New Securities

(1) The Escrow Agent will send to a Securityholder share certificates or other evidence of the Securityholder's new securities as soon as reasonably practicable after the Escrow Agent receives:

(a) an officer's certificate from the successor issuer

(i) stating that it is a successor issuer to the Issuer as a result of a business combination,

(ii) containing a list of the securityholders whose new securities are subject to escrow under section 6.5, and

(iii) containing a list of the securityholders whose new securities are not subject to escrow under section 6.5; and

(b) if the Securityholder's securities are not subject to escrow under section 6.5, a notice from the Securityholder that the Securityholder wishes to receive share certificates or other evidence of the Securityholder's new securities.

(2) The share certificate or other evidence of a Securityholder's new securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise before the new securities are released from escrow.

(3) If your new securities are subject to escrow, the Escrow Agent will hold your new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that you exchanged.

(4) However, if the Issuer is

(a) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the Issuer's listing date, all escrow securities will be released immediately; and

(b) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs within 18 months after the Issuer's listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the Issuer's listing date.

PART 7 ESCROW AGENT

7.1 Escrow Agent Not Responsible for Genuineness

The Escrow Agent will not be responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any escrow security deposited with it.

7.2 Escrow Agent Not Responsible for Furnished Information

The Escrow Agent will have no responsibility for seeking, obtaining, compiling, preparing or determining the accuracy of any information or document, including the representative capacity in which a party purports to act, that the Escrow Agent receives as a condition to a release from escrow or a transfer of escrow securities within escrow under this Agreement.

7.3 Escrow Agent Not Responsible after Release

The Escrow Agent will have no responsibility for escrow securities that it has released to a Securityholder or at a Securityholder's direction according to this Agreement.

7.4 Indemnification of Escrow Agent

(1) The Issuer and each Securityholder jointly and severally:

(a) release, indemnify and save harmless the Escrow Agent from all liabilities, actions, costs (including legal costs, expenses and disbursements), charges, claims, demands, damages, losses and expenses resulting from or arising out of the Escrow Agent's performance of its duties under this Agreement in good faith and without negligence;

(b) agree not to make or bring a claim or demand, or commence any action, against the Escrow Agent in respect of its performance of its duties under this Agreement in good faith and without negligence; and

(c) agree to indemnify and save harmless the Escrow Agent from all costs (including legal costs, expenses and disbursements) and damages that the Escrow Agent incurs or is required by law to pay as a result of any person's claim, demand or action in connection with the Escrow Agent's performance of its duties under this Agreement in good faith and without negligence.

(2) This indemnity survives the release of the escrow securities, the resignation or termination of the Escrow Agent and the termination of this Agreement.

7.5 Additional Provisions

(1) The Escrow Agent will be protected in acting and relying reasonably upon any notice, direction, instruction, order, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or document (collectively referred to as "**Documents**") furnished to it and signed by any person required to or entitled to execute and deliver to the Escrow Agent any such Documents in connection with this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth or accuracy of any information therein contained, which it in good faith believes to be genuine.

(2) The Escrow Agent will not be bound by any notice of a claim or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of this Agreement unless received by it in writing, and signed by the other Parties and approved by the securities regulators with jurisdiction as set out in section 9.6, and, if the duties or indemnification of the Escrow Agent in this Agreement are affected, unless it has given its prior written consent.

(3) The Escrow Agent may retain such legal counsel and advisors as it may reasonably require for the purpose of discharging its duties or determining its rights under this Agreement and may rely and act upon the advice of such counsel or advisor. The Escrow Agent will give written notice to the Issuer as soon as practicable that it has retained legal counsel or other advisors. The Issuer will pay or reimburse the Escrow Agent for any reasonable fees, expenses and disbursements of such counsel or advisors.

(4) In the event of any disagreement arising under the terms of this Agreement, the Escrow Agent will be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by a written agreement among the Parties or by a court of competent jurisdiction.

(5) The Escrow Agent will have no duties or responsibilities except as expressly provided in this Agreement and will have no duty or responsibility arising under any other agreement, including any agreement referred to in this Agreement, to which the Escrow Agent is not a party.

7.6 Remuneration of Escrow Agent

The Issuer will pay the Escrow Agent reasonable remuneration for its services under this Agreement. The Issuer will reimburse the Escrow Agent for its expenses and disbursements.

7.7 Resignation of Escrow Agent

(1) If the Escrow Agent wishes to resign as escrow agent, the Escrow Agent will give written notice to the Issuer.

(2) If the Issuer wishes to terminate the Escrow Agent as escrow agent, the Issuer will give written notice to the Escrow Agent.

(3) If the Escrow Agent resigns or is terminated, the Issuer will be responsible for ensuring that the Escrow Agent is replaced not later than the resignation or termination date by another escrow agent that is acceptable to the securities regulators having jurisdiction in the matter and that has accepted such appointment, which appointment will be binding on the Issuer and the Securityholders.

(4) The resignation or termination of the Escrow Agent will be effective, and the Escrow Agent will cease to be bound by this Agreement, on the date that is 60 days after the date of receipt of the notices referred to above by the Escrow Agent or Issuer, as applicable, or on such other date as the Escrow Agent and the Issuer may agree upon (the "resignation or termination date"), provided that the resignation or termination date will not be less than 10 business days before a release date.

(5) If the Issuer has not appointed a successor escrow agent within 60 days of the resignation or termination date, the Escrow Agent will apply, at the Issuer's expense, to a court of competent jurisdiction for the appointment of a successor escrow agent, and the duties and responsibilities of the Escrow Agent will cease immediately upon such appointment.

PART 8 NOTICES

8.1 Notice to Escrow Agent

Documents will be considered to have been delivered to the Escrow Agent on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

8.2 Notice to Issuer

Documents will be considered to have been delivered to the Issuer on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

8.3 Deliveries to Securityholders

Documents will be considered to have been delivered to a Securityholder on the date of delivery, if delivered by hand or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the address on the Issuer's share register.

The share certificates or other evidence of a Securityholder's escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise before the escrow securities are released from escrow.

8.4 Change of Address

(1) The Escrow Agent may change its address for delivery by delivering notice of the change of address to the Issuer and to each Securityholder.

(2) The Issuer may change its address for delivery by delivering notice of the change of address to the Escrow Agent and to each Securityholder.

(3) A Securityholder may change that Securityholder's address for delivery by delivering notice of the change of address to the Issuer and to the Escrow Agent.

8.5 Postal Interruption

A party to this Agreement will not mail a Document if the party is aware of an actual or impending disruption of postal service.

PART 9 GENERAL

9.1 Interpretation - "holding securities"

When this Agreement refers to securities that a Securityholder "holds", it means that the Securityholder has direct or indirect beneficial ownership of, or control or direction over, the securities.

9.2 Further Assurances

The Parties will execute and deliver any further documents and perform any further acts necessary to carry out the intent of this Agreement.

9.3 Time

Time is of the essence of this Agreement.

9.4 Incomplete IPO

If the Issuer does not complete its IPO and has become a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, this Agreement will remain in effect until the securities regulators in those jurisdictions order that the Issuer has ceased to be a reporting issuer.

9.5 Jurisdiction

The securities regulator in each jurisdiction where the Issuer files its IPO prospectus has jurisdiction over this Agreement and the escrow securities.

9.6 Consent of Securities Regulators to Amendment

Except for amendments made under Part 3, the securities regulators with jurisdiction must approve any amendment to this Agreement and will apply mutual reliance principles in reviewing any amendments that are filed with them.

9.7 Governing Laws

The laws of [insert principal jurisdiction] and the applicable laws of Canada will govern this Agreement.

9.8 Counterparts

The Parties may execute this Agreement by fax and in counterparts, each of which will be considered an original and all of which will be one agreement.

9.9 Singular and Plural

Wherever a singular expression is used in this Agreement, that expression is considered as including the plural or the body corporate where required by the context.

9.10 Language

This Agreement has been drawn up in the [English/French] language at the request of all Parties. Cet acte a été rédigé en [anglais/français] à la demande de toutes les parties.

9.11 Benefit and Binding Effect

This Agreement will benefit and bind the Parties and their heirs, executors, administrators, successors and permitted assigns.

9.12 Entire Agreement

This is the entire agreement among the Parties concerning the subject matter set out in this Agreement and supersedes any and all prior understandings and agreements.

9.13 Successor to Escrow Agent

Any corporation with which the Escrow Agent may be merged or consolidated, or any corporation succeeding to the business of the Escrow Agent will be the successor of the Escrow Agent under this Agreement without any further act on its part or on the part or any of the Parties, provided that the successor is recognized as a transfer agent by the Canadian exchange the Issuer is listed on (or if the Issuer is not listed on a Canadian exchange, by any Canadian exchange) and notice is given to the securities regulators with jurisdiction.

The Parties have executed and delivered this Agreement as of the date set out above.

[Escrow Agent]

____
Authorized signatory

____
Authorized signatory

[Issuer]

____
Authorized signatory

____
Authorized signatory

If the Securityholder is an individual:

Signed, sealed and delivered by)
[Securityholder] in the presence of:)
)
______________________________)
Name)
)
______________________________)
Address) ______________________________
) **[Securityholder]**
______________________________)
)
)
______________________________)
Occupation)

If the Securityholder is not an individual:

[Securityholder]

____
Authorized signatory

____
Authorized signatory

Schedule "A" to Escrow Agreement

Securityholder

Name:

Address:

Signature:

Securities:

Class or description	*Number*	*Certificate(s) (if applicable)*

Schedule "B" to Escrow Agreement

Acknowledgment and Agreement to be Bound

I acknowledge that the securities listed in the attached Schedule "A" (the "escrow securities") have been or will be transferred to me and that the escrow securities are subject to an Escrow Agreement dated ______________________ (the "Escrow Agreement").

For other good and valuable consideration, I agree to be bound by the Escrow Agreement in respect of the escrow securities, as if I were an original signatory to the Escrow Agreement.

Dated at ________________ on ____________.

Where the transferee is an individual:

Signed, sealed and delivered by)
[Transferee] in the presence of:)

_______________________________)
Name)

_______________________________) _______________________
Address) **[Transferee]**

_______________________________)

_______________________________)
Occupation)

Where the transferee is not an individual:

[Transferee]

____
Authorized signatory

____
Authorized signatory

Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

Exempt Financings

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

Reports of Trades Submitted on Form 45-501f1

Trans. Date	Security	Price ($)	Amount
01Sep01	ABC Fully-Managed Fund - Units	365,000	47,349
24Aug01	Arrow Global MultiManager II Fund - Class I trust Units	299,281	3,043
24Aug01	Arrow Goodwood Fund - Class I Trust Units	220,320	2,119
24Aug01	Arrow North American MultiManager II Fund - Trust Units	145,950	1,494
24Aug01	Arrow WF Asia Fund - Class I Units	67,000	639
24Aug01	Arrow White Mountain Fund - Class I Units	67,000	637
31Aug01	Ashton Mining of Canada Inc. - Common Shares	499,999	714,285
01Sep01	Bank of Ireland Asset Management Limited - Units	20,462,575	1,804,314
01Sep01	Bank of Ireland Asset Management Limited - Units	2,600,000	229,258
13Aug01	Burgundy Japan Fund - Units	150,000	9,183
04Sep01	Burgundy Japan Fund - Units	150,000	9,183
27Aug01	Burgundy Japan Fund - Units	150,000	9,171
27Aug01	Burgundy Japan Fund - Units	150,000	9,171
13Aug01	Burgundy Small Cap Value Fund - Units	300,000	7,372
04Sep01	Burgundy Small Cap Value Fund - Units	150,000	3,712
27Aug01	Burgundy Small Companies Fund - Units	10,000,000	470,209
20Aug01	Burgundy Smaller Companies Fund - Units	200,000	9,577
14Aug01	Burgundy Smaller Companies Fund - Units	200,000	9,697
24Aug01	Capital International Emerging Markets Fund - Class C1 (USD) Shares	3,852,500	100,563
29Aug01	CC&L Money Market Fund -	73,723	7,372
30Aug01	CC&L Money Market Fund -	890,512	89,051
30Aug01	Certicom Corp. - 7.25% Convertible Notes	5,450,000	5,450,000
31Aug01	Cogient Corp. - Special Warrants	2,014,999	5,5757,142
23Aug01	Endo Surgical Devices, Inc. - Convertible Debentures for Shares	200,00	13,490
27Aug01	First Horizon Holdings Ltd. - Class I Redeemable Convertible Non-Voting Shares	946,400	86,464
28Aug01	Forte Oil Corporation - Common Shares	2,275,000	2,275,000
31Aug01	Harbour Capital Canadian Balanced Fund - Trust Units	954,327	9,294
Aug01	Heritage Oil Corporation - Common Shares	184,000	200,000
27Aug01	Horizons Mondiale Hedge Fund - Units	165,599	17,290
03Aug01	Horizons Mondiale Hedge Fund - Units	153,394	15,660
27Aug01	International Curator Resources Ltd. - Units	300,000	1,875,000
31Aug01	Intrepid Minerals Corporation - Common Shares	400,000	1,600,000

Trans. Date		Security	Price ($)	Amount
24Aug01		Level Platforms Inc. - Class A Shares	1,850,000	216,375
30Aug01		Linmor Inc. - Special Warrants	3,025,280	18,908,000
29Aug01		Majescor Resources Inc. - Common Shares	150,000	150,000
24Aug01		Maxxum Financial Services - Class A Units	55,000	524
28Aug01		Negociar I Investments Limited Partnership - Limited Partnership Units	150,000	15
14Aug01		Norske Skog Canada Limited - 8⅝% Senior Notes due June, 2011	$6,518,534	$6,518,534
29Aug01		NovaNeuron Inc. - Convertible Debentures	50,000	50,000
07Sep01		Pele Mountain Resources Inc. - Units	150,000	750,000
06Jul01 to 22Aug01		Quartet Service (Holdings) Inc. - Class C Preferred Shares	7,500,000	24,999,999
07Sep01		RioCan Real Estate Investment Trust - Special Warrants	26,250,000	2,500,000
30Aug01		SDL Technologies Inc. - Common Shares	150,000	267,857
31Aug01		SHAA (2001-2) Master Limited Partnership -Units of Limited Partnership Interest	109,704,611	109,704
14Aug01	#	Sherwood Petroleum Corporation - Special Warrants	400,000	1,600,000
28Aug01		St Andrew Goldfields Ltd. - Common Shares	615,000	4,100,000
04Sep01		Stacey Investment Limited Partnership - Limited Partnership Units	25,002	1,074
27Jul01		Thundermin Resources Inc. - Common Shares	728,557	4,285,629
29Jun01		Toyota Credit Canada - 6.125% due July 18, 2008	49,588,300	50,000,000
22May01		Toyota Credit Canada - 6% due June 16, 2006	14,955,000	15,000,000
24Aug01		Trident Global Opportunities Fund - Units	150,000	1,406
31Aug01		Tripeze.com Inc. - Special Notes	280,000	280,000
31Aug01		VenGrowth V Limited Partnership - Limited Partnership Units	37,000,000	37,000

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

Name of Company	Date the Company Ceased to be a Private Company
Dragon Wave Inc.	28Aug01

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

Seller	Security	Amount
Wong, Milton K.	A.L.I. Technolgoies Inc. - Common Shares	200,000
Paros Enterprises Limited	Acktion Corporation - Common Shares	2,000,000
Melnick, Larry	Champion Natural Health.com Inc. - Subordinate Voting Shares	29,900
Smith, Ivan W.	Circa Enterprises Inc. - Common Shares	90,000
Kingfield Holdings Limited	Extendicare Inc. - Multiple Voting Shares	64,000
Black, Conrad M.	Hollinger Inc. - Series II Preference Shares	1,611,039
Magrill, Gordon	Library Information Software Corp. - Class A Shares	2,500,000
Oncan Canadian Holdings Ltd.	Onex Corporation - Subordinate Voting Shares	1,000,000
Faye, Michael R.	Spectra Inc. - Common Shares	236,500
Malion, Andrew	Spectra Inc. - Common Shares	250,000
Hawkins, Stanley G.	Tandem Resources Ltd. - Common Shares	2,000,000
Mourin, Stanley	Western Troy Capital Resources Inc.- Common Shares	60,000

Chapter 9

Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Certicom Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 12th, 2001
Mutual Reliance Review System Receipt dated September 14th, 2001
Offering Price and Description:
$13,500,000 Aggregate Principal Amount of 7.25% Senior Convertible Unsecured Subordinated Debentures
Due August 30, 2004 issuable upon the Conversion of an Equal Principal Amount of 7.25% Convertible Notes
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
Promoter(s):
-
Project #388588

Issuer Name:
Chou Associates Fund
Chou RRSP Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 13th, 2001
Mutual Reliance Review System Receipt dated September 19th, 2001
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Chou Associates Management Funds
Promoter(s):
-
Project #388787

Issuer Name:
CNH Capital Canada Receivables Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 19th, 2001
Mutual Reliance Review System Receipt dated September 19th, 2001
Offering Price and Description:
Up to $1,000,000,000 of Receivable -Backed Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
Case Credit Ltd.
Project #389580

Issuer Name:
Falconbridge Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 17th, 2001
Mutual Reliance Review System Receipt dated September 17th, 2001
Offering Price and Description:
US$600,000,000 - Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #389007

Issuer Name:
Greater Toronto Airports Authority
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 13th, 2001
Mutual Reliance Review System Receipt dated September 14th, 2001
Offering Price and Description:
$2,500,000,000 - Medium-Term Notes (Secured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Salomon Smith Barney Canada Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #388836

Issuer Name:
ING Global Equity Fund
ING Global Equity RSP Fund
ING Canadian Market Neutral Fund
ING DIRECT Canadian Fund
ING DIRECT American Fund
ING DIRECT Global Brand Names Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 12th, 2001
Mutual Reliance Review System Receipt dated September 14th, 2001
Offering Price and Description:
Offering Investor Class Units, exclusive Class Units and Institutional Class Units
Underwriter(s) or Distributor(s):
ING DIRECT Funds Limited
Promoter(s):
-
Project #388310

Issuer Name:
Linmor Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 17th, 2001
Mutual Reliance Review System Receipt dated September 17th, 2001
Offering Price and Description:
$4,850,000 - 30,312,500 Common Shares issuable upon the exercise of 30,312,500 Special Warrants
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Yorkton Securities Inc.
Promoter(s):
-
Project #389003

Issuer Name:
RioCan Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 13th, 2001
Mutual Reliance Review System Receipt dated September 17th, 2001
Offering Price and Description:
$350,000,000 - Debentures (Senior Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #388889

Issuer Name:
TD Managed Income & Moderate Growth RSP Portfolio
TD Managed Balanced Growth RSP Portfolio
TD Managed Aggressive Growth RSP Portfolio
TD Managed Maximum Equity Growth RSP Portfolio
TD Managed Aggressive Growth Portfolio
TD Managed Maximum Equity Growth Portfolio
TD FundSmart Managed Income & Moderate Growth RSP Portfolio
TD FundSmart Managed Balanced Growth RSP Portfolio
TD FundSmart Managed Aggressive Growth RSP Portfolio
TD FundSmart Managed Maximum Equity Growth RSP Portfolio
TD FundSmart Managed Aggressive Growth Portfolio
TD FundSmart Managed Maximum Equity Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus and Annual Information Form dated September 12th, 2001
Mutual Reliance Review System Receipt dated September 18th, 2001
Offering Price and Description:
Advisor Series Units
Underwriter(s) or Distributor(s):
TD Asset Management Inc.
Promoter(s):
-
Project #388331

Issuer Name:
TransAlta Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated September 17th, 2001
Mutual Reliance Review System Receipt dated September 17th, 2001
Offering Price and Description:
$1,500,000,000 Medium Term Notes Debentures (Unsecured)
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Finacial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #389257

Issuer Name:
Altamira RSP Health Sciences Fund
Altamira RSP Global Telecommunications Fund
Altamira RSP Biotechnology Fund
Altamira RSP Global 20 Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus dated September 13th, 2001 amending and restating the Simplified Prospectus dated August 28th, 2001 and Amendment #1 to the Annual Information Form dated September 13th, 2001, Amending the Annual Information Form dated August 28th, 2001
Mutual Reliance Review System Receipt dated 18th day of September, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #376588

Issuer Name:
AIC Income Equity Corporate Class
AIC American Income Equity Corporate Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 6th, 2001 to the Amended and Restated Simplified Prospectus and Annual Information Form dated May 4th, 2001, Amending and Restating the Simplified Prospectus and Annual Information Form dated March 15th, 2001
Mutual Reliance Review System Receipt dated 13th day of September, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #312345

Issuer Name:
Merrill Lynch Canadian Income Trust Fund
Merrill Lynch Internet Strategies Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 17th, 2001 to the Simplified Prospectus and Annual Information Form dated November 27th, 2000.
Mutual Reliance Review System Receipt dated 18th day of September, 2001
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #305355

Issuer Name:
PhotoChannel Networks Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated July 11th, 2000
Closed 20th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #282063

Issuer Name:
Bioniche Life Sciences Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated September 12th, 2001
Mutual Reliance Review System Receipt dated 13th day of September, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Harris Partners Limited
Acument Capital Finance Partners Limited
Dlouhy Merchant Group Inc.
Promoter(s):
-
Project #379588

Issuer Name:
Investors Real Property Fund
Principal Regulator - Manitoba
Type and Date:
Final Prospectus dated September 10th, 2001
Mutual Reliance Review System Receipt dated 13th day of September, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Promoter(s):
-
Project #378319

Issuer Name:
Aeterna Laboratories Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated September 4th, 2001
Mutual Reliance Review System Receipt dated 5th day of September, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #383574

Issuer Name:
NIF-T
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 19th, 2001
Mutual Reliance Review System Receipt dated 19th day of September, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
Nissan Canada Finance Inc.
Project #386299

Issuer Name:
Summit Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 11th, 2001
Mutual Reliance Review System Receipt dated September 12th, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
National Bank Financial Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #386484

Issuer Name:

Arius Research Inc.
Type and Date:
Rights Offering dated August 28th, 2001
Accepted August 29th, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #379417

Issuer Name:
New Economy Technology Growth and Treasury Trust, 2001 Portfolio
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Simplified Prospectus dated March 13th, 2001
Withdrawn on September 17th, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Inc.
Promoter(s):
-
Project #338676

Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Family Investment Planning Inc. Attention: Katherine Anne Dooley 195 Franklin Blvd Unit 6 Cambridge ON N1R 8H3	Mutual Fund Dealer	Sep 12/01
New Registration	Quellos Fixed Income Advisors, LLC Attention: Marie Bender 601 Union Street 56th Floor Seattle WA 98101 USA	International Adviser Investment Counsel & Portfolio Manager	Sep 12/01
New Registration	Fusion Capital Partners Inc. Attention: Peter Leo Van Der Velden 181 Bat Street, Suite 3620 PO Box 832 Toronto ON M5J 2T3	Limited Market Dealer (Conditional)	Sep 17/01
New Registration	Chicago Equity Partners, LLC Attention: Barbara Hendrickson 181 Bay Street, Suite 2100 PO Box 874 (Baker McKenzie) Toronto ON M5J 2T3	International Adviser Investment Counsel & Portfolio Manager	Sep 17/01

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Discipline - Peter Konidis

NOTICE TO PUBLIC RE: DISCIPLINARY HEARING

RE: IN THE MATTER OF PETER KONIDIS

September 13, 2001 (**Toronto, Ontario**) – The Investment Dealers Association of Canada has scheduled a hearing before the Ontario District Council of the Association concerning Peter Konidis.

The hearing is scheduled to begin Thursday, October 25, 2001, at 9:30am, at the offices of the Association, located at 121 King Street West, Suite 1600, in Toronto, Ontario.

The hearing will be open to the public except as may be required for the protection of confidential matters.

The hearing is in regards to allegations made by Staff of the Enforcement Division of the Association that, while a Registered Representative at ScotiaMcLeod Inc. (now Scotia Capital Inc.), Mr. Konidis made several recommendations to his clients that were not appropriate and were not in keeping with their investment objectives, and failed to observe high standards of ethics and conduct in the transaction of his business by not updating the account documentation of five clients.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's role is to foster fair, efficient and competitive capital markets by encouraging participation in the savings and investment process and by ensuring the integrity of the marketplace. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. The Enforcement Branch investigates complaints, conducts investigations and disciplines Members and their employees as part of the IDA's regulatory role.

For further information, please contact:

Alice Abbott
Enforcement Counsel
(416) 943-5877 or aabbott@ida.ca

Jennifer Guest
Public Affairs Specialist
(416) 943-6921 or jguest@ida.ca

AVIS AU PUBLIC
CONCERNANT UNE AUDIENCE DISCIPLINAIRE

OBJET : PETER KONIDIS

Le 13 septembre 2001 (**Toronto, Ontario**) – L'Association canadienne des courtiers en valeurs mobilières a fixé la date de l'audience du conseil de section de l'Ontario concernant Peter Konidis.

L'audience doit commencer le jeudi 25 octobre 2001, à 9 h 30, aux bureaux de l'Association, situés au 121, rue King Ouest, Bureau 1600, à Toronto (Ontario).

L'audience sera publique, sauf dans la mesure nécessaire pour la protection de questions confidentielles.

L'audience concerne les allégations formulées par le personnel du Service de la mise en application de l'Association, selon lesquelles M. Konidis, pendant qu'il était représentant inscrit chez ScotiaMcLeod Inc. (maintenant Scotia Capitaux Inc.), a fait à ses clients plusieurs recommandations qui n'étaient pas appropriées et ne correspondaient pas à leurs objectifs de placement et n'a pas observé des normes élevées d'éthique et de conduite professionnelle dans l'exercice de son activité en ne mettant pas à jour la documentation concernant le compte de cinq clients.

L'Association canadienne des courtiers en valeurs mobilières est l'organisme national d'autoréglementation et de représentation du secteur des valeurs mobilières. Le rôle de l'Association est de favoriser l'équité, la compétitivité et l'efficacité des marchés des capitaux en encourageant la participation au processus d'épargne et de placement et en assurant l'intégrité du marché. L'ACCOVAM applique les règles et les règlements concernant la vente, les activités et les pratiques financières de ses sociétés membres. Les enquêtes sur les plaintes et la procédure disciplinaire font partie du rôle de réglementation de l'ACCOVAM.

Pour de plus amples renseignements, veuillez communiquez avec:

Alice Abbott
Avocate – Mise en application
(416) 943-5877 ou aabbott@ida.ca

Jennifer Guest
Spécialiste, Affaires publiques
(416) 943-6921 ou jguest@ida.ca

13.1.2 TSE Hearing - Laudalino Da Costa

NOTICE TO PUBLIC

SUBJECT: TORONTO STOCK EXCHANGE REGULATION SERVICES SETS CONTESTED HEARING DATE IN THE MATTER OF LAUDALINO DA COSTA

Toronto Stock Exchange Regulation Services ("TSE RS") will convene a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of the Toronto Stock Exchange. The purpose of this Hearing is to determine whether Laudalino Da Costa ("Da Costa"), an Approved Person at all times employed as a Registered Representative with Research Capital Corporation, a Participating Organization of the Exchange, contravened or failed to comply with the General By-law (the "General By-law") of The Toronto Stock Exchange. The alleged contraventions of the General By-law are as follows:

(a) Between November 23, 1998 and March 4, 1999, Da Costa executed trades in listed securities for the account of a customer when there was reason to believe that the intended purpose of the trades was to establish an artificial price or a high closing price, contrary to section 11.26(1) of the General By-law and Part XIV of the Rulings and Directions of the Board.

(b) Between November 23, 1998 and March 4, 1999, Da Costa entered orders on the Exchange without first time-stamping the orders, contrary to section 16.03(3) of the General By-law.

The Hearing will be held on October 10, 11 & 12, 2001, beginning at 10:00 a.m. or as soon thereafter as the Hearing can be held, at the offices of The Toronto Stock Exchange, 130 King Street West, 3rd Floor, Toronto, Ontario. The Hearing is open to the public.

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

Reference:

Jane P. Ratchford
Chief Counsel
Investigations and Enforcement Division
Toronto Stock Exchange Regulation Services

Telephone: 416-947-4317

Chapter 25

Other Information

25.1 Consent

25.1.1 Shar-Mar Holdings Ltd. and James Reid - ss. 6(1)(b), OBCA Reg.

Headnote

Subsection 241(5) of the OBCA - Consent given for corporation to be revived.

Statutes Cited

Business Corporation Act, R.S.O. 1990, c.B.16, s. 241(5).

Regulation Cited

Regulation made under the Business Corporation Act, Ont. Reg, 289/00.

**IN THE MATTER OF
ONTARIO REGULATION 289/00 (the "Regulation")
MADE UNDER THE BUSINESS CORPORATIONS ACT
R.S.O. 1990, CHAPTER B.16 (the "OBCA")**

AND

**IN THE MATTER OF
SHAR-MAR HOLDINGS LTD.**

AND

**IN THE MATTER OF
JAMES REID**

**CONSENT
Subsection 6(1)(b) of the Regulation**

UPON the application of Mr. James Reid (the "Applicant") to the Ontario Securities Commission (the "Commission") requesting a consent from the Commission to revive Shar-Mar Holdings Ltd. (the "Corporation") pursuant to subsection 241(5) of the OBCA;

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

AND UPON the Applicant having represented to the Commission that:

1. Immediately prior to the Corporation's dissolution, the Applicant was the registered holder of 500 common shares in the capital of the Corporation.

2. The Corporation was incorporated under the laws of the Province of Ontario on May 22, 1958 as St. Mary's Explorations Limited. By Articles of Amendment dated the 6th day of June, 1986, the name of the Corporation was changed to St. Mary's Resources Limited. By Articles of Amendment dated the 15th day of October, the name of the Corporation was changed to Shar-Mar Holdings Ltd.

3. Immediately prior to its dissolution, the authorized capital of the Corporation consisted of an unlimited number of common shares ("Shares"), of which 505, 417 Shares were outstanding.

4. The Corporation was an offering corporation under the OBCA and a reporting issuer under the Securities Act (Ontario).

5. The Corporation carried on business as a junior resource company from its incorporation on May 22, 1958 until May, 1988, at which time it ceased to carry-on any active business.

6. The Corporation failed to file audited financial statements for the fiscal year ended December 31, 1988 as required by the Securities Act (Ontario) and in consequence of such failure a cease trade order was issued by the Commission against the securities of the Corporation on October 4, 1989.

7. The aforementioned cease trade order was revoked by the Commission upon the Corporation completing all necessary filings, which revocation was effected August 2, 1991.

8. The Corporation failed to file its audited financial statements for the fiscal year ended December 31, 1991 as required by the Securities Act (Ontario), and as a consequence of such failure a further cease trade order (the "Cease Trade Order") was imposed by the Commission on June 23, 1992, being extended indefinitely on July 3, 1992.

9. On March 5, 2001, the Commission ordered that the Cease Trade Order be partially revoked solely to permit the issuance of securities in connection with the proposed amalgamation (the "Proposed Amalgamation") of the Corporation and Sent by Angels, Inc., a corporation existing under the laws of Ontario.

10. On April 30, 2001, the shareholders of the Corporation unanimously approved the Proposed Amalgamation.

11. On May 9, 2001, counsel for the Corporation was informed by the Ministry of Consumer and Commercial Relations that the Corporation had been dissolved pursuant to subsection 241(2) of the OBCA for failure to comply with sections 77 and 78 of the Securities Act (Ontario).

12. Immediately upon its revival, the Corporation will be current with the financial and continuous disclosure requirements of the Securities Act (Ontario) and the regulation made thereunder.

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

THE COMMISSION HEREBY CONSENTS to the revival of the Corporation pursuant to subsection 241(5) of the OBCA.

September 12, 2001.

"Howard I. Weston" "K.D. Adams"

Index

Advantage Energy Income Fund
MRRS Decision 5648

Aquarius Coatings Inc.
Cease Trading Orders 5673

BMO Nesbitt Burns Inc.
MRRS Decision 5650

Borealis Exploration Limited
Cease Trading Orders 5673

Brazilian Resources, Inc.
Cease Trading Orders 5673

Bushell, John David
Decisions 5669

CA-Network Inc.
Order - s. 144 5664

Canadian Satellite Communications Inc.
MRRS Decision 5642

Canadian Securities Administrators
News Releases 5633

Chase Resource Corporation
Cease Trading Orders 5673

Chicago Equity Partners, LLC
New Registration 5751

Cibc World Markets Inc.
MRRS Decision 5650

Closure of U.S. Markets
News Releases 5633

Consumers Packaging Inc.
Cease Trading Orders 5673

Current Proceedings Before The Ontario Securities Commission
Notice 5629

Da Costa, Laudalino
SRO Notices and Disciplinary Proceedings 5754

David S. Reid Limited
Cease Trading Orders 5674

Digital Duplication Inc.
Cease Trading Orders 5673

Dominion International Investments Inc.
Cease Trading Orders 5673

Domtar Inc.
MRRS Decision 5637

Dotcom 2000 Inc.
Cease Trading Orders 5673

Dow AgroSciences Canada Inc.
MRRS Decision 5654

Escrow for Initial Public Offerings NP 46-201
Notice 5632
Request for Comments 5677

Euro American Capital Corporation
Ruling - ss. 74(1) 5666

Family Investment Planning Inc.
New Registration 5751

Fidelity Investments Canada Limited
MRRS Decision 5654

Form 46-201F Escrow Agreement
Notice 5632
Request for Comments 5677

Fusion Capital Partners Inc.
New Registration 5751

Galaxy OnLine Inc.
Cease Trading Orders 5673, 5674

IPC Securities Corporation
MRRS Decision 5641

ITI Education Corporation
Cease Trading Orders 5673

Kensington Securities Inc.
Decision 5659

Konidis, Peter
SRO Notices and Disciplinary Proceedings 5753

Landmark Global Financial Corp.
Cease Trading Orders 5673

Link Mineral Ventures Ltd.
Cease Trading Orders 5673

Melanesian Minerals Corporation
Cease Trading Orders 5673

Merrill Lynch Canada Inc.
MRRS Decision 5650, 5652

Merrill Lynch Financial Assets Inc.
MRRS Decision 5652

Minpro International Ltd.
Cease Trading Orders 5674

National Health Stores Inc.
Cease Trading Orders 5673

New Bullet Group Inc.
Order - ss. 83.1(1) 5662

Nord Pacific Limited
Cease Trading Orders 5673

NP 46-201 Escrow for Initial Public Offerings
Notice 5632
Request for Comments 5677

O&Y Real Estate Investment Trust
MRRS Decision 5646

Online Direct Inc.
Cease Trading Orders 5673

Patica Securities Inc.
Decision 5660

Primenet Communications Inc.
Cease Trading Orders 5674

Protégé Group Education Savings Plan
MRRS Decision 5644

Protégé Individual Education Savings Plan
MRRS Decision 5644

Quellos Fixed Income Advisors, LLC
New Registration 5751

RBC Dominion Securities Inc.
MRRS Decision 5650

Reid, James
Consent - ss. 6(1)(b), OBCA Reg. 5755

Scotia Capital Inc.
MRRS Decision 5650

Shar-Mar Holdings Ltd.
Consent - ss. 6(1)(b), OBCA Reg. 5755

St. Anthony Resources Inc.
Cease Trading Orders 5673

Systech Retail Systems Inc.
Cease Trading Orders 5673

TD Asset Management Inc.
MRRS Decision 5639

TD Securities Inc.
MRRS Decision 5650

Tethys Energy Inc.
MRRS Decision 5640

UniLink Tele.com Inc.
Order - ss. 83.1(1) 5661

Unirom Technologies Inc.
Cease Trading Orders 5674

United Trans-Western, Inc.
Cease Trading Orders 5673

USC Horizon Education Savings Plan
MRRS Decision 5644

Vanteck (VRB) Technology Corp.
MRRS Decision 5635

Walters Consulting Corporation
Order - s. 144 5665

Zamora Gold Corp.
Cease Trading Orders 5673

Zaurak Capital Corporation
Cease Trading Orders 5674