The Ontario Securities Commission

OSC Bulletin

June 21, 2002

Volume 25, Issue 25

(2002), 25 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)

The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

Published under the authority of the Commission by:
Carswell
One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

416-609-3800 or 1-800-387-5164

Contact Centre - Inquiries, Complaints:	Fax: 416-593-8122
Capital Markets Branch:	Fax: 416-593-3651
- Registration:	Fax: 416-593-8283
- Filings Team 1:	Fax: 416-593-8244
- Filings Team 2:	Fax: 416-593-3683
- Continuous Disclosure:	Fax: 416-593-8252
- Insider Reporting	Fax: 416-593-3666
- Take-Over Bids / Advisory Services:	Fax: 416-593-8177
Enforcement Branch:	Fax: 416-593-8321
Executive Offices:	Fax: 416-593-8241
General Counsel=s Office:	Fax: 416-593-3681
Office of the Secretary:	Fax: 416-593-2318

The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of $549 per year.

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 $20.00 per copy as long as supplies are available.

ISSN 0226-9325

One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Relations
Toronto 1-416-609-3800
Elsewhere in Canada/U.S. 1-800-387-5164
World wide Web: http://www.carswell.com
Email: orders@carswell.com

Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JUNE 21, 2002

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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

CDS **TDX 76**

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

- -

THE COMMISSIONERS

David A. Brown, Q.C., Chair	—	DAB
Paul M. Moore, Q.C., Vice-Chair	—	PMM
Howard I. Wetston, Q.C., Vice-Chair	—	HIW
Kerry D. Adams, FCA	—	KDA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
Harold P. Hands	—	HPH
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
R. Stephen Paddon, Q.C.	—	RSP
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

June 24, 26 & 27/02 9:30 a.m. June 25/02 2:00 - 4:30 p.m. August 6 & 20/02 2:00 - 4:30 p.m. August 7, 8, 12 - 15, 19, 21, 22, 26-29/02 9:30 a.m. - 4:30 p.m. September 3 & 17/02 2:00 -4:30 p.m. September 6, 10, 12, 13, 24, 26 & 27/02 9:30 a.m. - 4:30 p.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
June 21, 24 & 26/02 10:00 a.m. June 25 2:00 - 4:00 p.m. July 8 - 12/02 July 15 - 19/02 10:00 a.m. -	Brian K. Costello s. 127 H. Corbett in attendance for Staff Panel: PMM
August 20/02 2:00 p.m. August 21 to 31/02 9:30 a.m.	**Mark Bonham and Bonham & Co. Inc.** s. 127 M. Kennedy in attendance for staff Panel: PMM / KDA / HPH

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

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

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

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

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

Offshore Marketing Alliance and Warren English

Philip Services Corporation

Rampart Securities Inc.

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

1.1.2 Notice of Request for Comments - Proposed National Instrument 51-102 and Companion Policy 51-102CP, Continuous Disclosure Obligations, Proposed OSC Rule 51-801, *Implementing National Instrument 51-102 Continuous Disclosure* and Companion Policy 51-801CP

NOTICE OF REQUEST FOR COMMENTS

PROPOSED NATIONAL INSTRUMENT 51-102 AND COMPANION POLICY 51-102CP
CONTINUOUS DISCLOSURE OBLIGATIONS
PROPOSED ONTARIO SECURITIES COMMISSION RULE 51-801
***IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE* AND COMPANION POLICY 51-801CP**

The Commission is publishing for comment in today's Bulletin:

- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) which contains Form 51-102F1 *Annual Information Form* (AIF) , Form 51-102F2 *Management Discussion and Analysis* (MD&A), Form 51-102F3 *Material Change Report* (MCR), Form 51-102F4 *Business Acquisition Report* (BAR), Form 51-102F5 *Information Circular* and Form 51-102F6 *Statement of Executive Compensation* (collectively the Forms);
- Companion Policy 51-102CP to NI 51-102 (the Policy);
- Notice and Request for Comment regarding NI 51-102 , the Forms, the Policy and related amendments and revocations; and
- Commission Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* (the Implementing Rule) and its Companion Policy and Notice and Request for Comment.

The Notice relating to NI 51-102 also requests comment on:

1. the proposed rescission of National Policy No. 3 *Unacceptable Auditors,* National Policy No. 27 *Canadian Generally Accepted Accounting Principles,* National Policy No.31 *Change of Auditor of a Reporting Issuer,* and National Policy 50 *Reservations in an Auditor's Report;*
2. the proposed revocation of National Instrument 62-102 *Disclosure of Outstanding Share Data;* and
3. amendments to Multilateral Instrument 45-102 *Resale of Securities.*

The Notice relating to the Implementing Rule also requests comment on:

1. proposed amendments to Commission Rule 56-501 Restricted Shares;
2. the proposed revocation of:
   a) Commission Rule 51-501 *AIF & MD&A*
   b) Commission Rule 52-501 *Financial Statements*
   c) Commission Rule 54-501 *Prospectus Disclosure*
   d) Commission Rule 62-102 *Disclosure of Outstanding Share Data;* and
3. the proposed rescission of
   a) Companion Policy 51-501CP to Commission Rule 51-501 *AIF & MD&A*,
   b) Companion Policy 52-501CP to Commission Rule 52-501 *Financial Statements*,
   c) Commission Policy 52-601 *Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Statements and Proxy Solicitation Material; and*
   d) Commission Policy 51-603 *Reciprocal Filings;*

The documents are published in Chapter 6 of the Bulletin.

1.1.3 Notice of Final Amendments to Ontario Securities Commission Rules in the Matter of Certain Reporting Issuers

NOTICE OF FINAL AMENDMENTS TO ONTARIO SECURITIES COMMISSION RULES IN THE MATTER OF CERTAIN REPORTING ISSUERS

On June 10, 2002, the Minister of Finance approved amendments to the following rules for the purpose of extending the expiration date of each from July 1, 2002 to December 31, 2003: the rule entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218 and the two rules entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, each as amended by (1999), 22 OSCB 151, (2000) 23 OSCB 289 and (2000), 23 OSCB 8244.

The amendments to the rules come into force on June 26, 2002. The amendments are published in Chapter 5 of this Bulletin.

1.1.4 Statement of Priorities for the Financial Year to End March 31, 2003

NOTICE OF STATEMENT OF PRIORITIES

FOR FINANCIAL YEAR TO END MARCH 31, 2003

The *Securities Act* requires the Commission to deliver to the Minister by June 30th of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities. The first such statement was delivered for the year ended March 31, 1995 (18 OSCB 2962).

In the notice published by the Commission on April 5, 2002 (25 OSCB 1925), the Commission set out its proposed Statement of Priorities and invited public input in advance of finalizing and publishing the 2002/2003 Statement of Priorities. As of June 4, 2002, seven responses had been received. The Commission wants to thank all the parties who have provided comments.

A number of the respondents expressed support for our goal to improve the efficiency of our markets through harmonization of regulatory requirements. Most of the suggestions were focussed on specific action steps that could be taken to achieve the identified priorities. As the comments received supported the priorities, no revisions were made to the document.

June 21, 2002.

For further information contact:

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen St. West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
(416) 593-8179

Ontario

THE ONTARIO SECURITIES COMMISSION

STATEMENT OF PRIORITIES

FOR

FISCAL 2002/2003

June 2002

Introduction

The *Securities Act* requires the Ontario Securities Commission (OSC) to deliver to the Minister, and to publish in its Bulletin by June 30 of each year, a statement by the Chair setting out the proposed priorities for the Commission for its current financial year.

In the May 2, 2000 Ontario Budget, the Minister of Finance announced that the Ontario Securities Commission and the Financial Services Commission of Ontario (FSCO) will be merged to provide regulation of the capital markets and financial services sectors. The legislation required to create the proposed new organization and specify its regulatory responsibilities and powers is expected to be introduced during 2002. This merged entity will provide more integrated regulation of capital markets and financial services sectors and will provide strong consumer and investor protection and education across all financial sectors. It will also contribute to timely regulatory responses to the changing structures of the capital markets and financial services industries.

In a separate initiative, the OSC has set up a working group to advise the Commission on ways to restructure its activities to eliminate impediments to efficiency and reduce costs. The Commission remains committed to delivering its regulatory services in a businesslike manner and to working closely with its CSA colleagues and market participants to ensure that the regulatory system remains relevant to the changing marketplace. The 2002/2003 Statement of Priorities articulates the business strategy and priorities the Commission has set to accomplish these goals.

Business Strategy

Our Vision Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are safe and cost efficient.

Our Mandate To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity.

Our Approach We will be:

- Proactive, innovative and cost effective in carrying out our mandate,
- Rigorous and fair in applying the rules to the marketplace, and
- Timely, flexible and sensible in applying our regulatory powers to a rapidly changing marketplace.

Key Challenges

The OSC recognizes that it must address a number of key trends and changes affecting our business environment, capital markets, market participants and the global regulatory framework.

Global Integration of Markets and Market Participants

Financial markets are global. Borders no longer serve as barriers to capital flows. Those seeking to invest and those seeking capital go where they see the opportunity for the best returns for the risks assumed. As capital flows become global, so do the market intermediaries and infrastructure servicing the business. Many of the largest intermediaries are global conglomerates combining banking, insurance and securities services in one entity.

Changing Investor Demographics

The past decade has seen significant growth in the investor community in Canada. Institutional investors are becoming larger and more sophisticated, while investment in the markets by retail investors has grown explosively, both directly and through the purchase of investment funds. Both groups need to have confidence in the integrity of the capital markets, but their informational and educational needs may be very different.

Rapid Pace of Innovation

Competition is driving market innovation and the creation of ever more sophisticated financial products, trading techniques and strategies. Technology facilitates these changes, making innovative products and services easier and cheaper to design, market and deliver to the consumer. The functions of intermediaries are changing. Trades can be executed directly from any location. The emergence of direct links into existing trading platforms, bypassing investment dealers, and the proliferation of alternative marketplaces has fundamentally altered the structure of the financial environment.

What This Means for the OSC

For Canadian financial markets to be attractive to all market participants, they must be, and be seen to be, fair and efficient while maintaining protection for investors. Given the trends and challenges outlined above, the OSC needs to find creative and innovative solutions to new issues and be willing to re-evaluate existing practices in light of changing circumstances. In particular, we need to focus on:

- Making decisions at the pace at which our markets are changing,
- Building on our relationships in the regulatory community, both domestic and international, making use of the best lessons from each and relying on their expertise where practicable,
- Educating consumers so they can help protect themselves,
- Insisting that investors receive the understandable, accurate and complete disclosure they need to make informed investment decisions,
- Enforcing clear rules in a consistent and visible manner, and
- Facilitating the safe and efficient operation of exchanges, clearing and settlement functions and other elements of the market infrastructure.

We need to be able to deliver efficient and effective regulation that is integrated seamlessly into the global market.

Our Goals

The OSC is committed to achieving our vision. To do so, we have developed a four-year strategic plan. In implementing it, we will at all times act consistently with our mandate.

Fundamentally, the OSC will focus on making our capital markets safer, more efficient and easier to access and use for market participants. Our plan calls for stepping up our efforts in the following areas:

- Promoting harmony and less overlap between regulators,
- Undertaking prevention-oriented activities, including proactive public education,
- Taking a risk-based approach to regulation, and
- Being less prescriptive where doing so promotes efficiency without undermining safety.

Across the planning horizon we will strive to achieve the following outcomes:

1. Ontario's capital markets and financial services regulatory system will be fully consolidated, harmonized nationally and coordinated internationally.

We will continue the following key initiatives to achieve this outcome:

a) Complete the CSA project to develop a proposed Uniform Securities Law,

b) Develop legislative proposals to permit delegation of powers and duties among Canadian securities regulators and a comprehensive delegation model in support of it,

c) Support implementation of the merger of the OSC and the FSCO,

d) Participate actively in International Organization of Securities Commissions (IOSCO) and Council of Securities Regulators of the Americas (COSRA) initiatives and, where appropriate, provide leadership.

e) With the Joint Forum of Financial Regulators (Joint Forum), develop and propose harmonized financial services regulatory solutions in the following areas:

   i) proficiency standards for financial intermediaries,

   ii) common licensing requirements,

   iii) capital accumulation plans, and

   iv) individual variable insurance contracts and mutual funds.

We will measure success in achieving this outcome by the following:

- ❑ Market participants will utilize one "window" to access the regulatory system in Canada.
- ❑ Regulatory impediments to market access will be minimized.

2. Regulatory interventions in Ontario will be timely, balanced and proportionate to the risks involved.

We will undertake the following key initiatives towards achieving this outcome:

a) Initiate and foster initiatives which reduce the use of off shore trading to circumvent securities laws,

b) Reduce inter-jurisdictional impediments to information sharing and enforcement support,

c) Make appropriate changes to our practices as a result of the recommendations of the Regulatory Burden Task Force, and

d) Work with the provincial government and our CSA colleagues to implement legislative changes that may be made as a result of the recommendations of the Five-Year Review Committee.

We will measure success in achieving this outcome by the following:

- ❑ It will be clear to investors, issuers and intermediaries that the benefits of regulation appreciably outweigh the costs of regulation.
- ❑ There will be numerous examples of the OSC fostering and implementing non-regulatory alternatives where such action is supported by a better cost/benefit relationship than new regulation.
- ❑ The effective cost and burden of regulation will be consistently below the average of our peers, but investor protection will not be undermined.
- ❑ Impediments to investigation and enforcement initiatives created by international boundaries will be substantially reduced as a result of increased harmonization of international disclosure laws and procedures.

3. Investors, issuers and other market participants who use the Ontario capital markets will be afforded access, protection, education and information at levels similar or superior to those of the best of our peer group.

We will undertake the following key initiatives towards achieving this outcome:

a) Foster the implementation of the Industry Analyst's Standards Report (Setting Analyst Standards: Recommendations for the Supervision and Practice of Canadian Securities Industry Analysts) recommendations, where appropriate.

b) Foster the implementation of the Saucier Report (Beyond Compliance: Building a Governance Culture) recommendations, where appropriate.

c) Tailor the form and method of access to OSC communications to the needs of OSC constituents, including implementing predominantly electronic-based communications vehicles and redesigning the OSC Website.

We will measure success in achieving this outcome by the following:

- Domestic and international investor confidence in the integrity of the Ontario regime continues to improve.

- 100% of OSC communications will be accessible electronically by 2005.

2002/2003 Financial Outlook

The Commission revenue forecast for 2002/2003 is $63.3 million which is 19% lower than the $78.2 million collected in 2001/2002. The Commission plans to implement a restructured fee schedule during 2002/2003, however, as the timing is uncertain no provision has been made in the forecast. The forecast includes an estimated impact of a further proposed 10% fee decrease which will be presented to the Minister of Finance for approval during 2002/2003. The forecast also reflects a reduction in fee revenues due to an expected continued decline in market activity, particularly in the mutual funds sector. Registration revenue will also be lower as 2001/2002 revenues were artificially high due to partial implementation of uniform registration dates.

The Commission has budgeted total 2002/2003 operating expenditures of $53.7 million, a 3.1% increase over the 2001/2002 budget. The key budget component is salaries and benefits costs, which are projected to rise by 9.7% to $37.4 million. This increase primarily reflects the annualized cost impact of previous hiring. Total staffing is projected to reach 367 by March 2003. The budget includes a substantial reduction in professional services costs reflecting greater reliance on internal resources. The Commission has budgeted $3.6 million for professional services costs in 2002/2003, a 38.4% decrease from the 2001/2002 budget.

Report on 2001/2002 Organizational Priorities

A summary of the performance of the Commission in meeting the goals and priorities identified in the 2001/2002 Statement of Priorities is provided below.

1. Redefine Approaches to the Financial Regulatory Framework

Significant progress was achieved towards completing the reformulation of major OSC rules and policies. The following rules/policies came into force during 2001/2002:

41-502: Prospectus Requirements for Mutual Funds,
44-801: Implementing NI 44-101 Short Form Prospectus Distributions,
55-101: Exemption from Certain Insider Reporting Requirements,
45-101: Rights Offerings,
33-102: Regulation of Certain Registrant Activities,
51-601: Reporting Issuer Defaults,
33-105: Underwriting Conflicts,
11-715: Policy Reformulation Project - Table of Concordance,
11-601: The Securities Advisory Committee to the OSC
45-102: Resale,
45-501: Exempt Distributions,
57-603: Cease Trade Order Policy

The following rules/policies were published for comment during 2001/2002:

72-502: Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,
33-109: Registration Information Requirements (under the Securities Act),
81-104: Commodity Pools,
62-501: Prohibited Transactions in Connection with Take-Over Bids,
51-101: Standards of Disclosure for Oil and Gas Activities (and Proposed Repeal of National Policy Statement No. 2-B and Proposed Consequential Amendments)
41-601: Capital Pool Companies
12-602: Deeming a Reporting Issuer in Ontario
46-201: National Escrow Policy

- Frequently Asked Questions on New Rules (FAQs): During the year FAQs were issued on NI 43-101 (Mining), 41-501 (Long Form Prospectuses), NI 44-101 (Short form prospectuses)

- Small Business Financing: The Exempt Distributions Rule 45-501 was amended to incorporate the recommendations of the Task Force on Small Business Financing. The regime includes two new registration and prospectus exemptions, the "accredited investor" and the "closely-held issuer" exemptions. A number of pre-existing exemptions were also removed.

- A Memorandum of Understanding regarding oversight of the Canadian Venture Exchange (CDNX) and a CDNX Exemption was completed in December.

- A survey of registrants was completed to quantify the estimated benefits of the National Registration Database project. Terms and conditions of registration were posted on the OSC Website. Implementation of the Registration Database has been delayed.

- In consultation with Ontario Ministry staff, it was decided that an interim conflicts of law measure should be achieved through the current Hague Conference on Private International Law process rather than through technical amendments to the *Ontario Business Corporations Act* or *Personal Property Security Act*. Staff have been very involved, as observers on behalf of IOSCO and through participation with the Canadian delegation led by the Federal Department of Justice, in the deliberations and drafting of the proposed

convention. It is expected that a final draft will be presented for approval to a Diplomatic Conference of the Hague in December 2002.

- A draft Uniform Securities Transfer Act (USTA) was prepared and consequential amendments to the PPSA, to implement changes to Conflict of Law re: tiered holdings and T+1, have been drafted for consultation. Publication of a consultative draft USTA and CSA position paper is planned for September 2002.

- At year-end 2001, the Five Year Legislative Review Committee had completed its review and consultation process relating to the list of identified issues. Work on the draft report continued throughout this year to publish for comment in Summer 2002.

- The recommendations of the Analysts Standards Report have been analyzed and those requiring actions by the Commission are being addressed.

- The following rules were completed to address issues related to the growing usage of Alternative Trading Systems: 23-501 Designation as a Market Participant, 21-201 Marketplace Operations and 23-101 Trading Rules.

- The OSC, through its role as a member of the Joint Forum, supported the creation of a national Financial Services OmbudService. This new service, which is planned to be in place by July 1, 2002 will provide more than 95 per cent of Canada's financial services consumers with single-window access to recourse for concerns or complaints.

- On December 5, 2001, the Responsible Choices for Growth and Fiscal Responsibility Act (Budget Measures), 2001 received Royal Assent. This Act included amendments to the *Securities Act* which harmonize with the requirements of other Canadian securities regulators.

2. Strengthen the Compliance - Enforcement Continuum

- Compliance staff completed the development of the risk assessment model for market participants. The next phase of the risk assessment project is implementation. In order to implement the model, Compliance staff developed and distributed a questionnaire to gather information from market participants. Data will be collected by May 2002.

- The OSC Surveillance team has been fully staffed. The Intelligence database has been created and all documents have been scanned with key-coding continuing. Three matters have been referred to the Investigation Team as a result of matters reviewed by the Intelligence Analysts. Enforcement has seconded two investigators to joint criminal investigations involving organized crime groups in the Ontario capital markets. Several presentations have been made to various law enforcement agencies and market participants on the mandate of the new unit.

- The CSA has commenced quarterly status meetings with the Investment Dealers Association (IDA) to obtain updates on the IDA's regulatory activities and to discuss potential improvements.

- Memoranda of Understanding (MOU) with the IDA, Canadian Investor Protection Fund (CIPF) and for CSA oversight of RS Inc. were finalized. MOU's for oversight of exchanges and Quotation Trade Reporting Systems are expected to be completed by April.

- A joint CSA oversight program for the Mutual Fund Dealers Association (MFDA) is currently being drafted.

- The OSC is continuing to actively monitor MFDA membership status. Staff have received an application from the Mutual Fund Dealers Investment Protection Corp. for approval of an investor protection plan. Staff have drafted criteria for approval and are currently discussing potential issues with other CSA members.

3. Enhance the Quality of Continuous Disclosure by Reporting Issuers

- The reporting issuer Default list is now published on the OSC's Website (osc.gov.on.ca). The list is consistently in the top five "hits" on the Website.

- Additional staffing for the continuous disclosure team allowed almost twice as many reviews to be conducted during 2001/2002. The reviews of revenue recognition and interim reporting were completed and the continuous disclosure (CD) review program met its target of reviewing 20% of Ontario based reporting issuers.

- NP 51-201, which provides guidance on selective disclosure, corporate disclosure practices and related issues, was issued for comment during the year. A finalized policy will be published in April 2002.

- Staff completed a series of consultations with stakeholders on proposed Rules 54-101 Communications with Beneficial Owners of a Reporting Issuer and 54-102 Interim Financial Statement and Report Exemptions. The comments received were considered and appropriate revisions were made. The proposed rules were approved by the Commission and have been forwarded to the Minister for review.

- Implementation of the System for Electronic Disclosure by Insiders (SEDI) was delayed several times due to system development issues. While SEDI was fully launched in January 2002, it was brought down after 10 days due to system performance issues. Significant progress was made on further refinements to the insider reporting regime in the areas of "title inflation" and equity monetization".

- A draft national rule to harmonize and update continuous disclosure requirements (CD rule) across the CSA will be issued in May 2002. Work on developing an integrated disclosure system has been deferred until completion of this initiative.

- OSC staff worked with other CSA staff to develop a proposed rule to improve financial disclosure for investment funds. The proposed rule may also be expanded to include all continuous disclosure requirements for investment funds. The proposed rule is expected to be published for comment in Spring 2002.

4. Improve Secondary Market Regulation

- A concept paper outlining options related to the filing of financial statements using U.S. or international accounting standards was published for comment in Spring 2001. Resulting proposals will be included in the CD rule to be issued for comment in May 2002.

- Proposed amendments related to the staff notice on the revocation of cease trade orders were completed and will be presented to the Commission in Spring 2002

5. Foster the Development of Harmonized Regulation and Cooperative Review Mechanisms among Canadian Financial Regulators

- The prospectus Mutual Reliance Review System (MRRS) policy was amended early in 2002. The applications MRRS committee is planning to request approval of non-material amendments to National Policy 12-201 early in fiscal 2002/03. The Chairs approved the development of an MRRS training program scheduled for Fall 2002.

- The Continuous Disclosure MRRS committee has finalized a notice on harmonized cease trade order procedures and is now studying harmonized procedures more generally.

- The re-architecture of the System for Electronic Document Analysis and Retrieval (SEDAR) was deferred as additional resources were focussed on implementing SEDAR Release 7 (released Fall 2001).

- The Joint Forum published a concept paper outlining proposed regulatory principles for capital accumulation plans in April 2001. More than 40 comment letters were received. Members of the Joint Forum working committee met with market participants to discuss the proposals. Recommendations on next steps are to be presented to the Joint Forum in April 2002.

6. Implement Fee Reduction Strategy

- Work continued on the proposed re-engineering of the OSC fee structure. Based on impact analysis, proposed fees have been adjusted to improve efficiency and fairness as well as to minimize the potential volatility of OSC revenue. A finalized draft rule is expected to be released for comment by June 2002.

7. Enhance Investor Protection Through Education

- Staff are working closely with the Investor Education Fund (IEF) to enhance the Commission's efforts to protect investors through education. To ensure the best use of resources and avoid duplication, OSC resources are targeted on outreach and communications, while the IEF is focussed on working with third-parties to develop new tools for investors and educational programs geared towards enhancing financial literacy.

- The Communications Branch took the lead in establishing a Plain Language training program for staff, which will continue into the next fiscal year. In order to ensure follow-through on the training, staff are working with other CSA jurisdictions to create a Plain Language reference manual and a mentoring program.

- OSC staff increased the amount of print and Website resources available to investors. Examples include the development of various brochures such as "Borrowing to Invest" and the "Spot the Bull" investment fraud quiz on the OSC Website. Planning began during the current fiscal year to expand Investor Education Week to a full month in April 2002. Projects are also underway to dramatically increase outreach activities by working more closely with established community groups, who will serve as local agents to market OSC material.

8. Foster Development of an Improved Mutual Fund Regulatory Framework

- CSA Concept Proposal 81-402 titled "*Striking a New Balance: A Framework for Regulating Mutual Funds and their Managers"* was released for comment March 2002. Comments are due by June 2002.

- Changes to Proposed National Instrument 81-104 Commodity Pools were published for comment December 2001. Comments are due by March 2002.

- Proposed amendments to NI 81-101 and 81-102 concerning funds of funds have also been developed. The amendments are expected to be published for comment in Spring 2002.

- Rule 45-501 Exempt Distributions came into force November 2001. This Rule creates an exemption for private pooled funds to maintain the status quo for trading in these securities. A request for comments on the nature and use of pooled funds and if these pooled funds should be subject to a unique regulatory regime is being developed.

9. Support the Implementation of the OSC/FSCO Merger

- The Ministry released draft legislation for comment until June 29, 2001. OSC staff met with Ministry of Finance staff to discuss comments received and options for addressing them. The draft legislation outlines the corporate governance model of the new entity, enforcement powers, and the ability to collect fees and assessments and the proposed parameters of rule-making authority.

10. Continue the Role of OSC as a Key Member of the International Securities Regulatory Community.

- OSC staff led the development of a COSRA working party project on securities settlement systems in the Americas. Staff coordinated meetings, prepared various working documents and completed a final draft COSRA report for approval at the COSRA general meeting in February 2002.

- Based on the comments received in response to the discussion paper "Financial Reporting in Canada's Capital Markets", the OSC is developing proposed rules to permit foreign issuers coming to Canada to file financial statements prepared in accordance with International Accounting Standards without reconciliation to Canadian standards.

- Foreign Issuers: Rule 72-502 was published for comment. This proposed rule is expected to be incorporated into a national rule to be published Spring 2002 concurrent with the Continuous Disclosure rule. A review of the IOSCO International Disclosure Standards was completed by staff. The national long form prospectus committee is currently considering allowing foreign issuers to use these standards to offer securities in Canada.

- OSC Chair, David Brown, has played a key role in the international regulatory community for the past two years as Chair of the Technical Committee of IOSCO. The Technical Committee, comprised of 16 senior securities regulators from developed markets, is the principal policy arm of IOSCO. He is also a member of the IOSCO Executive Committee and represents IOSCO on the Financial Stability Forum, a group assembled by the G-7 Finance Ministers to help identify and respond to vulnerabilities in world financial markets.

- OSC staff participates actively in all five IOSCO Standing Committees: Multinational Disclosure and Accounting, Regulation of Secondary Markets, Regulation of Financial Intermediaries, Enforcement, and Investment Funds. The Standing Committees are a forum for sharing information among jurisdictions but also undertake work assignments to examine issues and produce papers providing either information or guidance to both regulators and market participants. OSC staff also participate on project teams examining issues related to the Internet and the role of securities analysts.

  Through participation in these Committees, OSC staff gain useful knowledge and insights to apply to their work and share with their colleagues at the Commission, cultivate important contacts that can be valuable sources of information and assistance, and contribute to the international body of knowledge in the area of securities regulation. The increased communication and sharing of experiences and ideas with international colleagues contributes to the gradual evolution of an international consensus on key areas of regulatory concern.

- OSC Staff has been an active participant in the international Joint Forum of Financial Regulators since its inception in 1996. This Forum unites representatives from securities regulators (IOSCO), banking regulators (the Basle Committee on Banking Supervision – BCBS), and insurance regulators (the International Association of Insurance Supervisors – IAIS). As financial regulatory frameworks continue to evolve world-wide, the Joint Forum is the ideal venue for assessing cross-sectoral issues, making cross-sectoral comparisons and sharing experiences in merging supervisors or dealing with regulatory overlap.

11. Continue to Develop and Implement Accountability Mechanisms

- Ipsos-Reid completed a survey of OSC stakeholders. The survey results indicated a positive perception and a high degree of satisfaction among registrants and issuers. Significant improvements were noted in OSC

customer service ratings. For example, 74% of those who had contact with the Inquiries & Contact Centre rated our overall customer service as excellent representing a 14% improvement from the last survey.

12. Foster the Continued Development of the OSC as an "Employer of Choice".

- The OSC's annual employee satisfaction survey was conducted by the HayGroup in November, 2001. Seventy three percent of staff completed the survey, indicating a high level of engagement. On nine of the ten factors measured, the OSC results exceeded the private sector norm. The OSC results exceeded the public sector norm on all ten factors.

- The OSC commissioned a comprehensive custom compensation survey in December, 2001 to ensure its compensation package remains competitive. The results were received in February 2002 and changes to the compensation system will be implemented at the beginning of the 2002/03 fiscal year.

- The Commission completed work on its competency dictionary in the spring of 2001. To assess training requirements, all management staff took part in a 360 review process in the early summer. During 2001/02, eight competency training modules were delivered as part of the Commission's integrated management training program, "Focus". In addition, performance contracts for 2001/02 were redesigned to include measures on key aspects of behaviour to support the competency program.

1.1.5 Request for Comments – Proposed National Instrument 71-102 and Proposed OSC Rule 71-802

NOTICE OF REQUEST FOR COMMENTS

PROPOSED NATIONAL INSTRUMENT 71-102 AND COMPANION POLICY 71-102CP CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS PROPOSED ONTARIO SECURITIES COMMISSION RULE 71-802 IMPLEMENTING NATIONAL INSTRUMENT 71-102

The Commission is publishing for comment in today's Bulletin:

- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102);
- Companion Policy 71-102CP to NI 71-102 (the Policy);
- Notice and Request for Comment regarding NI 71-102, the Policy and related amendments and revocations; and
- Commission Rule 71-802 *Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and its Notice and Request for Comment.

The Notice relating to NI 71-102 also requests comment on the proposed rescission of the following:

1. OSC Policy 7.1 *Application of Requirements of the Securities Act to Certain Reporting Issuers;*
2. Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers (1980), OSCB 54, as amended;
3. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1218, as amended by (1999), 22 OSCB 151, (2000), OSCB 289 and (2000), 23 OSCB 8244, that incorporates by reference the deemed rule (1980), OSCB 166, as amended;
4. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289 and (2000), that incorporates by reference the deemed rule (1984), 7 OSCB 1913, as amended; and
5. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289 and (2000), OSCB 8244, that

incorporates by reference the deemed rule (1984), 7 OSCB 3247 as amended.

The documents are published in Chapter 6 of the Bulletin.

1.2 Notices of Hearing

1.2.1 Phoenix Research and Trading Corporation et al. - s. 127 and 127.1

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

AND

IN THE MATTER OF
PHOENIX RESEARCH AND TRADING CORPORATION,
RONALD MOCK and STEPHEN DUTHIE

NOTICE OF HEARING
(Sections 127 and 127.1)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission, Main Hearing Room, 17th floor, 20 Queen Street West, Toronto on a date to be fixed;

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

(a) that the registration of the respondents Phoenix Research and Trading Corporation ("Phoenix Canada") and Ronald Mock ("Mock") be terminated or restricted or that terms and conditions be imposed on the registrations;

(b) that trading in any securities by the respondents Stephen Duthie ("Duthie") and Mock cease permanently or for such period as specified by the Commission;

(c) prohibiting Duthie and Mock from becoming or acting as a director or officer of any issuer permanently or for such period as specified by the Commission;

(d) reprimanding Phoenix Canada, Duthie and Mock;

(e) requiring Phoenix Canada, Duthie and Mock to pay the costs of the Commission's investigation and the hearing; and

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

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

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

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

June 11, 2002.

"John Stevenson"

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

AND

IN THE MATTER OF
PHOENIX RESEARCH AND TRADING CORPORATION,
RONALD MOCK AND STEPHEN DUTHIE

STATEMENT OF ALLEGATIONS OF STAFF
OF THE ONTARIO SECURITIES COMMISSION

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

Phoenix Research and Trading Corporation

1. The respondent Phoenix Research and Trading Corporation ("Phoenix Canada") is a company incorporated pursuant to the laws of Ontario. During the material time, Phoenix Canada was registered with the Ontario Securities Commission (the "Commission") as an investment counsel and portfolio manager pursuant to the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"). Phoenix Canada's registration was suspended in May 2000 due to its difficulties in filing audited financial statements and maintaining insurance.

2. Phoenix Canada was a small company of approximately 14 employees. The respondent Ronald Mock ("Mock") was the CEO and President of Phoenix Canada. During the material time, Mock was registered with the Commission as an investment counsel and portfolio manager pursuant to the Act. Mock also was the company's registered supervisory procedures officer.

3. During the material time, the respondent Stephen Duthie ("Duthie") was a senior fixed income advisor and trader with Phoenix Canada. Duthie has never been registered with the Commission in any capacity.

4. (John) Blair Taylor ("Taylor") is a chartered accountant. From July 1997 to October 1999, Taylor was Phoenix Canada's Director of Operations and Finance. In November 1999, he was appointed the CFO. Taylor never was a registered officer of Phoenix Canada.

5. Mark Kassirer ("Kassirer") was the Chair of Phoenix Canada during the material time. Kassirer headed the equity arbitrage business of Phoenix Canada.

The Phoenix Group

6. Phoenix Canada formed part of the Phoenix Group of companies and limited partnerships. Unitholders invested in the Phoenix Fixed Income Arbitrage Fund Limited, the Phoenix Fund Limited, the Phoenix Equity Arbitrage Fund Limited and the Phoenix Alternative Strategies Fund Limited (collectively, the "Feeder Funds"). The Feeder Funds (and other investors) purchased units of the Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP") and the Phoenix Equity Arbitrage Limited Partnership ("PEA LP"). The Phoenix Hedge Fund Limited Partnership, a TSE-listed hedge fund, also held units of PFIA LP and PEA LP.

7. Pursuant to a services agreement with Phoenix Research and Trading (Bermuda) Limited ("Phoenix Bermuda"), Phoenix Canada provided investment advisory and portfolio management services to the Feeder Funds, PEA LP and PFIA LP.

PFIA LP

8. PFIA LP was a hedge fund managed by Phoenix Canada. Its investment objective was to maximize returns by pursuing professionally-managed fixed income market neutral and arbitrage investment trading strategies. Such trading strategies are designed to reduce exposure to market direction.

9. Mock ran PFIA LP. In connection with this aspect of Phoenix Canada's fixed income arbitrage business, Mock's staff comprised 9 employees namely the Operations Group (Taylor, the Operations Manager and the Settlement Clerk), three fixed income advisors and traders, the Research and Risk Manager, the Systems Support Manager and an administrative assistant.

10. Taylor was the most senior person in the Operations Group. Taylor's duties included the direct supervision of the Operations Manager and the Settlement Clerk.

11. No one at Phoenix Canada involved in PFIA LP reported directly to Kassirer.

12. PFIA LP held investments in U.S. dollars, Canadian dollars and Euros. Commencing in the Fall of 1998, Duthie was responsible for PFIA LP's U.S. dollar portfolio under the direct supervision of Mock.

Overview of PFIA LP's Collapse

13. In early January 2000, PFIA LP collapsed when it sustained a loss in excess of $120 million. By this time, Duthie had accumulated a $3.3 billion U.S. long position in 6% U.S. treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes were not hedged. This unhedged position was contrary to PFIA LP's investment guidelines and had not been authorized by management. The UST Notes caused PFIA LP's collapse.

14. Duthie was authorized to engage in a matched book strategy of repurchase agreements ("repos") and open reverse repos. Phoenix Canada management operated on the basis that the UST Notes were the open reverse repo leg of the matched book and thus, fell within PFIA LP's investment parameters.

15. In reality, Duthie had engaged in a strategy of purchasing long bonds financed by repos. Ultimately, the UST Notes caused a significant overdraft position at the Bank of New York. As a result, Phoenix Canada was forced to liquidate all of PFIA LP's assets.

16. Duthie's accumulation of the UST Notes was contrary to the best interests of Phoenix Canada's and Duthie's clients. Further, Duthie engaged in registerable activity for which he was not registered with the Commission.

17. Mock failed to, among other things, keep the proper books and records, implement and monitor appropriate controls and procedures, and adequately supervise his staff. Absent these failures, the UST Notes would not have been accumulated or the true nature of the UST Notes would have been detected and the collapse of PFIA avoided.

The Acquisition of the UST Notes by PFIA LP

18. Commencing in the fall of 1998, Duthie was authorized to engage in a market neutral strategy which included a low risk, matched book trading strategy of repos and open reverse repos in U.S. treasury benchmark issues. An open reverse repo is a type of reverse repo that has no termination date that is, terminable on demand by either party to the transaction.

19. The goal of a matched book trading strategy of repos and open reverse repos is to eliminate the risk of market fluctuations inherent in bond trading. In this type of strategy, the trader plays the interest rate spread between the borrowing rate (repo leg) and the lending rate (open reverse repo leg).

20. On the repo leg of the transaction, monies are borrowed on the collateral of bonds. On the termination of the repo, the borrowed monies plus interest are paid in exchange for the return of the bonds. Simultaneously, on the open reverse repo leg of the transaction, monies are lent on the collateral of bonds. On the termination of the open reverse repo, the lent monies are repaid with interest and the bonds are returned. Profits are earned on this type of matched book strategy when the interest earned on the open reverse repo leg exceeds the interest expense paid on the repo leg, net of transaction costs.

21. Duthie did not engage in the authorized trading strategy. Rather, Duthie accumulated the UST Notes (ie unhedged long bond positions). He financed the leveraged position using repos and satisfied transaction costs by accessing additional collateral. By trading the unhedged long bonds, PFIA LP was exposed to market risk which was magnified by the leverage of the UST Notes.

22. Approximately 80% of the total PFIA LP fund was in U.S. dollars. The UST Notes represented PFIA LP's entire U.S. dollar portfolio.

23. The UST Notes were not hedged. The concentration, size and length of time this unhedged position was in place contravened the investment guidelines and restrictions of PFIA LP.

24. On January 4, 2000, the Bank of New York informed Phoenix Canada that the latter was in an overdraft position in excess of $50 million U.S. The UST Notes caused the overdraft position. To mitigate the loss exposure resulting from the UST Notes, Phoenix Canada liquidated all of PFIA LP's assets.

25. Phoenix Canada contacted Staff on January 5, 2000 respecting the UST Notes and the collapse of PFIA LP. As a condition of its registration, Phoenix Canada retained a forensic accounting firm to prepare a report.

Management's Failure to Detect the UST Notes

26. Management relied principally on Duthie's representations that the UST Notes (and other long bonds reported by Duthie during the material time) were open reverse repos (the "purported open reverse repos") and thus, part of Duthie's authorized trading strategy (ie the open reverse repo leg of the matched book strategy).

27. Within one day of being informed by the Bank of New York of its overdraft position, however, Phoenix Canada was able to discern that the UST Notes were unhedged long bonds and not the purported open reverse repos.

28. The purported open reverse repo transactions fell outside the scope of controls and procedures then in place at Phoenix Canada. Phoenix Canada failed to:

    (i) establish, implement and monitor appropriate controls and procedures respecting the purported open reverse repo transactions;

    (ii) maintain the books, records and other documents necessary for the proper recording of the

purported open reverse repo transactions; and

(iii) segregate duties relating to the purported open reverse repo transactions.

(a) Trade Capture of the Purported Open Reverse Repos

29. Phoenix Canada's method of capturing Duthie's trades in the purported open reverse repos was fundamentally flawed and thus, unreliable. Phoenix Canada's computer trading system ("Alydia") was not designed to capture open reverse repos. Thus, to Mock's knowledge, all trades by Duthie in the purported open reverse repos were entered into the bond module of Alydia as long bonds. These longs bonds were not distinguished from real bond inventory arising from authorized intra-day trading.

30. Knowing that the open reverse repos were entered into Alydia incorrectly, Phoenix Canada then made two manual adjustments namely:

(i) a manual adjustment to "correct" PFIA LP's value at risk ("VAR") report so that the VAR would be meaningful. This adjustment was approved by Mock. The adjustment was based only on Duthie's representations as to the existence of the purported open reverse repos and the length of time such repos would be held; and

(ii) a manual adjustment to "correct" income from the bond position which would be reflected in the general ledger and profit and loss statement. Duthie provided the information used to make this adjustment.

(b) Phoenix Canada's VAR Reports

31. The Risk Manager of Phoenix Canada, under Mock's supervision, prepared VAR reports on a daily basis. The VAR reports were Phoenix Canada's primary risk monitoring and management tool to ensure that investments were within the limits prescribed by PFIA LP.

32. The information used to create the VAR report was pulled from the information inputted to Alydia. Since the purported open reverse repos had been entered incorrectly as long bonds in Alydia, Phoenix Canada adjusted the VAR report program so that the purported open reverse repos were treated as short term long bonds (which they were not) and their risk assessed accordingly. Mock knew that this adjustment was being made by the Risk Manager.

33. The adjustments to the VAR reports were unreliable because they were based solely on Duthie's representations as to the existence of the purported open reverse repos and the length of time such repos would be held. Phoenix Canada did not request nor maintain any documentation of the original trades of the purported open reverse repos to support or verify Duthie's representations.

34. A calculation of the VAR at December 31, 1999 for the UST Notes, without any adjustment, would have resulted in a VAR which was 7 times the allowable VAR permitted by PFIA LP's investment guidelines.

(c) Inappropriate Pricing of the Purported Open Reverse Repos

35. In the normal course, bond trades entered into the bond module of Alydia were priced by Phoenix Canada (using Bloomberg or another similar service) on a daily basis to generate a daily capital gain/loss. The daily capital gains/losses were reflected in the general ledger. The profit and loss statement reported a net income/loss figure for each strategy, including Duthie's market neutral strategy.

36. The purported open reverse repos were entered into the bond module of Alydia. Since there is no bond inventory associated with an open reverse repo, however, there is nothing to "price". Rather, the purported open reverse repos would earn interest income which ought to be recorded.

37. Phoenix Canada dealt with the purported open reverse repos based on Duthie's representations as follows: Duthie identified those bonds entered into the bond module which were the purported open reverse repos. He assigned a "price" to the purported open reverse repos which would produce a capital gain figure on the general ledger equal to what he said was the interest earned on the purported open reverse repos. Phoenix Canada relied exclusively on Duthie to assign the "price" to the purported open reverse repos.

38. Phoenix Canada did not reallocate the "capital gain" figure to interest income. Thus, the purported interest earned on the purported open reverse repos appeared on the general ledger as a capital gain. This "capital gain" was then carried over to the profit and loss statement relating to Duthie's market neutral strategy.

39. This method of dealing with the purported interest income earned on the purported open reverse repos was fundamentally flawed. Further, since Phoenix Canada did not maintain or retain any documentation respecting the existence of the

purported open reverse repos or the basis for Duthie's calculation of the adjusted "price", there was nothing against which to check these transactions.

40. Moreover, management's sole reliance on Duthie's representations enabled Duthie to mask unrealized holding losses for the UST Notes and to smooth the income pattern.

41. Mock did not discuss with any member of the Operations Group how the purported open reverse repos would be recorded for the purpose of Phoenix Canada's books and records and failed to make appropriate efforts to verify that they were being dealt with appropriately.

(d) Segregation of Duties

42. Phoenix Canada failed to segregate duties relating to the purported open reverse repo transactions by:

(i) relying solely on the representations of Duthie to allocate PFIA LP's U.S. bond inventory between long bonds and the purported open reverse repos;

(ii) permitting Duthie to execute trades on behalf of PFIA LP respecting the purported open reverse repos and make the "price" adjustment; and

(iii) permitting Duthie to access collateral by virtue of his participation in cash management activities while engaged in his own profit and loss activities (enabling Duthie to satisfy transaction costs for the UST Notes).

(e) Books and Records

43. Phoenix Canada did not maintain books and records of the original trades of the purported open reverse repos, including the repo and open reverse repo contracts.

44. Internal reports generated from the inadequate trade capture and accounting of the purported open reverse repos such as daily trade blotters, collateral reports, settlement reports, general ledger and trial balances were flawed and unreliable.

45. For example, the settlement report used to confirm and settle trades listed trades in the UST Notes (ie long bonds). The collateral usage report did not reflect the purported open reverse repos. Further, the Operations Manager and Settlement Clerk who used these reports were unaware that the long bonds listed on the reports were a proxy for the purported open reverse repos.

Incorrect Reporting

46. PFIA LP had agreements with the Bank of Bermuda, including administration and custodial agreements.

47. Phoenix Canada reported incorrect information respecting the purported open reverse repos to the Bank of Bermuda, Phoenix Bermuda and the beneficial owners of PFIA LP. Phoenix Canada consistently reported the purported open reverse repos as long bonds.

48. Phoenix Canada submitted trade blotters, trial balances and net asset value calculations to the Bank of Bermuda which consistently reported the purported open reverse repos as long bonds and contained the income "correction" made by Duthie.

49. Phoenix Canada did not inform the Bank of Bermuda that it was engaged in a matched book trading strategy of repos and open reverse repos and that the long bond position was a proxy for the purported open reverse repos. Thus, the Bank was unable to fulfill properly its custodial and administrative roles for Phoenix Canada in connection with the purported open reverse repo transactions. Among other things, the Bank of Bermuda was able to agree the trades reflected on the trade blotters to third party trade confirms.

Suitability

50. The accumulation of the UST Notes contravened PFIA LP's investment objectives and restrictions and thus, the Notes were not a suitable investment for PFIA LP. The collapse of PFIA LP resulted in a loss to the beneficial owners in excess of $120 million.

Failure to be Registered

51. In the course of trading PFIA LP's U.S. dollar portfolio, Duthie had discretion as to the specific fixed income securities he bought and sold on behalf of PFIA LP. This discretion was subject to PFIA LP's investment guidelines and restrictions and Phoenix Canada's internal investment guidelines.

52. In exercising this discretion, Duthie advised the unitholders of the Feeder Funds, the TSE-listed hedge fund and PFIA LP as to the investing in and the buying or selling of securities and thus, engaged in registerable activity under the Act. Contrary to section 25 of the Act, Duthie was not registered with the Commission.

Lack of Supervision

53. Mock failed to supervise adequately Duthie's activities. Duthie engaged in registerable activity without being registered. Further, over the course of 15 months, Duthie abused the discretion granted to him by Phoenix Canada without detection by Mock.

54. When Duthie assumed responsibility for PFIA LP's U.S. dollar portfolio, he had been a trader at Phoenix Canada for only 1 year. Among other things, Mock failed to establish a means of documenting the purported open reverse repo transactions for the purpose of supervising Duthie's trading.

55. Mock failed to supervise sufficiently Taylor and the Operations Group as it related to the purported open reverse repo transactions.

Phoenix Canada's Misconduct

56. As described above, Phoenix Canada engaged in conduct contrary to Ontario securities law and the public interest.

Mock's Misconduct

57. As the President/CEO, supervisory procedures officer and officer responsible for PFIA LP, Mock failed to:

    (i) ensure that the books, records and other documents necessary for the proper recording of the purported open reverse repo transactions were kept;

    (ii) ensure that adequate controls and procedures respecting the purported open reverse repo transactions were established, implemented and maintained;

    (iii) ensure that the appropriate segregation of duties relating to the purported open reverse repo transactions occurred;

    (iv) adequately supervise Duthie and the Operations Group respecting the purported open reverse repo transactions;

    (v) ensure that Duthie was registered with the Commission; and

    (vi) ensure that Phoenix Canada dealt fairly with, and acted in the best interests of, its clients. In particular, that investments made on behalf of PFIA LP were suitable given the latter's investment objectives, guidelines and restrictions and that accurate information concerning PFIA LP was reported to the Bank of Bermuda, Phoenix Bermuda and the beneficial owners of PFIA LP.

58. Mock's conduct was contrary to Ontario securities law and the public interest.

Duthie's Misconduct

59. Duthie engaged in registerable activity without being registered contrary to section 25 of the Act.

60. In accumulating the UST Notes, Duthie acted in flagrant disregard for the investment objectives and restrictions and risk guidelines of PFIA LP. As such, Duthie failed to deal fairly, honestly and in good faith with Phoenix Canada's and his clients.

61. Further, Duthie made misrepresentations to Phoenix management designed to conceal the true nature of his activities and the UST Notes.

62. Duthie's conduct was contrary to Ontario securities law and the public interest.

63. Staff reserves the right to make such further and other allegations as Staff may submit and the Commission may allow.

June 11, 2002.

1.2.2 Mark Kassirer - s. 127

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

AND

IN THE MATTER OF
MARK KASSIRER

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission, Small Hearing Room, 17th floor, 20 Queen Street West, Toronto, on June 17, 2002, at 10:00 a.m., or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing will be for the Commission to consider whether to approve the proposed settlement of the proceeding entered into between Staff of the Commission and Mark Kassirer;

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

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

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

June 13, 2002.

"John Stevenson"

1.3 News Releases

1.3.1 OSC Commences Proceeding Against Phoenix Research and Trading Corporation et al.

FOR IMMEDIATE RELEASE
June 13, 2002

ONTARIO SECURITIES COMMISSION COMMENCES PROCEEDING AGAINST PHOENIX RESEARCH AND TRADING CORPORATION, RONALD MOCK AND STEPHEN DUTHIE

TORONTO – The Ontario Securities Commission (the "Commission") has issued a Notice of Hearing and Statement of Allegations as against Phoenix Research and Trading Corporation ("Phoenix Canada"), Ronald Mock ("Mock") and Stephen Duthie ("Duthie").

Phoenix Canada was registered with the Commission as an investment counsel and portfolio manager pursuant to the *Securities Act*. Mock was the CEO and President of Phoenix Canada. Mock ran the Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP"), a hedge fund. Commencing in the fall of 1998, Duthie was responsible for PFIA LP's U.S. dollar portfolio under the direct supervision of Mock. Duthie has never been registered with the Commission.

PFIA LP collapsed in early January 2000 when Phoenix Canada discovered that Duthie had accumulated a $3.3 billion U.S. long position in U.S. 6% treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes were not hedged and caused a significant overdraft position at the Bank of New York. PFIA LP was forced to liquidate its assets. The resulting loss to PFIA LP exceeded $120 million.

Staff alleges that Duthie (i) engaged in registerable activity for which he was not registered with the Commission; and (ii) acted contrary to the best interests of Phoenix Canada's and his clients.

Staff alleges that Mock failed to (i) keep the proper books and records; (ii) implement and monitor the appropriate controls and procedures; and (iii) adequately supervise his staff. It is Staff's position that, absent these failures, Duthie's activities would have been detected and the collapse of PFIA LP avoided.

The Notice of Hearing and Amended Statement of Allegations are available on the Commission's website or from the Commission offices at 20 Queen Street West, Toronto.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries : OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.2 OSC to Consider a Settlement in the Matter of Mark Kassirer

FOR IMMEDIATE RELEASE
June 14, 2002

ONTARIO SECURITIES COMMISSION TO CONSIDER A SETTLEMENT IN THE MATTER OF MARK KASSIRER

TORONTO – On June 17, 2002 at 10:00 a.m., the Ontario Securities Commission (the "Commission") will convene a hearing to consider a settlement reached by Staff of the Commission ("Staff") and the respondent Mark Kassirer ("Kassirer").

Kassirer was the Chair of Phoenix Research and Trading Corporation ("Phoenix Canada"). He managed Phoenix Canada's equity arbitrage business. Phoenix Canada was registered with the Commission as an investment counsel and portfolio manager pursuant to the *Securities Act*.

The Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP") was a hedge fund managed by Phoenix Canada. PFIA LP collapsed in early January 2000 when Phoenix Canada discovered that one of its fixed income traders had accumulated a $3.3 billion U.S. long position in U.S. 6% treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes were not hedged and caused a significant overdraft position at the Bank of New York. PFIA LP was forced to liquidate its assets. As a result, PFIA LP lost in excess of $120 million.

Staff alleges that Kassirer failed to monitor adequately, and provide appropriate general oversight of, the business of Phoenix Canada including that related to the UST Notes.

The terms of the Settlement Agreement between Staff and Kassirer are confidential until approved by the Commission. Copies of the Notice of Hearing and Amended Statement of Allegations are available on the Commission's website or from the Commission offices at 20 Queen Street West, Toronto.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.3 OSC Approves Settlement Between Staff and Mark Kassirer

FOR IMMEDIATE RELEASE
June 17, 2002

ONTARIO SECURITIES COMMISSION APPROVES SETTLEMENT BETWEEN STAFF AND MARK KASSIRER

TORONTO – This morning, the Ontario Securities Commission (the "Commission") approved a settlement reached by Staff of the Commission ("Staff") and the respondent Mark Kassirer ("Kassirer").

Kassirer was the Chair of Phoenix Research and Trading Corporation ("Phoenix Canada"). He managed Phoenix Canada's equity arbitrage business. Phoenix Canada was registered with the Commission as an investment counsel and portfolio manager pursuant to the *Securities Act*.

The Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP") was a hedge fund managed by Phoenix Canada. PFIA LP collapsed in early January 2000 when Phoenix Canada discovered that one of its fixed income traders had accumulated a $3.3 billion U.S. long position in U.S. 6% treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes were not hedged and caused a significant overdraft position at the Bank of New York. PFIA LP was forced to liquidate its assets. As a result, PFIA LP lost in excess of $120 million.

Staff alleged that Kassirer failed to monitor adequately, and provide appropriate general oversight of, the business of Phoenix Canada including that related to the UST Notes.

The Commission reprimanded Kassirer and ordered that Kassirer Asset Management Corporation ("KAMC"), a registered investment counsel and portfolio manager of which Kassirer is the sole registered officer, submit to an independent review of its current controls and procedures and rectify any identified deficiencies. Kassirer must also pass the Partners, Directors and Officers examination as a term and condition of his continued registration. As a term of the settlement, Kassirer paid $10,000 in costs to the Commission.

Copies of the Order and Settlement Agreement are available on the Commission's website, www.osc.gov.on.ca, or from the Commission offices at 20 Queen Street West, Toronto.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.4 OSC Issues Temporary Cease Trade Order Against Mark Edward Valentine

FOR IMMEDIATE RELEASE
June 18, 2002

OSC ISSUES TEMPORARY CEASE TRADE ORDER AGAINST MARK EDWARD VALENTINE

TORONTO – The Ontario Securities Commission (the "Commission") yesterday issued a Temporary Cease Trade Order prohibiting trading in any securities by Mark Edward Valentine ("Valentine"), and suspending his registration under Ontario securities laws, both for a period of fifteen days. Valentine was, until recently, the Chairman of Thompson Kernaghan & Co. Ltd. ("Thompson Kernaghan").

The Temporary Cease Trade Order states that Valentine is under investigation by both Staff of the Commission and the Investment Dealers' Association for his actions as General Partner of certain Limited Partnerships. These partnerships include the Canadian Advantage Limited Partnership and the VC Advantage Fund Partnership. His trading of shares in certain over-the-counter securities is also under investigation.

The Temporary Cease Trade Order further states that Valentine's employment with Thompson Kernaghan was suspended on June 13, 2002, and that he has been excluded from their premises.

Copies of the Temporary Cease Trade Order are available on the Commission's website at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario M5H 3S8.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement
416-593-8156

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.5 In the Matter of Fran Harvie

FOR IMMEDIATE RELEASE
June 19, 2002

IN THE MATTER OF FRAN HARVIE

TORONTO – On June 20, 2002 at 2:00 p.m., the Ontario Securities Commission will commence a hearing to consider a settlement reached by staff of the Commission ("Staff") and the respondent Fran Harvie.

Staff allege that Harvie illegally distributed shares in Lydia Diamond Explorations of Canada Ltd. ("Lydia"). The company raised over $2 million dollars from Ontario investors.

A copy of Statement of Allegations is available at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

This page intentionally left blank

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Manulife Financial Corporation et al. - MRRS Decision

Headnote

Exemptions from most continuous disclosure requirements granted to a trust on specified conditions, including the conditions that both the parent company and its publicly traded holding company remain a reporting issuer and security holders of the trust receive the continuous disclosure documents of the holding company. Because of the terms of the trust a security holder's return depends upon the financial condition of the parent company and the holding company and not that of the trust. Trust offered trust units to the public in order to provide the parent company with a cost effective means of raising capital for Canadian insurance company regulatory purposes. No distributions are payable on the trust units if the parent company fails to pay dividends on its preferred shares and if distributions are not paid the parent company is prevented from paying dividends on its preferred shares. Trust units are not redeemable but are exchangeable at the option of the holder after a fixed term for shares of the parent company. Trust units are non-voting. Holders of trust securities have no claim or entitlement to the income of the Trust or the assets held by the Trust.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Rules Cited

OSC Rule 51-501- AIF and MD&A.
OSC Rule 52-501- Financial Statements.

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

AND

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

AND

IN THE MATTER OF
MANULIFE FINANCIAL CORPORATION

AND

IN THE MATTER OF
THE MANUFACTURERS LIFE INSURANCE COMPANY

AND

IN THE MATTER OF
MANULIFE FINANCIAL CAPITAL TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker and collectively the Decision Makers) in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, and Newfoundland and Labrador (the Jurisdictions) has received an application (the Application) from Manulife Financial Corporation (MFC), The Manufacturers Life Insurance Company (MLI) and Manulife Financial Capital Trust (the Trust) for a decision pursuant to the securities legislation of the Jurisdictions (the Legislation), that the requirements contained in the Legislation to:

(a) file interim financial statements and audited annual financial statements (collectively, Financial Statements) with the Decision Makers and deliver such statements to the security holders of the Trust;

(b) make an annual filing (Annual Filing) with the Decision Makers in lieu of filing an information circular, where applicable;

(c) file an annual report (Annual Report) and an information circular with the Decision Maker in Quebec and deliver

such report or information circular to the security holders of the Trust resident in Quebec;

(d) prepare and file under OSC Rule 51-501 AIF and MD&A, section 159 of the Regulation to the *Securities Act* (Quebec) and the Saskatchewan Instrument 51-501, an annual information form (AIF), including management's discussion and analysis (MD&A) of the financial condition and results of operation of the Trust and send such MD&A to security holders of the Trust (collectively the AIF and MD&A Requirements);

shall not apply to the Trust, subject to certain terms and conditions;

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 MFC, MLI and the Trust have represented to the Decision Makers that:

The Manufacturers Life Insurance Company

1. MLI was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the then *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the *Insurance Companies Act* (Canada) (ICA), MLI undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. On September 23, 1999 MLI demutualized (the Demutualization) pursuant to letters patent of conversion issued by the Minister of Finance.

2. MLI's head office is located in Ontario. MLI is regulated by the Superintendent of Financial Institutions (Canada) and it is licensed under the insurance legislation of each province and territory of Canada. MLI is a reporting issuer (or equivalent) in each of the provinces and territories of Canada and has held that status since filing a non-offering prospectus on May 19, 1994. To the best of its knowledge, information and belief, MLI is currently not in default of its reporting requirements under the Act or the Regulations made thereunder.

3. MLI has authorized share capital consisting of an unlimited number of Common Shares, an unlimited number of Class A Shares, issuable in series, an unlimited number of Class B Shares, issuable in series, an unlimited number of Class C Shares, issuable in series, and an unlimited number of Class D Shares, issuable in series. As of December 31, 2001, only Common Shares and 40,000 Class A Shares Series 1 of MLI (the MLI Class A Shares Series 1) are issued and outstanding. Pursuant to the Demutualization, MFC became the holder of all of the issued and outstanding Common Shares of MLI. MFC subscribed for the Class A Shares Series 1 of MLI in connection with the Offering (as defined below).

4. MLI obtained a decision document dated May 19, 2000 (the 2000 MRRS Decision), pursuant to which the requirements contained in the Legislation to disclose material changes, to file Financial Statements and to file an Annual Report shall not apply to MLI subject to certain specified conditions, including that MFC comply with such requirements, and the requirement that MLI file an AIF shall be satisfied by the filing of an AIF by MFC.

Manulife Financial Corporation

5. MFC was incorporated under the ICA on April 26, 1999. On September 23, 1999, in connection with the Demutualization, MFC became the sole shareholder of MLI and certain holders of participating life insurance policies of MLI (the Eligible Policyholders) became shareholders of MFC. On September 24, 1999 MFC filed a final prospectus in connection with an initial treasury and secondary offering conducted in Canada and the United States. MFC is a publicly traded company on The Toronto Stock Exchange, the New York Stock Exchange, the Stock Exchange of Hong Kong Limited and the Philippine Stock Exchange. The authorized share capital of MFC consists of Class A Shares, issuable in series, Class B Shares, issuable in series, and Common Shares of which approximately 482 million Common Shares were issued and outstanding as of December 31, 2001.

6. MFC is a reporting issuer in each of the provinces and territories of Canada. To the best of its knowledge, information and belief, MFC is currently not in default of its reporting requirements under the Act or the Regulations made thereunder.

7. MFC has no material assets or material liabilities other than the shares that it holds in MLI. MFC conducts its operations through MLI and MLI's branches and subsidiaries.

Manulife Financial Capital Trust

8. The Trust is an open-end trust established under the laws of the Province of Ontario by The Canada Trust Company (Trustee), as trustee, pursuant to a declaration of trust made as of October 30, 2001, as amended and restated on December 5, 2001 (the Declaration of Trust).

9. The outstanding securities of the Trust consist of two classes of units: (i) Special Trust Securities

(Special Trust Securities) and (ii) Manulife Financial Capital Securities (MaCS), issuable in series (such Special Trust Securities and MaCS are collectively referred to as the Trust Securities).

10. The Trust was established solely for the purpose of effecting the Offering and possible future offerings of securities in order to provide MLI (and indirectly, MFC) with a cost effective means of raising capital for Canadian insurance company regulatory purposes by means of (i) creating and selling the Trust Securities, and (ii) acquiring and holding Trust Assets, which consist primarily of debentures issued by MLI (the MLI Debentures). The MLI Debentures generate income for distribution to holders of the Trust Securities. The Trust does not and will not carry on any operating activity other than in connection with the Offering and any future offerings.

11. The Trust is a reporting issuer, or the equivalent, in each of the Jurisdictions as a result of the filing of the final prospectus in connection with the Offering dated December 5, 2001 (the Prospectus) and the issuance of the final MRRS Decision Document in relation to the Prospectus.

MaCS

12. The Trust distributed MaCS - Series A (MaCS - Series A) and MaCS - Series B (MaCS - Series B) in the Jurisdictions under the Prospectus (the Offering). The MaCS - Series A are listed on The Toronto Stock Exchange. The MaCS - Series B will not be listed on any public securities exchange. The Trust also issued and sold 2,000 Special Trust Securities to MLI in connection with the Offering.

13. The Prospectus also qualified certain other related securities for distribution in the Jurisdictions, including the Conversion Right which will allow the Trust to satisfy the Holder Exchange Right and the Automatic Exchange Right (each as defined below).

14. The Trust used the proceeds of the offering of MaCS - Series A to purchase a debenture issued by MLI (the MLI A Debenture) and the proceeds of the offering of MaCS - Series B to purchase a second debenture issued by MLI (the MLI B Debenture). MLI is considering subsequent offerings of MaCS (to be designated as Series C, D, etc.) by the Trust. The proceeds from the issue of each additional series of MaCS would be used by the Trust to purchase a separate debenture from MLI.

15. For simplicity, the balance of this decision generally only refers to the MaCS - Series A, Class A Shares Series 2 of MLI (the MLI Class A Shares Series 2), Class A Shares Series 3 of MLI (the MLI Class A Shares Series 3) and the MLI A Debenture because the features of each series of MaCS and each related debenture issued by MLI are, in the case of the MaCS - Series B and the MLI B Debenture, and would be, in the case of subsequent offerings of MaCS, the same as the MaCS - Series A and the MLI A Debenture described in this Application except for the following:

(a) the indicated yield (constituted by the distribution payable on each series of MaCS) may be different;

(b) the interest rate on each debenture may be different but will correspond to the indicated yield of the particular corresponding series of MaCS;

(c) the redemption date of each debenture will be different; and

(d) each series of MaCS and the corresponding debenture will be exchangeable or convertible into separate series of shares of MLI with attributes similar to the MLI Class A Shares Series 2 and Series 3, except that the dates upon which various rights arise may be different from the MaCS - Series A and the MLI Class A Series 2 and Series 3. All of these terms for the MaCS-Series A and the MaCS-Series B were fully set forth in the Prospectus and the terms of subsequent offerings of MaCS would be set forth in the prospectus prepared in connection with such offerings.

16. Subject to paragraphs 17 and 18, each MaCS - Series A entitles the holder (MaCS Holders) to receive a fixed cash distribution (a Distribution) payable by the Trust on the last day of June and December of each year (each such day, a Distribution Date and each period from the Distribution Date to but excluding the next Distribution Date, a Distribution Period).

17. MaCS Holders are not entitled to receive Distributions in respect of a particular Distribution Date if (i) MLI fails to declare dividends on its MLI Class A Shares Series 1 or (ii) MLI has not declared regular cash dividends on its public preferred shares, in either case, in the three month period immediately prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date.

18. Pursuant to the share exchange agreement entered into by MFC, MLI, the Trust and the Exchange Trustee on December 10, 2001, MFC and MLI have agreed, for the benefit of the holders of MaCS - Series A, that, in the event the Trust fails, on any Distribution Date, to pay in full

Distributions on the MaCS - Series A to which the MaCS Holders are entitled, (i) MLI will not pay dividends of any kind on its preferred shares, and (ii) if MLI does not have any preferred shares outstanding, MFC will not pay dividends of any kind on its preferred shares or the MFC Common Shares, in each case, until a specific period of time has elapsed, unless the Trust first pays such Distribution (or the unpaid portion thereof) to MaCS Holders.

19. Upon the occurrence of certain adverse tax events or events relating to the treatment of MaCS - Series A for capital purposes, subject to regulatory approval and on not less than 30 nor more than 90 days' prior written notice, MaCS - Series A will be redeemable, at the option of the Trust and with the approval of the Superintendent of Financial Institutions (Canada) (the Superintendent), in whole (but not in part) for a cash amount.

20. On December 31, 2006 and on any subsequent Distribution Date thereafter, subject to regulatory approval and on not less than 30 nor more than 60 days' prior written notice, the MaCS - Series A will be redeemable in whole or in part for a cash amount, at the option of the Trust and subject to the approval of the Superintendent.

21. Holders of MaCS - Series A will have the right (the Holder Exchange Right), at any time, to surrender all or part of their MaCS - Series A to the Trust at a price for each MaCS - Series A equal to 40 MLI Class A Shares Series 2.

22. Each MaCS - Series A will be exchanged automatically (the Automatic Exchange) without the consent of the holder, for 40 MLI Class A Shares Series 3 if: (i) an application for a winding-up order in respect of MLI pursuant to the Winding-up and Restructuring Act (Canada) (the Winding-up Act) is filed by the Attorney General of Canada or a winding-up order in respect of MLI pursuant to the Winding-up Act is granted by a court; (ii) the Superintendent advises MLI in writing that the Superintendent has taken control of MLI or its assets pursuant to the ICA: (iii) the Superintendent advises MLI in writing that MLI has a net Tier 1 capital ratio of less than 75% or an MCCSR ratio of less than 120%; (iv) the board of directors of MLI advises the Superintendent in writing that MLI has a net Tier 1 capital ratio of less than 75% or an MCCSR ratio of less than 120%; or (v) the Superintendent directs MLI pursuant to the ICA to increase its capital or to provide additional liquidity and MLI elects to cause the exchange as a consequence of the issuance of such direction or MLI does not comply with such direction to the satisfaction of the Superintendent within the time specified.

23. The Holder Exchange Right and the Automatic Exchange will be effected through the right to convert the whole or a part of the MLI A Debenture into MLI Class A Shares Series 2 and MLI Class A Shares Series 3, respectively (the Conversion Right). Upon the exercise of the Holder Exchange Right or the Automatic Exchange, the Trust will convert the corresponding principal amount of the MLI A Debenture into MLI Class A Shares Series 2 or MLI Class A Shares Series 3, as the case may be.

24. The MLI Class A Shares Series 2 and the MLI Class A Shares Series 3 will be redeemable after specified dates, at the option of MLI and subject to regulatory approvals, by the payment of a cash amount or by the delivery of MFC Common Shares.

25. On and after June 30, 2051, the MLI Class A Shares Series 2 and MLI Class A Shares Series 3 will be exchangeable, at the option of the holder, into MFC Common Shares, except under certain circumstances.

26. As set forth in the Declaration of Trust, MaCS - Series A are non-voting except in certain limited circumstances and Special Trust Securities entitle the holders to vote.

27. Except to the extent that the Distributions are payable to MaCS Holders and, other than in the event of termination of the Trust (as set forth in the Declaration of Trust), MaCS Holders have no claim or entitlement to the income of the Trust or the assets held by the Trust.

28. In certain circumstances (as described in paragraph 22 above), including at a time when MLI's financial condition is deteriorating or proceedings for the winding-up of MLI have been commenced, the MaCS - Series A will be automatically exchanged for MLI Class A Shares Series 3 without the consent of MaCS Holders. As a result, MaCS Holders will have no claim or entitlement to the assets held by the Trust, other than indirectly in their capacity as preferred shareholders of MLI.

29. MaCS Holders may not take any action to terminate the Trust.

30. The Trust has not requested relief for the purposes of filing a short form prospectus pursuant to National Instrument 44-101 Short Form Prospectus Distributions (NI 44-101) (including, without limitation, any relief which would allow the Trust to use MFC's AIF as a current AIF of the Trust) and no such relief is provided by this Decision Document from any of the requirements of NI 44-101.

31. The terms of the MaCS, the Share Exchange Agreement and the various covenants of MFC and MLI given in connection with an offering of the

MaCS as well as the extensive role of MLI and its affiliates in the day-to-day management of the business and affairs of the Trust, lead to the conclusion that it is information with respect to the affairs and financial performance of MFC and MLI, as opposed to that of the Trust itself, that is meaningful to holders of MaCS. Pursuant to the 2000 MRRS Decision, it was decided that it was not necessary for MLI to disclose material changes, file Financial Statements or file an Annual Report, so long as MFC did so on its own behalf, because adequate disclosure would be provided to the holders of securities issued by MLI pursuant to MFC's filings. MFC's filings and the delivery by MFC to holders of MaCS of the same material delivered to shareholders of MFC will provide holders of MaCS and the general investing public with all information required in order to make an informed decision relating to an investment in MaCS. Information regarding MFC is relevant both to an investor's expectation of being paid the indicated yield on the MaCS as well as the return of the investor's principal.

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

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

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation:

(a) to file Financial Statements with the Decision Makers and deliver such statements to holders of Trust Securities;

(b) to make an Annual Filing, where applicable, with the Decision Makers in lieu of filing an information circular; and

(c) to file an Annual Report and an information circular with the Decision Maker in Quebec and deliver such report or information circular to holders of Trust Securities resident in Quebec;

shall not apply to the Trust for so long as:

(i) MFC remains a reporting issuer under the Legislation;

(ii) MLI remains a reporting issuer under the Legislation;

(iii) MFC files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) to (c) above of this Decision, at the same time as they are required under the Legislation to be filed by MFC;

(iv) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;

(v) MFC sends its Financial Statements and Annual Filing, where applicable, to holders of Trust Securities and its Annual Report to holders of Trust Securities resident in the Province of Quebec at the same time and in the same manner as if the holders of Trust Securities were holders of MFC Common Shares;

(vi) all outstanding securities of the Trust are either MaCS or Special Trust Securities;

(vii) the rights and obligations (other than the economic terms thereof) of holders of additional series of MaCS are the same in all material respects as the rights and obligations of the holders of MaCS - Series A and MaCS - Series B at the date hereof; and

(viii) all of the outstanding Special Trust Securities are beneficially owned by MLI or any of its affiliates and all of the issued and outstanding voting shares of MLI or of its affiliate which owns the Special Trust Securities are beneficially owned by MFC;

and provided that this Decision shall expire 30 days after:

(A) the date that MLI can no longer rely on the 2000 MRRS Decision; or

(B) the date a material adverse change occurs in the affairs of the Trust.

March 21, 2002.

"Paul M. Moore" "Robert W. Korthals"

AND THE FURTHER DECISION of the Decision Makers in Ontario, Quebec & Saskatchewan is that the AIF and MD&A Requirements shall not apply to the Trust for so long as:

(i) the conditions set out in clauses (i), (ii), (vi), (vii) and (viii) of the Decision above are complied with;

(ii) MFC files the AIF and the annual and interim MD&A with the Decision Makers, in electronic format under the Trust's SEDAR profile at the same time as they

are required under the Legislation to be filed by MFC;

(iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;

(iv) MFC sends its annual and interim MD&A to holders of Trust Securities at the same time and in the same manner as if the holders of Trust Securities were holders of MFC Common Shares;

and provided that this Decision shall expire 30 days after:

(A) the date that MLI can no longer rely on the 2000 MRRS Decision; or

(B) the date a material adverse change occurs in the affairs of the Trust.

March 21, 2002.

"John Hughes"

2.1.2 Vivendi Universal Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - as a result of a Plan of Arrangement, issuer has two beneficial holders of equity securities - following Plan of Arrangement, issuer entered into consent solicitation and tender offer and acquired over 94% of the principal amount of all debt securities outstanding - following consent solicitation and tender offer, issuer has 93 beneficial holders of debt securities in Canada - issuer deemed to have ceased being a reporting issuer.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
VIVENDI UNIVERSAL CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from Vivendi Universal Canada Inc. (the "Filer"), formerly The Seagram Company Ltd., for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer 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 Filer has represented to the Decision Makers that:

1. The Filer was formed under the laws of Canada and is a reporting issuer in each of the Jurisdictions.

2. The Filer's registered office is located in Toronto, Ontario;

3. The authorized capital of the Filer consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preference shares issuable in series. As at December 7, 2000, the day before completion of the Plan of Arrangement described below, the Filer had issued and outstanding 444,994,523 Common Shares and no preference shares.

4. Vivendi S.A., the Filer and certain other companies entered into a Merger Agreement made as of June 19, 2000, which required, among other things, certain of the parties to effect a Plan of Arrangement under which Vivendi Universal S.A. ("Vivendi Universal"), a successor corporation to Vivendi S.A., would indirectly acquire all of the issued and outstanding shares of the Filer, other than those held by validly dissenting shareholders, which shareholders were entitled to receive fair value for their shares or to withdraw their dissent and receive American Depository Shares of Vivendi Universal ("Vivendi Universal ADSs").

5. The securities of the Filer remaining outstanding following completion of the Plan of Arrangement and that were previously publicly offered and are not held by Vivendi Universal or its affiliates are comprised of four classes of debentures (the "Debentures"), and a class of Adjustable Conversion-rate Equity Securities Units (the "Units"). Each Unit consists of (1) a contract to purchase, on June 21, 2002, 0.7535 Vivendi Universal ADSs and (2) a subordinated deferrable note issued by Joseph E. Seagram & Sons Inc., a subsidiary of the Filer.

6. The Debentures were offered by way of prospectus in the United States but were never offered in Canada. The Units were publicly offered in the United States but there is no record of the Units having been offered in Canada.

7. After completion of the Plan of Arrangement, the Filer completed a series of tender offers and consent solicitations (the "Tender Offers") for the Debentures and Vivendi Universal completed an exchange offer and consent solicitation (the "Exchange Offer") for the Units.

8. Pursuant to the Tender Offers and the Exchange Offer, holders of Debentures and Units respectively, were advised that one of the purposes of the Tender Offers and the Exchange Offer was to eliminate the Filer's reporting requirements with the United States Securities and Exchange Commission (the "SEC") and that if the Tender Offers and the Exchange Offer were successful, the indentures under which the Debentures and Units respectively, were issued would be amended to eliminate, among other things, the covenant on the part of the Filer to file periodic financial reports with the SEC. A similar statement was made in the press release issued concurrently with the making of the Tender Offers and the Exchange Offer.

9. Pursuant to the Tender Offers and the Exchange Offer, holders of Debentures and Units respectively, were further advised that if the Tender Offers and the Exchange Offer were successfully completed, the resulting amendments to the trust indentures would be binding on all non-tendering holders of Debentures and Units.

10. The indentures contain a provision that, with the consent of not less than a majority in principal amount of each class of Debentures or Units, the Trustee may subject to certain limitations, enter into a supplemental indenture for the purpose of adding provisions to, changing in any manner or eliminating any provisions of the respective Indentures of each class of Debentures or Units, or modifying in any manner the rights of the registered holders of such class of Debentures or Units.

11. The indentures governing the Debentures and the Units do not contain any provision requiring the Filer to file any financial or other information with a Decision Maker in any Jurisdiction. The indentures governing the Debentures and the Units do not contain any provision requiring the Filer be a reporting issuer or the equivalent in any Jurisdiction.

12. After completion of the Tender Offers and the Exchange Offer, of the US$800 million principal amount of the Debentures originally outstanding, only approximately US$52.6 million remains outstanding and of the 20,025,000 Units originally outstanding, only approximately 398,894 Units remain outstanding.

13. To the Filer's knowledge, as at July 16, 2001, there were eighty-nine (89) beneficial holders of Debentures resident in Canada, of which fifty-three (53) beneficial holders of Debentures were resident in Québec, twenty (20) beneficial holders of Debentures were resident in Ontario, nine (9) beneficial holders of Debentures were resident in British Columbia, six (6) beneficial holders of Debentures were resident in Alberta and one (1) beneficial holder of Debentures was resident in Prince Edward Island. These Canadian beneficial holders of Debentures held an aggregate of approximately US$4.0 million principal amount of Debentures, which is less than one-half of one percent (.5%) of the original outstanding principal amount of the Debentures and less than eight percent (8%) of the current outstanding principal amount of the Debentures.

14. To the Filer's knowledge, as at February 9, 2001, there were four (4) beneficial holders of the Units resident in Canada, all of whom were residents of Ontario.

15. The Common Shares were delisted from trading on the Toronto Stock Exchange, the New York Stock Exchange and the London Stock Exchange on December 8, 2000. The Units were delisted from the New York Stock Exchange on December 28, 2000. No securities of the Filer are listed or quoted on any exchange or market in Canada or elsewhere.

16. The Filer is no longer subject to reporting requirements under the *Securities Exchange Act of 1934* of the United States of America or the indentures under which the Debentures or the subordinated notes comprising part of the Units were issued.

17. Other than the Debentures and the Units, the Filer has no securities outstanding not owned directly or indirectly by Vivendi Universal.

18. As of February 9, 2001, the Filer is not in default of any requirements under the Legislation.

19. The Filer has more than 15 securityholders in Québec and the Commission des valeurs mobilières du Québec has granted the Filer relief from the continuous disclosure requirements of the *Securities Act* (Québec) applicable to the Filer other than: (1) the filing of material change reports; (2) the filing of insider trading reports relating to trades of the Debentures and the Units; and (3) the holding of meetings of holders of the Debentures and the Units.

20. The Filer has no present intention of seeking public financing by way of an offering of its securities.

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

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

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

June 11, 2002.

"Paul Moore" "Harold P. Hands"

2.1.3 Dundee Securities Corporation - MRRS Decision

Headnote

Exemption granted to a participating dealer from the "equity interest" disclosure and consent provisions of National Instrument 81-105 Mutual Fund Sales Practices in connection with a small equity interest held by one registered representative of the dealer in a member of the organization of a mutual fund, subject to certain specified conditions.

Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices, subsections 8.2(3) and 8.2(4), section 9.1.

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

AND

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

AND

IN THE MATTER OF
DUNDEE SECURITIES CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authorities or regulators (the "Decision Makers") in the jurisdictions of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, the Yukon Territory, the Northwest Territories, and Nunavut have received an application from Dundee Securities Corporation ("Dundee") on behalf of its current and future representatives (the "Representatives") from time to time for a decision pursuant to section 9.1 of National Instrument 81-105 Mutual Fund Sales Practices ("NI 81-105") that the point of sale disclosure and consent requirements contained in subsections 8.2(3) and 8.2(4) of NI 81-105 shall not apply in respect of the equity interest of a registered representative of Dundee in ClaringtonFunds Inc. ("Clarington");

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 Dundee has represented to the Decision Makers as follows:

1. Dundee is registered as an investment dealer in, and has offices and representatives located in, each of the provinces of Canada except for Prince

Edward Island and may in the future become registered in all of the jurisdictions in Canada.

2. A registered representative of Dundee resident in Ontario and associated with the North York sub-branch of Dundee (the "Ontario Representative") beneficially owns 1.57% of the outstanding shares of Clarington (the "Clarington Equity Interest"). The Ontario Representative is not an officer, director or branch manager of Dundee and does not otherwise have a position of influence over other registered representatives of Dundee.

3. Clarington is a member of the organization (as that term is defined in NI 81-105) of the Clarington group of mutual funds (the "Clarington Funds"). The Clarington Funds are, and will continue to be, sold in all provinces and territories of Canada under one or more simplified prospectuses.

4. No registered representative of Dundee, other than the Ontario Representative, holds shares of Clarington or has an equity interest (as defined in NI 81-105) of any other member of the organization of the Clarington Funds. The Ontario Representative does not have an equity interest in any other member of the organization of the Clarington Funds.

5. Subsection 8.2(3) of NI 81-105 would require of the Representatives of Dundee in all applicable jurisdictions of Canada to give those clients who wish to acquire units of the Clarington Funds a disclosure statement outlining the Ontario Representative's Clarington Equity Interest. Subsection 8.2(4) of NI 81-105 would require each of the Representatives of Dundee to obtain a consent from any client wishing to acquire units of the Clarington Funds.

6. Dundee seeks an exemption from subsections 8.2(3) and 8.2(4) of NI 81-105 so that only the Ontario Representative and Dundee itself will be required to give the required disclosure statement to clients of the Ontario Representative who wish to acquire securities of the Clarington Funds. Similarly, only the Ontario Representative and Dundee will obtain the client's consent before finalizing any acquisition by the client of units of the Clarington Funds.

7. Having regard to the size of the Clarington Equity Interest, the Ontario Representative's registration status with Dundee and the large number of representatives of Dundee located across Canada, Dundee submits that compliance with subsections 8.2(3) and 8.2(4) of NI 81-105 would be unduly onerous and is not necessary in order to meet the policy underpinning section 8.2 of NI 81-105.

AND WHEREAS pursuant to the System 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 NI 81-105 that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to section 9.1 of NI 81-105 is that Dundee and its Representatives are exempted from compliance with subsections 8.2(3) and 8.2(4) of NI 81-105 with respect to the Clarington Equity Interest of the Ontario Representative;

PROVIDED that in respect of such Clarington Equity Interest:

(i) the Ontario Representative complies with the requirements of subsections 8.2(3) and 8.2(4) of NI 81-105;

(ii) Dundee complies with the requirements of subsections 8.2(3) and 8.2(4) of NI 81-105 in connection with clients of Dundee who deal with the Ontario Representative; and

(iii) in the event the Ontario Representative assumes a position of authority or supervision over other registered representatives of Dundee, those other registered representatives and Dundee comply with subsections 8.2(3) and 8.2(4) of NI 81-105.

June 11, 2002.

"Paul M. Moore" "Howard I. Wetston"

2.1.4 Drug Royalty Corporation Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer has only two beneficial 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, QUÉBEC,
NOVA SCOTIA AND NEWFOUNDLAND AND
LABRADOR

AND

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

AND

IN THE MATTER OF
DRUG ROYALTY CORPORATION INC.

MRRS DECISION DOCUMENT

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

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 Filer has represented to the Decision Makers that:

1. The Filer is a company existing under the *Canada Business Corporations Act* (the "CBCA") and is a reporting issuer or the equivalent in each of the Jurisdictions.

2. The Filer's head office is located at Suite 202, 8 King Street East, Toronto, Ontario, M5C 1B5.

3. The Filer is not in default of any of the requirements of the Legislation other than its failure to file and deliver its interim financial statements and its interim management discussion and analysis of financial condition and results of operations for the period ended February 28, 2002 (the "Interim Filing Requirements"). The Interim Filing Requirements arose after the date of the Offer (as defined below).

4. The authorized capital of the Filer consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preference shares, issuable in series. The issued and outstanding capital of the Filer consists of 40,874,340 Common Shares. The Filer has no debt securities outstanding.

5. On March 19, 2002, DRC Acquisition Inc. (the "Offeror") made an offer (the "Offer") to purchase all of the issued and outstanding Common Shares.

6. The Offeror is a corporation existing under the CBCA and is a wholly-owned subsidiary of Inwest Investments Ltd. ("Inwest").

7. On April 25, 2002, the Offeror acquired 37,698,836 Common Shares or approximately 92.2% of the Common Shares pursuant to the Offer. On April 29, 2002, the Offeror gave notice to the Filer that the Offeror was exercising its rights under section 206 of the CBCA to acquire all of the Common Shares not tendered to the Offeror under the Offer.

8. As a result of the Offer and the subsequent compulsory acquisition procedures pursuant to the CBCA, Inwest and the Offeror are the only beneficial holders of Common Shares.

9. The Common Shares were de-listed from trading on the Toronto Stock Exchange at the close of trading on May 2, 2002. No securities, including debt securities, of the Filer are listed or quoted on any other exchange or market.

10. The Filer does not intend to seek public financing by way of a public offering of its securities.

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

AND WHEREAS each Decision Maker is of the opinion 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 Filer is deemed to have ceased to be a reporting issuer under the Legislation.

June 17, 2002.

"John Hughes"

2.1.5 Bell Canada International Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Exemption granted from requirement s in the legislation to disclose executive compensation and indebtedness of directors, executive officers and senior officers in connection with the mailing of an information circular for a special shareholders' meeting. Relief granted because the excluded information had just been publicly disclosed in connection with the issuer's annual meeting, there had been no material change in the excluded information since it was publicly disclosed, and the excluded information was not relevant to the matters under consideration at the special meeting.

Ontario Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am, ss. 86(1) and 88(2)(b).

Ontario Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., Items 6 and 7 of Form 30.

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

AND

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

AND

IN THE MATTER OF
BELL CANADA INTERNATIONAL INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the Jurisdictions) has received an application from Bell Canada International Inc. (BCI) for a decision under the Canadian securities legislation of the Jurisdictions (the Legislation) that BCI be exempted from the requirement of the Legislation to include certain disclosure in the Information Circular (as defined below) regarding executive compensation and indebtedness of directors, executive officers and senior officers (collectively, the Required Disclosure);

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 BCI has represented to the Decision Makers that:

1. BCI is a reporting issuer in each of the provinces of Canada, was incorporated under the *Canada Business Corporations Act* (CBCA) on January 18, 1985 and is not in default of any of the requirements of the Legislation. The common shares of BCI are dually listed on the Toronto Stock Exchange and on the NASDAQ National Market under the symbols "BI" and "BCICF" respectively.

2. BCE Inc. (BCE) owns through a wholly-owned subsidiary, or exercises control or direction over approximately 62.2% of the common shares of BCI.

3. BCI owns, develops and operates advanced communications companies in markets outside Canada, with a focus on Latin America. BCI holds the majority of its investments through an indirect equity interest in Telecom Américas Ltd. (Telecom Américas). Telecom Américas is a facilities-based communications company formed under the laws of Bermuda on November 16, 2000 and is BCI's main asset. Telecom Américas was formed as a joint venture by BCI, América Móvil S.A. de C.V. (América Móvil) of Mexico and SBC International, Inc. (SBC) of the United States as a vehicle to expand their collective presence within the Latin American telecommunications market. As of September 30, 2001, Telecom Américas, through its operating companies, served close to six million subscribers.

4. A reorganization of Telecom Américas (the Reorganization) was completed on February 8, 2002 after which BCI held, jointly with América Móvil and SBC, an indirect 42% equity interest.

5. Shortly after the Reorganization, BCI completed its own recapitalization plan, which consisted of a series of transactions including a rights offering which closed on February 15, 2002.

6. Recent financial and economic developments in Brazil have resulted in Telecom Américas experiencing a liquidity crisis which BCI is unable to fund. Telecom Américas' lenders have asked that its outstanding short-term bank debt be repaid or significantly reduced. Failure by Telecom Américas to pay down its short-term bank debt, which totals US$254 million as at April 30, 2002, could trigger a cross-acceleration of : (1) BCI's outstanding indebtedness under an amended and restated credit facility with a group of secured lenders (the Amended and Restated Credit Facility); (2) its obligations under the high yield notes of Telecom Américas issued pursuant to a prospectus dated September 21, 1999; and (3) its guarantee obligations represented by the

promissory notes issued by Telecom Américas Investments Ltd., a wholly-owned subsidiary of Telecom Américas, in an aggregate principal amount of US$631.3 million in connection with the acquisition by Telecom Américas of a 100% economic interest in Tess S.A.

7. BCI does not have the capacity to provide further funding to Telecom Américas, which places BCI in a precarious position with respect to its investment in Telecom Américas. If BCI's partners in Telecom Américas provide Telecom Américas with the funding it requires in the short term to meet its obligations, and assuming BCI does not contribute its proportionate share of such funding, BCI's interest in Telecom Américas would be significantly diluted. If, on the other hand, Telecom Américas' other shareholders do not provide the necessary funding, Telecom Américas would become insolvent.

8. On May 31, 2001, BCI entered into a share purchase agreement in order for América Móvil to purchase BCI's interest in Telecom Américas for a total consideration of US$366 million. In addition, as part of the transaction, BCI will be released from contingent liabilities relating to Telecom Américas of approximately US$250 million (the Telecom Américas Disposition). BCI does not believe that any other party would make a comparable offer and it believes that the Telecom Américas Disposition is beneficial for all of its stakeholders. The Telecom Américas Disposition, together with the anticipated proceeds from the disposition of BCI's remaining assets, Canbras Communications Corp. and Axtel S.A. de C.V., would likely permit BCI to repay fully the secured lenders, and subject to the resolution of certain contingent claims against BCI, should permit BCI to repay its unsecured creditors and make a distribution to its shareholders.

9. If the Telecom Américas Disposition fails to close, BCI's ability to pay the unsecured creditors, including its holders of high yield notes, and possibly to make a distribution to its shareholders could be jeopardized. BCI believes that the failure to close the Telecom Américas Disposition by August 9, 2002 would entitle the secured lenders to declare all outstanding indebtedness under the Amended and Restated Credit Facility immediately due and payable and to immediately enforce their security interests pursuant to the agreement dated as of September 17, 2001 concerning the pledge of the common shares of Telecom Américas. The secured lenders would then be entitled to require América Móvil to purchase all of the Telecom Américas shares to which the secured lenders acquire title pursuant to the exercise of their rights as secured creditors. All this could lead to circumstances under which BCI would be forced to seek creditor protection in insolvency proceedings, to the potential detriment of all BCI stakeholders.

10. As a result of existing and threatened litigation against BCI, any distributions to stakeholders (except to BCI's secured lenders under the Amended and Restated Credit Facility) could be delayed for several years while such claims are being adjudicated. Accordingly, BCI is proposing, as part of an arrangement under section 192 of the CBCA (the Arrangement), the creation of an orderly and expeditious claims process to identify, adjudicate and resolve all contingent claims against BCI in a timely and fair manner within the Arrangement proceedings. Such a claims process, if approved by the Court, would permit the resolution of contingent claims against BCI to proceed in tandem with BCI's efforts to dispose of its remaining assets after the Telecom Américas Disposition.

11. BCI will seek its shareholders' approval of the proposed Arrangement under the CBCA and will prepare an information circular to be delivered to its shareholders (the Information Circular) in connection with a special meeting of BCI's shareholders to be held on July 12, 2002 (the Special Meeting). Also, BCI will seek Court approval in connection with the matters to be described in the notice of the Special Meeting and the Information Circular.

12. In absence of this Decision Document, the Legislation requires the Required Disclosure to be included in the Information Circular.

13. The Required Disclosure is not relevant to the matters being considered by the shareholders at the Special Meeting since the directors and senior officers of BCI are not directly or indirectly parties to the Arrangement and neither their performance nor their compensation is to be at issue at the Special Meeting.

14. The Required Disclosure was provided in BCI's information circular dated March 11, 2002 (the Annual Meeting Circular) that was mailed to shareholders of BCI and filed in the Jurisdictions, in connection with BCI's annual general meeting held on May 1st, 2002. There has been no change to the Required Disclosure as contained in the Annual Meeting Circular.

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

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

THE DECISION of the Decision Maker under the Legislation is that BCI be exempted from the requirement of the Legislation to include the Required Disclosure in the Information Circular, provided that:

(1) BCI includes a statement in the Information Circular informing BCI shareholders that the Required Disclosure can be found in the Annual Meeting Circular; and

(2) The Annual Meeting Circular is available on SEDAR.

June 14, 2002.

"Paul M. Moore" "Lorne Morphy"

2.1.6 North American Palladium Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirement that the author of a technical report be a member of a "professional association" in order to be considered a "qualified person".

National Instruments Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, 2001 24 OSCB 303, ss. 1.2, 2.1 and 5.1.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCES OF ALBERTA,
MANITOBA, NEWFOUNDLAND AND LABRADOR,
NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND,
AND QUÉBEC

AND

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

AND

IN THE MATTER OF
NORTH AMERICAN PALLADIUM LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan (the "Jurisdictions") has received an application (the "Application") from North American Palladium Ltd. (the "Corporation") for: (1) an exemption from the requirement contained in National Instrument 43-101 ("NI 43-101") that the author of a technical report or other information upon which disclosure of a scientific or technical nature is based be a member in good standing of a professional association in order for the author to be considered a "qualified person" as defined in NI 43-101 (the "Membership Qualification Requirement"); and (2) an exemption from the requirement contained under the legislation of the Jurisdictions (the "Legislation') to pay a fee in connection with the Application (the "Application Fee Requirement").

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 that:

1. The Corporation's head office is located at Suite 2116, 130 Adelaide Street West, Toronto, Ontario, Canada.

2. The Corporation is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation.

3. The Corporation's securities are listed for trading on The Toronto Stock Exchange and The American Stock Exchange.

4. The Corporation is in the business of exploring for and mining platinum group metals. Its principal asset is the Lac des Iles mine located in the Thunder Bay District in Ontario.

5. The Corporation employs three geoscientists, Doug Kim, Maurice Lavigne and Dan Redmond to author technical reports required to be filed by the Corporation pursuant to NI 43-101 and to prepare information upon which the Corporation's disclosure of a scientific or technical nature may be based.

6. Each of Messrs. Kim, Lavigne and Redmond is a member in good standing of the Association of Geoscientists of Ontario ("AGO"). AGO was a "professional association" as defined in NI 43-101 until February 1, 2002.

7. AGO is being replaced in Ontario by the Association of Professional Geoscientists of Ontario ("APGO"). APGO is a "professional association" as defined in NI 43-101.

8. Each of Messrs. Kim, Lavigne and Redmond have filed an application to become a member of APGO and each would be a "qualified person" as defined in NI 43-101 except only for not yet being a member in good standing of a "professional association".

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 under the Legislation is that:

1. except in the province of Québec, the Corporation is exempt from the Application Fee Requirement; and

2. the Corporation is exempt from the Membership Qualification Requirement in connection with technical reports or other information prepared by any of Messrs. Kim, Lavigne or Redmond provided that:

a. each of Messrs. Kim, Lavigne and Redmond complies with all other elements of the definition of "qualified person" in NI 43-101; and

b. (1) the relief granted in this Decision with respect to Mr. Kim shall terminate on the earlier of: (a) the date Mr. Kim becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003; (2) the relief granted in this Decision with respect to Mr. Lavigne shall terminate on the earlier of: (a) the date Mr. Lavigne becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003; and (3) the relief granted in this Decision with respect to Mr. Redmond shall terminate on the earlier of: (a) the date Mr. Redmond becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003.

June 11, 2002.

"Paul M. Moore" "Harold P. Hands"

2.1.7 Twenty-First Century Funds Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to conditions, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer subject to terms and conditions of registration.

Statute Cited

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

Rule Cited

Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 5.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 31-506
SRO MEMBERSHIP - MUTUAL FUND DEALERS (THE RULE)

AND

IN THE MATTER OF
TWENTY-FIRST CENTURY FUNDS INC.

DECISION
(Section 5.1 of the Rule)

UPON the Director having received an application (the **Application**) from Twenty-First Century Funds Inc. (the **Registrant**) for a decision, pursuant to section 5.1 of the Rule, exempting the Registrant from the requirement in section 2.1 of the Rule (the **MFDA Membership Requirement**), which would otherwise require that the Registrant be a member of the Mutual Fund Dealers Association of Canada (the **MFDA**) from and after July 2, 2002;

UPON considering the Application and the recommendation of staff of the Ontario Securities Commission (the **Commission**);

AND UPON the Registrant having represented to the Director that:

1. The Registrant is registered under the Act as a dealer in the categories of mutual fund dealer and limited market dealer.

2. The requested relief is required in Ontario only and no similar application has been filed in any other jurisdiction.

3. The business of the Registrant consists of acting as the manager directing the business, operations and affairs of four redeemable investment trusts (collectively, the **Pooled Funds**) that are sold on a prospectus-exempt basis in Ontario either to purchasers who are Accredited Investors as defined in Commission Rule 45-501 – *Exempt Distributions* or in amounts not less than $150,000.

4. The Registrant does not manage the investment portfolios of the Pooled Funds. Third parties who are registered under the Act as advisers in the appropriate categories are retained by the Registrant to do so.

5. The Registrant's activities do not involve sales of securities to, or the administration of accounts for, the general public.

6. The Registrant maintains its limited market dealer registration in order to sell the Pooled Funds pursuant to the prospectus-exemptions in Rule 45-501.

7. The Registrant's trading activities as a mutual fund dealer currently represent and will continue to represent activities that are incidental to its principal business activities. At present, the Registrant maintains its mutual fund dealer registration solely in order that certain of the Pooled Funds may qualify as "permitted clients" of certain international advisers pursuant to sections 1.1 and 6.1 of Commission Rule 35-502 – *Non-Resident Advisers*. The Registrant has no plans to engage in the retail distribution of mutual funds.

8. Pursuant to the MFDA Membership Requirement, all mutual fund dealers must be members of the MFDA from and after July 2, 2002.

9. The Registrant is currently a member of the MFDA but wishes to terminate its membership.

10. The Registrant has agreed to the imposition of the terms and conditions on the Registrant's registration as a mutual fund dealer set out in the attached Schedule "A", which outlines the activities the Registrant has agreed to adhere to in connection with its application for this Decision, effective as of the date of this Decision.

11. Any person or company that is not currently a client of the Registrant on the effective date of this Decision, will, before they are accepted as a client of the Registrant, receive prominent written notice from the Registrant that:

The Registrant is not currently a member, and does not intend to become a member of the Mutual Fund Dealers Association; consequently, clients of the Registrant will not have available to them investor protection benefits that would otherwise derive from membership of the Registrant in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA.

12. Upon the next general mailing to its account holders, the Registrant shall provide, to any client that was a client of the Registrant on the effective date of this Decision, the prominent written notice referred to in paragraph 11, above.

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 5.1 of the Rule, that the Registrant is exempt from the MFDA Membership Requirement,

PROVIDED THAT, the Registrant's complies with the terms and conditions on its registration under the Act as a mutual fund dealer that are set out in the attached Schedule "A".

June 13, 2002

"David M. Gilkes"

2.1.8 Mavrix Fund Management Inc. - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications - Time limits prescribed by the *Securities Act* (Ontario) for the filing of the pro forma prospectus and the final simplified prospectus extended to the time periods that would have been applicable if the lapse date for the distribution of the units of the funds was extended by one day.

Statutes Cited

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

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

AND

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

AND

IN THE MATTER OF

MAVRIX AMERICAN GROWTH FUND
MAVRIX BALANCED FUND
MAVRIX CANADIAN VALUE FUND
MAVRIX ENTERPRISE FUND
MAVRIX GROWTH FUND
MAVRIX INCOME FUND
MAVRIX MONEY MARKET FUND
MAVRIX STRATEGIC FIXED INCOME FUND
MAVRIX SUSTAINABLE DEVELOPMENT FUND
(collectively, the "**Funds**")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "**Decision Maker**") in each of the provinces and territories of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon and Nunavut (the "**Jurisdictions**") has received an application (the "Application") from Mavrix Fund Management Inc. ("**Mavrix**") in its capacity as trustee and manager of each of the Funds, for a decision pursuant to the applicable securities legislation of the Jurisdictions (the "**Legislation**") that the time limits prescribed by the Legislation for filing the pro forma prospectus and the final simplified prospectus for the Funds be extended to the time periods that would be applicable if the lapse date for the distribution of the units of the Funds was June 20, 2001;

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

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

1. Mavrix is a corporation incorporated under the *Ontario Business Corporations Act* and is the trustee and manager of each Fund. Mavrix's head office is located in Toronto, Ontario.

2. Each Fund is an unincorporated, open-end investment unit trust established and governed by a trust agreement made with Mavrix, as trustee, under the laws of the Province of Ontario.

3. Each Fund is a reporting issuer as defined in the Legislation and is not in default of any of its obligations under the Legislation.

4. The Funds' units are currently distributed to the public in all of the Jurisdictions pursuant to a Simplified Prospectus and Annual Information Form dated June 19, 2001, as amended and restated pursuant to an Amended and Restated Simplified Prospectus and Annual Information Form dated August 27, 2001 (together, the "**Current Prospectus**").

5. The earliest lapse date under the Legislation for the distribution of units of the Funds under the Current Prospectus is June 19, 2002 (the "**Lapse Date**").

6. On May 22, 2002 the Preliminary and Pro forma Simplified Prospectus and Annual Information Form of the Funds (together, the "**Renewal Prospectus**", being pro forma with respect to the Funds and preliminary with respect to two new funds) was filed under SEDAR project number 451456 in each of the Jurisdictions.

7. Mavrix intended to file the Renewal Prospectus on or prior to May 21, 2002 (the "Pro forma Filing Deadline"), being 30 days prior to the Lapse Date (taking into account the May 20th statutory holiday), and its preparation of the documents was proceeding on schedule to meet the Pro forma Filing Deadline. However, Mavrix encountered significant and unforeseen problems with its publishing software shortly prior to the Proforma Filing Deadline and was forced to manually transfer the entire contents of the Current Prospectus, in both the English and French languages, including graphics, into its word processing software in order to be able to prepare the Renewal Prospectus documents for filing. This caused the completion and filing of the Renewal Prospectus to be delayed until May 22, 2002.

8. As described in the Renewal Prospectus, the names of five of the Funds will be changed, with effect on June 27, 2002. The extension of the Lapse Date to June 20, 2002, will enable Mavrix to file the Renewal Prospectus in final form (the "**Final Prospectus**") within the ten day period which follows June 20, 2002, thus allowing the Final Prospectus to be dated June 27, 2002, at which time the new names of the five Funds may be appropriately reflected. Absent the requested extension, the Final Prospectus of the Funds would predate the name changes and would result in the need to file an amendment to the Final Prospectus of the Funds as of June 27, 2002 to ensure that the new names of the five funds are properly reflected in the Final Prospectus.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the 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 time limits prescribed by the Legislation for the filing of the Renewal Prospectus and of the Final Prospectus of the Funds are hereby extended by one day as if the Lapse Date of the Current Prospectus were June 20, 2002, provided that the Funds' Final Prospectus is filed and receipted in each of the Jurisdictions on or before July 2, 2002.

June 18, 2002.

"Paul A. Dempsey"

2.1.9 TD Asset Management Inc. - MRRS Decision

Headnote

Mutual reliance review system for exemptive relief applications – Portfolio manager exempted from the dealer registration requirements in the Legislation in respect of trades in shares or units of mutual funds managed by portfolio manager, made by portfolio manager through its officers and employees acting on its behalf, to managed accounts, subject to terms and conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended s. 25, 74(1).

Rules Cited

National Instrument 81-102 Mutual Funds.
Ontario Securities Commission Rule 31-506 - SRO Membership - Mutual Fund Dealers.
Ontario Securities Commission Rule 45-501 Exempt Distributions.

Published Documents Cited

Letter Sent to The Investment Funds Institute of Canada and the Investment Counsel Association of Canada, December 6, 2000 (2000), 23 OSCB 8467.

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

AND

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

AND

IN THE MATTER OF
TD ASSET MANAGEMENT INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (individually, a "Decision Maker", and, collectively, the "Decision Makers") in each of the provinces and territories of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application (the "Application") from TD Asset Management Inc. ("TDAM"), for a decision 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 should not apply in respect of any trades, in shares or units of a mutual fund (a "TDAM Fund") that is managed by TDAM, made by TDAM to a client account of TDAM that is a Managed Account (as defined below):

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 TDAM has represented to the Decision Makers that:

1. TDAM is a corporation incorporated under the Business Corporations Act (Ontario) and conducts an investment management business offering passive, quantitative, enhanced and active portfolio management services to a large and diversified client base. TDAM currently has assets under management of approximately $116 billion.

2. TDAM is a wholly-owned subsidiary of The Toronto-Dominion (the "TD Bank"), a bank listed in Schedule I to the Bank Act (Canada).

3. TDAM conducts its portfolio management operations (the "Portfolio Management Operations") in accordance with adviser registrations under the Legislation of each Jurisdiction, except Prince Edward Island. TDAM is also currently registered as a mutual fund dealer under the Legislation of each Jurisdiction.

4. TDAM is also registered as a limited market dealer under the Legislation of each of Ontario and Newfoundland and Labrador, and as a commodity trading manager under the Legislation of Ontario.

5. TDAM is the trustee, manager, and promoter of the "TD Mutual Funds" and "TD Private Funds", all of which are offered for sale by means of simplified prospectuses and annual information forms that have been prepared and filed in accordance with the Legislation of each Jurisdiction. The TD Mutual Funds currently consist of 97 different mutual funds which are offered for sale to retail investors by TD Investment Services Inc. (as a result of the restructuring described in paragraph 11) directly, through TD Canada Trust branches and via the Internet. The TD Private Funds currently consist of 17 different mutual funds which are used for servicing accounts which are fully managed by TDAM. The TD Private Funds allow TDAM to pool the assets of fully managed accounts in order to reduce the cost of administering such accounts so that TDAM's individually managed account services can be offered to individuals who could not otherwise gain access to such services.

6. TDAM is also the manager, principal distributor and promoter of the "Emerald Pooled Funds", some of which are offered for sale by means of simplified prospectuses and annual information forms that have been prepared and filed in accordance with the Legislation of all Jurisdictions. The Emerald Pooled Funds currently consist of 27 different mutual funds which are only offered for sale to institutional investors, members of corporate sponsored group plans and accounts that are fully managed by TDAM.

7. As a mutual fund dealer, TDAM is subject to the requirements under the Legislation of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia (each, an "MFDA Jurisdiction") that would require TDAM, in order to maintain its registration as a mutual fund dealer under the Legislation of each MFDA Jurisdiction, to apply for, and ultimately obtain, membership in either the Investment Dealers Association or the Mutual Fund Dealers' Association of Canada (the "MFDA").

8. Upon becoming a member of the MFDA, TDAM would be required to comply with the Rules (the "MFDA Rules") and by-laws of the MFDA.

9. Section 2.3.1 of the MFDA Rules provides that no member shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the member. Section 2.3.1 is complemented by section 2.3.4 of the MFDA Rules which provides that the form of limited trading authorization contemplated by section 2.3.2 of the MFDA Rules may not in any way confer general discretionary trading authority upon a member.

10. The effect of the MFDA Rules is to preclude mutual fund dealers such as TDAM from trading in securities of mutual funds in an MFDA Jurisdiction and at the same time acting as advisers and accepting discretionary portfolio management mandates.

11. TD Investment Services Inc. ("TDIS"), a corporation incorporated under the laws of Ontario, was incorporated by The Toronto-Dominion Bank as its subsidiary for the purpose of acquiring, and continuing to conduct TDAM's mutual fund distribution operations (the "Distribution Operations") in each of the Jurisdictions.

12. TDIS is a member of the MFDA and is registered as a mutual fund dealer (or the equivalent) under the Legislation of each Jurisdiction.

13. With the transfer of its Distribution Operations to TDIS, TDAM intends to continue to conduct Portfolio Management Operations under its adviser and commodity trading manager registrations. TDAM also expects to retain its registrations as a limited market dealer under the Legislation of each of Ontario and Newfoundland.

14. As part of its Portfolio Management Operations, TDAM provides discretionary portfolio management services to investment portfolio accounts (a "Managed Account") of clients, under which TDAM, pursuant to a written agreement made between TDAM and each client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the specific consent of the client to the trade.

15. TDAM endeavours to make its portfolio management services available to a broad range of potential customers, including persons who would not generally be considered to have sufficient assets to warrant the establishment of a managed account due to related cost and asset diversification considerations. In order to accommodate the widest possible range of clients in its private client business, TDAM has filed and obtained receipts for prospectuses offering some of the mutual funds comprising the TD Private Funds and Emerald Pooled Funds.

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

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

IT IS THE DECISION of the Decision Makers under the Legislation of each Jurisdiction that the Dealer Registration Requirement in the Legislation shall not apply to trades in shares or units of TDAM Funds made by TDAM, through its officers and employees acting on its behalf (each, a "TDAM Representative"), to Managed Accounts,

PROVIDED THAT:

(A) TDAM is at the time of the trade, registered under the Legislation as an adviser in the category of "portfolio manager" (or the equivalent);

(B) if the trade is made in a Jurisdiction other than Ontario or Newfoundland, it is made by or at the direction of a TDAM Representative who is, at the time of the trade, registered under the Legislation to act on behalf of TDAM as an adviser in the category of "portfolio manager" (or the equivalent);

(C) if the trade is made in the Jurisdiction of Ontario or Newfoundland, TDAM is, at the time of the trade, registered under the Legislation of the Jurisdiction as a dealer in the category of "limited market dealer", and the trade is made on behalf of TDAM by a TDAM Representative who is, at the time of the trade, either (i) registered under the Legislation to act on behalf of TDAM as an adviser in the category of "portfolio manager" (or the equivalent), or (ii) acting under the direction of such a person and is himself or herself registered under the Legislation to trade on behalf of TDAM pursuant to its limited market dealer registration; and

(D) for each Jurisdiction, this Decision shall terminate one year after the coming into force, subsequent to the date of this Decision, of a rule or other regulation under the Legislation of the Jurisdiction that relates, in whole or part, to any trading by persons or companies that are registered under the Legislation as portfolio managers (or the equivalent), in securities of a mutual fund, to an account of a client, in respect of which the person or company has full discretionary authority to trade in securities for the account, without obtaining the specific consent of the client to the trade, but does not include any rule or regulation that is specifically identified by the Decision Maker for the Jurisdiction as not applicable for these purposes.

June 12, 2002.

"Paul M. Moore" "Harold P. Hands"

2.2 Orders

2.2.1 Stealth Minerals Limited - ss. 83.1(1), ss. 9.1(1) of NI 43-10 and ss. 59(2) of Sched. I of Reg. 1015

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia and Alberta since 1997 - issuer listed and posted for trading on the TSX Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

NI 43-101 - issuer exempt from filing technical report in subsection 4.1(1) of NI 43-101 and from related fee set out in subsection 53(1) of Schedule 1 to Reg.

Statutes Cited

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

Regulations Cited

Regulation 1015, R.R.R. 1990, as am., Schedule 1- ss. 53(1), 59(2).

National Instruments Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects (2001), 24 OSCB 303, ss. 4.1(1), 9.1(1).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act"),
ONTARIO REGULATION 1015, R.R.O. 1990,
AS AMENDED (the "Regulation"),
AND NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE FOR
MINERAL PROJECTS
("NI 43-101")

AND

IN THE MATTER OF
STEALTH MINERALS LIMITED

ORDER AND DECISION
(Subsection 83.1(1), Subsection 9.1(1) of NI 43-10 & Subsection 59(2) of Schedule I to the Regulation)

UPON the application of Stealth Minerals Limited (the "Issuer") to the Ontario Securities Commission (the "Commission") 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 the application of the issuer to the Director of the Ontario Securities Commission (the "Director") pursuant to subsection 9.1(1) of NI 43-101 for a decision that the Issuer be exempt from the requirement contained in subsection 4.1(1) of NI 43-101 to file a technical report upon first becoming a reporting issuer in Ontario and pursuant to subsection 59(2) of Schedule I to the Regulation for a decision that the Issuer be exempt from the requirement contained in subsection 53(1) of Schedule I to the Regulation to pay a fee in connection with this application;

AND UPON considering the applications and the recommendation of the staff of the Commission.

AND UPON the Issuer representing to the Commission and the Director that:

1. The Issuer is a corporation incorporated under the laws of Alberta on November 29, 1993.

2. The Issuer's head office is located in Toronto, Ontario.

3. The Issuer is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares.

4. The Issuer currently has 32,399,553 issued and outstanding common shares, 4,850,000 outstanding options and warrants to purchase common shares of the Issuer and no preferred shares outstanding.

5. The Issuer became a reporting issuer under the Securities Act (Alberta) (the "Alberta Act") pursuant to the issuance of a receipt for the filing of a prospectus of the Issuer dated March 27, 1997 and became a reporting issuer under the Securities Act (British Columbia) (the "B.C. Act") on April 2, 1997 pursuant to the issuance of a receipt for the filing of a prospectus of the Issuer dated March 27, 1997. The Issuer is not in default of any requirements of the B.C. Act or the Alberta Act.

6. The Issuer is not a reporting issuer in Ontario or any jurisdiction other than British Columbia and Alberta.

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

8. The TSX requires all of its listed issuers which are not otherwise reporting issuers in Ontario, to assess whether they have a "significant connection to Ontario", as defined in Policy 1.1 of the TSX Corporate Finance Manual ("Significant Connection to Ontario").

9. The TSX requires that, where an issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has a Significant Connection to Ontario, the issuer promptly make a bona fide application to the Ontario Securities Commission (the "Commission") to be deemed a reporting issuer in Ontario.

10. The Issuer applied to the Commission pursuant to subsection 83.1(1) of the Act for an order that it be deemed to be a reporting issuer in Ontario.

11. Subsection 4.1(1) of NI 43-101 provides that, upon first becoming a reporting issuer in a Canadian jurisdiction, an issuer shall file with the regulator in that Canadian jurisdiction a current technical report for each property material to the issuer.

12. The Issuer does not have a current technical report or a recent National Policy Statement No. 2-A report and would not otherwise be required to file a technical report pursuant to NI 43-101 at this time except for having to become a reporting issuer in Ontario pursuant to the provisions of the TSX Corporate Finance Manual.

13. The Issuer's continuous disclosure record is up to date and includes a description of the Issuer's mineral projects.

14. The Issuer has a significant connection to Ontario because the Issuer's head office is located in Ontario, the Issuer's president resides in Ontario and over 60% of the Issuer's shareholders reside in Ontario.

15. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.

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

17. Neither the Issuer nor any of its officers, directors nor, to the knowledge of the Issuer, its officers and directors, any 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.

18. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, 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 of trustee, within the preceding 10 years.

19. None of the directors or officers of the Issuer, nor to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, is or has been at the time of such event a director or officer 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.

AND UPON the Director 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.

June 12, 2002.

"Iva Vranic"

AND IT IS DECIDED pursuant to subsection 9.1(1) of NI 43-101 that the Issuer is exempt from subsection 4.1(1) of NI 43-101 upon being deemed to be a reporting issuer in Ontario;

AND IT IS FURTHER DECIDED pursuant to subsection 59(2) of Schedule I to the Regulation that the Issuer is exempt from the requirement contained in subsection 53(1) of Schedule I to the Regulation to pay a fee in connection with the making of this application.

June 12, 2002.

"Iva Vranic"

2.2.2 Columbia Energy Group

Headnote

Issuer deemed to have ceased to be reporting issuer under the Act.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 6(3) and 83.

IN THE MATTER OF
THE SECURITIES ACT (ONTARIO)

AND

IN THE MATTER OF
COLUMBIA ENERGY GROUP

ORDER

1. WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Columbia Energy Group ("Columbia" or the "Issuer") under O.S.C. Policy 2.1 for an order pursuant to Section 83 of the *Securities Act* (Ontario) (the "Legislation") that Columbia be deemed to have ceased to be a reporting issuer under the Legislation;

2. AND WHEREAS Columbia has represented to the Commission that:

   2.1 The Issuer was incorporated in the United States of America under the laws of the State of Delaware on September 30, 1926 as Columbia Gas & Electric Corporation which name was changed to The Columbia Gas System, Inc. upon filing of a Certificate of Amendment on April 30, 1948 and subsequently changed to Columbia Energy Group upon filing of a Certificate of Merger on January 16, 1998;

   2.2 Pursuant to an Agreement and Plan of Merger dated as of February 27, 2000 as amended and restated March 31, 2000 among Columbia Energy Group, NiSource Inc., New NiSource Inc., Parent Acquisition Corp., Company Acquisition Corp. and NiSource Finance Corp. all of the shares of Columbia were cancelled after being exchanged for cash and securities paid by NiSource ("old NiSource"), Company Acquisition Corp. ("CAC"), a wholly owned subsidiary of New NiSource Inc. ("NiSource") was merged into Columbia and NiSource's shares in CAC were exchanged for common shares in the post-merger Columbia;

   2.3 The authorized and issued share capital of Columbia post-merger consists of 3,000 $0.01 par value common shares which are all owned by NiSource and there are no other publicly issued and outstanding securities of the Issuer except for certain debentures which, to the best of the knowledge of the Issuer, were not distributed to and are not currently held by residents of Ontario;

   2.4 The common shares of Columbia were delisted from the Toronto Stock Exchange at the close of business on March 2, 1992 and there are no securities of Columbia listed on any stock exchange in Ontario or elsewhere;

   2.5 Columbia is a reporting issuer under the Legislation;

   2.6 Columbia was in default of its financial reporting obligations as a reporting issuer under the Legislation effective on or about December 31, 2000 which was subsequent to the de-listing and merger described herein that form the basis for this application;

   2.7 Columbia does not intend to seek public financing by way of an offering of securities;

3. AND WHEREAS the Commission is satisfied that it would not be prejudicial to the public interest to grant the order requested;

4. NOW THEREFORE, pursuant to Section 83 of the Legislation, the Commission hereby orders that Columbia is deemed to no longer be a reporting issuer under the Legislation.

May 29, 2002.

"John Hughes"

2.2.3 High Income Preferred Shares Corporation - s. 147

Headnote

Section 147 – Issuer exempt from the filing and fee requirements of sections 7.1, 7.3 and 7.5 of OSC Rule 45-501 – Exempt Distributions in connection with the writing of over-the-counter call and put options – Purchasers of over-the-counter options accredited investors.

Statutes Cited

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

Rules Cited

Ontario Securities Commission Rule 45-501 [Revised] – Exempt Distributions, sections 7.1, 7.3 and 7.5.

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

AND

IN THE MATTER OF
HIGH INCOME PREFERRED SHARES CORPORATION

ORDER
(Section 147 of the Act)

UPON the application of High Income Preferred Shares Corporation (the "**Company**"), to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act that the Company, when relying on section 2.3 (the "**Accredited Investor Exemption**") of OSC Rule 45-501 – Exempt Distributions ("**Rule 45-501**"), be exempted from the requirements in: (i) sections 7.1 and 7.5 of Rule 45-501 to file a Form 45-501F1 in connection with the writing of certain over-the-counter covered call options and cash covered put options (collectively, the "**OTC Options**"); and (ii) section 7.3 of Rule 45-501 to pay the prescribed fee in connection with the filing of Form 45-501F1;

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

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

1. The Company is a mutual fund corporation incorporated under the *Canada Business Corporations Act* on April 26, 2002.

2. The principal office of the Company is 70 York Street, Suite 1500, Toronto, Ontario M5J 1S9.

3. The Company is a reporting issuer under the Act as it filed a (final) prospectus dated May 31, 2002 (the "**Prospectus**") with respect to the initial public offering of Series 1 Shares, Series 2 Shares and Equity Shares (collectively referred to as the "**Offering**") with the Commission and with the securities regulatory authorities in each of the other provinces of Canada for which a receipt was issued on May 31, 2002.

4. The Company is considered a "mutual fund" within the meaning of the Act and other applicable securities legislation of certain provinces of Canada (excluding the province of Québec).

5. Lawrence Asset Management Inc. ("**LAMI**") will act as the manager of the Company pursuant to a management agreement entered into between LAMI and the Company on May 31, 2002. LAMI is considered to be the promoter of the Company.

6. Lawrence Decter Investment Counsel Inc. ("**LDIC**") will act as the investment manager of the Company pursuant to an investment management agreement entered into between LDIC and LAMI on May 31, 2002.

7. LDIC is registered under the Act as an advisor in the categories of investment counsel and portfolio manager, and registered counselling officers of LDIC meet the proficiency requirements for advising with respect to options in Ontario, being the principal jurisdiction in Canada in which LDIC carries on its business.

8. The Company's investment objectives are:

   8.1 to (i) provide holders of Series 1 Shares with fixed, preferential, cumulative monthly cash dividends in the amount of $1.4625 per Series 1 Share or 5.85% of the original investment amount per Series 1 Share, per annum, which shall rank equally with the dividends payable on the Series 2 Shares, and, to the extent possible, to pay such dividends as capital gains dividends, and (ii) pay such holders, on or about June 29, 2012 (the "**Termination Date**"), in priority to the holders of the Series 2 Shares and Equity Shares, $25.00, for each Series 1 Share held on the Termination Date;

   8.2 to (i) provide holders of Series 2 Shares with fixed, preferential, cumulative monthly cash dividends in the amount of $1.06575 per Series 2 Share or 7.25% of the original investment amount per Series 2 Share, per annum which shall rank equally with the dividends payable on the Series 1 Shares, and, to the extent possible, to pay such dividends as capital gains dividends, and (ii) pay such holders, on or about the Termination Date, in priority to the holders of the Equity Shares but after returning $25.00 per Series 1 Share to the holders thereof and $14.70 per Series 2 Share held on the Termination Date; and

8.3 to (i) provide holders of Equity Shares with annual cash dividends equal to the amount, if any, by which the value of the Managed Portfolio (defined below), less the Company's Liabilities (as defined in the Prospectus), as at June 30 in each year, commencing on June 30, 2003, exceeds 1.8 times the product of $14.70 and the number of Series 2 Shares then outstanding and, to the extent possible, to pay such dividends as capital gains dividends, and (ii) pay such holders, on or about the Termination Date, after returning $25.00 per Series 1 Share and $14.70 per Series 2 Share and making provision for the Company's Liabilities, any remaining assets of the Company.

9. To provide the Company with the means to return $25.00 per Series 1 Share, the Company will enter into a forward purchase and sale agreement pursuant to which the counterparty will agree to pay to the Company, on the Termination Date, $25.00 for each Series 1 Share outstanding on the Termination Date in exchange for the Company agreeing to deliver to the counterparty on the Termination Date, certain Canadian equity securities (the "**Series 1 Repayment Portfolio**").

10. To provide the Company with the means to meet its investment objectives with respect to the Series 2 Shares and the Equity Shares, the Company will invest the proceeds of the Offering, net of Offering expenses and the amount used to acquire the Series 1 Repayment Portfolio, in a diversified portfolio (the "**Managed Portfolio**") consisting of securities of American companies that have a market capitalization of greater than U.S. $2 billion or companies which form part of the Standard & Poor's 500 Composite Stock Price Index, and securities of Canadian public companies which form part of the S&P/TSX 60 Index. Up to 25% of the Managed Portfolio may be invested in units or similar equity securities of ongoing business income funds, pipeline/energy income funds, power generation income funds and real estate investment trusts. In addition, up to 15% of the Managed Portfolio may be invested in debt securities that are rated to be at least investment grade.

11. To generate additional returns above the net capital gains, dividends, and interest income earned on the Managed Portfolio and to reduce risk, the Company will from time to time (i) write covered call options in respect of all or part of the securities held in the Managed Portfolio or forward contracts linked to securities in the Managed Portfolio, and (ii) write cash covered put options on securities in which the Company is permitted to invest.

12. As OTC Options will be written only in respect of securities that are in the Managed Portfolio and as the investment criteria of the Company will prohibit the sale of securities subject to an outstanding option, the OTC Options will be "covered call options" at all times.

13. The purchasers of OTC Options written by the Company will generally be major Canadian financial institutions and all purchasers of OTC Options will be "accredited investors" as defined in Rule 45-501.

14. The writing of OTC Options by the Company will not be used as a means for the Company to raise new capital.

15. The writing of OTC Options will be managed by LDIC in a manner consistent with the investment objectives of the Company. The individual securities in the Managed Portfolio which are subject to OTC Options and the terms of such OTC Options will vary from time to time based on LDIC's assessment of the market.

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

IT IS ORDERED by the Commission, pursuant to section 147 of the Act, that the writing of OTC Options by the Company, as contemplated by paragraphs 13 and 14 of this order, when relying on the Accredited Investor Exemption, shall be exempt from the requirements in sections 7.1, 7.3 and 7.5 of Rule 45-501.

June 14, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2.4 Independent Electricity Market Operator

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

AND

IN THE MATTER OF
INDEPENDENT ELECTRICITY MARKET OPERATOR

EXEMPTION ORDER

UPON the application of the Independent Electricity Market Operator (the **"IMO"**) to the Ontario Securities Commission (the "**Commission**") for an order pursuant to section 147 of the Act exempting the IMO from recognition under section 21 of the Act'

AND UPON the application of the IMO to the Director (as such term is defined in section 1 of the Act) for an order pursuant to section 15.1 of National Instrument 21-101 exempting the IMO from the operation of National Instrument 21-101;

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

AND UPON the IMO having represented to the Commission that:

Background:

1. the IMO is an independent, not for profit, non share capital corporation created pursuant to Part II of the *Electricity Act,* 1998 (Ontario) (the "**Electricity Act**");

2. the Government of Ontario has assigned the responsibility for creating and administering the IMO-administered markets the IMO;

3. the IMO has been allocated the statutory mandate of meeting the following objects as set out in subsection 5(1) of the Electricity Act:

   (a) to exercise and perform the powers and duties assigned to the IMO under the Electricity Act, the Market Rules and the OEB License as issued by the OEB;

   (b) to enter into agreements with transmitters giving the IMO authority to direct the operations of their transmission systems;

   (c) to direct the operations and maintain the reliability of the IMO-controlled grid to promote the purposes of the Electricity Act;

   (d) to establish and operate the IMO-administered markets to promote the purposes of the Electricity Act;

   (e) to collect and provide to the public, information relating to the current and future electricity needs of Ontario and the capacity of the integrated power system to meet those needs;

   (f) to participate in the development of standards and criteria relating to the reliability of Ontario's transmission systems; and

   (g) to work with the responsible authorities outside of Ontario to efficiently and effectively co-ordinate the IMO's activities with their activities;

4. the markets administered and operated by the IMO in accordance with the Electricity Act consist of both physical and financial markets;

5. the physical markets govern the real-time operation of the power system, allowing load and generation to be balanced, flows on the transmission system to be within limits and voltage and frequency to be maintained;

6. the financial markets, which are the subject matter of this Application, consists of: (i) the Energy Forward Market (the "**EFM**"), wherein market participants can acquire financial contracts linked to the real-time hourly energy market on a forward basis; and (ii) the Transmission Rights Market (the "**TRM**"), wherein market participants can acquire financial contracts linked to locational price differences across the interties. The first auction of rights within this latter market is scheduled to occur on April 1, 2002;

7. in carrying out its objects, the IMO is empowered to and has developed a codified set of rules to govern the wholesale electricity marketplace in Ontario (collectively the "**Market Rules**");

8. the provisions of the Market Rules are intended to be complete codes, covering the form and content of the transactions (collectively the "**Contracts**") to be entered into by market participants in the EFM and the TRM (collectively, the **Financial Markets**");

9. the Contracts are issued by the IMO;

10. all persons interested in becoming authorized market participants in either or both of the Financial Markets (whether as electricity industry participants or otherwise) must be approved in advance by the IMO. The IMO does not require prospectus and registration relief in Ontario, since all authorized market participants in the Financial Markets will be required to meet financial thresholds that are at least equal to those to be applied under Commission Rule 45-501 dealing with "accredited investors";

Regulatory Oversight

11. the IMO operates pursuant to the license (the "**OEB Licence**") granted to it by the Ontario Energy Board (the "**OEB**") under the *Ontario Energy Board Act,* 1988 (the "**OEB Act**") . The OEB is the sole regulatory board under the *Electricity Act* vested with the powers of oversight in connection with the business and/or aim of the IMO, including its operation of the Financial Markets;

12. the IMO is bound to make certain reports to the Minister of Energy, Science and Technology (the "**Minister**") pursuant to the Electricity Act and to the OEB pursuant to the OEB Licence;

13. the IMO, its operation of the Financial Markets and the Financial Markets themselves shall not be subject to the regulatory oversight of any provincial securities commission or security regulatory authority;

14. section 32 of the Electricity Act permits the IMO to make rules "...establishing and governing markets related to electricity...". As part of its efforts, the Market Design Commission prepared a set of "Market Rules for the Ontario Electricity Market" in early 1999. Since that time, the IMO has been refining those rules. The approval process at the present time requires any new rule or rule amendment to be approved by the Board of Directors of the IMO by at least a two-thirds majority and then submitted to the Minister for final approval. The Market Rules are publicly available and are accessible on the Internet and may be downloaded from the IMO's website at: www.theimo.com;

15. pursuant to subsection 32(6) of the Electricity Act, upon opening of the IMO-administered markets, the Minister will transfer formal rule making authority to the IMO, subject at all times to the appeal rights to the OEB, as set out in the Electricity Act. In addition, the IMO has the power to amend the Market Rules on an urgent basis pursuant to section 34 of the *Electricity Act*, subject at all times to the rights to the OEB, as set out in the *Electricity Act;*

16. all Contracts concluded within the Financial Markets will conform to the Market Rules, and all market participants will receive transaction confirmations from the IMO in accordance with the provisions thereof;

17. the IMO has the mandate to administer, supervise and enforce all aspects of the IMO-administered markets and has put in place employees and diagnostic software to fulfill this function.

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

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the Act, the IMO is exempt from recognition under section 21 of the Act, provided that the IMO continues to operate pursuant to a valid licence issued by the OEB.

March 6, 2002

"D.A. Brown" "Paul M. Moore"

IT IS FURTHER ORDERED by the Director that, pursuant to section 15.1 of National Instrument 21-101, the IMO is exempt from National Instrument 21-101 in whole, provided that the IMO continues to operate pursuant to a valid licence issued by the OEB.

March 6, 2002.

"C. Macfarlane"

2.2.5 Mark Kassirer - ss. 127(1)

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

AND

**IN THE MATTER OF
MARK KASSIRER**

**ORDER
(Subsection 127(1))**

WHEREAS on June 13, 2002, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") respecting Mark Kassirer ("Kassirer");

AND WHEREAS Kassirer entered into a Settlement Agreement in which he agreed to a proposed settlement of the proceedings, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission and upon hearing submissions from counsel for Kassirer and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order pursuant to subsection 127(1) of the Act;

IT IS ORDERED THAT:

1. the attached Settlement Agreement executed June 13 and 14, 2002 is approved;

2. pursuant to subsection 127(1), paragraph 4 of the Act, Kassirer Asset Management Corporation ("KAMC") submit to a review by Deloitte & Touche Inc. of current controls and procedures respecting its trading and accounting systems to ensure compliance with applicable securities law. The review shall be at Kassirer's or KAMC's expense. The review shall be completed by no later than September 30, 2002;

3. pursuant to subsection 127(1), paragraph 4 of the Act, a report of the findings of the review described in paragraph 2 above, including any deficiencies, shall be submitted to the Commission to the attention of the Director, Capital Markets and Kassirer concurrently. KAMC shall institute the necessary changes to rectify the deficiencies reported by Deloitte & Touche Inc. by no later than October 31, 2002;

4. pursuant to subsection 127(1), paragraph 1 of the Act, Kassirer must pass the Partners, Directors and Officers examination by no later than December 15, 2002 as a term and condition of his continued registration; and

5. pursuant to subsection 127(1), paragraph 6 of the Act, Kassirer is reprimanded.

June 17, 2002.

"Paul Moore" "Harold P. Hands" "Theresa McLeod"

2.2.6 Semco Technologies Inc. - s. 83.1

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in Alberta and British Columbia since 2001 - issuer's shares listed and posted for trading on the TSX Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially the same as 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
SEMCO TECHNOLOGIES INC.

ORDER
(Section 83.1(1) of the Act)

UPON the application (the "Application") of Semco Technologies 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 Commission;

AND UPON the Issuer representing to the Commission that:

1. The Issuer is a corporation incorporated under the laws of Alberta on August 25, 2000.

2. The Issuer's head office is located in Mississauga, Ontario.

3. The Issuer is authorized to issue an unlimited number of common, first preferred and second preferred shares.

4. As at March 31, 2002, 12,500,000 common shares were issued and outstanding and as at March 31, 2002, 450,000 options and 1,697,500 warrants to purchase common shares of the Issuer were outstanding.

5. The Issuer has 9,519,423 common shares or approximately 76.15% of the common shares of the Issuer registered to residents of Ontario, whose last address on the Issuer's register of shareholders was in Ontario, as at April 11, 2002.

6. The Issuer has been a reporting issuer under the *Securities Act* (British Colombia (the "B.C. Act") since May 3, 2001 and the *Securities Act* (Alberta) (the "Alberta Act") since February 20, 2001.

7. The Issuer is up to date in the filing of its financial statements and other continuous disclosure documents. It is not in default of any requirements of the B.C. Act or the Alberta Act.

8. The Issuer is not a reporting issuer in Ontario or in any jurisdiction other than British Columbia and Alberta.

9. The common shares of the Issuer are listed on the TSX Venture Exchange ("TSX Venture")(formerly the Canadian Venture Exchange) and the Issuer is in compliance with all requirements of TSX Venture.

10. The Issuer was listed as a capital pool company on TSX Venture, but completed its Qualifying Transaction, as defined under Policy 2.4 of TSX Venture, on September 13, 2001, and therefore is no longer designated a capital pool company under the policies of TSX Venture.

11. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.

12. The continuous disclosure materials filed by the Issuer under the B.C. Act since November 7, 2000 are available on the System for Electronic Document Analysis and Retrieval.

13. The Issuer has not been subject to any penalties or sanctions imposed against the Issuer 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.

14. Neither the Issuer nor any of its officers, directors nor, to the knowledge of the Issuer, 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.

15. Neither the Issuer nor any of its officers, directors, nor to the knowledge of the Issuer, 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.

16. None of the officers or directors of the Issuer, nor to the knowledge of the Issuer, 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 Issuer is deemed to be a reporting issuer for the purposes of Ontario securities law.

June 11, 2002.

"Margo Paul"

2.2.7 BMO Equity Index Fund et al. - s. 144

Headnote

Section 144 - partial revocation of cease trade order.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., c. S.5, as am. ss. 127 and 144.

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

AND

IN THE MATTER OF
BMO EQUITY INDEX FUND

AND

BRACKNELL CORPORATION

AND

iTEMUS INC.

ORDER
(Section 144)

WHEREAS the securities of Bracknell Corporation (Bracknell) currently are subject to an Order of the Ontario Securities Commission (the Commission) made on March 22, 2002 (the Bracknell Cease Trade Order) pursuant to section 127 of the Act, ordering that trading in any securities of Bracknell cease;

AND WHEREAS the securities of itemus Inc. (itemus) currently are subject to an Order of the Commission made on November 15, 2001 (the itemus Cease Trade Order) pursuant to section 127 of the Act, ordering that trading in any securities of itemus cease;

AND WHEREAS BMO Equity Index Fund (the Fund) has made application to the Commission pursuant to section 144 of the Act (the Application) for an order varying the Bracknell Cease Trade Order and itemus Cease Trade Order (collectively, the Cease Trade Orders) in order to allow for the disposition by the Fund of 35,200 securities of Bracknell and 140,000 securities of itemus (collectively, the Securities) for the purpose of establishing a tax loss;

AND WHEREAS Ontario Securities Commission Policy 57-602 provides that the Commission is prepared to vary an outstanding cease trade order to permit the disposition of securities subject to the cease trade order for the purpose of establishing a tax loss where the Commission is satisfied that the disposition is being made, so far as the securityholder is concerned, solely for the purpose of that securityholder establishing a tax loss and provided that the securityholder provides the purchaser with a copy of the cease trade order and the variation order;

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

AND UPON the Fund having represented to the Commission that:

(i) The Fund acquired the Securities prior to the issuance of the Cease Trade Orders;

(ii) The Fund will effect the proposed disposition of the Securities (the Disposition) solely for the purpose of establishing a tax loss in respect of such Disposition;

(iii) Scotia McLeod Inc. has agreed to purchase the Securities from the Fund at an aggregate purchase price of $1.00;

(iv) Scotia McLeod Inc. will purchase and hold the Securities as principal; and

(v) The Fund will provide the purchaser with a copy of the Cease Trade Orders and this Order;

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 Orders be and are hereby varied in order to permit the Disposition.

June 14, 2002.

"John Hughes"

2.2.8 Mark Edward Valentine - ss. 127(1)

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

AND

IN THE MATTER OF
MARK EDWARD VALENTINE

TEMPORARY ORDER
(Section 127(1))

WHEREAS it appears to the Ontario Securities Commission that:

1. Mark Edward Valentine is an individual residing in Ontario and was, until recently, the Chairman of Thompson Kernaghan & Co. Ltd ("TK").

2. TK is a corporation incorporated pursuant to the laws of Ontario and is registered with the Investment Dealers' Association as an Investment Dealer.

3. Valentine is Registered Representative with the Investment Dealers' Association and the designated Trading Officer for TK.

4. Valentine, acting through private companies, is the General Partner of limited partnerships including the Canadian Advantage Limited Partnership and VC Advatange Fund Limited Partnership. Valentine is also the Registered Representative authorized to trade securities on behalf of these limited partnerships.

5. Staff of the Commission and the Investment Dealers' Association are conducting an investigation into the affairs of Valentine, including his actions as General Partner of certain limited partnerships, and his trading of shares in certain over-the-counter securities.

6. Staff are informed that on June 13, 2002, as a result of an internal investigation, TK suspended Valentine's employment and took steps to exclude him from TK's premises.

7. The Commission is of the opinion that it in the public interest to make the following order.

8. The Commission is of the opinion that the length of time required to conclude a hearing in this matter could be prejudicial to the public interest.

AND WHEREAS by Commission Order made March 9, 2001, pursuant to section 3.5(3) of the Act, any one of David A. Brown, Howard I. Wetston or Paul M. Moore, acting alone, is authorized to make orders under section 127 of the Act;

IT IS THEREFORE ORDERED that pursuant to clause 1 of section 127(1) of the Act that Valentine's registration under Ontario securities law is hereby suspended for the later of fifteen days after the making of this order or the conclusion of a hearing under s. 127(6) unless further extended by the Commission at such a hearing;

IT IS FURTHER ORDERED that pursuant to clause 2 of section 127(1) of the Act that trading in any securities by Valentine cease; and

IT IS FURTHER ORDERED that pursuant to section 127(6) of the Act the aforesaid order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission.

June 17, 2002.

"David Brown"

2.3 Rulings

2.3.1 iPerformance Fund Corp. - ss. 74(1), s. 147 and ss. 59(1) of Sched. 1 of Reg. 1015

Headnote

Relief granted to applicant hedge fund as follows:

- relief from registration and prospectus requirements in connection with the writing of certain over-the-counter covered call options and cash-covered put options by fund to certain permitted purchasers who are not accredited investors;
- relief from fee requirements in connection with the writing of such options in reliance on ruling; and
- relief from fee and filing requirements in connection with the writing of such options to accredited investors in reliance on the accredited investor exemption in OSC Rule 45-501 Exempt Distributions.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 74(1) and 147.

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s. 59(1).

Rules Cited

Ontario Securities Commission Rule 45-501 [Revised] – Exempt Distributions, sections 7.1, 7.3 and 7.5.

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

AND

IN THE MATTER OF
R.R.O. 1990, REGULATION 1015, AS AMENDED
(the "Regulation")

AND

IN THE MATTER OF
iPERFORM STRATEGIC PARTNERS HEDGE FUND

RULING AND EXEMPTION
(Subsection 74(1) and Section 147 of the Act
and Subsection 59(1) of Schedule 1 of the Regulation)

UPON the application of iPerformance Fund Corp., as manager (the "Manager") of iPerform Strategic Partners Hedge Fund (the "Fund"), to the Ontario Securities Commission (the "Commission") for a ruling:

(i) pursuant to subsection 74(1) of the Act, that the writing of certain over-the-counter covered call options and cash covered put options (collectively, "OTC Options") by the Fund to certain permitted purchasers ("Permitted Purchasers") as defined in Schedule "A" to this Ruling is not subject to sections 25 and 53 of the Act;

(ii) pursuant to subsection 59(1) of Schedule 1 to the Regulation, that the Fund is exempt from the fees which would otherwise be payable pursuant to section 28 of Schedule 1 of the Regulation in connection with the writing of OTC Options to Permitted Purchasers; and

(iii) pursuant to section 147 of the Act, the Fund, when relying on section 2.3 (the "Accredited Investors Exemption") in Commission Rule 45-501 Exempt Distributions ("Rule 45-501") in writing OTC Options, is exempt from the requirements in

(A) sections 7.1 and 7.5 of Rule 45-501 to file a Form 45-501F1; and

(B) section 7.3 of Rule 45-501 to pay the prescribed fee in connection with the filing of Form 45-501F1;

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

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

1. The Fund is an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 29, 2002.

2. The Fund is authorized to issue an unlimited number of transferable trust units (the "Units") of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

3. The Fund is a reporting issuer in every province of Canada and has filed a prospectus dated May 3, 2002 with the Commission and with the securities regulatory authority in each of the other provinces of Canada with respect to the initial public offering of Units.

4. The Fund is not a "mutual fund" as defined in the Act and other applicable securities legislation and will therefore not operate in accordance with the requirements of securities legislation in Canada applicable to mutual funds.

5. The Manager is registered under the Act as an adviser in the categories of investment counsel and portfolio manager, and as a mutual fund dealer.

6. The Manager acts as manager of the Fund pursuant to a management agreement dated April 29, 2002 between the Manager and the Fund. The Manager is specifically responsible for the day-to-day business of the Fund including management of the Fund's investment portfolios on the advice of certain investment advisers (the "Investment Advisers") selected by the Manager from time to time.

7. The Fund's primary investment objective is to seek capital appreciation while managing risk through the use of a diversified hedged equity investment program. This hedged equity program involves the investment and holding of long positions in securities, supplemented by short selling of securities in an effort to enhance the potential for capital appreciation while attempting to preserve capital in, and profit from, adverse or volatile market conditions. The Fund seeks to maximize the net assets of the Fund available for distribution to holders of Units on the termination of the Fund. A secondary objective is to achieve returns with less volatility than returns of the major market indexes.

8. The Fund's investment strategy is to allocate its assets across a diversified portfolio using, initially, four distinctive long/short equity hedge styles. The Manager will initially allocate the Fund's assets among four separate investment accounts of the Fund, with each account being managed by a different Investment Adviser. Each Investment Adviser will either be registered under the Act as an adviser or be exempt from the registration requirement under the Act. Each Investment Adviser will manage its account in the Fund, under the supervision of the Manager, using different investment styles and techniques.

9. The Fund is authorized to use derivative instruments to seek to hedge portfolio risk, for cash management purposes and for non-hedging purposes in pursuit of its investment objectives. The Fund will, from time to time, write covered call options in respect of all or part of the securities held by the Fund. In addition, the Fund may write cash covered put options on securities in which the Fund is permitted to invest.

10. The Fund may, from time to time, hold a portion of its assets in cash and cash equivalents. The Fund may, from time to time, utilize such cash and cash equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options.

11. The writing of OTC Options by the Fund will not be used as a means for the Fund to raise new capital.

12. The purchasers of OTC Options written by the Fund will generally be major Canadian financial institutions and the purchasers of OTC Options will either be Permitted Purchasers or be purchasing in reliance of the Accredited Investor Exemption.

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

IT IS RULED that:

(i) pursuant to subsection 74(1) of the Act that the writing of OTC Options by the Fund to Permitted Purchasers as defined in Schedule "A" to this Ruling is not subject to sections 25 and 53 of the Act, provided that the portfolio advisers advising the Fund with respect to such activities are registered with the Commission as advisers under the Act and have either satisfied, or have been exempted from satisfying, any applicable proficiency requirements in Ontario for advising with respect to options;

(ii) pursuant to subsection 59(1) of Schedule 1 to the Regulation, the Fund is exempt from the fees which would otherwise be payable pursuant to section 28 of Schedule 1 of the Regulation in connection with the writing of OTC Options to Permitted Purchasers; and

(iii) pursuant to section 147 of the Act, the Fund, when relying on the Accredited Investors Exemption in Rule 45-501 in writing OTC Options, is exempt from the requirements in sections 7.1, 7.3 and 7.5 of Rule 45-501.

June 10, 2002.

“Paul M. Moore” “H. Lorne Morphy”

APPENDIX "A"

PERMITTED PURCHASERS

Interpretation

1. The terms "subsidiary" and "holding body corporate" used in paragraphs (d), (e) and (f) of section 3 of this Appendix have the same meaning as they have in the Business Corporations Act (Ontario).

2. All requirements contained in this Appendix that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Permitted Purchaser Acting As Principal

3. The following are permitted purchasers for all OTC derivative transactions, if acting as principal:

   (a) A person or company that a person or company that, together with its affiliates,

      (i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

         (A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount; and

         (B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

      (ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous 15-month period.

   (b) A person or company registered under the *Securities Act* (Ontario) as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

   (c) A person or company registered under the *Commodity Futures Act* (Ontario) as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

   (d) A wholly-owned subsidiary of any of the organizations described in paragraph (g), (k), (m) or (t) of the definition of "accredited investor" in Rule 45-501 or described in paragraph (b) or (c) above.

   (e) A holding body corporate of which any of the organizations described in paragraph (d) is a wholly-owned subsidiary.

   (f) A wholly-owned subsidiary of a holding body corporate described in paragraph (e).

   (g) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (d), (e) or (f) have a direct or indirect controlling interest.

   (h) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another permitted purchaser.

Permitted Purchaser Not Acting as Principal

4. The following are permitted purchasers, in respect of all OTC derivative transactions:

   (a) Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraph (a), (c), (d), (e) or (g) of the definition of accredited investor in Rule 45-501 or in paragraph (b), (c) or (d) above or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation made under the *Securities Act* (Ontario).

Subsequent Failure to Qualify

5. A party is a permitted purchaser for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

2.3.2 UBS AG - ss. 74(1)

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Canadian corporation related to the issuer not technically an "affiliate" of Swiss issuer – Distribution of shares in connection with Swiss issuer's equity ownership plan to employees of related Canadian corporation exempt from the prospectus and registration requirement – First trade in shares acquired by employees of related Canadian corporation deemed a distribution unless ss. 2.14(1) of MI 45-102 satisfied – Trade in shares of Swiss issuer acquired in connection with plan by employees of related Canadian corporation and affiliates of Swiss issuer, and made through the agent, exempt from the registration requirement provided a *de minimis* Canadian market and trade executed outside of Canada.

Applicable Statutory Provisions

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

Applicable Rules

OSC Rule 45-503 - Trades to Employees, Executives and Consultants (1998) 22 OSCB 117.

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

AND

IN THE MATTER OF
UBS AG

RULING
(Subsection 74(1))

UPON the application of UBS AG ("UBS") to the Ontario Securities Commission (the "Commission") for a ruling (the "Ruling") pursuant to subsection 74(1) of the Act that the requirement contained in section 25 of the Act to be registered to trade in a security and the requirement in section 53 of the Act to file and obtain a receipt for a preliminary prospectus and a prospectus in respect of such security shall not apply to trades in securities of UBS under the UBS Equity Ownership Plan, as amended from time to time (the "Plan");

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

AND UPON UBS having represented to the Commission as follows:

1. UBS is incorporated under the laws of Switzerland and is an investment services firm. Its head office is located at Bahnhofstrasse 45, Zurich, Switzerland.

2. The authorized capital of UBS consists of 1,294,735,215 UBS registered shares with a par value of CHF 2.80 each (the "UBS Shares") of which 1,281,717,499 UBS Shares were outstanding as at December 31, 2001.

3. As at December 31, 2001, the number of UBS Shares held by holders of record with addresses in Canada represented less than 1% of the number of outstanding UBS Shares, and the number of holders of record with addresses in Canada was less than 1% of the total number of holders of record.

4. The UBS Shares are listed on the virt-x European Exchange ("virt-x"), the New York Stock Exchange ("NYSE") and the Tokyo Stock Exchange.

5. UBS is not, and has no present intention of becoming, a reporting issuer or the equivalent under the Act.

6. UBS has a representative office in Canada and four wholly owned operating subsidiaries that carry on business in Canada.

7. Bunting Warburg is 100% beneficially owned by UBS Bunting Warburg Limited ("Bunting Warburg Holdco"), a holding company, which in turn is 50% beneficially owned by a wholly-owned subsidiary of UBS. The remaining indirect 50% interest in Bunting Warburg Holdco is owned by the employees of Bunting Warburg. UBS therefore has an indirect 50% ownership interest in Bunting Warburg.

8. Bunting Warburg is not an "affiliated entity" of UBS as defined in Ontario Securities Commission Rule 45-503 *Trades to Employees, Executives and Consultants* (the "Employee Trade Rule").

9. UBS has *de facto* control of Bunting Warburg pursuant to a shareholders agreement of Bunting Warburg Holdco, which provides, among others, that a majority of the members of the board of directors of Bunting Warburg Holdco are representatives of UBS.

10. Bunting Warburg is a corporation existing under the laws of the Province of Ontario and its head office is located in Toronto. It is not, and has no present intention of becoming, a reporting issuer under the Act.

11. Any person who is an employee, including officers, of UBS or any of its subsidiaries (including Bunting Warburg) may be invited by the managing board of UBS (the "Committee") to participate in the Plan (an "Eligible Employee").

12. The Plan will provide a convenient and economic way for Eligible Employees in Ontario and elsewhere in the world to invest in UBS through

the granting of awards over notional UBS Shares (the "Notional Shares") that reflect notional interests and not actual ownership of UBS Shares in lieu of the payment of a cash bonus of an equivalent amount at the date of grant. Upon vesting of the Notional Shares, the value of the Notional Shares will be distributed in cash or, at the option of UBS, UBS Shares net of any applicable withholding taxes, therefore providing an opportunity for the Eligible Employee to participate in the value they helped create. Notional Shares issued under the Plan are non-transferable.

13. The number of Notional Shares that will be credited to an Eligible Employee's account under the Plan will be determined by reference to the average closing price of a UBS Share on the virt-x or the NYSE for the last 10 trading days in a particular month as determined under the Plan.

14. UBS, UBS Warburg LLC, UBS PaineWebber Inc. or another UBS subsidiary or related entity (hereinafter referred to as the "Agent") will open an account for each Eligible Employee who is granted awards of Notional Shares under the Plan. The Agent will be registered under applicable securities legislation in Europe or the United States, but will not be registered under the Act.

15. Subject to certain vesting requirements, sales of UBS Shares issued upon vesting of Notional Shares, made by Eligible Employees will be made on behalf of the Eligible Employees (including former employees) by or through the Agent pursuant to instructions given by the Eligible Employees through the facilities of, and in accordance with the rules of, the virt-x or the NYSE.

16. Participation in the Plan is voluntary and Eligible Employees will not be induced to participate in the Plan by expectation of employment or continued employment.

17. As at December 31, 2001, there were approximately seven (7) Eligible Employees resident in Ontario.

18. A copy of the Plan will be made available to each Eligible Employee in electronic form, through their personal page on the UBS Group Compensation internal website.

19. All information sent to security holders of UBS in general will be sent to Eligible Employees resident in Canada who acquire UBS Shares under the Plan.

20. There is no market for the UBS Shares in Canada and UBS does not intend to list the UBS Shares on any stock market in Canada.

21. The Act does not contain exemptions from the requirement contained in section 25 of the Act and the requirement in section 53 of the Act for trades, from time to time, of UBS Notional Shares or UBS Shares under the Plan to Eligible Employees of Bunting Warburg located in Ontario, as Bunting Warburg is not an affiliated entity for the purposes of the Employee Trade Rule.

22. The Act does not contain exemptions from the Registration Requirement for first trades in UBS Shares issued in connection with the Plan effected by or through the Agent on behalf of Eligible Employees (including former employees) located in Ontario, as Bunting Warburg is not an affiliated entity for the purposes of the Employee Trade Rule.

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

IT IS ORDERED pursuant to subsection 74(1) of the Act that:

(a) sections 25 and 53 of the Act shall not apply to the distribution, from time to time, of Notional Shares and UBS Shares in connection with the Plan to Eligible Employees of Bunting Warburg located in Ontario provided that the first trade in Notional Shares or UBS Shares acquired pursuant to this Ruling shall be deemed to be a distribution to the public under the Act unless the conditions in section 2.14(1) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied;

(b) section 25 of the Act shall not apply to a trade by an Eligible Employee (including a former employee) of Bunting Warburg located in Ontario in UBS Shares acquired in connection with the Plan by or through the Agent if:

(i) at the time of the trade, UBS is not a reporting issuer under the Act;

(ii) at the time of the distribution of the Notional Shares to the Eligible Employee (including a former employee) of Bunting Warburg, after giving effect to the issue of such security, residents of Canada: (A) did not own directly or indirectly more than 10 percent of the outstanding UBS Shares, and (B) did not represent in number more than 10 percent of the total number of owners directly or indirectly of UBS Shares; and

(iii) the trade is executed through an exchange, or a market, outside of Canada.

June 14, 2002.

"Robert W. Korthals" "Harold P. Hands"

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 Lapse/Expire
ADI Technologies Inc.	04 June 02	14 June 02	14 June 02	
Biomax Technologies Inc.	04 June 02	14 June 02	14 June 02	
Brainium Technologies Inc.	04 June 02	14 June 02	14 June 02	
FT Capital Ltd.	18 June 02	28 June 02		
Hanoun Medical Inc.	07 June 02	19 June 02		
Lyndex Explorations Ltd.	05 June 02	17 June 02		19 June 02
Magellan Real Estate Investment Fund Limited Partnership	18 June 02	28 June 02		
Nova Bancorp 1999 Oil & Gas Strategic Ltd. Partn	05 June 02	17 June 02	17 June 02	
Naftex Energy Corporation	10 June 02	21 June 02		
Prairie Capital Inc.	30 May 02	11 June 02		13 June 02
Resorts Unlimited Management Inc.	04 June 02	14 June 02	14 June 02	
Wysdom Inc.	05 June 02	17 June 02		19 June 02

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
DiamondWorks Ltd. (amended)	25 April 02	08 May 02	09 May 02	10 June 02	
GenSci Regeneration Sciences Inc.	28 May 02	10 June 02	10 June 02		
Goldpark China Limited	24 May 02	06 June 02	06 June 02		
Greentree Gas & Oil Ltd.	24 May 02	06 June 02	06 June 02		
Intelligent Web Technologies Inc. (formerly cs-live.com inc.)	28 May 02	10 June 02	10 June02		
Merchant Capital Group Incorporated	23 May 02	05 June 02	05 June 02		
Petrolex Energy Corporation	28 May 02	10 June 02	10 June 02		
SmartSales Inc.	28 May 02	10 June 02	11 June 02	19 June 02	
Visa Gold Explorations Inc.	28 May 02	10 June 02	10 June 02		
Vision SCMS Inc.	23 May 02	05 June 02	05 June 02		

Chapter 5

Rules and Policies

5.1.1 Amendment to Ontario Securities Commission Rules in the Matter of Certain Reporting Issuers

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

1.1 **Amendment -** The Rule entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218 and the two Rules entitled *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, each as amended by (1999), 22 OSCB 151, (2000) 23 OSCB 289 and (2000), 23 OSCB 8244, are each amended by deleting "July 1, 2002" in the last sentence and replacing it with "December 31, 2003".

This page intentionally left blank

Chapter 6

Request for Comments

6.1.1 Notice and Request for Comment - Proposed NI 51-102 and 51-102CP, Proposed Amendments to MI 45-102, Proposed Revocation of NI 62-102, Proposed Rescission of National Policy No. 3, National Policy No. 27, National Policy No. 31 and National Policy No. 50

NOTICE AND REQUEST FOR COMMENT

**PROPOSED NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*,
FORM 51-102F1, FORM 51-102F2, FORM 51-102F3,
FORM 51-102F4, FORM 51-102F5, FORM 51-102F6, AND
COMPANION POLICY 51-102CP *CONTINUOUS DISCLOSURE OBLIGATIONS***

PROPOSED AMENDMENTS TO MULTILATERAL INSTRUMENT 45-102 *RESALE OF SECURITIES*

**PROPOSED REVOCATION OF NATIONAL INSTRUMENT 62-102
*DISCLOSURE OF OUTSTANDING SHARE DATA***

AND

**PROPOSED RESCISSION OF
NATIONAL POLICY NO. 3 *UNACCEPTABLE AUDITORS,*
NATIONAL POLICY NO. 27 *CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES,*
NATIONAL POLICY NO. 31 *CHANGE OF AUDITOR OF A REPORTING ISSUER*, AND
NATIONAL POLICY 50 *RESERVATIONS IN AN AUDITOR'S REPORT***

Introduction

We, the Canadian Securities Administrators (CSA), seek public comment on a harmonized set of continuous disclosure (CD) requirements. It is proposed that these comprehensive and uniform requirements will apply to all issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.

The requirements are contained in proposed National Instrument 51-102 *Continuous Disclosure Obligations* (the Rule), Form 51-102F1 *Annual Information Form*, Form 51-102F2 *Management's Discussion & Analysis*, Form 51-102F3 *Material Change Report*, Form 51-102F4 *Business Acquisition Report*, Form 51-102F5 *Information Circular* and Form 51-102F6 *Statement of Executive Compensation* (the Forms). The Rule and the Forms will be referred to as the Instrument. Proposed Companion Policy 51-102 *Continuous Disclosure Obligations* (the Policy) provides guidance on how the CSA interpret and apply the Rule and the Forms.

We are also publishing for comment related National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Foreign Issuer Rule) together with an associated companion policy. See Notice and Request for Comment of Proposed National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* for information about the Foreign Issuer Rule.

Substance, Purpose and Scope

The Instrument will:

- harmonize CD requirements among Canadian jurisdictions;
- replace existing local CD requirements;
- enhance the consistency of disclosure in the primary and secondary securities markets; and
- facilitate capital-raising initiatives such as an integrated disclosure system (IDS).

The Rule sets out the obligations of reporting issuers with respect to financial statements, annual information forms (AIFs), management discussion and analysis (MD&A), material change reporting, information circulars, proxies and proxy solicitation, restricted share disclosure, and certain other CD-related matters. It prescribes the Forms, most of which are derived from existing forms, but with some enhancements.

The Rule includes new requirements to file a) a business acquisition report (BAR) that is modeled on the significant acquisitions requirements for prospectuses, and b) material documents that affect the rights of securityholders.

The Rule grandfathers existing discretionary relief from CD requirements granted by a regulator or a securities regulatory authority. This provision applies only in the jurisdiction of the regulator or securities regulatory authority that has granted the relief. The first time a reporting issuer intends to rely on prior discretionary relief, in connection with a requirement under the Rule, it must inform the regulator in writing, describing the discretionary relief and the provision in the Rule that is substantially similar to the provision from which it has previously obtained relief.

The Rule does not address non-issuer filing obligations, such as insider reporting, except in the case of persons who solicit proxies from securityholders of reporting issuers.

We are developing a separate national instrument that will address the CD obligations of investment funds. We expect that rule to be adopted before, or at the same time as, the CD Rule.

Background

In January 2000 we published a *Concept Proposal for an Integrated Disclosure System* (see CSA Notices and Requests for Comment 44-401 and 51-401). IDS contemplates a streamlined offering process that incorporates by reference an issuer's CD. Harmonized, and in some cases upgraded, CD requirements are a precondition to implementing IDS.

In developing the Instrument and the Policy, we relied on summaries prepared by counsel of CD requirements in all Canadian jurisdictions, the U.S. and Australia.

The proposed requirements in the Rule concerning generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) reflect CSA Request for Comment 52-401 *Discussion Paper: Financial Reporting in Canada's Capital Markets,* published on March 16, 2001, and the responses to that document.

Summary of Significant Changes to Existing CD Requirements

- *Filing Deadlines* - Filing deadlines for annual and interim financial statements will be shortened.

- *Delivery* - Mandatory delivery of financial statements and MD&A to all securityholders will be eliminated. Issuers will only be obligated to deliver copies of these documents to securityholders that request them. Issuers will have to disclose annually in their AIFs and information circulars that the financial statements and MD&A are available without charge and how to obtain them.

- *US GAAP* - Reporting issuers that have a class of securities registered under section 12 of the 1934 Act or are required to file reports under section 15(d) of the 1934 Act and that are not investment companies under the US Investment Company Act of 1940 (SEC issuers) will be permitted to file financial statements prepared in accordance with US GAAP, provided that for a two year period after starting to use US GAAP, their statements will have to be reconciled to Canadian GAAP.

- *Financial Institution GAAP Exemption* - The GAAP exemption for banks and insurance companies that exists in some jurisdictions will be removed.

- *AIFs* - Issuers of a specified size will be required to file an AIF, as already required in Ontario, Quebec and Saskatchewan.

- *MD&A* - All issuers will be required to file annual and interim MD&A, including issuers that currently have exemptions based on size in some jurisdictions.

- *Board Review of MD&A* – An issuer's board of directors will be required to review its annual and interim MD&A. British Columbia currently requires board approval of MD&A.

- *Discussion of Forward-Looking Information in MD&A* - MD&A will have to include a discussion of any forward-looking information disclosed in prior MD&A if, in light of intervening events and without that discussion, the earlier disclosure could mislead.

- *Disclosure Relating to Liquidity and Capital Resources, and Non-Independent Relationships in MD&A* - MD&A will have to contain disclosure relating to liquidity and capital resources, including off-balance sheet arrangements, and relationships and transactions with persons or entities that derive benefits from their non-independent relationship with the issuer or its related parties. These enhancements are based on recent SEC proposals (see SEC Release Nos. 33-8056 and 34-45321 dated January 22, 2002).

- *Critical Accounting Policies Disclosure in MD&A* - MD&A will have to disclose critical accounting policies that impact on the financial condition, results of operations and cash flows. See "Possible Changes to Instrument – Recent SEC Developments" below.

- *Equity Compensation Disclosure* - Information circulars will have to include new equity compensation plan disclosure similar to disclosure required under recent SEC amendments (see SEC Release Nos. 33-8048 and 34-45189 dated December 21, 2001).

- *Annual Filings* - The requirement to make an annual filing in lieu of an information circular (Form 28 in most jurisdictions) will be eliminated. The AIF will include supplementary disclosure items for issuers that do not distribute information circulars. Issuers that are not required to distribute information circulars and are exempt from filing an AIF will not have to provide the disclosure that is currently required in Form 28 or its equivalent.

- *Significant Acquisitions* - The Rule will include new requirements for disclosure concerning completed significant business acquisitions.

- *Filing of Documents Sent to Securityholders or Filed with the SEC* – The Rule will require issuers to file documents sent to their securityholders or filed with the SEC.

- *Material Documents* - The Rule will require issuers to file certain constating documents and other instruments that define or materially affect the rights of securityholders.

- *Language of Documents* – The Rule will permit documents to be filed in either English or French. Where a translation exists and is delivered to securityholders, the translation will also have to be filed no later than when it is delivered.

Summary of the Rule and Anticipated Costs and Benefits

Many reporting issuers now have to comply with differing requirements in more than one Canadian jurisdiction. Harmonized CD requirements will make it easier and less costly for entities that are reporting issuers in more than one Canadian jurisdiction to know and comply with CD obligations.

The proposed Rule contains some enhancements to existing requirements. It also simplifies or eliminates others. We believe that any incremental costs resulting from the changes are justified by the following considerations.

1. New deadlines for financial statements

The deadline for filing annual financial statements will be reduced to 90 days after year-end for senior issuers, and 120 days for all other issuers. The deadline for filing interim financial statements will be reduced to 45 days after period end for senior issuers, and remains at 60 days for all other issuers. If the issuer is required to comply with an earlier filing deadline under the laws of a foreign jurisdiction, the issuer will be required to comply with that deadline in Canada.

- This more timely disclosure will benefit the marketplace and will facilitate more timely analysis of reporting issuers' financial performance.

- To meet investor expectations, many issuers already publicly release their financial results well before the current filing deadlines.

- Filing is often delayed because of the requirement to deliver the statement to shareholders concurrently with filing. The elimination of delivery requirements should facilitate compliance with the earlier filing deadlines.

- The elimination of mandated delivery of financial statements to all shareholders should reduce printing and mailing costs.

- Smaller companies will have more time to file their financial statements than senior issuers. This is in recognition of the fact that smaller issuers may have fewer resources available for financial statement preparation and less access to auditing services than larger issuers.

- The shorter deadlines better align our requirements with investor demands, common issuer practice, and requirements in other jurisdictions such as the United States, the United Kingdom and Australia. In the United States, issuers have been subject to filing deadlines of 90 and 45 days for annual and interim statements for 30 years. The SEC is now proposing to shorten these deadlines even further. See "Possible Changes to Instrument – Recent SEC Developments".

2. SEC issuers permitted to use US GAAP and GAAS

SEC issuers will be permitted to file financial statements prepared in accordance with US GAAP. For the first two years after changing from Canadian to US GAAP, an SEC issuer will have to reconcile its statements to Canadian GAAP.

SEC issuers will also be permitted to file audit reports prepared in accordance with US generally accepted auditing standards (GAAS).

An SEC issuer can include an issuer incorporated or organized in Canada, with a majority of its shareholders, assets or operations in Canada.

- We expect flexibility for SEC issuers to reduce costs significantly for many issuers that must currently prepare two separate sets of financial statements.

3. Expenditure Analysis for Development-Stage Issuers

Development-stage issuers will have to provide a breakdown of material expenditures reported in their financial statements. Substantially similar requirements already exist in British Columbia and Québec.

- This is important information for assessing management performance.

4. New Reporting Issuers

An issuer will be required to commence filing annual and interim financial statements for the annual and interim period the filing deadline for which falls after the date the issuer becomes a reporting issuer.

Subject to GAAP, an issuer will not be required to provide comparative figures for interim financial statements for periods in which it was not a reporting issuer.

- This provides continuity between the financial disclosure in the document an issuer files to become a reporting issuer and the financial disclosure in its first set of financial statements filed under CD requirements.

5. All issuers to provide MD&A

All reporting issuers will now be required to prepare and file MD&A with their annual and interim financial statements. An issuer's board of directors will be required to review the MD&A. Similar requirements already exist in Ontario and British Columbia.

The new MD&A form contains the MD&A disclosure requirements already in place in various jurisdictions, but also has the enhancements described above under the heading "Summary of Significant Changes to Existing CD Requirements". Issuers may wish to consider the enhancements in the new MD&A form in preparing their current MD&A.

Disclosure of "trends" (formerly required in AIFs) will now be required in MD&A.

- Most reporting issuers are already subject to a requirement to prepare and file annual and interim MD&A.

- Investors, analysts and other market participants will have the same information to analyze and understand the financial performance of all issuers.

6. Issuers other than small businesses to file an AIF

All reporting issuers, other than small businesses with a market value of less than $75 million, will be required to file AIFs. "Small businesses" are issuers with assets and revenues of less than $10 million as of a specified date. This is different from the current test in Ontario, Québec and Saskatchewan, which exempts issuers that have shareholders' equity and revenues of less than $10 million.

A small business that is required to file an AIF under the Rule solely because the market value of its equity securities exceeds $75 million can later be exempt from the AIF requirement if its market value falls beneath the threshold for two consecutive years. Ontario and Saskatchewan currently require the market value of a small business to fall below this threshold for three years before it can rely on the exemption.

Disclosure of reverse takeovers will be required in AIFs, similar to the disclosure required under prospectus rules.

- It is important for investors to have access to a permanent and current disclosure base regarding an issuer, especially if the CSA implements a streamlined capital raising system such as IDS.

- Many issuers already prepare AIFs, either under the existing requirements in Ontario, Quebec and Saskatchewan, or because the issuer wishes to benefit from the reduced hold periods available under Multilateral Instrument 45-102 *Resale of Securities* (MI 45-102) or in order to use a short form prospectus under National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101).

7. Significant business acquisitions

Reporting issuers will be required to file a BAR within 75 days after completion of a business acquisition. The BAR will include financial statements of the acquired business and pro forma financial information.

The main differences from the significant acquisitions disclosure requirements for prospectuses are as follows:

- Only completed business acquisitions will be reported in a BAR; there will be no requirement to disclose "probable significant acquisitions". If a proposed acquisition is a material change, the issuer will be required to comply with the material change reporting requirements.

- Issuers will not be required to disclose multiple unrelated acquisitions that collectively meet the significance tests.

- With respect to multiple related acquisitions that collectively meet the significance tests, issuers will be required to aggregate only those acquisitions that are not reflected in their last annual balance sheet.

- There will be no optional significance tests in the Rule. The significance tests will be based on the most recent annual audited financial statements of the issuer filed before completion of the acquisition.

- Under the prospectus rules, an issuer that acquires an oil & gas property may apply for an exemption allowing it to provide audited operating statements instead of full financial statements. This will be a blanket exemption under the CD Rule. The CSA will consider making a similar change for prospectuses.

- No separate filing will be necessary for significant dispositions. However, pro forma financial statements will have to be included in the notes to the next set of financial statements filed by the issuer. If the next set of financial statements are required to be filed within 30 days of the disposition, then the pro forma financial statements must be included in the subsequent set of financial statements filed by the issuer.

The Rule contains three provisions that will simplify the significant acquisitions reporting requirements for small businesses:

- an exemption from the income test (one of the three significance tests);

- an exemption from the requirement that the annual financial statements of the acquired business be audited, other than in the case of the statements for the most recent year; and

- a provision that in certain circumstances the auditor's report for a small business may contain a reservation relating to inventory.

The requirements for disclosure of significant acquisitions and dispositions will not apply to any transaction if the initial legally binding agreement concerning the transaction was entered into prior to the effective date of the Rule.

- Where an acquisition significantly changes an issuer, timely financial disclosure concerning the acquisition is important for investors.

- SEC issuers are already required to disclose business acquisitions in Form 8-K.

- Compliance with these new requirements will make it easier and less costly to comply with prospectus requirements for disclosure of significant acquisitions.

8. Proxy/Information Circular Requirements

The Rule will contain proxy solicitation and information circular requirements that are substantially similar to existing requirements.

The information circular form will be substantially similar to the existing form and will require disclosure of executive compensation in a form that is also substantially similar to the current form, except that the public float test will be replaced with an aggregate market value test.

If a reorganization or similar restructuring transaction is to be submitted to a vote of securityholders, the existing forms of information circular in the local jurisdictions generally call for modified application of prospectus disclosure requirements for certain of the issuers involved in the transaction. The new form will make this requirement apply to a broader class of transactions and will require the disclosure for each entity the securities of which are being changed, exchanged, issued or distributed, as well as the resulting entities. The new form will require the disclosure prescribed by the appropriate form of prospectus "to the extent necessary to enable a reasonable securityholder to form a reasoned judgement".

A domestic issuer that solicits proxies with respect to a restructuring transaction involving an eligible foreign issuer (as defined in the Foreign Issuer Rule), will have the same relief from reconciliation requirements with regard to the financial statements of the foreign issuer as the foreign issuer itself will have under the Foreign Issuer Rule.

9. Restricted Share Disclosure Requirements

The Rule will require issuers with restricted shares outstanding to refer to them using appropriate, standardized terms. Issuers will also be required to provide certain disclosure regarding voting and participation rights attaching to restricted shares. The requirements for restricted shares will apply to information circulars, AIFs and documents sent to securityholders. They are similar to existing requirements in many jurisdictions.

We will not be maintaining an exemption from restricted share disclosure requirements that existed in Ontario Securities Commission (OSC) Rule 56-501and applied when Ontario residents owned less than two percent of the shares of each class of equity shares of the issuer.

10. Additional Filing Requirements

An issuer will have to file a copy of any document that it sends to securityholders. This is not a new requirement.

Issuers will also have to file any documents filed with the SEC that contain information not included in disclosure filed under another requirement of Canadian securities legislation.

Summary and Purpose of the Companion Policy

The purpose of the Companion Policy is to state the manner in which certain provisions of the Instrument will be interpreted or applied by the Canadian securities regulatory authorities. It contains discussions, explanations and examples primarily relating to:

- definitions contained in the Rule;
- the financial statement requirements of the Rule; and
- the BAR requirements of the Rule.

Related Amendments

1. Amendment, Rescission and Revocation of CSA Instruments

We plan to make changes to the short form prospectus distribution regime under NI 44-101 by replacing Forms 44-101F1 *AIF* and 44-101F2 *MD&A* with the AIF and MD&A forms under the Rule, and to make other conforming amendments.

We plan to make revisions to the software and filer manual used under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* in order to accommodate the filing requirements under the Rule.

We will separately publish proposed amendments to these national instruments.

Proposed amendments to MI 45-102, which reflect the proposed adoption of Form 51-102F1 *Annual Information Form*, are set out in Appendix A to this Notice.

We propose to rescind National Policy No. 3 *Unacceptable Auditors*, National Policy No. 27 *Canadian Generally Accepted Accounting Principles*, National Policy No. 31 *Change of Auditor of a Reporting Issuer*, and National Policy 50 *Reservations in an Auditor's Report*, and to revoke National Instrument 62-102 *Disclosure of Outstanding Share Data* (NI 62-102). These subjects are covered in the Rule.

2. Local Instruments

We propose to amend or repeal elements of local securities legislation and securities directions, including long form prospectus requirements, in conjunction with implementation of the Instrument. The Canadian securities regulatory authorities may publish these local changes, or proposed changes, separately in their local jurisdictions.

Appendix B to this Notice outlines proposed related amendments to, and revocations of, some provisions of Ontario Regulation 1015, R.R.O. 1990. Appendix B also contains some other information required to be published under the Securities Act (Ontario) (the Ontario Act).

The OSC is also separately publishing for comment proposed Rule 51-801 which is the local rule implementing the proposed Instrument in Ontario. Proposed Rule 51-801 prescribes some requirements for the purposes of the Act and provides exemptions from some CD requirements in the Ontario Act. Proposed Rule 51-801 also proposes to revoke certain OSC rules and to amend the provisions of another OSC rule. Other jurisdictions are also separately publishing similar local implementing rules.

Possible Changes to Instrument

1. Definitions

Under section 1.1(1) of the Rule, a term used in the Rule and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires. We are considering amending either the Rule or the Policy to list the jurisdictions in which the definitions in the Rule apply.

2. GAAP and GAAS Requirements

We are considering permitting SEC registrants to use US GAAP and US GAAS, as proposed in the Rule, for financial years beginning on or after January 1, 2003, even if the Rule as a whole does not become effective by that date. Accordingly, we will consider moving the GAAP and GAAS provisions into a separate national instrument or rule or adopting blanket orders or granting discretionary orders to allow this to happen. If we develop a separate national instrument that contains no material changes to the GAAP and GAAS provisions proposed in the Rule, and no material changes to those provisions are required as a result of comments received on the Rule, the separate national instrument could be implemented without a further comment period.

3. Delivery of Financial Statements and MD&A

The Rule will require an issuer to deliver financial statements and MD&A to a securityholder that requests them. We are considering requiring that if a securityholder requests one of these documents, the issuer must deliver both.

4. Currency Requirements

We are considering incorporating proposed National Instrument 52-102 *Use of Currencies* or an amended version of it in either the Rule or the GAAP and GAAS instrument mentioned above.

5. Change in Year End

We are considering incorporating a reformulated version of National Policy No. 51 *Changes in Ending Date of a Financial Year and in Reporting Status* in the Rule.

6. Recent SEC Developments

We are considering whether to change the Rule to reflect the following proposed changes to SEC requirements. See our requests for comment under the heading "Request for Comment" below;

- Filing Deadlines

  In Release No. 33-8089 dated April 12, 2002, the SEC proposed to shorten filing deadlines for annual and quarterly reports to 60 and 30 days from period end, respectively, for issuers with a public float of greater than US$75 million. US$75 million is the US threshold for being eligible to file a short form prospectus.

- Current Report Requirements

  In Release No. 33-8090 dated April 12, 2002, the SEC proposed to expand Form 8-K current report requirements to include certain disclosure concerning transactions in an issuer's securities by directors and officers of the issuer, and loans to directors and officers made or guaranteed by an issuer or its affiliates.

- Critical Accounting Policies Disclosure

  As noted above, the new MD&A form calls for disclosure of critical accounting policies that impact on an issuer's financial condition, results of operations and cash flows. In Release Nos. 33-8098 and 34-45907 dated May 10, 2002, the SEC proposes to require that MD&A in annual reports, registration statements and proxy and information statements include critical accounting policies disclosure that goes beyond the new MD&A form. Specifically, the SEC is considering requiring disclosure about the critical accounting estimates that are made by an issuer in applying its accounting policies and about the initial adoption by an issuer of an accounting policy that has a material impact on its financial presentation.

7. Significant Acquisitions Disclosure in Information Circulars

We are considering whether to expand item 13.2 of the Information Circular, which requires modified prospectus disclosure concerning issuers whose securities are being changed, exchanged, issued or distributed under certain transactions, to include disclosure concerning significant business acquisitions.

8. Significant Dispositions Disclosure

In February 2002, the Canadian Institute of Chartered Accountants issued for comment a new handbook section entitled "Impairment or Disposal of Long-Lived Assets", which deals with disclosure and accounting concerning significant business dispositions. We are monitoring this proposal and will consider whether changes to the significant disposition disclosure requirements of the Rule are appropriate.

9. Credit Supporters and Exchangeable Shares

We are considering whether, in the two situations described below, CD about an entity other than the issuer of securities itself would be more relevant to market participants than CD about the issuer. See also our specific requests for comment under the heading "Request for Comment" below.

- Credit Supporters

  If a credit supporter has provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities of another issuer, it may be appropriate that there be CD about the credit supporter. A number of approaches could be taken to ensure that this CD is provided:

  (i) the CD obligations of the security issuer could be supplemented or replaced by a requirement that it also provide CD about the credit supporter;

  (ii) the security issuer could be exempted from some or all of its CD obligations on conditions including its filing of CD about the credit supporter; or

  (iii) the credit supporter itself could be deemed to be a reporting issuer with its own CD obligations.

  Credit supporter disclosure is not new; it is currently required for prospectuses. See NI 44-101 for the meaning of the terms "credit supporter" and "alternative credit support".

The CSA Committee that is revisiting the prospectus rules will be considering SEC Regulation SX 3-10 "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered". If that committee proposes changes to the prospectus requirements for credit supporters, we may propose corresponding changes to the Rule.

- Exchangeable Shares

"Exchangeable shares" are equity shares that are exchangeable, at the option of the holder, into shares (the "underlying shares") of the issuer's "parent issuer" (as defined below) and that provide the holder with economic and voting rights which are, as nearly as practicable (except for tax implications), equivalent to the underlying shares. The "parent issuer" is the issuer of the underlying shares and is the direct or indirect beneficial holder of all of the issued and outstanding voting securities of the exchangeable share issuer (other than the exchangeable shares).

Because CD about the parent issuer is more relevant to holders of exchangeable shares than CD about the issuer itself, we are considering requiring the issuer to provide CD about the parent issuer instead of about itself. Alternatively, we are considering exempting the exchangeable share issuer from CD requirements provided that, among other conditions, the parent issuer is either a reporting issuer or an SEC issuer, and the parent issuer files all its required CD in the appropriate jurisdictions.

Request for Comment

We request your comments on the Rule, each of the Forms, and the Companion Policy. We also request your comments on the proposed amendments to MI 45-102, rescission of Policies and revocation of NI 62-102 discussed above under the heading "Related Amendments".

In addition to any comments you may wish to make, we also invite comments on the following specific questions:

1. *Criteria for Determining Financial Statement Filing Deadlines* – The Rule uses TSE non-exempt company criteria to identify issuers subject to shortened filing deadlines for annual and interim financial statements and MD&A. Those criteria include having net tangible assets of at least $7.5 million, or in the case of oil and gas companies, proved developed reserves of at least $7.5 million. These criteria mean that the more stringent 90 and 45 day filing deadlines will apply to Canada's most senior issuers, many of which are currently subject to the same filing deadlines in the United States. They are different from the market value threshold that is proposed to trigger the AIF filing requirement in the Rule, in recognition of the fact that an issuer's market value is not always an appropriate way to assess its ability to prepare financial disclosure within shorter times.

   (a) Is it appropriate to use TSE non-exempt company criteria to determine deadlines for filing financial statements? If not, why not, and what other criteria should we consider?

   (b) Is your view affected by the fact that some issuers that are eligible to use the short form prospectus regime in NI 44-101 would have 120 days to file annual financial statements?

   (c) Is your view affected by the fact that the SEC has proposed imposing even shorter filing deadlines than the ones we have proposed, for issuers that have a public float of US$75 million and are therefore eligible to use the US short form prospectus regime? Why?

   (d) Is the $75 million criteria that is used in the Rule as one of the triggers of the AIF requirement, and in NI 44-101 for short form prospectus eligibility, appropriate?

2. *Elimination of Requirement to Deliver Financial Statements* – As noted above under "Summary of Significant Changes to Existing CD Requirements", the Rule will eliminate mandatory delivery of financial statements and MD&A to all securityholders. Issuers will only be obligated to deliver copies of these documents to securityholders that request them. Issuers will have to disclose annually in their AIFs and information circulars that the financial statements and MD&A are available without charge and how to obtain them. Do you agree with this approach? Why or why not? What approach would you suggest?

3. *SEC Developments* - Under the heading "Recent SEC Developments" above, we identify SEC Releases that propose changes to corporate disclosure requirements for SEC registrants.

   Should we change the Rule to reflect the proposed SEC requirements?

4. *Combination of Financial Statement and MD&A Filings* – We are considering amending the Rule so that financial statements and MD&A would have to be filed at the same time, as one filing. MD&A contains important discussion of financial statement disclosure, and is already subject to the same filing deadlines as financial statements.

   Should we combine financial statement and MD&A filing requirements?

5. *Disclosure of Restructuring Transactions in Information Circulars* - Item 13.2 of Form 51-102F5 *Information Circular* requires an issuer to provide disclosure regarding restructuring transactions.

   (a) Does the definition of "restructuring transaction" in item 13.2 require disclosure about the appropriate classes of transactions? If not, what kinds of transactions should be added or excluded, and why?

   (b) Should item 13.2 be expanded so that it applies to significant acquisitions of assets in exchange for securities?

   (c) Does item 13.2 require disclosure about the appropriate entities for any transaction that is subject to this item? If not, which entities should be added or excluded, and why?

   (d) The requirement in item 13.2 to include disclosure prescribed by the prospectus form is qualified by the words "to the extent necessary to allow a reasonable securityholder to form a reasoned investment decision". Is this clear enough? If not, how could we make the requirement clearer?

   (e) Would it be preferable to prescribe a separate form of information circular for certain restructuring transactions (such as reverse take-overs) similar to new CDNX Form 3B Information Required in an Information Circular for a Qualifying Transaction?

   (f) Should item 13.2 specify which disclosure items in the relevant prospectus forms must be given for certain transactions (such as reverse take-overs or issuances of exchangeable shares)?

6. *Significant acquisitions disclosure* -The proposed significance tests for business acquisitions in the Rule were the subject of extensive comments when the prospectus rules were being reformulated. The CSA analyzed the comments and finalized the tests in the prospectus rules. Several commenters said that significant acquisition disclosure should be required in CD, not just in prospectuses. Many commenters expressed the view that Canadian acquisition disclosure rules should parallel the SEC Rules. The significance tests proposed in the Rule are very similar to the SEC Rules and are consistent with the significance tests in the prospectus rules.

   The proposed Rule requires one, two or three years of financial statements depending on whether an acquisition is significant at a 20%, 40% or 50% threshold. Would it be better or worse to have only one threshold for determining significance with a requirement for two years of financial statements when the threshold is met? If you support this approach, what would you suggest as an appropriate threshold and why?

7. *Requirement to File Material Documents* – The Rule requires issuers to file constating documents and other instruments that materially affect the rights of securityholders or create a security.

   Would an acceptable alternative to filing be to require issuers to describe these documents in their AIFs or information circulars, rather than file them?

8. *Criteria for Identifying Small Issuers* - The proposed Rule distinguishes small issuers in different ways, for different purposes, as follows:

   - Issuers that are not "senior issuers" (that are TSE non-exempt) have more time to file their financial statements, MD&A and AIFs than senior issuers (see *Criteria for Determining Financial Statement Filing Deadlines* for more details);

   - Issuers that are "small businesses", based on a similar definition to that in the prospectus rules (less than $10 million for each of assets and revenue) are exempt from certain significant acquisition disclosure requirements;

   - Issuers that are small businesses (less than $10 million for each of assets and revenue) and have a market value not exceeding $75 million are not required to file an AIF;

   - For the purpose of Form 51-102F6 *Statement of Executive Compensation*, an "exempt issuer" must have revenue and a market value of less than $25 million.

Are these ways of identifying small issuers appropriate? Is there one definition that would be appropriate for all purposes? Why or why not?

9. *Approach to Regulation of Small Issuers* - The Rule includes some exemptions or alternative means of satisfying certain CD requirements for small businesses, as summarized immediately above. The anticipated costs and benefits of the Rule were discussed above. We invite comment on whether the cost-benefit analysis might differ for issuers of different sizes. We invite commenters to identify any provisions for which this might be the case, and to provide suggestions for disclosure alternatives that might be more appropriate for specific categories of issuer.

10. *Cost Benefit Analysis* - We believe that the costs and other restrictions on the activities of reporting issuers that will result from the Rule are proportionate to the goal of timely, accurate and efficient disclosure of information about reporting issuers. For more discussion of this, see the section above entitled Summary of Rule and Anticipated Costs and Benefits. We are interested in hearing the views of various market participants on any aspect of the costs and benefits of the Rule and we invite your comments specifically on this matter.

11. *Credit Supporters and Exchangeable Shares* – Under the heading "Possible Changes to the Instrument" above, we discuss certain changes to the Rule relating to credit supporters and exchangeable share issuers that we are considering incorporating into the Rule.

    (a) We describe three options for addressing CD obligations in credit supporter situations. What are your comments on the merits of these three options? If none of them are appropriate, please suggest other options and justify them.

    (b) We describe two options for addressing CD obligations in exchangeable share situations. What are your comments on the merits of these options? If neither of them are appropriate, please suggest other options and justify them.

    (c) In each of the credit supporter and exchangeable share situations, should we require the credit supporter or parent to comply with all CD obligations under the Rule, or should the credit supporter or parent only be required to file certain types of documents concerning the credit supporter, such as financial statements and MD&A?

    (d) Are there any other situations for which we should consider providing exemptions from the Rule? If so, give details of the situation, how often it occurs and explain why specific exemptions should be given.

How to Provide Your Comments

Please provide your comments by September 19, 2002.

Please address your submission to all of the CSA member commissions, as follows:
Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Securities Administration Branch, New Brunswick
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Ontario Securities Commission
Office of the Attorney General, Prince Edward Island
Commission des valeurs mobilières du Québec
Saskatchewan Securities Commission
Registrar of Securities, Government of Yukon

You do not need to deliver your comments to all of the CSA member commissions. Please deliver your comments to the two addresses that follow, and they will be distributed to all other jurisdictions by CSA staff.

Peter Brady, Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Fax: (604) 899-6814
e-mail : pbrady@bcsc.bc.ca

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
Fax : (514) 864-6381
e-mail : consultation-en-cours@cvmq.com

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:

Peter Brady
Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6874 or (800) 373-6393 (in B.C.)
pbrady@bcsc.bc.ca

Carla-Marie Hait
Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6726 or (800) 373-6393 (in B.C.)
chait@bcsc.bc.ca

Michael Moretto
Associate Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6767 or (800) 373-6393 (in B.C.)
mmoretto@bcsc.bc.ca

Mavis Legg
Manager, Securities Analysis
Alberta Securities Commission
(403) 297-2663
mavis.legg@seccom.ab.ca

Stephen Murison
Legal Counsel
Alberta Securities Commission
(403) 297-4233
stephen.murison@seccom.ab.ca

Bob Bouchard
Director, Corporate Finance
Manitoba Securities Commission
(204) 945-2555
bbouchard@gov.mb.ca

Bill Slattery
Deputy Director, Corporate Finance and Administration
Nova Scotia Securities Commission
(902) 424-7355
slattejw@gov.ns.ca

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
(416) 593-8134
jpeters@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Continuous Disclosure
Ontario Securities Commission
(416) 593-8223
itsatsos@osc.gov.on.ca

Rosetta Gagliardi
Conseillère en réglementation
Commission des valeurs mobilières du Québec
(514) 940-2199 ext. 4554
rosetta.gagliardi@cvmq.com

Ian McIntosh
Deputy Director, Corporate Finance
Saskatchewan Securities Commission
(306) 787-5867
imcintosh@ssc.gov.sk.ca

June 21, 2002.

Additional Information

This Notice and Request for Comment refers to securities legislation administered by the CSA member commissions listed above and certain other documents. Additional information concerning the legislation can be found at the following public websites:

Alberta Securities Commission: www.albertasecurities.com
British Columbia Securities Commission: www.bcsc.bc.ca
Manitoba Securities Commission: www.msc.gov.mb.ca
New Brunswick Securities Administration Branch: www.gov.nb.ca
Securities Commission of Newfoundland and Labrador: www.gov.nf.ca/gsl/cca/s/
Nova Scotia Securities Commission: www.gov.ns.ca/nssc/
Ontario Securities Commission: www.osc.gov.on.ca
Prince Edward Island Office of the Attorney General: www.gov.pe.ca
Commission des valeurs mobilières du Québec: www.cvmq.com
Saskatchewan Securities Commission: www.ssc.gov.sk.ca

APPENDIX A

AMENDMENTS TO MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

PART 1 AMENDMENTS TO MULTILATERAL INSTRUMENT 45-102

1.1 Definition of Current AIF – Multilateral Instrument 45-102 (MI 45-102) is amended by:

(1) deleting the definition of "current AIF" in section 1.1 and substituting the following:

"**"current AIF"** means

(a) an AIF that is a current AIF filed under NI 44-101 in at least one of the jurisdictions listed in Appendix B,

(b) an AIF that is a "current AIF" as defined in NP 47 filed under NP 47 in at least one of the jurisdictions listed in Appendix B,

(c) an AIF in the form required by NI 44-101 filed in at least one of the jurisdictions listed in Appendix B by an issuer not eligible to use NI 44-101 and containing audited financial statements for the issuer's most recently completed financial year,

(d) an AIF that is a current AIF filed under British Columbia Instrument 45-506 or Alberta Rule 45-501,

(e) a prospectus which has been filed in any jurisdiction that includes audited financial statements for the issuer's most recently completed financial year, other than:

(i) a short form prospectus filed under NI 44-101,

(ii) a short form prospectus filed under NP 47, or

(iii) a prospectus filed under a CPC instrument,

(f) a CPC information circular filed in any jurisdiction that includes:

(i) audited financial statements for the issuer's most recently completed financial year,

(ii) audited financial statements for the target issuer's most recently completed financial year, and

(iii) a pro forma balance sheet that gives effect to the qualifying transaction accompanied by a compilation report of an auditor,

(g) a current annual report on Form 10-K or Form 20-F under the 1934 Act for the issuer's most recently completed financial year filed in any jurisdiction by an issuer that has securities registered under Section 12 of the 1934 Act or has a reporting obligation under subsection 15(d) of the 1934 Act, and

(h) an AIF in the form required by NI 51-102F1 in respect of a financial year for which annual financial statements are required to have been filed under NI 51-102 or NI 51-103, as applicable;";

(2) inserting the following definitions immediately after the definition of "NI 44-101":

""NI 51-102" means National Instrument 51-102 Continuous Disclosure Obligations

"NI 51-103" means National Instrument 51-103 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers";

(3) deleting section 3.1 of MI 45-102 and replacing it with the following:

"3.1 Current AIF

(1) An issuer that has not filed an AIF

(a) under NI 44-101,

(b) prior to the effective date of NI 44-101, under NP 47, or

(c) under NI 51-102 or NI 51-103,

may file a current AIF under this Instrument at any time.

(2) An issuer filing a current AIF as defined in paragraphs (d), (e), (f) or (g) of the definition of current AIF shall file a notice on SEDAR:

(a) advising that it has filed a current AIF, and

(b) identifying the SEDAR project number under which the current AIF was filed."

PART 2 EFFECTIVE DATE

2.1 Effective Date – This Amendment comes into force on •.

APPENDIX B

RELATED AMENDMENTS TO ONTARIO SECURITIES REGULATION

AND

ADDITIONAL INFORMATION REQUIRED IN ONTARIO

Provisions of Regulation to be Revoked or Amended

1. The Ontario Securities Commission ("the Commission") proposes to revoke the following provisions of the Regulation made under the *Securities Act* (Ontario) (the Act) R.R.O. 1990 Reg. 1015, as am. (the "Regulation"):

   subsection 2(3);

   sections 3, 5, 6 and 176 to 181 inclusive; and

   Forms 27, 28 30 and 40.

2. The Commission proposes to amend the following provisions of the Regulation to refer to proposed National Instrument 51-102 *Continuous Disclosure Obligations* (the "Rule"), to proposed National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and to National Instrument 81-106 *Investment Funds Continuous Disclosure* in order to expand the exemptions to the requirements contained in those provisions:

   subsections 2(1), 2(2), 2(5) and 2(6).

3. The Commission proposes to replace references to Form 27 with references to Form 51-102F3 in the following provisions of the Regulation:

   clause 4(a)(ii) and section 35 of Schedule 1 to the Regulation.

4. The Commission proposes to replace references to OSC Policy Statement 5.10 with references to the Rule and to National Instrument 81-106 *Investment Funds Continuous Disclosure* in the following provisions of the Regulation:

   sections 34 and 50 of Schedule 1 to the Regulation.

5. The Commission proposes to amend section 34 of Schedule 1 to the Regulation by adding a reference to the Rule and to National Instrument 81-106 *Investment Funds Continuous Disclosure*.

Authority for the Rule

The following provisions of the Act provide the Commission with authority to adopt the proposed Rule.

Paragraph 143(1)22 authorizes the Commission to prescribe requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to the requirements under the Act, including requirements in respect of an annual report, an annual information form and supplemental analysis of financial statements.

Paragraph 143(1)23 authorizes the Commission to exempt reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act.

Paragraph 143(1)24 authorizes the Commission to require issuers or other persons and companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 143(1)22 of the Act.

Paragraph 143(1)25 authorizes the Commission to prescribe requirements in respect of financial accounting, reporting and auditing for the purposes of the Act, the regulations and the rules.

Paragraph 143(1)26 authorizes the Commission to prescribe requirements for the validity and solicitation of proxies.

Paragraph 143(1)38 authorizes the Commission to prescribe requirements in respect of reverse take-overs including requirements for disclosure that are substantially equivalent to that provided by a prospectus.

Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules and all documents determined by the regulations or the rules to be ancillary to the documents, including financial statements, proxies and information circulars.

Paragraph 143(1)44 authorizes the Commission to vary the Act to permit or require the use of an electronic or computer-based system for the filing, delivery or deposit of:

i. documents or information required under or governed by the Act, the regulations or rules, and

ii. documents determined by the regulations or rules to be ancillary to documents required under or governed by the Act, the regulations or rules.

Paragraph 143(1)49 authorizes the Commission to vary the Act to permit or require methods of filing or delivery, to or by the Commission, issuers, registrants, security holders or others, of documents, information, notices, books, records, things, orders, authorizations or other communications required under or governed by Ontario securities laws.

Paragraph 143(1)56 authorizes the commission to make rules providing for exemptions from or varying any or all time periods in the Act.

Alternatives Considered

The Instrument contains provisions which are intended to harmonize existing obligations under securities legislation in the jurisdictions. The only alternative to those provisions that the Commission considered was the status quo of having differing requirements in various jurisdictions. The Commission decided to harmonize because the following is one of the fundamental principles that the Commission is to have regard to under section 2.1 of the Act: “The integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes.”

The Instrument also includes provisions which either impose additional continuous disclosure obligations or remove existing obligations (the “Additional Provisions”) from those presently found under the Act, the Regulation or the rules thereunder. The Commission considered whether to implement the Additional Provisions by local rule. However, the Commission followed the principle quoted above and determined to implement the Additional Provisions in the Instrument.

6.1.2 National Instrument 51-102, Continuous Disclosure Obligations

NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

Table of Contents

NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1

DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS AND INTERPRETATION[1]

(1) A term used in this Instrument and defined in the securities statute of the local jurisdiction has the meaning given to it in that statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure, proxy solicitation or financial disclosure matters; or (b) the context otherwise requires.

(2) Subject to subsection (1), in this Instrument:

"acquisition of related businesses" means the acquisition of two or more businesses if:

(a) the businesses were under common control or management before the acquisitions were completed;

(b) each acquisition was conditional upon the completion of each other acquisition; or

(c) the acquisitions were contingent upon a single common event;

"aggregate market value" means the aggregate of the market value of each class of an issuer's equity securities for which there is a published market, calculated for each class, by multiplying:

(a) the simple average of the closing prices of the class of equity securities, on the published market on which that class is principally traded, for each of the 20 most recent trading days up to and including the last day of the issuer's financial year on which there was a closing price; by

(b) the simple average number of equity securities of the class outstanding over the 20 day trading period;

"AIF" means a completed Form 51-102F1 *AIF* or, in the case of an SEC issuer, either a completed Form 51-102F1 or a current annual report on Form 10-K, or on Form 20-F, under the 1934 Act;

"asset-backed security" means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or timely distribution of proceeds to securityholders;

"board of directors" means, for a person or company that does not have a board of directors, a person or group of persons that performs similar functions;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report;*

"class" includes a series of a class;

"common share" means an equity share to which is attached voting rights exercisable in all circumstances, irrespective of the number or percentage of shares owned, that are not less, on a per share basis, than the voting rights attached to any other shares of an outstanding class of shares of the reporting issuer;

"date of acquisition" means the date of acquisition as determined for accounting purposes pursuant to the Handbook;

"development-stage issuer" means a reporting issuer that is devoting substantially all of its efforts to establishing a new business and planned principal operations have not commenced;

"equity security" or "equity share" means any security or share, as the case may be, of a reporting issuer that carries a residual right to participate in earnings of the reporting issuer and, on the liquidation or winding-up of the reporting issuer, in its assets;

[1] National Instrument 14-101 *Definitions* defines certain terms that are used in more than one national or multilateral instrument.

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"exchangeable security" means a security of a reporting issuer that is exchangeable for, or carries the right of the holder to acquire, or of the reporting issuer to cause the acquisition of, a security of another reporting issuer;

"executive officer" of a reporting issuer for a financial year, means an individual who at any time during the year was:

(a) a chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(b) a vice-chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(c) the president of the reporting issuer;

(d) a vice-president of the reporting issuer in charge of a principal business unit, division or function including sales, finance or production;

(e) an officer of the reporting issuer or any of its subsidiaries who performed a policy-making function in respect of the reporting issuer; or

(f) any other person who performed a policy-making function in respect of the reporting issuer;

"form of proxy" means a document in written, printed or, if permitted under the legislation of the reporting issuer's jurisdiction of incorporation, electronic form containing the content required under section 9.4 that, on completion and execution by or on behalf of a securityholder, becomes a proxy;

"group scholarship plan" means a scholarship plan the securities of which entitle the beneficiaries, who are designated in connection with the acquisition of the securities that have the same year of maturity, to a scholarship award proportionate to the value of the securities in respect of which they are designated, on or after maturity of the securities;

"income from continuing operations" means income or loss, adjusted to exclude discontinued operations, extraordinary items, and net income taxes;

"insider" means:

(a) every director or executive officer of a reporting issuer;

(b) every director or executive officer of a company that is itself an insider or subsidiary of a reporting issuer;

(c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all voting securities of the reporting issuer for the time being outstanding other than voting securities held by the person or company as underwriter in the course of a distribution; and

(d) a reporting issuer where it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities;

"inter-dealer bond broker" means a person or company that is approved by the IDA under IDA By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to IDA By-law No. 36 and IDA Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"interim period" means a period commencing with the beginning of a financial year and ending nine, six or three months before the end of the financial year;

"investee" means an entity that the Handbook recommends that a reporting issuer account for by the equity method or the proportionate consolidation method;

"investment fund" means a mutual fund, a non-redeemable investment fund or a group scholarship plan;

"marketplace" means

(a) an exchange,

(b) a quotation and trade reporting system,

(c) a person or company not included in paragraph (a) or (b) that

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

"material change" means, if used in relation to the affairs of a reporting issuer, a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer and includes a decision to implement such a change made by the board of directors of the reporting issuer or by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors is probable;

"MD&A" means a completed Form 51-102F2 *Management Discussion & Analysis* or, in the case of an SEC issuer, either a completed Form 51-102F2 or management discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

"mineral project" means any exploration, development or production activity in respect of natural, solid, inorganic or fossilized organic material including base and precious metals, coal and industrial minerals;

"non-voting shares" means restricted shares that do not carry the right to vote generally, except for a right to vote that is mandated, in special circumstances, by law;

"non-redeemable investment fund" means, an issuer

(a) whose primary purpose is to invest money provided by its securityholders;

(b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than mutual funds or other non-redeemable investment funds; and

(c) that is not a mutual fund;

"preference shares" means shares to which are attached a preference or right over the shares of any class of equity shares of the reporting issuer, but do not include equity shares;

"principal obligor" means, for any asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent a third or more of the aggregate amount owing on all of the financial assets underlying the asset-backed security;

"proxy" means a completed and executed form of proxy by which a securityholder has appointed a person or company as the securityholder's nominee to attend and act for the securityholder and on the securityholder's behalf at a meeting of securityholders;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

"recognized exchange" means

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,

(b) in Québec, an exchange recognized by the securities regulatory authority as a self-regulatory organization; and

(c) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"restricted share term" means each of the terms "non-voting shares", "subordinate voting shares" and "restricted voting shares";

"restricted shares" means:

(a) equity shares that are not common shares; and

(b) equity shares, if any of the following apply:

(i) there is another class of shares that, to a reasonable person, appears to carry a disproportionate vote per share relative to the equity shares;

(ii) the conditions of a class of equity shares, the conditions of other classes of shares, or the reporting issuer's constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of another class of equity shares; or

(iii) there is a second class of equity shares that, to a reasonable person, appears to entitle the owner of equity shares of that second class to participate in the earnings or assets of the reporting issuer disproportionately relative to the first class of equity shares;

"restricted voting shares" means restricted shares that carry a right to vote subject to a restriction on the number or percentage of shares that may be voted by one or more persons or companies, except to the extent the restriction is permitted or prescribed by statute and is applicable only to persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians;

"SEC issuer" means a reporting issuer that:

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America;

"senior issuer" means a reporting issuer that, as at the end of its most recently completed financial year or as at the end of any previous financial year ending after ● was listed on the Toronto Stock Exchange and did not qualify as, or if the reporting issuer had been listed on the Toronto Stock Exchange at any of these times would not have qualified as, a "non-exempt company" under the rules and policies of that exchange;

"significance tests" means the tests set out in subsection 8.2(l);

"small business" means a business that satisfies both of the following criteria:

(a) the consolidated assets of the business as at the specified date are less than $10,000,000; and

(b) the consolidated revenue of the business for a financial year ending on the specified date is less than $10,000,000;

"solicit", in connection with a proxy, includes:

(a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy;

(b) requesting a holder of voting securities to execute or not to execute a form of proxy or to revoke a proxy;

(c) sending a form of proxy or other communication to a holder of voting securities under circumstances that to a reasonable person will likely result in the procurement, withholding or revocation of a proxy of that holder of voting securities; or

(d) sending, along with a notice of a meeting, a form of proxy to a holder of voting securities by management of a reporting issuer;

but does not include:

(e) sending a form of proxy to a holder of securities in response to a unsolicited request made by or on behalf of the holder of securities; or

(f) performing administrative acts or professional services on behalf of a person or company soliciting a proxy; or

(g) making a public announcement as to how a person or company intends to vote and the reasons for that decision;

"subject securities" means shares that, if and when issued, will result in an existing class of outstanding equity shares being considered, for the purposes of this Instrument, restricted shares;

"subordinate voting shares" means restricted shares that carry a right to vote, if there are shares of another class of shares outstanding that carry a greater right to vote on a per share basis;

"US GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support and as supplemented by Regulation S-X and Regulation S-B under the 1934 Act; and

"US GAAS" means generally accepted auditing standards in the United States of America as supplemented by the SEC's rules on auditor independence.

PART 2

APPLICATION & TRANSITION

2.1 APPLICATION

This Instrument does not apply to investment funds unless otherwise expressly stated.

2.2 TRANSITION

Unless otherwise stated, the provisions of this Instrument concerning:

(a) annual financial statements and MD&A, apply for financial years beginning on or after ●, 2003[2];

(b) interim financial statements and MD&A, apply for interim periods in financial years beginning on or after ●, 2003;

(c) AIFs, apply in respect of financial years beginning on or after ●, 2003, and

(d) all other disclosure obligations under this Instrument, apply from and after ●, 2003.

[2] The date this Instrument is expected to become effective.

PART 3

LANGUAGE OF DOCUMENTS

3.1 FRENCH OR ENGLISH

(1) A person or company must file a document required to be filed under this Instrument in French or in English or both.

(2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, linguistic obligations and rights prescribed by Québec law must be complied with.

PART 4

FINANCIAL STATEMENTS

4.1 ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

(1) A reporting issuer must file comparative annual financial statements that include:

(a) an income statement, a statement of retained earnings, and a cash flow statement for:

(i) the period that commenced on the date of incorporation or organization of the reporting issuer and ended as at the close of the first financial year or, if the reporting issuer has completed a financial year, the period covered by the most recently completed financial year, as the case may be; and

(ii) the period covered by the financial year immediately preceding the most recently completed financial year, if any;

(b) a balance sheet as at the end of each of the periods referred to in paragraph (a); and

(c) notes to the financial statements.

(2) A reporting issuer must, at the same time, file an auditor's report on the financial statements filed under subsection (1).

4.2 FILING DEADLINE FOR ANNUAL FINANCIAL STATEMENTS

(1) The comparative financial statements and auditor's report required to be filed under section 4.1 must be filed:

(a) in the case of a senior issuer, on or before the earlier of:

(i) the 90th day after the end of its most recently completed financial year; and

(ii) the date of filing annual financial statements for its most recently completed financial year in a foreign jurisdiction, or

(b) in the case of a reporting issuer other than a senior issuer, on or before the earlier of:

(i) the 120th day after the end of its most recently completed financial year; and

(ii) the date of filing annual financial statements for its most recently completed financial year in a foreign jurisdiction.

4.3 APPROVAL OF AUDITED FINANCIAL STATEMENTS

The comparative financial statements required to be filed under section 4.1 must be reviewed by the audit committee, if any, of the board of directors and must be approved by the board of directors before the statements are filed.

4.4 INTERIM FINANCIAL STATEMENTS

(1) A reporting issuer must file:

(a) if it has not completed its first financial year, interim financial statements for all of the interim periods of the reporting issuer's current financial year other than a period that is less than three months in length; or

(b) if it has completed its first financial year, interim financial statements for all of the interim periods of the reporting issuer's current financial year.

(2) Subject to 4.13(2), the financial statements required to be filed under subsection (1) must include:

(a) a balance sheet as at the end of the interim period for which the financial statements are prepared and a balance sheet as at the end of the immediately preceding financial year;

(b) an income statement, a statement of retained earnings and a cash flow statement, all for the year-to-date interim period for which the financial statements are prepared and comparative financial information for the corresponding interim period in the immediately preceding financial year;

(c) an income statement and cash flow statement for the three-month period for which financial statements are prepared and comparative financial information for the corresponding period in the preceding financial year; and

(d) notes to the financial statements.

4.5 FILING DEADLINE FOR INTERIM FINANCIAL STATEMENTS

(1) The financial statements required to be filed under section 4.4 must be filed:

(a) in the case of a senior issuer, on or before the earlier of:

(i) the 45th day after the end of the interim period, and

(ii) the date of filing interim financial statements for a period ending on the last day of the interim period in a foreign jurisdiction; or

(b) in the case of a reporting issuer other than a senior issuer, on or before the earlier of:

(i) the 60th day after the end of the interim period; and

(ii) the date of filing interim financial statements for a period ending on the last day of the interim period in a foreign jurisdiction.

4.6 REVIEW OF INTERIM FINANCIAL STATEMENTS

(1) The board of directors of a reporting issuer must review the financial statements required to be filed under section 4.4 before filing the statements.

(2) The board of directors may delegate the review required by subsection (1) to an audit committee of the board.

4.7 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(1) Subject to subsection (2) and section 8.6, the financial statements required to be filed under sections 4.1 and 4.4 and any other financial statements included in a document required by this Instrument must be prepared in accordance with Canadian GAAP but may not be prepared in accordance with differential reporting options set out in the Handbook.

(2) Subject to subsection (3), an SEC issuer may prepare the financial statements referred to in subsection (1) in accordance with US GAAP.

(3) If an SEC issuer that previously filed financial statements prepared in accordance with Canadian GAAP chooses to file financial statements under subsection (2), the reporting issuer must, in the notes to the first two sets of annual comparative financial statements required by section 4.1, after the change from Canadian GAAP to US GAAP and in the notes to the interim financial statements for interim periods during those two years filed under this Instrument:

(a) explain the material differences between Canadian GAAP and US GAAP that relate to measurement in the reporting issuer's financial statements;

(b) quantify the effect of material differences between Canadian GAAP and US GAAP that relate to measurement in the reporting issuer's financial statements, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP; and

(c) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements.

(4) Subject to subsection (5), a reporting issuer must use the same accounting principles for all the periods presented in the financial statements referred to in subsection (1) except where a reporting issuer previously used Canadian GAAP and has used US GAAP to prepare the financial information for the most recent period presented in the financial statements, in which case the reporting issuer must present financial information for the comparative periods as follows:

(a) as previously reported in accordance with Canadian GAAP; and

(b) the comparative information in paragraph (a) adjusted for differences between Canadian GAAP and US GAAP and supported by accompanying notes that set out the reconciling items in the manner specified in subsection (3).

(5) The comparative information specified in paragraphs (a) and (b) of subsection (4) must be presented on the face of the balance sheet and statements of income, retained earnings, and cash flow except that in the case of interim financial statements, the comparative information specified in paragraph (a) of subsection (4) may be presented in the notes to the financial statements.

(6) The notes to the financial statements referred to in subsection (1) must state which accounting principles the financial statements have been prepared in accordance with.

4.8 AUDITOR'S REPORT

(1) An auditor's report required by section 4.1 must be prepared by a person or company that is authorized, by the laws and professional standards of the jurisdiction or foreign jurisdiction in which the report is signed, to sign an auditor's report.

(2) Subject to subsection (3), for the purposes of section 4.1, a reporting issuer must file an auditor's report that is prepared in accordance with Canadian GAAS and does not contain a reservation.

(3) An SEC issuer may file an auditor's report prepared in accordance with US GAAS if:

(a) the auditor's report contains an unqualified opinion; and

(b) where the SEC issuer must comply with subsection 4.7(3), the auditor's report on those financial statements referred to in subsection 4.7(3) is accompanied by a statement by the auditor disclosing any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS.

(4) An auditor's report required under section 4.1 must identify all audited financial periods presented for which the auditor has issued an auditor's report. If the reporting issuer has changed its auditor and comparative periods presented in the financial statements were audited by a different auditor, the auditor's report must refer to the former auditor's report on the comparative periods.

4.9 BALANCE SHEET LINE ITEMS

(1) Subject to subsection (2), a reporting issuer must present separately in the balance sheets that form part of the annual and interim financial statements required under sections 4.1 and 4.4 at least the following items:

(a) cash and cash equivalents;

(b) temporary investments;

(c) long-term investments;

(d) accounts and notes receivable;

(e) investments accounted for using the equity method;

(f) inventories;

(g) property, plant and equipment;

(h) goodwill;

(i) intangible assets excluding goodwill;

(j) accounts payable;

(k) current interest-bearing liabilities;

(l) long-term debt;

(m) non-controlling interest(s);

(n) share capital;

(o) contributed surplus;

(p) retained earnings; and

(q) deferred expenses.

(2) A reporting issuer is not required to present separately an item listed in paragraphs (1)(a) through (l) of subsection (1) if the item represents less than 5 percent of the total assets of the reporting issuer as at the balance sheet date unless otherwise required by the Handbook.

4.10 ADDITIONAL INFORMATION FOR DEVELOPMENT-STAGE ISSUERS

A development-stage issuer must include, as a schedule or note to the financial statements required under sections 4.1 and 4.4, for each period covered by those financial statements, a breakdown of material components of:

(a) exploration and development expenses;

(b) research and development expenses;

(c) administration expenses;

(d) any material expenses not referred to in paragraphs (a) through (c); and

(e) additions to deferred expenditures,

and, if the reporting issuer is a natural resource issuer (other than an oil and gas issuer), a breakdown of material components for each material property of the reporting issuer.

4.11 DISCLOSURE OF OUTSTANDING SHARE DATA

(1) A reporting issuer must include the disclosure required by this section in its annual and interim financial statements required under sections 4.1 and 4.4 or in its annual and interim MD&A required under section 6.1 or its MD&A supplement, if one is required under section 6.2.

(2) The disclosure prepared by a reporting issuer under this section must be prepared as of the latest practicable date.

(3) The disclosure prepared by a reporting issuer under this section must consist of the designation and number or principal amount of:

(a) each class and series of voting or equity securities of the reporting issuer that is outstanding;

(b) each class and series of securities of the reporting issuer that is outstanding and that are convertible into, or exercisable or exchangeable for, voting or equity securities of the reporting issuer; and

(c) to the extent determinable upon reasonable inquiry, each class and series of voting or equity securities of the reporting issuer into which, or for which, any outstanding securities of the reporting issuer are convertible, exercisable or exchangeable.

4.12 DELIVERY OF FINANCIAL STATEMENTS

(1) A reporting issuer must send, as soon as practicable and without charge to any securityholder of the reporting issuer who requests them, a copy of any annual or interim financial statements that have been filed under this Instrument.

(2) A reporting issuer must disclose at least annually in its AIF and information circular that the annual and interim financial statements are available without charge to securityholders and how those financial statements may be obtained.

4.13 FILING OF FINANCIAL STATEMENTS AFTER BECOMING A REPORTING ISSUER

(1) Despite any other provision of this Part except subsections (2) and (3), a reporting issuer must commence filing, in accordance with the filing deadlines set out in sections 4.2 and 4.5, the annual and interim financial statements required by sections 4.1 and 4.4, the filing deadline for which occurs after the date it becomes a reporting issuer.

(2) Unless otherwise required by the accounting principles used to prepare the reporting issuer's financial statements, a reporting issuer is not required to provide comparative figures for interim financial statements for comparative periods in which it was not a reporting issuer and did not prepare interim financial statements.

(3) Subsection (1) does not apply to a reporting issuer in respect of an issuer's first financial statements required to be filed after it becomes a reporting issuer if the financial statements were previously filed with a regulator or securities regulatory authority in another Canadian jurisdiction and the reporting issuer files a letter with the applicable regulator or securities regulatory authority indicating where and when the financial statements were previously filed.

4.14 CHANGE OF AUDITOR

(1) In this section:

"appointment" means, in relation to a reporting issuer, the earlier to occur of

(a) the appointment as its auditor of a different person or company than its former auditor; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of qualified securities to appoint as its auditor a different person or company than its former auditor;

"consultation" means advice provided, whether or not in writing, to a reporting issuer during the relevant period by a successor auditor which the successor auditor concluded was an important factor considered by the reporting issuer in reaching a decision concerning:

(a) the application of accounting principles or policies to a transaction, whether or not the transaction is completed;

(b) an auditor's report on the reporting issuer's financial statements;

(c) a matter of audit scope or procedure; or

(d) a matter of financial statement disclosure;

"disagreement" means a difference of opinion between personnel of a reporting issuer responsible for the finalization of the reporting issuer's financial statements and the personnel of a former auditor responsible for authorizing the issuance of audit reports with respect to the reporting issuer, if the difference of opinion:

(a) resulted in a reservation in the former auditor's report on the reporting issuer's financial statements for any period during the relevant period; or

(b) would have resulted in a reservation in the former auditor's report on the reporting issuer's financial statements for any period during the relevant period if the difference of opinion had not been resolved to the

former auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the former auditor upon the receipt of further information;

"former auditor" means the auditor of a reporting issuer that is the subject of the most recent termination or resignation;

"qualified securities" means securities of a reporting issuer that carry the right to participate in voting on the appointment or removal of the reporting issuer's auditor;

"relevant information circular" means:

(a) if a reporting issuer's constating documents or applicable law require holders of qualified securities to take action in order to remove the reporting issuer's auditor or to appoint a successor auditor:

(i) the information circular required to accompany or form part of every notice of meeting at which that action is proposed to be taken; or

(ii) the disclosure document accompanying the text of the written resolution provided to holders of qualified securities, or

(b) if paragraph (a) does not apply, the information circular required to accompany or form part of the first notice of meeting to be sent to holders of qualified securities following the preparation of a reporting package concerning a termination or resignation;

"relevant period" means the period:

(a) commencing at the beginning of the reporting issuer's two most recently completed financial years; and

(b) ending on the date of termination;

"reportable event" means a disagreement, a consultation, or an unresolved issue;

"reporting package" means

(a) the documents referred to in clauses (4)(a)(i) and (b)(i);

(b) the letter referred to in paragraph (8)(b), if received by the reporting issuer; and,

(c) the letter referred to in paragraph (9)(b), if received by the reporting issuer;

"successor auditor" means the person or company:

(a) appointed;

(b) that the board of directors have proposed to holders of qualified securities be appointed; or

(c) that the board of directors have decided to propose to holders of qualified securities be appointed;

as the reporting issuer's auditor after the termination or resignation of the reporting issuer's former auditor;

"termination" means, in relation to a reporting issuer, the earlier to occur of:

(a) the removal of its auditor before the expiration of the auditor's term of appointment, the expiration of its auditor's term of appointment without reappointment, or the appointment of a different person or company as its auditor upon expiration of its auditor's term of appointment; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of its qualified securities that its auditor be removed before, or that a different person or company be appointed as its auditor upon, the expiration of its auditor's term of appointment;

"unresolved issue" means any matter that, in the former auditor's opinion, has, or could have, a material impact on the financial statements or audit reports of any financial period during the relevant period, and about which the former auditor has advised the reporting issuer if:

(a) the former auditor was unable to reach a conclusion as to the matter's implications before the date of termination;

(b) the matter was not resolved to the former auditor's satisfaction before the date of termination; or

(c) the former auditor is no longer willing to be associated with any of these financial statements;

(2) For the purposes of this section, the term "material" has a meaning consistent with the discussion of the term "materiality" in the Handbook.

(3) This section applies to a change of auditor of a reporting issuer, unless:

(a) the change of auditor is required by the legislation under which the reporting issuer exists or carries on its activities; or

(b) the change of auditor arises from an amalgamation, merger or other reorganization of the auditor.

(4) Upon a termination or resignation of its auditor, a reporting issuer must:

(a) within 10 days after the date of termination:

(i) prepare a change of auditor notice in accordance with subsection (6) and deliver a copy of it to the former auditor; and

(ii) make the request of the former auditor specified in subsection (8);

(b) within 30 days after the date of termination:

(i) obtain from the audit committee of its board of directors or, in the absence of such a committee, its board of directors, written confirmation that the committee or board, as the case may be, has reviewed the change of auditor notice and any auditor response;

(ii) deliver a copy of the reporting package to the applicable regulator or securities regulatory authority;

(iii) deliver a copy of the reporting package to the former auditor;

(iv) if there are any reportable events, issue and file a news release describing the information in the reporting package; and

(c) include with each relevant information circular:

(i) a copy of the reporting package as an appendix; and

(ii) a summary of the contents of the reporting package with a cross-reference to the appendix.

(5) Upon an appointment of a successor auditor, a reporting issuer must:

(a) within 10 days after the date of appointment:

(i) deliver a copy of the change of auditor notice prepared in accordance with subsection (6) to the successor auditor; and

(ii) make the request of the successor auditor specified in subsection (9); and

(b) within 30 days after the date of appointment:

(i) obtain from the audit committee of its board of directors or, in the absence of such a committee, its board of directors, written confirmation that the committee or board, as the case may be, has reviewed the change of auditor notice and any auditor response;

(ii) deliver a copy of the reporting package to the applicable regulator or securities regulatory authority;

(iii) deliver a copy of the reporting package to the successor auditor; and

(iv) if there are any reportable events, issue and file a news release disclosing the appointment of the successor auditor.

(6) A change of auditor notice must state:

(a) the date of termination;

(b) whether the former auditor:

(i) resigned on the former auditor's own initiative or at the reporting issuer's request;

(ii) was removed or is proposed to holders of qualified securities to be removed during the former auditor's term of appointment; or

(iii) was not reappointed or has not been proposed for reappointment;

(c) whether the termination or resignation of the former auditor and any appointment of the successor auditor were considered or approved by the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors if the reporting issuer does not have an audit committee;

(d) whether the former auditor's report on any of the reporting issuer's financial statements relating to the relevant period contained any reservation and, if so, a description of each reservation;

(e) if there is a reportable event, the following information:

(i) for a disagreement:

(A) a description of the disagreement;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the disagreement with the former auditor; and

(C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the disagreement and, if not, a description of and reasons for any limitation;

(ii) for a consultation:

(A) a description of the issue that was the subject of the consultation;

(B) a summary of the successor auditor's oral advice, if any, provided to the reporting issuer concerning the issue;

(C) a copy of the successor auditor's written advice, if any, received by the reporting issuer concerning the issue; and

(D) whether the reporting issuer consulted with the former auditor concerning the issue and, if so, a summary of the former auditor's advice concerning the issue;

(iii) for an unresolved issue:

(A) a description of the issue;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the issue with the former auditor; and

(C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the issue and, if not, a description of and reasons for any limitation; and

(f) if there are no reportable events, a statement to that effect.

(7) A change of auditor notice must be approved by the board of directors of the reporting issuer.

(8) For the purposes of clause (4)(a)(ii), the reporting issuer must request the former auditor to:

(a) review the reporting issuer's change of auditor notice;

(b) prepare a letter, addressed to the applicable regulator or securities regulatory authority, stating, to the former auditor's knowledge, whether or not the change of auditor notice states correctly all information required under subsection (6) and, if not, the information required under subsection (6) that has not been stated correctly; and

(c) deliver the letter to the reporting issuer within 20 days after the date of termination.

(9) For the purposes of clause (5)(a)(ii), the reporting issuer must request the successor auditor to:

(a) review the reporting issuer's change of auditor notice;

(b) prepare a letter that:

(i) is addressed to the securities regulatory authority;

(ii) states, to the successor auditor's knowledge, whether or not the change of auditor notice states correctly, all information required under subsection (6) and, if not, the information required under subsection (6) that has not been stated correctly;

(c) deliver that letter to the reporting issuer and a copy of the letter to the former auditor within 20 days after the date of appointment.

(10) If the successor auditor becomes aware that the required disclosure under this Instrument has not been made by the reporting issuer, the auditor must, within 7 days, advise the reporting issuer in writing and deliver a copy of the letter to the applicable regulator or securities regulatory authority.

(11) A reporting issuer is not required to comply with this section if:

(a) a termination, or resignation, and appointment occur in connection with an amalgamation, arrangement, take-over or similar transaction involving the reporting issuer or a reorganization of the reporting issuer;

(b) the termination, or resignation, and appointment have been disclosed in a news release that has been filed or in a disclosure document that has been delivered to holders of qualified securities and filed; and

(c) no reportable event has occurred.

(12) An SEC issuer is not required to comply with this section if it:

(a) complies with the requirements of Item 304 of Regulation S-K; and

(b) at the same time that the information is provided to the SEC:

(i) files the information with the applicable regulator or securities regulatory authority; and

(ii) issues and files with the applicable regulator or securities regulatory authority the news release required under clause (4)(b)(iv) or (5)(b)(iv), if any, and

(c) includes the information with each relevant information circular.

PART 5

ANNUAL INFORMATION FORM

5.1 REQUIREMENT TO FILE AN AIF

(1) Subject to subsection (2), a reporting issuer must file an AIF.

(2) A reporting issuer that is a small business as at the end of the reporting issuer's most recently completed financial year, and that has an aggregate market value of less than $75 million is exempt from the requirements of subsection (1) if the reporting issuer:

(a) has never been required to file an AIF under this Instrument; or

(b) (i) was previously required to file an AIF under this Instrument solely by virtue of having aggregate market value exceeding $75 million;

(ii) had an aggregate market value of less than $75 million as at the end of each of its two most recently completed financial years; and

(iii) prior to the date the AIF would otherwise have to be filed under section 5.2, notifies the applicable securities regulatory authority or regulator in writing that the reporting issuer is relying on this paragraph 5.1(2)(b).

5.2 FILING DEADLINE FOR AN AIF

(1) An AIF required to be filed under section 5.1 must be filed:

(a) subject to paragraph (b), in the case of a senior issuer, on or before the 90th day after the end of its most recently completed financial year;

(b) in the case of a senior issuer that is an SEC issuer filing its AIF in Form 10-K or Form 20-F, on or before the earlier of:

(i) the date the reporting issuer would be required to file an AIF under paragraph (a); and

(ii) the date the reporting issuer files its Form 10-K or Form 20-F with the SEC;

(c) subject to paragraph (d), in the case of a reporting issuer other than a senior issuer, on or before the 120th day after the end of the reporting issuer's most recently completed financial year; and

(d) in the case of a reporting issuer, other than a senior issuer, that is an SEC issuer filing its AIF in Form 10-K or Form 20-F, on or before the earlier of:

(i) the date the reporting issuer would be required to file an AIF under paragraph (c); and

(ii) the date the reporting issuer files its Form 10-K or Form 20-F with the SEC.

5.3 ADDITIONAL / SUPPORTING DOCUMENTS

A reporting issuer that files an AIF must at the same time file copies of all material incorporated by reference in the AIF and not previously filed.

PART 6

ANNUAL & INTERIM MD&A

6.1 FILING OF ANNUAL AND INTERIM MD&A

Subject to section 6.2, a reporting issuer must file annual or interim MD&A at the same time as it files its annual or interim financial statements (or a letter under subsection 4.13(3) referring to its financial statements), as applicable.

6.2 ALTERNATIVE FILING OF ANNUAL AND INTERIM MD&A AND SUPPLEMENT FOR REPORTING ISSUERS FILING WITH THE SEC

(1) A reporting issuer that is an SEC issuer filing its annual or interim MD&A prepared in accordance with Item 303 of Regulation S-K under the 1934 Act must file:

(a) that document on or before the earlier of:

(i) the date the reporting issuer would be required to file that document under section 6.1; and

(ii) the date the reporting issuer files that document with the SEC; and

(b) at the same time, a supplement prepared in accordance with subsection (2) if the reporting issuer:

(i) has based the discussion in the MD&A on financial statements prepared in accordance with US GAAP; and

(ii) is required to comply with subsection 4.7(3) with respect to the financial statements on which the MD&A is based.

(2) A supplement required under subsection (1) must restate, based on financial information of the reporting issuer prepared in accordance with or reconciled to Canadian GAAP, those parts of the MD&A that:

(a) are based on financial statements of the reporting issuer prepared in accordance with US GAAP; and

(b) would contain material differences if they were based on financial statements of the reporting issuer prepared in accordance with Canadian GAAP.

6.3 DISCLOSURE OF OUTSTANDING SHARE DATA

If a reporting issuer has not included the disclosure required by section 4.11 in its financial statements, it must include that disclosure in its MD&A or in its MD&A supplement if one is required under section 6.2.

6.4 REVIEW OF ANNUAL AND INTERIM MD&A

(1) The board of directors of a reporting issuer must review the annual and interim MD&A required by this Part before it is filed.

(2) The board of directors may delegate the review required by subsection (1) to an audit committee of the board.

6.5 DELIVERY OF ANNUAL AND INTERIM MD&A

(1) A reporting issuer must send, as soon as practicable and without charge, a copy of any annual or interim MD&A and any MD&A supplement required by this Part to any securityholder of the reporting issuer who requests it.

(2) The reporting issuer must disclose at least annually in the reporting issuer's AIF and information circular that annual and interim MD&A is available without charge to securityholders and how the MD&A may be obtained.

PART 7

MATERIAL CHANGE REPORTS

7.1 PUBLICATION OF MATERIAL CHANGE

(1) If a material change occurs in the affairs of a reporting issuer, the reporting issuer must:

(a) promptly issue and file a news release that is authorized by an executive officer and that discloses the nature and substance of the change; and

(b) file a completed Form 51-102F3 *Material Change Report*, as soon as practicable, but in any event no later than 10 days after the date on which the change occurs.

(2) The requirements of paragraph (1)(a) do not apply to reporting issuers that immediately file a completed Form 51-102F3 marked "Confidential" together with written reasons why a news release under paragraph (1)(a) should not be issued, so long as:

(a) in the opinion of the reporting issuer, the issuance of a news release required by paragraph (1)(a) will be unduly detrimental to its interest; or

(b) a material change in the affairs of the reporting issuer:

(i) consists of a decision to implement a change made by senior management of the reporting issuer who believe that confirmation of the decision by the directors is probable; and

(ii) senior management of the reporting issuer has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the reporting issuer.

(3) The requirements of subsection (1) do not apply in Québec if senior management of the reporting issuer has reasonable grounds to believe that disclosure would be seriously prejudicial to the interests of the issuer and that no transaction in the securities of the issuer has been or will be carried out on the basis of the information not generally known. The reporting issuer must comply with subsection (1) when the circumstances that justify non-disclosure have ceased to exist.

(4) If a report has been filed under subsection (2), the reporting issuer must advise the applicable regulator or securities regulatory authority by letter marked 'Confidential', within 10 days after the date of filing the initial report and every 10 days thereafter, that it believes that the report should continue to remain confidential until:

(a) the material change is generally disclosed in the manner referred to in subsection (1); or

(b) if the material change consists of a decision of the type referred to in clause (2)(b)(i), that decision has been rejected by the directors of the reporting issuer.

PART 8

BUSINESS ACQUISITION REPORT AND DISCLOSURE OF SIGNIFICANT DISPOSITIONS

8.1 OBLIGATION TO FILE A BUSINESS ACQUISITION REPORT

(1) In addition to any obligations of reporting issuers under Part 7 of this Instrument, if a reporting issuer completes a significant acquisition it must file a completed Form 51-102F4 *Business Acquisition Report* within 75 days after the date of acquisition.

(2) In this Part, the term "acquisition" includes an acquisition of an interest in a business accounted for using the equity method or an acquisition of an interest in a joint venture.

(3) In this Part, and in the definition of "acquisition of related businesses" in subsection 1.1(2), the term "business" or "businesses" includes an interest in an oil and gas property.

(4) This Part does not apply to significant acquisitions or dispositions if the initial legally binding agreement relating to the acquisition or disposition was entered into prior to the date of this Instrument.

8.2 DETERMINATION OF SIGNIFICANCE

(1) For the purposes of this Instrument, an acquisition of a business or related businesses is a significant acquisition if it satisfies any of the following three significance tests:

(a) **The Asset Test**. The reporting issuer's proportionate share as at the date of acquisition of the consolidated assets of the business or related businesses exceeds 20 percent of the consolidated assets of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or the related businesses for the most recently completed financial year of each that ended before the date of the acquisition.

(b) **The Investment Test**. The reporting issuer's consolidated investments in and advances to the business or the related businesses as at the date of the acquisition exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer ended before the date of the acquisition, excluding any investments in or advances to the business or the related businesses as at that date.

(c) **The Income Test**. The reporting issuer's proportionate share as at the date of acquisition of the consolidated income from continuing operations of the business or related businesses exceeds 20 percent of the consolidated income from continuing operations of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or related businesses for the most recently completed financial year of each ended before the date of acquisition.

(2) For the purposes of paragraph (1)(c), if any of the reporting issuer, the business or the related businesses has incurred a loss, the significance test must be applied using the absolute value of the loss.

(3) For the purposes of paragraph (1)(c), if the reporting issuer's consolidated income from continuing operations for the most recently completed financial year was:

(a) positive; and

(b) lower by 20 percent or more than the average consolidated income from continuing operations of the reporting issuer for the three most recently completed financial years,

then, the average consolidated income for the three most recently completed financial years may, subject to subsection (4), be substituted in determining whether the significance test set out in paragraph (1)(c) is satisfied.

(4) If the reporting issuer's consolidated income from continuing operations for either of the two earlier financial years referred to in subsection (3) is a loss, the reporting issuer's income from continuing operations for that period is considered to be zero for the purposes of calculating the average consolidated income for the three financial years.

(5) In determining whether an acquisition of related businesses is a significant acquisition, related businesses acquired after the ending date of the most recently filed annual audited financial statements of the reporting issuer must be considered on a combined basis.

(6) For the purposes of the significance tests in subsection (1), if the financial statements of the business or related business are prepared using accounting principles other than those used to prepare the reporting issuer's financial statements, and the reporting issuer's financial statements are prepared in accordance with:

(a) Canadian GAAP, then the financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, Canadian GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses based on Canadian GAAP;

(b) US GAAP, then the financial statements of the business or related businesses must be prepared in accordance with, or reconciled to, US GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses based on US GAAP; or

(c) US GAAP reconciled to Canadian GAAP in a manner specified by subsection 4.7(3), then financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, either US GAAP or Canadian GAAP and the significance tests must be applied using financial information for both the reporting issuer and the business or the related businesses based on the same accounting principles; andZ

(7) For the purposes of the significance tests in subsection (1), if the financial statements of the business or related business are denominated in a currency other than the currency used in the reporting issuer's financial statements, then the significance tests must be applied using financial information for both the reporting issuer and the business or related businesses, based on the currency used in the reporting issuer's financial statements.

(8) For the purposes of the significance tests in subsection (1), the financial information used in the tests for the business or related businesses must be adjusted for any material differences between the accounting policies used to prepare the financial statements of the business or related businesses and the accounting policies used to prepare the reporting issuer's financial statements.

(9) Despite subsection (1), the significance of an acquisition of a business or an acquisition of related businesses may be calculated using unaudited financial statements of the business or related businesses that comply with subsection (6) if the financial statements of the business or related businesses for the most recently completed financial year prior to the date of acquisition have not been audited.

8.3 MODIFIED SIGNIFICANCE TESTS FOR SMALL BUSINESSES

An acquisition of a business or related businesses by a reporting issuer that is a small business (determined as at the end of the reporting issuer's most recently completed financial year) is a significant acquisition only if it satisfies either of the significance tests set out in paragraphs 8.2(1)(a) and (b).

8.4 FINANCIAL STATEMENT DISCLOSURE FOR SIGNIFICANT ACQUISITIONS

(1) **Annual Financial Statements**

Subject to sections 8.10 through 8.15, a business acquisition report must include the following financial statements of each business or related business acquired that is a significant acquisition:

(a) an income statement, a statement of retained earnings and a cash flow statement for at least the periods specified in section 8.5;

(b) a balance sheet as at the date on which each of the periods specified in section 8.5 ended, except that, if section 8.5 specifies that separate financial statements of the business are to be included for three financial years, a balance sheet as at the end of the earliest of the three financial years is not required;

(c) notes to the financial statements; and

(d) an auditor's report on the financial statements for each of the periods specified in section 8.5.

(2) **Interim Financial Statements**

Subject to sections 8.10 through 8.15, if a reporting issuer must include financial statements in a business acquisition report under subsection (1), the business acquisition report must include interim financial statements for:

(a) either:

(i) the most recently completed interim period of the business that started the day after the balance sheet date specified in paragraph (1)(b) and ended before the date of acquisition; or

(ii) the period that started the day after the balance sheet date specified in paragraph (1)(b) and ended on a day that is more recent than the ending date of the period in paragraph (i) and is not later than the date of acquisition; and

(b) the comparable period in the preceding financial year of the business.

(3) **Pro Forma Financial Statements**

(a) If a reporting issuer must include financial statements in a business acquisition report under subsection (1) or (2), the business acquisition report must include:

(i) a pro forma balance sheet of the reporting issuer as at the date of the reporting issuer's most recent balance sheet filed that gives effect, as if they had taken place as at the date of the pro forma balance sheet, to significant acquisitions that have been completed, but are not reflected in the reporting issuer's most recent annual or interim balance sheet;

(ii) a pro forma income statement of the reporting issuer that gives effect to significant acquisitions completed after the ending date of the reporting issuer's most recently completed financial year of the reporting issuer for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year, for each of the following financial periods:

(A) the reporting issuer's most recently completed financial year for which financial statements are required to have been filed; and

(B) the reporting issuer's most recently completed interim period that ended after the period in (A) for which financial statements are required to have been filed;

(iii) pro forma earnings per share based on the pro forma financial statements referred to in clause (ii);

(iv) a compilation report accompanying the pro forma financial statements required under (i) and (ii) signed by the reporting issuer's auditor and prepared in accordance with the Handbook;

(b) where a reporting issuer must include pro forma financial statements in a business acquisition report under subsection (a), the following provisions apply:

(i) if the pro forma financial statements give effect to more than one significant acquisition, the pro forma financial statement must separately identify each significant acquisition;

(ii) the reporting issuer must include in the pro forma financial statements a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;

(iii) if the financial year-end of the business differs from the reporting issuer's year-end by more than 93 days, then for purposes of preparing the pro forma income statement for the reporting issuer's most recently completed financial year, an income statement of the business must be constructed for a

period of 12 consecutive months ending no more than 93 days before or after from the reporting issuer's year-end, by adding the results for a subsequent interim period to the most recent financial year of the business and deducting the comparable interim results for the immediately preceding year;

(iv) no audit report is required for a constructed period referred to in (iii);

(v) where a constructed period is required under (iii), the pro forma financial statements must clearly disclose the constructed period on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro formas and do not conform with the financial statements for the business included elsewhere in the business acquisition report;

(vi) if a reporting issuer is required to prepare a pro forma income statement for an interim period required by clause (3)(a)(ii)(B), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, a note to the pro forma financial statements must disclose the revenue, expenses, gross profit and income from continuing operations included in each pro forma income statement for the overlapping period.

(4) **Financial Statements of Related Businesses**

If a reporting issuer is required under subsection (1) to include financial statements in the business acquisition report for more than one business because the significant acquisition involves an acquisition of related businesses, the financial statements required under subsection (1) must be presented separately for each business, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

8.5 REPORTING PERIODS

Subject to sections 8.11 and 8.12, the periods for which the financial statements are required under paragraph 8.4(1) must be determined by reference to the significance tests set out in subsection 8.2(1) as follows:

(a) if none of the significance tests is satisfied if "20 percent" is read as "40 percent", financial statements must be included for:

(i) the most recently completed financial year of the business ended more than 45 days before the date of acquisition; or

(ii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

(b) if any of the significance tests are satisfied if "20 percent" is read as "40 percent" but none of the tests are satisfied if "20 percent" is read as "50 percent", financial statements must be included for:

(i) each of the two most recently completed financial years of the business ended more than 45 days before the date of acquisition;

(ii) if the business has not completed two financial years, any completed financial year ended more than 45 days before the date of acquisition; or

(iii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, a financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition;

(c) if any of the significance tests are satisfied if "20 percent" is read as "50 percent", financial statements must be included for:

(i) each of the three most recently completed financial years of the business ended more than 45 days before the date of acquisition;

(ii) if the business has not completed three financial years, any completed financial year ended more than 45 days before the date of acquisition; or

(iii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

8.6 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(1) Financial statements required to be filed under subsections 8.4(1) and (2) must be prepared in accordance with:

(a) Canadian GAAP but may not be prepared in accordance with differential reporting options as set out in section 1300 of the Handbook; or

(b) accounting principles that cover substantially the same core subject matter as Canadian GAAP including recognition and measurement principles and disclosure requirements;

(2) The notes to the financial statements required to be filed under subsections 8.4(1) and (2) must state which accounting principles the financial statements have been prepared in accordance with.

(3) Financial statements required to be filed under subsections 8.4(1) and (2) must be prepared in accordance with the same accounting principles for each period presented.

(4) If the financial statements required to be filed under subsections 8.4(1) and (2) are prepared in accordance with accounting principles that are different than the accounting principles used to prepare the reporting issuer's most recent financial statements filed, then the notes to the most recent financial statements required under subsection 8.4(1) and the notes to the financial statements required under subsection 8.4(2) must:

(a) explain the nature of material differences that relate to measurement, between the accounting principles used to prepare the financial statements of the business acquired and the accounting principles used to prepare the reporting issuer's most recent financial statements filed;

(b) quantify the effect of material differences that relate to measurement, between the accounting principles used to prepare the financial statements of the business acquired and the accounting principles used to prepare the reporting issuer's most recent financial statements filed, including a tabular reconciliation between net income reported in the financial statements of the business acquired and net income computed in accordance with the accounting principles used to prepare the reporting issuer's most recent financial statements filed; and

(c) provide disclosure consistent with the accounting principles used to prepare the reporting issuer's most recent financial statements filed, to the extent such disclosure is not already reflected in the financial statements.

(5) Pro forma financial statements required to be filed under subsection 8.4(3) and section 8.17 must be prepared as follows:

(a) if the reporting issuer's financial statements are prepared in accordance with Canadian GAAP, then the pro forma financial statements must be prepared in accordance with Canadian GAAP;

(b) if the reporting issuer's financial statements are prepared in accordance with US GAAP and are not reconciled to Canadian GAAP in the manner specified by subsection 4.7(3), then the pro forma financial statements must be prepared in accordance with US GAAP; or

(c) if the reporting issuer's financial statements are prepared in accordance with US GAAP and are reconciled to Canadian GAAP in the manner specified by subsection 4.7(3), then the pro forma financial statements may be prepared in accordance with US GAAP or Canadian GAAP.

8.7 REPORTING CURRENCY

Financial statements for the business or related businesses required to be filed under section 8.4 must be presented in the same currency as used in the reporting issuer's financial statements.

8.8 AUDITOR'S REPORT

(1) An auditor's report required by subsection 8.4(1) must be prepared by a person or company that is expressly permitted to sign an auditor's report under the laws of the jurisdiction or foreign jurisdiction in which the report is signed.

(2) The auditor's report accompanying the financial statements required by subsection 8.4(1) must be prepared in accordance with either:

(a) Canadian GAAS; or

(b) auditing standards that are substantially equivalent to Canadian GAAS.

(3) The auditor's report must:

(a) identify the auditing standards applied,

(b) not contain a reservation except where the financial statements are for a small business in which case, the auditor's report may contain a reservation relating to inventory if:

(i) the auditor's report does not contain a qualification relating to closing inventory; or

(ii) the reporting issuer includes in the business acquisition report a balance sheet for the business that is:

(A) for a date that is subsequent to the ending date of the financial statements accompanied by the auditor's report containing the reservation; and

(B) the subsequent balance sheet referred to in (A) is accompanied by an auditor's report that does not contain a qualification relating to closing inventory;

(c) be accompanied by statements from the auditor:

(i) that describe any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with the auditing standards used to audit the reporting issuer's most recent audited financial statement filed, and

(ii) if auditing standards other than Canadian GAAS or US GAAS are used, that the auditing standards used are substantially equivalent to Canadian GAAS.

8.9 BALANCE SHEET LINE ITEMS AND ADDITIONAL INFORMATION FOR DEVELOPMENT-STAGE ISSUERS

Financial statement required by subsections 8.4(1) and (2) must include:

(a) the balance sheet line items set out in section 4.9; and

(b) for a development-stage issuer or a business that is in the development-stage, the additional information set out in section 4.10.

8.10 EXEMPTION FROM DISCLOSURE REQUIREMENTS FOR SIGNIFICANT ACQUISITIONS ACCOUNTED FOR USING THE EQUITY METHOD

(1) A reporting issuer is exempt from the requirements in section 8.4 to include in its business acquisition report financial statements of a business and the pro forma financial statements if:

(a) the acquisition is, or will be, an investment accounted for using the equity method, as that term is defined in the Handbook;

(b) disclosure is included in the business acquisition report for the periods for which financial statements are otherwise required under subsection 8.4(1) that:

(i) summarizes information as to the assets, liabilities and results of operations of the business; and

(ii) describes the reporting issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the reporting issuer's share of earnings;

(c) the financial information provided under paragraph (b) for any completed financial year:

(i) has been derived from audited financial statements of the business; or

(ii) has been audited; and

(d) the business acquisition report:

(i) identifies the financial statements referred to in subparagraph (c)(i) from which the disclosure provided under paragraph (b) has been derived; or

(ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and

(iii) discloses that the audit opinion with respect to the financial statements referred to in subparagraph (i), or the financial information referred to in subparagraph (ii), was issued without a reservation.

8.11 EXEMPTIONS FROM DISCLOSURE REQUIREMENTS FOR SIGNIFICANT ACQUISITIONS IF MORE RECENT STATEMENTS INCLUDED

(1) If under section 8.5 a reporting issuer is required to file financial statements of a business for more than one completed financial year, a reporting issuer may omit the financial statements for the oldest financial year, if audited financial statements of the business are included in the business acquisition report for a financial year ended 45 days or less before the date of acquisition.

(2) If under section 8.5 a reporting issuer is required to file financial statements of a business for more than one completed financial year, a reporting issuer may omit the financial statements for the oldest financial year if:

(a) audited financial statements are included in the business acquisition report for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 8.5;

(b) the business is not seasonal; and

(c) the reporting issuer has not included audited financial statements in the business acquisition report for a period of less than 12 months using the exception set out in section 8.12.

(3) A reporting issuer is exempt from the requirement in subsection 8.4(2) to provide interim financial statements in its business acquisition report if the reporting issuer includes in the business acquisition report annual audited or unaudited financial statements of the business for a financial year ended 45 days or less before the date of acquisition.

8.12 EXEMPTION FROM DISCLOSURE REQUIREMENTS FOR SIGNIFICANT ACQUISITIONS IF FINANCIAL YEAR END CHANGED

If under section 8.5, a reporting issuer is required to file financial statements of a business acquired for more than one completed financial year and the business changed its financial year end during any of the financial years required to be included, the reporting issuer may include financial statements for the transition period in satisfaction of the financial statements for one of the years, provided that the transition period is at least nine months.

8.13 EXEMPTION FROM AUDIT REQUIREMENT FOR FINANCIAL STATEMENTS OF A SMALL BUSINESS

If an acquired business was a small business (determined as at the end of its most recently completed financial year) and separate financial statements of the business are required to be included in the business acquisition report for more than one financial year, the reporting issuer may omit from its business acquisition report an auditor's report on the financial statements of the business for financial years other than the most recently completely financial year for which audited financial statements of the business are included, if:

(a) an auditor has not issued an auditor's report on the financial statements; and

(b) the most recently completed financial year for which audited financial statements are included in the business acquisition report is not less than 12 months.

8.14 EXEMPTION WHERE FINANCIAL STATEMENTS NOT PREVIOUSLY PREPARED

Unless otherwise required by the accounting principles used to prepare the financial statements of a business, a reporting issuer is not required to provide comparative figures in its business acquisition report for interim financial statements for comparative periods in which the business acquired did not prepare interim financial statements.

8.15 EXEMPTION FOR ACQUISITION OF AN INTEREST IN AN OIL AND GAS PROPERTY

A reporting issuer is exempt from the requirements in section 8.4 to include in its business acquisition report financial statements in respect of a significant acquisition if:

(a) the significant acquisition is:

(i) an acquisition of a business that is an interest in an oil and gas property; or

(ii) an acquisition of related businesses that are interests in oil and gas properties;

(b) the reporting issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required under this Part because those financial statements do not exist or because the reporting issuer does not have access to those financial statements;

(c) the acquisition does not constitute a reverse take-over under Canadian GAAP;

(d) the business or related businesses did not, immediately before the time of completion of the acquisition, constitute a “reportable segment” of the vendor, as defined in section 1701 of the Handbook;

(e) in respect of the business or related businesses, for each of the financial years for which financial statements would, but for this section, be required under section 8.5, the business acquisition report includes:

(i) an operating statement, accompanied by a report of an auditor, presenting for the business or related businesses at least the following:

(A) gross revenue;

(B) royalty expenses;

(C) production costs; and

(D) operating income;

(ii) a description of the property or properties and the interest acquired by the reporting issuer; and

(iii) disclosure of the annual oil and gas production volumes from the business or related businesses; and

(f) the business acquisition report discloses:

(i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the reporting issuer or to the vendor of the person who prepared the estimates; and

(ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under clause (f)(i).

8.16 SIGNIFICANT DISPOSITIONS

(1) In sections 8.16 and 8.17, “date of disposition” means the commitment date for an exit plan as determined for accounting purposes pursuant to the Handbook.

(2) For the purposes of this Instrument, a disposition of a business or a portion of a business is a significant disposition if it satisfies either of the following conditions:

(a) the reporting issuer's proportionate share of the total consolidated assets of the business or portion of the business exceeds 20 percent of the consolidated assets of the reporting issuer, as at the date of the most recently completed financial year end of the reporting issuer before the date of disposition, without giving effect to the disposition; or

(b) the reporting issuer's proportionate share of the consolidated income from continuing operations of the business or portion of the business for the most recently completed financial year of the business before the date of the disposition exceeds 20 percent of the total consolidated income from continuing operations of the reporting issuer for the most recently completed financial year of the reporting issuer before the date of disposition, without giving effect to the disposition.

(3) Unless the context otherwise requires, the term "significant disposition" refers to a disposition of a business or a portion of a business that satisfies either of the two conditions in subsection (2) by sale, abandonment or distribution to shareholders, but does not include the disposition of a business segment as that term is defined in the Handbook.

8.17 *PRO FORMA* FINANCIAL STATEMENT DISCLOSURE FOR SIGNIFICANT DISPOSITIONS

If a reporting issuer has made a significant disposition, the reporting issuer must include in the notes to the next financial statements filed whether for a financial year or an interim period or if such financial statements are required to be filed within 30 days of the disposition then in its next filed financial statements (either annual or interim), the following pro forma financial statements:

(a) **Pro Forma Balance Sheet** - a pro forma balance sheet of the reporting issuer prepared as at the date of the reporting issuer's most recent balance sheet filed to give effect to, as if they had taken place as at the date of the pro forma balance sheet, significant dispositions that have been completed, but are not reflected in the reporting issuer's most recent balance sheet filed;

(b) **Pro Forma Income Statement** - pro forma income statements must be prepared to give effect to significant dispositions completed:

(i) during the most recently completed financial year for which financial statements are filed as if they had taken place at the beginning of the most recently completed financial year of the reporting issuer for which audited financial statements have been filed; and

(ii) after the end of the most recently completed financial year for which financial statements are filed, for each of the financial periods referred to in clauses (A) and (B):

(A) the most recently completed financial year of the reporting issuer for which audited financial statements have been filed; and

(B) the most recently completed interim period of the reporting issuer for which financial statements have been filed,

as if they had taken place at the beginning of the most recently completed financial year of the reporting issuer for which audited financial statements are filed;

(c) if a pro forma financial statement prepared in accordance with this section gives effect to more than one significant disposition, the pro forma financial statement must separate and identify each significant disposition;

(d) the reporting issuer must include in the pro forma financial statements required under this section a description of the underlying assumptions upon which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment; and

(e) the notes to the pro forma financial statements required under this section must include pro forma earnings per share based upon the pro forma financial statements referred to in this section.

PART 9

PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 SENDING OF PROXIES AND INFORMATION CIRCULARS

(1) If management of a reporting issuer gives or intends to give notice of a meeting to its securityholders management must, at the same time as or before giving that notice, send to each securityholder who is entitled to notice of the meeting a form of proxy for use at the meeting.

(2) Subsection 9.1(1) applies, adapted as required, to a meeting of holders of debt securities of a reporting issuer, whether called by management of the reporting issuer or by the trustee of the debt securities.

(3) Subject to section 9.2, a person or company that solicits proxies from securityholders of a reporting issuer must:

(a) in the case of a solicitation by or on behalf of management of a reporting issuer, send with the notice of meeting to each securityholder whose proxy is solicited a completed Form 51-102F5 *Information Circular*; or

(b) in the case of any other solicitation, concurrently with or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each securityholder whose proxy is solicited.

9.2 EXEMPTION

(1) Subsection 9.1(3) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(2) Paragraph 9.1(3)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.

(3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

9.3 FILING OF INFORMATION CIRCULARS AND PROXY-RELATED MATERIAL

Every person or company that is required under this Instrument to send an information circular or form of proxy to securityholders of a reporting issuer must promptly file a copy of the information circular, form of proxy and all other material required to be sent by the person or company in connection with the meeting to which the information circular or form of proxy relates.

9.4 CONTENT OF FORM OF PROXY

(1) Every form of proxy sent or delivered to securityholders of a reporting issuer by a person or company soliciting proxies must indicate in bold-face type whether or not the proxy is solicited by or on behalf of the management of the reporting issuer, provide a specifically designated blank space for dating the form of proxy and specify the meeting in respect of which the proxy is solicited.

(2) Either an information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must:

(a) indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company if any, designated in the form of proxy; and

(b) contain instructions as to the manner in which the securityholder may exercise the right referred to in paragraph (a).

(3) If a form of proxy sent to securityholders of a reporting issuer contains a designation of a named person or company as nominee, it must provide an option for the securityholder to designate in the form of proxy some other person or company as the securityholder's nominee.

(4) A form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors.

(5) A proxy executed by a securityholder of a reporting issuer may confer discretionary authority with respect to each matter referred to in subsection (4) as to which a choice is not so specified if the form of proxy or the information circular states in bold-face type how the securities represented by the proxy will be voted in respect of each matter or group of related matters.

(6) A form of proxy must provide an option for the securityholder to specify that the securities registered in the name of the securityholder must be voted or withheld from voting in respect of the appointment of an auditor or the election of directors.

(7) Either an information circular sent to securityholders of a reporting issuer or the form of a proxy to which the information circular relates must state that:

(a) the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for; and

(b) if the securityholder specifies a choice under subsection (4) or (6) with respect to any matter to be acted upon, the securities will be voted accordingly.

(8) A proxy executed by a securityholder of a reporting issuer may confer discretionary authority with respect to:

(a) amendments or variations to matters identified in the notice of meeting; and

(b) other matters which may properly come before the meeting;

if,

(c) the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time prior to the time the solicitation is made that any such amendments, variations or other matters are to be presented for action at the meeting; and

(d) a specific statement is made in the information circular or in the form of proxy that the proxy is conferring such discretionary authority.

(9) No proxy executed by a securityholder of a reporting issuer may confer authority to vote:

(a) for the election of any person as a director of a reporting issuer unless a bona fide proposed nominee for such election is named in the information circular; or

(b) at any meeting other than the meeting specified in the notice of meeting or any adjournment thereof.

PART 10

RESTRICTED SHARE DISCLOSURE REQUIREMENTS

10.1 CONTENT AND DISSEMINATION OF DISCLOSURE DOCUMENTATION

(1) Except as otherwise provided in this Instrument, if a reporting issuer has outstanding restricted shares, or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted shares or subject securities, each document referred to in subsection (2) must:

(a) refer to restricted shares using a term or defined term that includes the appropriate restricted share term;

(b) not refer to shares by a term or defined term that includes “common”, or “preference” or “preferred”, unless the shares are common shares or preference shares, respectively;

(c) describe any restrictions on the voting rights of restricted shares;

(d) describe the rights to participate, if any, of holders of restricted shares if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares;

(e) state the percentage of the aggregate voting rights attached to the reporting issuer’s securities that are represented by the class of restricted shares; and

(f) if holders of restricted shares have no right to participate if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares, contain a statement to that effect in bold-face type.

(2) Subsection (1) applies to the following documents except as provided in subsections (3) and (8):

(a) a Form 51-102F5;

(b) a document required by securities legislation to be sent by a reporting issuer to any of its securityholders;

(c) a document required by this Instrument to be delivered upon request by a reporting issuer to any of its securityholders; and

(d) an AIF prepared by a reporting issuer.

(3) Despite subsection (2), interim financial statements, annual financial statements and MD&A or other accompanying discussion by management of those financial statements are not required to include the details referred to in paragraphs (1)(c), (d) and (f).

(4) Each reference to restricted shares in any document not referred to in subsection (2) that a reporting issuer sends to its securityholders must include the appropriate restricted share term.

(5) A reporting issuer must not refer, in any of the documents described in subsection (4), to shares by a term or a defined term that includes “common” or “preference” or “preferred”, unless the shares are common shares or preference shares, respectively.

(6) If a reporting issuer sends a document to all holders of any class of its equity shares the document must also be sent by the reporting issuer at the same time to the holders of its restricted shares.

(7) A reporting issuer that is required by this Instrument to arrange for, or voluntarily makes arrangements for, delivery of the documents referred to in subsection (6) to the beneficial owners of any shares of a class of equity shares registered in the name of a registrant, must make similar arrangements for delivery of the documents to the beneficial owners of shares of a class of restricted shares registered in the name of a registrant.

(8) Despite paragraph (1)(b) and subsection (5), a reporting issuer may, in one place only in a document referred to in subsection (2) or (4), describe the restricted shares by the term used in the constating documents of the reporting issuer, to the extent that term differs from the appropriate restricted share term, if the description is not on the front page of the document and is in the same type face and type size as that used generally in the document.

10.2 EXEMPTIONS FOR CERTAIN REPORTING ISSUERS

(1) The provisions of section 10.1 do not apply to:

(a) shares that carry a right to vote subject to a restriction on the number or percentage of shares that may be voted or owned by persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians, but only to the extent of the restriction; and

(b) shares that are subject to a restriction, imposed by any law governing the reporting issuer, on the level of ownership of the shares by any person, company or combination of persons or companies, but only to the extent of the restriction.

PART 11

ADDITIONAL FILING REQUIREMENTS

11.1 ADDITIONAL FILING REQUIREMENTS

(1) A reporting issuer must file a copy of any material that it:

(a) sends to its securityholders; or

(b) in the case of an SEC issuer, that it files or furnishes to the SEC if the material contains information that has not been included in disclosure already filed in a jurisdiction by the SEC issuer.

(2) A reporting issuer must file the material referred to in subsection (1) on the same date as, or as soon as practicable after, the earlier of:

(a) the date on which the reporting issuer sends the material to its securityholders; or

(b) the date on which the reporting issuer files or furnishes the material to the SEC.

PART 12

FILING OF MATERIAL DOCUMENTS

12.1 FILING OF CERTAIN MATERIAL DOCUMENTS

(1) Unless previously filed, a reporting issuer must file a copy of its articles, by-laws, memorandum, governing indenture, partnership agreement or other constating documents and any agreement or other instrument that defines or otherwise materially affects the rights of securityholders, or creates a security, and any material amendment to such constating document, agreement or other instrument:

(a) either:

(i) as an attachment to the reporting issuer's AIF required to be filed under section 5.1, if the constating document, agreement, instrument or amendment was made or adopted prior to the date of the issuer's AIF; or

(ii) if the reporting issuer is not required to file an AIF under section 5.1, as a separate filing to be made within 120 days after the end of the issuer's most recently completed financial year, if the constating document, agreement, instrument or amendment was made or adopted prior to the end of the issuer's most recently completed financial year; and

(b) as an attachment to the reporting issuer's material change report in Form 51-102F3 if the making of the constating document, agreement, instrument or amendment constitutes a material change for the issuer.

PART 13

EXEMPTIONS

13.1 EXEMPTIONS FROM THIS INSTRUMENT

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

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

13.2 EXISTING EXEMPTIONS

(1) A reporting issuer that was eligible to rely on an exemption, waiver or approval granted by a regulator or securities regulatory authority relating to continuous disclosure requirements of securities legislation or securities directions existing immediately before this Instrument came into force is exempt from any substantially similar provision of this Instrument, if any, to the same extent and on the same conditions, if any, as contained in the earlier exemption, waiver or approval.

(2) A reporting issuer must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of:

(a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and

(b) the requirement under prior securities legislation or securities directions in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

PART 14

EFFECTIVE DATE

14.1 EFFECTIVE DATE

This Instrument comes into force on ●, 2003.

FORM 51-102F1

ANNUAL INFORMATION FORM

Table of Contents

FORM 51-102 F1

AIF

PART 1 – GENERAL INSTRUCTIONS AND INTERPRETATION

(a) What is an AIF?

An AIF (annual information form) is required to be filed annually by certain companies under Part 5 of National Instrument 51-102. An AIF is a disclosure document intended to provide material information about your company and its business up to a point in time. This disclosure is supplemented throughout the year by subsequent continuous disclosure filings including press releases, material change reports, business acquisition reports, financial statements and management discussion and analysis. Your AIF describes your company, its operations and prospects, risks and other external factors that impact your company specifically.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Focus on Material Information

Focus your AIF on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material. However, you must disclose all corporate and individual cease trade orders, bankruptcies, penalties and sanctions in accordance with Item 7 of this Form.

(d) What is Material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(e) Incorporating Information by Reference

You may incorporate information in your AIF by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your AIF. Unless the referenced document or excerpt has already been filed, you must file it with your AIF.

(f) Date / Timing of Information

Information in your AIF must be presented as at the last day of your company's most recently completed financial year, except where noted in your AIF.

Your AIF must be dated as of a particular date. The date of your AIF must be no earlier than the last date of the auditor's report on your company's most recent annual financial statements. If a material change affecting the company occurs after the date as at which the disclosure in the AIF is presented and before filing, include this information in the AIF.

You must file your AIF within 10 days of the date of the AIF.

(g) Reverse Take-overs

If your company has been involved in a business combination accounted for as a reverse take-over, disclosure required in your AIF must also be provided for the legal subsidiary, as that term is used in the Handbook.

(h) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(i) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(j) Special Purpose Vehicles

If your company is a special purpose vehicle, you may have to modify the disclosure items in this Form to reflect the special purpose nature of your company's business.

(k) Numbering / Headings

The numbering, headings and ordering of items included in this Form are intended as guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(l) Include Subsidiaries and Investees

All references to your company in Items 3 through 5 of this Form apply to both your company and its subsidiaries and investees, if the disclosure concerning your company's subsidiaries and investees is material.

(m) Omitted Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

PART 2 – CONTENT OF AIF

ITEM 1: COVER PAGE

1.1 DATE

Date your AIF.

1.2 REVISIONS

If you revise your company's AIF after you have filed it, identify it as a "revised AIF".

ITEM 2: CORPORATE STRUCTURE

2.1 NAME AND INCORPORATION

(1) State your company's full corporate name or, if your company is an unincorporated entity, the full name under which it exists and carries on business.

(2) State the statute under which your company is incorporated, continued or organized or, if your company is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of your company.

2.2 INTERCORPORATE RELATIONSHIPS

Describe, by way of a diagram or otherwise, the intercorporate relationships among your company and its subsidiaries as of your company's most recent financial year-end. For each subsidiary state

(a) what percentage of the votes attaching to all voting securities are beneficially owned, controlled or directed, by your company;

(b) what percentage of each class of non-voting securities are beneficially owned, controlled or directed, by your company; and

(c) where it was incorporated or continued.

INSTRUCTION

You may omit a particular subsidiary if, at the most recent financial year-end of your company,

(i) the total assets of the subsidiary do not exceed 10% of the consolidated assets of your company;

(ii) the sales and operating revenues of the subsidiary do not exceed 10% of the consolidated sales and operating revenues of your company; and

(iii) the conditions in paragraphs (i) and (ii) would be satisfied if you

(A) aggregated the subsidiaries that may be omitted under paragraphs (i) and (ii), and

(B) changed the reference in those paragraphs from 10% to 20%.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 THREE YEAR HISTORY

Describe how your company's business has developed over the last three completed financial years. Include only major events or conditions that have influenced the general development of the business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in your company's business that you expect will occur during the current financial year.

INSTRUCTION

Include the business of subsidiaries only to the extent necessary to explain the character and development of the business conducted by the combined enterprise.

3.2 SIGNIFICANT ACQUISITIONS AND SIGNIFICANT DISPOSITIONS

(1) **General -** Disclose

(a) any significant acquisition completed by your company during its most recently completed financial year for which financial statement disclosure is required under Part 8 of National Instrument 51-102, other than significant acquisitions for which your company has already filed a Form 51-102 F4;

(b) by cross-reference, any Forms 51-102 F4 filed by your company since you filed your previous AIF; and

(c) any significant disposition completed by your company during its most recently completed financial year.

(2) **Details -** Under subsection (1) include particulars of

(a) the nature of the assets acquired or disposed of;

(b) the date of each significant acquisition or significant disposition;

(c) the consideration, both monetary and non-monetary, paid to, or by, your company;

(d) any material obligations that must be satisfied to keep any significant acquisition or significant disposition agreement in good standing;

(e) how the significant acquisition or significant disposition will impact the operating results and financial position of your company;

(f) any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used; and

(g) whether the transaction is with an insider, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

ITEM 4: DESCRIBE THE BUSINESS

4.1 GENERAL

(1) Describe the business of your company and its operating segments that are reportable segments as those terms are used in the Handbook. For each reportable segment include:

(a) **Summary -** For principal products or services,

(i) their principal markets;

(ii) distribution methods;

(iii) for each of the two most recently completed financial years, as dollar amounts or as percentages, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from

A. sales to customers, other than investees, outside the consolidated entity,

B. sales or transfers to investees, and

C. sales or transfers to controlling shareholders.

(b) **Competitive Conditions** - The competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position.

(c) **New Products** - If you have publicly announced the introduction of a new product, the status of the product.

(d) **Components -** The sources, pricing and availability of raw materials, component parts or finished products.

(e) **Intangible Properties -** The importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks.

(f) **Cycles -** The extent to which the business of the segment is cyclical or seasonal.

(g) **Contracts -** A description of any aspect of your company's business that may be affected in the current financial year by renegotiation or termination of contracts or sub-contracts and the likely effect.

(h) **Environmental Protection -** The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of your company in the current financial year and the expected effect in future years.

(i) **Employees -** The number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful in order to understand the business.

(j) **Foreign Operations -** Describe the dependence of your company and any segment upon foreign operations.

(2) **Bankruptcy, etc. -** Disclose the nature and results of any bankruptcy, receivership or similar proceedings against your company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by your company or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

(3) **Reorganizations -** Disclose the nature and results of any material reorganization of your company or any of its subsidiaries within the three most recently completed financial years or the current financial year.

4.2 RISK FACTORS

Disclose risk factors relating to your company and its business.

4.3 COMPANIES WITH ASSET-BACKED SECURITIES OUTSTANDING

For companies with asset-backed securities outstanding that were distributed under a prospectus, disclose:

(1) **Payment Factors -** a description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities;

(2) **Underlying Pool of Assets -** for the two most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, information on the underlying pool of financial assets relating to

(a) the composition of the pool as of the end of each financial year or partial period;

(b) income and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(c) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(d) servicing and other administrative fees; and

(e) any significant variances experienced in the matters referred to in paragraphs (a), (b), (c), or (d);

(3) **Investment Parameters -** the investment parameters applicable to investments of any cash flow surpluses;

(4) **Payment History -** the amount of payments made during the two most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of your company outstanding;

(5) **Acceleration Event -** the occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities; and

(6) **Principal Obligors -** the identity of any principal obligors for the outstanding asset-backed securities of your company at the end of the most recent financial year or interim period, the percentage of the underlying pool of financial assets represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K or Form 20-F in the United States.

INSTRUCTIONS

(i) Present the information requested under subsection (1) in a manner that enables a reader to easily determine the status of the events, covenants, standards and preconditions referred to in subsection (1).

(ii) If the information required under subsection (2)

(A) is not compiled specifically on the underlying pool of financial assets, but is compiled on a larger pool of the same assets from which the securitized assets are randomly selected such that the performance of the larger pool is representative of the performance of the pool of securitized assets, or

(B) in the case of a new company, where the underlying pool of financial assets will be randomly selected from a larger pool of the same assets such that the performance of the larger pool will be representative of the performance of the pool of securitized assets to be created,

then a company may comply with subsection (2) by providing the information required based on the larger pool and disclosing that it has done so.

4.4 COMPANIES WITH MINERAL PROJECTS

For companies with a mineral project, disclose the following information for each property material to your company:

(1) **Property Description and Location**

(a) The area (in hectares or other appropriate units) and the location of the property.

(b) The nature and extent of your company's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.

(c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.

(d) All environmental liabilities to which the property is subject.

(e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements.

(f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and if the permits have been obtained.

(2) **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

(a) The means of access to the property.

(b) The proximity of the property to a population centre and the nature of transport.

(c) To the extent relevant to the mining project, the climate and length of the operating season.

(d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites.

(e) The topography, elevation and vegetation.

(3) **History**

(a) The prior ownership and development of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.

(b) If your company acquired a property within the three most recently completed financial years or during the current financial year from, or intends to acquire a property from, an insider or promoter of your company or an associate or affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to your company, and the consideration paid or intended to be paid to the vendor.

(c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in paragraph (b).

(4) **Geological Setting -** The regional, local and property geology.

(5) **Exploration -** The nature and extent of all exploration work conducted by, or on behalf of, your company on the property, including

(a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;

(b) an interpretation of the exploration information;

(c) whether the surveys and investigations have been carried out by your company or a contractor and if by a contractor, the name of the contractor; and

(d) a discussion of the reliability or uncertainty of the data obtained in the program.

(6) **Mineralization** - The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.

(7) **Drilling -** The type and extent of drilling, including the procedures followed and an interpretation of all results.

(8) **Sampling and Analysis -** The sampling and assaying including

(a) description of sampling methods and the location, number, type, nature, spacing or density of samples collected;

(b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;

(c) a discussion of the sample quality and whether the samples are representative and of any factors that may have resulted in sample biases;

(d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and

(e) quality control measures and data verification procedures.

(9) **Security of Samples -** The measures taken to ensure the validity and integrity of samples taken.

(10) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including

(a) the quantity and grade or quality of each category of mineral resources and mineral reserves;

(b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and

(c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.

(11) **Mining Operations -** For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.

(12) **Exploration and Development -** A description of your company's current and contemplated exploration or development activities, to the extent they are material.

INSTRUCTIONS

(i) Disclosure regarding mineral exploration development or production activities on material properties must comply with and is subject to the limitations set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects. You must use the appropriate terminology to describe mineral reserves and mineral resources. You must base your disclosure on a technical report, or other information, prepared by or under the supervision of a qualified person.

(ii) Disclosure is required for each property material to your company. A property will not generally be considered material to a company if the book value of the property as reflected in your company's most recently filed financial statements or the value of the consideration paid or to be paid (including exploration obligations) is less than 10 per cent of the book value of the total of your company's mineral properties and related plant and equipment.

(iii) In giving the information required under section 4.4 include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.

4.5 COMPANIES WITH OIL AND GAS ACTIVITIES

If your company is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) or in extracting hydrocarbons from shale, tar sands or coal, disclose the following information:

(1) **Reserves Data and Other Information**

(a) In the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial year, disclose that information as at your company's most recently completed financial year-end.

(b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for the most recently completed financial year for which MD&A is provided.

(c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of National Instrument 51-101, in respect of material changes that occurred after your company's most recently completed financial year-end.

(2) **Report of Qualified Independent Evaluator** - Include with the disclosure under subsection 4.5(1) the report of a qualified evaluator, referred to in Item 2 of section 5.1 of National Instrument 51-101, on the reserves data included in the disclosure required under paragraph (1)(a) above.

(3) **Report of Management -** Include with the disclosure under subsection 4.5(1) a report in the form of Form 51-101F2 *Report of Management on Oil and Gas Disclosure* that refers to the information disclosed under subsection 4.5(1).

INSTRUCTION

The information presented in response to section 4.5 must be in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 ANNUAL INFORMATION

Provide the following financial data derived from your company's financial statements filed under section 4.1 of National Instrument 51-102 in summary form for each of the three most recently completed financial years:

(a) Net sales or total revenues.

(b) Income from continuing operations.

(c) Net income or loss.

(d) Total assets.

(e) Total long-term financial liabilities as defined in the Handbook.

(f) Cash dividends declared per share for each class of share.

Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of your business, and any other information your company believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

5.2 DIVIDENDS

(1) Describe any restriction that could prevent your company from paying dividends.

(2) Disclose your company's current dividend policy and any intended change in dividend policy.

5.3 FOREIGN ACCOUNTING PRINCIPLES

You may present the selected consolidated financial information required under section 5.1 using accounting principles other than Canadian GAAP if:

(a) your company's primary financial statements have been prepared using accounting principles other than Canadian GAAP as permitted under securities legislation; and

(b) if your company has reconciled its financial statements to Canadian GAAP, you provide a cross-reference to the notes to the financial statements containing the reconciliation.

ITEM 6: MARKET FOR SECURITIES

Identify the exchange(s) and quotation system(s) on which your company's securities are listed and posted for trading or quoted.

ITEM 7: DIRECTORS AND OFFICERS

7.1 NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

(1) List the name and municipality of residence of each director and executive officer of your company and indicate their respective positions and offices held with your company and their respective principal occupations within the five preceding years.

(2) State the period or periods during which each director has served as a director and when his or her term of office will expire.

(3) State the number and percentage of securities of each class of voting securities of your company or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised, by all directors and executive officers of your company as a group.

(4) Identify the members of each committee of the board.

(5) If the principal occupation of a director or officer of your company is acting as an officer of a person or company other than your company, disclose the fact and state the principal business of the person or company.

INSTRUCTION

For the purposes of subsection (3), securities of subsidiaries that are beneficially owned, directly or indirectly, or controlled or directed by directors or executive officers through ownership or control or direction over securities of your company, do not need to be included.

7.2 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

(1) If a director or officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, is, or within the 10 years before the date of the AIF has:

(a) been a director or officer of any company (including your company) that, while that person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) been the subject of an order to cease trading in securities or an order that denied the person or company access to any exemptions under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(c) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder, state the fact.

(2) Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

(3) Despite subsesction (2), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

INSTRUCTION

The disclosure required by subsections (1) and (2) also applies to any personal holding companies of any of the persons referred to in subsections (1) and (2).

7.3 CONFLICTS OF INTEREST

Disclose particulars of existing or potential material conflicts of interest between your company or a subsidiary of your company and any director or officer of your company or a subsidiary of your company.

ITEM 8: ADDITIONAL INFORMATION

8.1 ADDITIONAL INFORMATION

(1) Disclose that additional information relating to your company may be found on SEDAR at www.sedar.com. Disclose the manner in which holders of securities of your company may contact the company in order to obtain, without charge, copies of financial statements and MD&A of your company as required by sections 4.12 and 6.5 of National Instrument 51-102.

(2) Include a statement to the effect that additional information including directors' and officers' remuneration and indebtedness, principal holders of your company's securities, securities authorized for issuance under equity compensation plans and interests of insiders in material transactions, if applicable, is contained in your company's information circular for its most recent annual meeting of securityholders that involved the election of directors and that additional financial information is provided in your company's comparative financial statements and MD&A for its most recently completed financial year.

ITEM 9: ADDITIONAL DISCLOSURE FOR COMPANIES NOT SENDING INFORMATION CIRCULARS

9.1 ADDITIONAL DISCLOSURE

For companies that are not required to distribute a Form 51-102 F5 to any of their securityholders, disclose the information required under Items 5 - 12 of Form 51-102 F5, as modified below:

Form 51-102 F5 Reference	Modification
Item 5 - Voting Securities and Principal Holders of Voting Securities	Include the disclosure specified in section 5.1 without regard to the phrase "entitled to be voted at the meeting". Do not include the disclosure specified in sections 5.2 and 5.3. Include the disclosure specified in section 5.4.
Item 6 – Election of Directors	Disregard the preamble of section 6.1. Include the disclosure specified in section 6.1 without regard to the word "proposed" throughout. Do not include the disclosure specified in section 6.2.
Item 7 – Executive Compensation	Include this disclosure.
Item 8 – Securities Authorized for Issuance under Equity Compensation Plans	Include this disclosure.
Item 9 – Indebtedness of Directors and Executive Officers	Include the disclosure specified throughout; however, replace the phrase "date of the information circular" with "date of the AIF" throughout.
Item 10 – Interests of Insiders in Material Transactions	Include this disclosure.
Item 11 – Appointment of Auditor	Name the auditor. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.
Item 12 – Management Contracts	Include this disclosure.

FORM 51-102F2

MANAGEMENT DISCUSSION & ANALYSIS

TABLE OF CONTENTS

FORM 51-102F2

MANAGEMENT DISCUSSION & ANALYSIS

PART 1 — GENERAL INSTRUCTIONS AND INTERPRETATION

(a) What is MD&A?

MD&A provides an opportunity to explain to your shareholders and other investors how your company performed during the period covered by the financial statements, along with your company's financial condition and future prospects.

MD&A supplements but does not form part of your financial statements. Your MD&A must discuss material information that may not be fully reflected in the financial statements. Some examples are legal proceedings, contingent liabilities and defaults under debt, off-balance sheet financing arrangements or other contractual obligations.

(b) What must you discuss?

You must discuss your company's results of operations, financial condition, liquidity and capital resources.

(c) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(d) Explain your analysis

Explain the nature of and reasons for changes in your company's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand trends, events, transactions or expenditures.

(e) Focus on material information

Focus your MD&A on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material.

(f) What is material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(g) Forward-looking information

You are encouraged to provide forward-looking information provided you have a reasonable basis for making the statements. Preparing your MD&A necessarily involves some degree of prediction or projection. For example, MD&A requires a discussion of known trends or uncertainties that have had or that your company reasonably expects will have favourable or unfavourable effects on net sales or revenues or income or loss from continuing operations. However, MD&A does not require that your company provide a detailed forecast of future revenues, income or loss or other information.

All forward-looking information must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, your material assumptions and appropriate risk disclosure and cautionary language.

You must discuss any forward-looking information disclosed in MD&A for a prior period which in light of intervening events and absent further explanation, may be misleading. Forward looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained. Your timely disclosure obligations might also require you to issue a news release and file a material change report.

(h) Development stage issuers

If your company is a development stage issuer focus your discussion and analysis of results of operations on expenditures and progress towards achieving your business objectives and milestones.

(i) Reverse take-over transactions

When an acquisition is accounted for as a reverse take-over, the business acquired is the legal subsidiary which, for accounting purposes, is the continuing entity. Accordingly, the MD&A should generally be based on the legal subsidiary's financial statements for the year. If the reverse takeover occurred subsequent to the most recently completed financial year, the financial information disclosed in the quarterly MD&A should be of the legal parent; however, separate information about the legal subsidiary must be provided.

(j) Foreign accounting principles

If your company's primary financial statements have been prepared using accounting principles other than Canadian GAAP and a reconciliation is provided, your MD&A must focus on the primary financial statements.

(k) Resource issuers

If your company has mineral projects, your disclosure must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, including ensuring all scientific and technical disclosure is based on a technical report or other information prepared by or under the supervision of a qualified person.

If your company has oil and gas activities, your disclosure must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(l) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(m) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

PART 2 – CONTENT OF MD&A

ITEM 1 — ANNUAL MD&A

1.1 ANALYZE YOUR OVERALL PERFORMANCE

Provide an analysis of your company's financial condition, results of operations and cash flows. Compare your company's performance in the most recently completed financial year to the prior year's performance. Analyze and compare at least the following:

(a) operating segments that are reportable segments as those terms as are used in the Handbook or other parts of your business if:

  (i) any part of the business has a disproportionate effect on revenues, income or cash needs;

  (ii) there are any legal or other restrictions on the flow of funds from one part of your company's business to another; or

  (iii) known trends, demands, commitments, events or uncertainties within a part of the business are reasonably likely to have an effect on the business as a whole;

(b) industry and economic factors affecting your company's performance;

(c) why changes have occurred or expected changes have not occurred in your company's financial condition and results of operations; and

(d) the effect of discontinued operations on current operations.

INSTRUCTIONS

(i) When explaining changes in your company's financial condition and results, include an analysis of the impact on your continuing operations of any asset acquisition, disposition, write-off, abandonment or other similar transaction.

(ii) Financial condition includes your company's financial position (as shown on the balance sheet) and other factors that may affect your company's liquidity and capital resources.

(iii) Include information for a period longer than two financial years if it will help the reader to better understand a trend.

1.2 SUMMARY OF QUARTERLY RESULTS

Provide the following information for each of the eight most recently completed quarters at the end of the most recently completed financial year:

(a) Net sales and total revenues;

(b) Income from continuing operations; and

(c) Net income or loss.

Development stage issuers must also provide:

(d) Exploration and development expenditures;

(e) Research and development expenditures, and

(f) General and administrative expenditures.

Discuss the factors that have caused variations over the quarters.

INSTRUCTIONS

(i) You do not have to provide information for a quarter prior to your company becoming a reporting issuer if your company has not prepared quarterly financial statements for those quarters.

(ii) Present the information in (b) and (c) in total and on a per share and fully diluted basis, as required by the Handbook.

1.3 RESULTS OF OPERATIONS

Discuss your analysis of your company's operations including:

(a) net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

(b) any other significant factors that caused changes in net sales or total revenues;

(c) cost of sales or gross profit;

(d) expenditures for exploration, research, development, marketing or administration, whether expensed or deferred, and any other material expense or deferred cost;

(e) if your company is a development stage issuer, a discussion of the expenditure breakdown included in your financial statements;

(f) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;

(g) known trends, commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance including net sales, total revenue and income from continuing operations;

(h) effect of inflation and specific price changes on your company's net sales and total revenues and on income from continuing operations;

(i) a comparison in tabular form of disclosure you previously made about how your company was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones; and

(j) unusual or infrequent events or transactions.

INSTRUCTIONS

(i) For sections 1.1, 1.2 and 1.3, consider identifying, discussing and analyzing the following factors:

(A) changes in customer buying patterns, including changes due to new technologies and changes in demographics;

(B) changes in selling practices, including changes due to new distribution arrangements or a reorganization of a direct sales force;

(C) changes in competition, including an assessment of the issuer's resources, strengths and weaknesses relative to those of its competitors;

(D) the impact of exchange rates;

(E) changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;

(F) changes in production capacity, including changes due to plant closures and work stoppages;

(G) changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenues; and

(H) changes in the terms and conditions of service contracts.

(ii) Your discussion under paragraphs (d) and (e) should enable the reader to understand the nature and purpose of the expenditures.

1.4 LIQUIDITY

Provide an analysis of your company's liquidity including:

(a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain capacity to provide for planned growth;

(b) trends or expected fluctuations in your company's liquidity, taking into account demands, commitments, events or uncertainties;

(c) its working capital requirements;

(d) liquidity risks associated with financial instruments;

(e) if your company has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

(f) balance sheet conditions or income or cash flow items that may affect your company's liquidity;

(g) legal or practical restrictions on the ability of subsidiaries to transfer funds to your company and the effect these restrictions have had or may have on the ability of your company to meet its obligations; and

(h) defaults or arrears or anticipated defaults or arrears on:

(i) dividend payments, interest or principal payment on debt;

(ii) debt covenants during the most recently completed financial year; and

(iii) redemption or retraction or sinking fund payments;

and how your company intends to cure the default or arrears.

INSTRUCTIONS

(i) In discussing your company's ability to generate sufficient amounts of cash and cash equivalents you should describe sources of funding and the circumstances that could affect those sources that are reasonably likely to occur. Examples of circumstances that could affect liquidity would be market price changes, economic downturns, defaults on guarantees and contractions of operations.

(ii) In discussing trends or expected fluctuations in your company's liquidity and liquidity risks associated with financial instruments you should discuss:

(A) provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment. Examples of such situations would be provisions linked to credit rating, earnings, cash flows or share price; and

(B) circumstances that could impair your company's ability to undertake transaction considered essential to operations. Examples of such circumstances would be the inability to maintain investment grade credit, earnings per share, cash flow or share price.

(iii) In discussing your company's balance sheet conditions or income or cash flow items you should present a summary, in tabular form, of all contractual obligations including payments due for each of the next five years and thereafter. An example that can be adapted to your company's particular facts is as follows:

Contractual Obligations	***Payments Due by Period***				
	Total	***Less than 1 year***	***1 - 3 years***	***4 - 5 years***	***After 5 years***
Long Term Debt					
Capital Lease Obligations					
Operating Leases					
Unconditional Purchase Obligations					
Other Long Term Obligations					
Total Contractual Obligations					

(iv) In discussing your company's working capital requirements you should discuss situations where your company must maintain significant inventory to meet customers' delivery requirements or any situations involving extended payment terms.

1.5 CAPITAL RESOURCES

Provide an analysis of your company's capital resources including:

(a) commitments for capital expenditures as of the date of your company's financial statements including:

(i) the amount, nature and purpose of these commitments;

(ii) the expected source of funds to meet these commitments;

(iii) expenditures not yet committed but required to maintain your company's capacity and meet your company's planned growth;

(b) known trends or expected fluctuations in your company's capital resources, including expected changes in the mix and relative cost of these resources; and

(c) sources of financing that your company has arranged but not yet used.

INSTRUCTIONS

(i) Capital resources are financing resources available to your company and include debt, equity and any other financing arrangements, including off-balance sheet financing arrangements, that you reasonably consider will provide financial resources to your company.

(ii) In discussing your company's capital resources you should discuss off-balance sheet arrangements such as their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments. Your discussion of the risks associated with an off-balance sheet arrangement should include:

(A) a description of the other contracting party(ies);

(B) the effects of terminating the arrangement;

(C) the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement; and

(D) the amounts of any guarantees, lines of credit, stand-by letters of credit or other arrangements that could require your company to provide funding under the arrangement.

(iii) In discussing your company's capital resources you should present a summary, in tabulur form, of all contractual commitments as at your latest balance sheet date and detailing the expiry date for each of the next 5 years and thereafter. An example that can be adapted to your company's particular facts is as follows:

Contractual Commitments		***Amount of commitment expiration per period***			
	Total Amounts Committed	***Less than 1 year***	***1 – 3 years***	***4 – 5 years***	***Over 5 Years***
Lines of Credit					
Standby Letters of Credit					
Guarantees					
Standby Repurchase Obligations					
Other Contractual Commitments					
Total Contractual Commitments					

(iv) In discussing your company's commitments you should discuss any exploration and development, and research and development expenditures required to maintain properties or agreements in good standing.

1.6 TRANSACTIONS WITH RELATED PARTIES

Discuss all transactions involving related persons or entities including arrangements that involve transaction terms that differ from those that would likely be negotiated with clearly independent third parties.

Discuss transactions with related persons or entities including all related parties as defined by the Handbook and any parties that do not meet the Handbook definition of "related parties", but with whom you have a relationship that enables you to negotiate terms of transactions that may not be available from other, more clearly independent third parties.

INSTRUCTION

(i) In discussing your company's transactions with related persons or entities you should discuss:

(A) the business purpose of the arrangement;

(B) the identification of the related person or entities;

(C) how the transaction prices were determined;

(D) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made and by whom; and

(E) any ongoing contractual or other commitments resulting from the arrangement.

(ii) Specific disclosure may be necessary regarding relationships with unconsolidated, non-independent, limited purpose entities often referred to as structured finance or special purpose entities.

1.7 FOURTH QUARTER

Discuss and analyze fourth quarter events or items that affected your company's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of your company's business and dispositions of business segments.

1.8 PROPOSED TRANSACTIONS

Discuss the expected impact on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if your company's board of directors, or senior management who expect the board to agree, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

INSTRUCTION

You do not have to disclose this information if your company has filed a confidential material change report regarding the transaction and the transaction has not yet been publicly disclosed.

1.9 CRITICAL ACCOUNTING POLICIES

Discuss and explain critical accounting policies that impact on the financial condition, results of operations and cash flows, including:

(a) judgments and uncertainties affecting the application of those policies; and

(b) the likelihood that materially different amounts would be reported under different policies or using different assumptions.

INSTRUCTION

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results of operations and cash flows and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

1.10 CHANGES IN ACCOUNTING POLICIES

Discuss and analyze any changes in your company's accounting policies that you have adopted or expect to adopt subsequent to the date of your company's financial statement. Changes include changes you voluntarily made and those due to a change in an accounting standard, or a new accounting standard, that you do not have to adopt until a future date. Your disclosure should include:

(a) a brief description of the new standard, the date you are required to adopt it and, if determined, the date you plan to adopt it;

(b) the methods of adoption permitted by the accounting standard and the method you expect to use;

(c) the expected impact on the financial statements, or if applicable, a statement that you cannot reasonably estimate the impact; and

(d) the potential impact on your business, for example technical violations or default of debt covenants or changes in business practices.

1.11 FINANCIAL INSTRUMENTS

Provide:

(a) a discussion of the nature and extent of your company's use of, including relationships among, financial instruments and the business purposes that they serve;

(b) a description and an analysis of the risks associated with the financial instruments;

(c) a description of how you manage the risks in (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;

(d) disclosure of the financial statement classification and amounts of income, expenses, gains and losses associated with the financial instrument; and

(e) significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

INSTRUCTION

(i) Also discuss other instruments including contractual rights and obligations that may be settled by delivery of non-financial assets, for example a commodity futures contract.

(ii) Your discussion under paragraph (a) should enhance a reader's understanding of the significance of recognized and unrecognized financial instruments on your company's financial position, results of operations and cash flows. The information should also assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments. Also discuss the relationship between liability and equity components of convertible debt instruments.

(iii) For purposes of paragraph (c), if your company is exposed to significant price, credit or liquidity risks, consider providing a sensitivity analysis or tabular information to help readers assess the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing your company's exposure to price risk.

(iv) For purposes of paragraph (d), disclose and explain the income, expenses, gains and losses from hedging activities separately from other activities.

ITEM 2 — INTERIM MD&A

2.1 INTERIM MD&A

Interim MD&A must update your company's annual MD&A for all disclosure required by Item 1. This disclosure must include:

(a) a discussion of your analysis of:

  (i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;

  (ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;

  (iii) any seasonal aspects of your company's business that affect its financial condition, results of operations or cash flows; and

(b) a comparison of your company's interim financial condition to your company's financial condition as at the most recently completed financial year-end.

INSTRUCTION

(i) For the purposes of paragraph (b), you may assume the reader has access to your annual MD&A. You do not have to duplicate the discussion and analysis of financial condition in your annual MD&A. For example, if economic and industry factors are substantially unchanged you may make a statement to this effect.

(ii) For the purposes of subparagraph (a)(i), you should generally give prominence to the current quarter.

FORM 51-102F3

MATERIAL CHANGE REPORT

PART 1 – GENERAL INSTRUCTIONS AND INTERPRETATION

(a) Confidentiality

If this Report is filed on a confidential basis, state in block capitals "CONFIDENTIAL" at the beginning of the Report.

(b) Use of "Company"

Wherever this Form uses the word "company" the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Numbering / Headings

The numbering, headings and ordering of the items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(d) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Parts 1 and 8 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(e) Plain Language

Write this document so that readers are able to understand this Report. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

PART 2 – CONTENT OF MATERIAL CHANGE REPORT

ITEM 1: NAME AND ADDRESS OF COMPANY

State the full name of your company and the address of its principal office in Canada.

ITEM 2: DATE OF MATERIAL CHANGE

State the date of the material change.

ITEM 3: NEWS RELEASE

State the date and method(s) of dissemination of the news release issued under paragraph 7.1(1)(a) of National Instrument 51–102.

ITEM 4: SUMMARY OF MATERIAL CHANGE

Provide a brief but accurate summary of the nature and substance of the material change.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

Supplement the summary required under Item 4 with sufficient disclosure to enable a reader to appreciate the significance and impact of the material change without having to refer to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

Some examples of significant facts relating to the material change include: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the issuer or its subsidiaries. Specific financial forecasts would not normally be required.

Other additional disclosure may be appropriate depending on the particular situation.

INSTRUCTIONS

If your company is engaged in oil and gas activities or in extracting hydrocarbons from shale, tar sands or coal, the disclosure under Item 5 must also satisfy the requirements of Part 6 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

ITEM 6: RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

If this Report is being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102, state the reasons for such reliance.

INSTRUCTIONS

Refer to subsection 7.1(4) of National Instrument 51-102 concerning continuing obligations in respect of reports filed pursuant to subsection 7.1(2) of National Instrument 51-102.

ITEM 7: OMITTED INFORMATION

State whether any information has been omitted on the basis that it is confidential information.

In a separate letter to the applicable regulator or securities regulatory authority marked “Confidential” provide the reasons for your company’s omission of confidential significant facts in the Report in sufficient detail to permit the applicable regulator or securities regulatory authority to determine whether to exercise its discretion to allow the omission of these significant facts.

INSTRUCTIONS

In certain circumstances where a material change has occurred and a Report has been or is about to be filed but subsection 7.1(2) or 7.1(4) of National Instrument 51-102 is not or will no longer be relied upon, your company may nevertheless believe one or more significant facts otherwise required to be disclosed in the Report should remain confidential and not be disclosed or not be disclosed in full detail in the Report.

ITEM 8: EXECUTIVE OFFICER

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

ITEM 9: DATE OF REPORT

Date the Report.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

PART 1 – GENERAL INSTRUCTIONS AND INTERPRETATION

(a) What is a Business Acquisition Report?

Your company must file a Business Acquisition Report after completing a significant acquisition. See Part 8 of National Instrument 51-102. The Business Acquisition Report describes the acquired business and the impact of the acquisition on your company.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations including partnerships, trusts and other unincorporated business entities.

(c) Focus on Relevant Information

When providing the disclosure required by this Form, focus your discussion on information that is relevant to an investor, analyst or other reader.

(d) Incorporating Material By Reference

Attach the financial statements required by Item 3 of this Form. You may incorporate information required by this Form by reference to another document other than a news release or material change report filed in respect of the significant acquisition. Clearly identify the referenced document, or any excerpt of it, that you incorporate into this Report. Unless the referenced document or excerpt has already been filed, you must file it with this Report.

(e) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Parts 1 and 8 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(f) Plain Language

Write this document so that readers are able to understand this Report. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(g) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

PART 2 – CONTENT OF BUSINESS ACQUISITION REPORT

ITEM 1: IDENTITY OF COMPANY

1.1 NAME AND ADDRESS OF COMPANY

State the full name of your company and the address of its principal office in Canada.

1.2 EXECUTIVE OFFICER

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the significant acquisition and the Report, or the name of an officer through whom such executive officer may be contacted.

ITEM 2: DETAILS OF ACQUISITION

2.1 NATURE OF BUSINESS ACQUIRED

Describe the nature of the business acquired.

2.2 DATE OF ACQUISITION

State the date of acquisition used for accounting purposes.

2.3 CONSIDERATION

Disclose the type and amount of consideration, both monetary and non-monetary, paid or payable by your company in connection with the significant acquisition, including contingent consideration. Identify the source of funds used by your company for the acquisition, including a description of any financing associated with the acquisition.

2.4 MATERIAL OBLIGATIONS

Describe any material obligations that must be met to keep any agreement relating to the significant acquisition in good standing.

2.5 EFFECT ON FINANCIAL POSITION

Describe any plans or proposals for material changes in your business affairs or the affairs of acquired business which may have a significant effect on the results of operations and financial position of your company. Examples would include any proposal to liquidate the business, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the business with any other business organization or to make any material changes to your business or the business acquired such as changes in corporate structure, management or personnel.

2.6 PRIOR VALUATIONS

Describe in sufficient detail any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used.

2.7 PARTIES TO TRANSACTION

State whether the transaction is with an insider, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

2.8 DATE OF REPORT

Date the Report.

ITEM 3: FINANCIAL STATEMENTS

Include the financial statements required by Part 8 of National Instrument 51-102.

FORM 51-102F5

INFORMATION CIRCULAR

Table of Contents

FORM 51-102F5

INFORMATION CIRCULAR

PART 1 — GENERAL INSTRUCTIONS AND INTERPRETATION

(a) Date / Timing of Information

The information required by this Form 51-102F5 must be given as of a specified date not more than thirty days prior to the date you first send the information circular to any securityholder of the issuer.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Incorporating Information by Reference

You may omit information that was contained in another information circular, notice of meeting or form of proxy sent to the same persons or companies whose proxies were solicited in connection with the same meeting, as long as you clearly identify the particular document containing the information.

(d) Defined Terms

If a term is used but not defined in this Form, refer to the securities statute of the local jurisdiction, to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*.

(e) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.4 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(f) Numbering / Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(g) Tables and Figures

Where practicable and appropriate, present information in tabular form. State all amounts in figures.

(h) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers. You may also omit information that is not known to the person or company on whose behalf the solicitation is made and that is not reasonably within the power of the person or company to obtain if you briefly state the circumstances that render the information unavailable.

PART 2 — CONTENT

ITEM 1 — REVOCABILITY OF PROXY

State whether the person or company giving the proxy has the power to revoke it. If any right of revocation is limited or is subject to compliance with any formal procedure, briefly describe the limitation or procedure.

ITEM 2 — PERSONS MAKING THE SOLICITATION

2.1 If solicitation is made by or on behalf of the management of the issuer, state this. Name any director of the issuer who has informed the management in writing that he or she intends to oppose any action intended to be taken by the management and indicate the action that he or she intends to oppose.

2.2 If a solicitation is made other than by or on behalf of the management of the issuer, state this and give the name of the person or company by whom, or on whose behalf, it is made.

2.3 If the solicitation is to be made other than by mail, describe the method to be employed. If the solicitation is to be made by specially engaged employees or soliciting agents, state,

(a) the parties to and material features of any contract or arrangement for the solicitation, and

(b) the cost or anticipated cost thereof.

2.4 State who has borne or will bear, directly or indirectly, the cost of soliciting.

ITEM 3 — PROXY INSTRUCTIONS

3.1 The information circular or the form of proxy to which the information circular relates must indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company, if any, designated in the form of proxy and must contain instructions as to the manner in which the securityholder may exercise the right.

3.2 The information circular or the form of proxy to which the information circular relates must state that the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for and that, if the securityholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

ITEM 4 — INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Briefly describe any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons or companies in any matter to be acted upon other than the election of directors or the appointment of auditors:

(a) if the solicitation is made by or on behalf of the management of the issuer, each person who has been a director or executive officer of the issuer at any time since the beginning of the issuer's last financial year;

(b) if the solicitation is made other than by or on behalf of the management of the issuer, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;

(c) each proposed nominee for election as a director of the issuer;

(d) each associate or affiliate of any of the persons or companies listed in (a) – (c),

INSTRUCTIONS

(i) The following persons and companies are deemed to be persons or companies by whom or on whose behalf the solicitation is made (collectively, "solicitors" or individually a "solicitor"):

(A) any member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;

(B) any person or company who contributes, or joins with another to contribute, more than $250 to finance the solicitation of proxies; or

(C) any person or company who lends money, provides credit, or enters into any other arrangements, pursuant to any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the issuer provided that this clause does not include a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.

(ii) Subject to (i), the following persons and companies are deemed not to be solicitors:

(A) any person or company retained or employed by a solicitor to solicit proxies or any person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;

(B) any person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;

(C) any person regularly employed as an officer or employee of the issuer or any of its affiliates; or

(D) any officer or director of or any person regularly employed by any solicitor.

ITEM 5 — VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

5.1 For each class of voting securities of the issuer entitled to be voted at the meeting, state the number of securities outstanding and the particulars of voting rights for each class.

5.2 Give the record date as of which the securityholders entitled to vote at the meeting will be determined or particulars as to the closing of the security transfer register, as the case may be, and, if the right to vote is not limited to securityholders of record as of specified record date, indicate the conditions under which securityholders are entitled to vote.

5.3 If action is to be taken with respect to the election of directors and if the securityholders or any class of securityholders have the right to elect a specified number of directors or have cumulative or similar voting rights, include a statement of such rights and state briefly the conditions precedent, if any, to the exercise thereof.

5.4 If to the knowledge of the issuer's directors or executive officers, any person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10 per cent or more of the voting rights attached to any class of voting securities of the issuer, name each person or company and state:

(a) the approximate number of securities beneficially owned, directly or indirectly, or controlled or directed by each such person or company, and

(b) the percentage of the class of outstanding voting securities of the issuer represented by the number of voting securities so owned, controlled or directed.

ITEM 6 — ELECTION OF DIRECTORS

6.1 If directors are to be elected, provide the following information, in tabular form to the extent practicable, for each person proposed to be nominated for election as a director and each other person whose term of office as a director will continue after the meeting.

(a) State the municipality of residence of each director and proposed director.

(b) State the period or periods during which each director has served as a director and when the term of office for each director and proposed director will expire.

(c) Identify the members of each committee of the board.

(d) State the present principal occupation, business or employment of each director and proposed director. Give the name and principal business of any company in which any such employment is carried on. Furnish similar information as to all of the principal occupations, businesses or employments of each proposed director within the five preceding years, unless the proposed director is now a director and was elected to the present term of office by a vote of securityholders at a meeting, the notice of which was accompanied by an information circular.

(e) Where a director or proposed director has held more than one position in the issuer, or a parent or subsidiary state only the first and last position held.

(f) State the number of securities of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, or controlled or directed by each proposed director.

(g) If securities carrying 10 per cent or more of the voting rights attached to all voting securities of the issuer or of any of its subsidiaries are beneficially owned, directly or indirectly, or controlled or directed by any proposed director and the proposed director's associates or affiliates:

(i) state the number of securities of each class of voting securities beneficially owned, directly or indirectly, or controlled or directed by the associates or affiliates; and

(ii) name each associate or affiliate whose security holdings are 10 per cent or more.

6.2 If any proposed director is to be elected pursuant to any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the issuer acting solely in such capacity, name the other person or company and describe briefly the arrangement or understanding.

ITEM 7 — EXECUTIVE COMPENSATION

Include in this information circular a completed Form 51-102F6 *Statement of Executive Compensation*.

ITEM 8 — SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

8.1 In the tabular form under the caption set out, provide the information specified in section 8.2 as of the end of the issuer's most recently completed financial year with respect to compensation plans (including individual compensation arrangements) under which equity securities of the issuer are authorized for issuance, aggregated as follows:

(a) all compensation plans previously approved by securityholders; and

(b) all compensation plans not previously approved by securityholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders			
Equity compensation plans not approved by securityholders			
Total			

8.2 Include in the table the following information as of the end of the issuer's most recently completed financial year for each category of equity compensation plan described in section 8.1:

(a) The number of securities to be issued upon the exercise of outstanding options, warrants and rights (column (a));

(b) The weighted-average exercise price of the outstanding options, warrants and rights disclosed under subsection 8.2(a) (column (b)); and

(c) Other than securities to be issued upon the exercise of the outstanding options, warrants and rights disclosed in subsection 8.2(a), the number of securities remaining available for future issuance under the plan (column (c)).

8.3 For each compensation plan under which equity securities of the issuer are authorized for issuance and that was adopted without the approval of securityholders, describe briefly, in narrative form, the material features of the plan.

INSTRUCTIONS

(i) Provide disclosure with respect to any compensation plan and individual compensation arrangement of the issuer (or parent, subsidiary or affiliate of your company) under which equity securities of the issuer are authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services as described in section 3780 of the Handbook. No disclosure is required regarding any plan, contract or arrangement for the issuance of warrants or rights to all securityholders of the issuer on a pro rata basis (such as a rights offering).

(ii) If more than one class of equity security is issued under the issuer's compensation plans, aggregate plan information for each class of security.

(iii) You may aggregate information regarding individual compensation arrangements with the plan information required under subsections 8.1(a) and (b), as applicable.

(iv) You may aggregate information regarding a compensation plan assumed in connection with a merger, consolidation or other acquisition transaction pursuant to which the issuer may make subsequent grants or awards of its equity securities with the plan information required under subsections 8.1(a) and (b), as applicable. Disclose on an aggregated basis in a footnote to the table the information required under subsections 8.2(a) and (b) with respect to any individual options, warrants or rights assumed in connection with a merger, consolidation or other acquisition transaction.

(v) To the extent that the number of securities remaining available for future issuance disclosed in column (c) includes securities available for future issuance under any compensation plan or individual compensation arrangement other than upon the exercise of an option, warrant or right, disclose the number of securities and type of plan separately for each such plan in a footnote to the table.

(vi) If the description of an equity compensation plan set forth in the issuer's financial statements contains the disclosure required by section 8.3, a cross-reference to the description satisfies the requirements of section 8.3.

(vii) If an equity compensation plan contains a formula for calculating the number of securities available for issuance under the plan, including, without limitation, a formula that automatically increases the number of securities available for issuance by a percentage of the number of outstanding securities of the issuer, describe this formula in a footnote to the table.

ITEM 9 — INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

9.1 Provide information under this Item for each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the issuer, each proposed nominee for election as a director of the issuer, and each associate of any such director, officer or proposed nominee,

(a) who is, or at any time since the beginning of the most recently completed financial year of the issuer has been, indebted to the issuer or any of its subsidiaries, or

(b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries.

9.2 State in the tabular form under the caption set out, for any indebtedness referred to in section 9.1 that was entered into in connection with a purchase of securities of the issuer or any of its subsidiaries:

(a) The name of the borrower (column (a)).

(b) If the borrower is a director or executive officer, the principal position of the borrower. If the borrower was, during the year, but no longer is a director or officer, state that fact. If the borrower is a proposed nominee for election as a director, state that fact. If the borrower is included as an associate describe briefly the relationship of the borrower to an individual who is or, during the year, was a director or executive officer or who is a proposed nominee for election as a director, name that individual and provide the information required by this subparagraph for that individual (column (a)).

(c) Whether the issuer or a subsidiary of the issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).

(d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).

(e) The aggregate amount of indebtedness outstanding as at a date within thirty days before the date of the information circular (column (d)).

(f) Separately for each class or series of securities, the sum of the number of securities purchased during the last completed financial year with the financial assistance (column (e)).

(g) The security for the indebtedness, if any, provided to the issuer, any of its subsidiaries or the other entity (column (f)).

TABLE OF INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Last Completed Financial Year] ($)	Amount Outstanding as at (current date) ($)	Financially Assisted Securities Purchases During [Last Completed Financial Year] (#)	Security for Indebtedness
(a)	(b)	(c)	(d)	(e)	(f)

9.3 State in the introduction immediately preceding the table required by section 9.2, for indebtedness entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, separately, the aggregate indebtedness,

(a) to the issuer or any of its subsidiaries, and

(b) to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries,

of all officers, directors, employees and former officers, directors and employees of the issuer or any of its subsidiaries outstanding as at a date within thirty days before the date of the information circular.

9.4 State in the tabular form under the caption set out for any indebtedness referred to in section 9.1 that was not entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, the information referred to in subsections 9.2(a) through (e).

TABLE OF INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS [insert if the issuer has a securities purchase program "OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS"]

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Last Completed Financial Year] ($)	Amount Outstanding as at [current date] ($)
(a)	(b)	(c)	(d)

9.5 State in the introduction immediately preceding the table required by section 9.4, for indebtedness not entered into in connection with a purchase of securities of the issuer or any of its subsidiaries, separately, the aggregate indebtedness,

(a) to the issuer or any of its subsidiaries, and

(b) to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries,

of all officers, directors, employees and former officers, directors and employees of the issuer or any of its subsidiaries outstanding as at a date within thirty days before the date of the information circular.

9.6 Disclose in a footnote to, or a narrative accompanying, each table required by this Item,

(a) the material terms of each incidence of indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including without limitation the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and for the table required by section 9.4 only, any security for the indebtedness and the nature of the transaction in which the indebtedness was incurred,

(b) any material adjustment or amendment made during the most recently completed financial year to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding, and

(c) the class or series of the securities purchased with financial assistance or held as security for the indebtedness and, if the class or series of securities is not publicly traded, all material terms of the securities, including but not limited to provisions for exchange, conversion, exercise, redemption, retraction and dividends.

9.7 No disclosure need be made under this Item of an incidence of indebtedness that has been entirely repaid on or before the date of the information circular or of routine indebtedness.

"Routine indebtedness" means indebtedness described in any of the following clauses:

(i) If an issuer makes loans to employees generally, whether or not in the ordinary course of business, loans are considered routine indebtedness if made on terms, including those as to interest rate and security, no more favourable to the borrower than the terms on which loans are made by the issuer to employees generally, but the amount at any time during the last completed financial year remaining unpaid under the loans to any one director, executive officer or proposed nominee together with his or her associates that are treated as routine indebtedness under this clause must not exceed $25,000.

(ii) Whether or not the issuer makes loans in the ordinary course of business, a loan to a director or executive officer is considered routine indebtedness if;

(A) the borrower is a full-time employee of the issuer,

(B) the loan is fully secured against the residence of the borrower, and

(C) the amount of the loan does not exceed the annual salary of the borrower.

(iii) If the issuer makes loans in the ordinary course of business, a loan is considered routine indebtedness if made to a person or company other than a full-time employee of the issuer, and if the loan,

(A) is made on substantially the same terms, including those as to interest rate and security, as are available when a loan is made to other customers of the issuer with comparable credit ratings, and

(B) involves no more than usual risks of collectibility.

(iv) Indebtedness arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons is considered routine indebtedness if the repayment arrangements are in accord with usual commercial practice.

9.8 For purposes of this Item, "support agreement" includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

ITEM 10 — INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Describe briefly and, where practicable, state the approximate amount of any material interest, direct or indirect, of any insider of the issuer, any proposed director of the issuer, or any associate or affiliate of any insider or proposed director, in any transaction since the commencement of the issuer's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the issuer or any of its subsidiaries.

INSTRUCTIONS:

(i) Briefly describe the material transaction. State the name and address of each person or company whose interest in any transaction is described and the nature of the relationship giving rise to the interest.

(ii) For any transaction involving the purchase or sale of assets by or to the issuer or any subsidiary, otherwise than in the ordinary course of business, state the cost of the assets to the purchaser and the cost of the assets to the seller, if acquired by the seller within two years prior to the transaction.

(iii) This Item does not apply to any interest arising from the ownership of securities of the issuer where the securityholder receives no extra or special benefit or advantage not shared on a proportionate basis by all holders of the same class of securities or by all holders of the same class of securities who are resident in Canada.

(iv) Include information as to any material underwriting discounts or commissions upon the sale of securities by the issuer where any of the specified persons or companies was or is to be an underwriter in a contractual relationship with the issuer with respect to securities or is an associate or affiliate of a person or company that was or is to be such an underwriter.

(v) No information need be given in answer to this Item for any transaction or any interest in that transaction where,

(A) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;

(B) the interest of the specified person in the transaction is solely that of director of another company that is a party to the transaction;

(C) the transaction involves services as a bank or other depositary of funds, transfer agent, registrar, trustee under a trust indenture or other similar services; or

(D) the transaction does not directly or indirectly, involve remuneration for services, and

(1) the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company that is a party to the transaction,

(2) the transaction is in the ordinary course of business of the issuer or its subsidiaries, and

(3) the amount of the transaction or series of transactions is less than 10 per cent of the total sales or purchases, as the case may be, of the issuer and its subsidiaries for the most recently completed financial year.

(vi) Provide information for transactions not excluded above which involve remuneration, directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company furnishing the services to the issuer or its subsidiaries.

ITEM 11— APPOINTMENT OF AUDITOR

Name the auditor of the issuer. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.

If action is to be taken to replace an auditor, provide the information required under Section 4.14 of National Instrument 51-102.

ITEM 12 — MANAGEMENT CONTRACTS

Where management functions of the issuer or of its subsidiaries are to any substantial degree performed other than by the directors or executive officers of the issuer or subsidiary:

(a) give details of the agreement or arrangement under which the management functions are performed, including the name and address of any person or company who is a party to the agreement or arrangement or who is responsible for performing the management functions;

(b) give the names and home addresses in full or, alternatively, solely the municipality of residence or postal address, of the insiders of any person or company with which the issuer or subsidiary has any such agreement or arrangement and, if the following information is known to the directors or executive officers of the issuer, give the names and addresses of any person or company that would be an insider of any person or company with which the issuer or subsidiary has any such agreement or arrangement if the person were an issuer;

(c) for any person or company named under paragraph (a) state the amounts paid or payable by the issuer and its subsidiaries to the person or company since the commencement of the most recently completed financial year and give particulars; and

(d) for any person or company named under paragraph (a) or (b) and their associates or affiliates, give particulars of,

(i) any indebtedness of the person, company, associate or affiliate to the issuer or its subsidiaries that was outstanding, and

(ii) any transaction or arrangement of the person, company, associate or affiliate with the issuer or subsidiary,

at any time since the start of the issuer's most recently completed financial year.

INSTRUCTIONS:

(i) Do not refer to any matter that is relatively insignificant.

(ii) In giving particulars of indebtedness, state the largest aggregate amount of indebtedness outstanding at any time during the period, the nature of the indebtedness and of the transaction in which it was incurred, the amount of the indebtedness presently outstanding and the rate of interest paid or charged on the indebtedness.

(iii) Do not include as indebtedness amounts due from the particular person for purchases subject to usual trade terms, for ordinary travel and expense advances and for other similar transactions.

ITEM 13 —PARTICULARS OF MATTERS TO BE ACTED UPON

13.1 If action is to be taken on any matter to be submitted to the meeting of securityholders other than the approval of financial statements, briefly describe the substance of the matter, or related groups of matters, except to the extent described pursuant to the foregoing items, in sufficient detail to enable reasonable securityholders to form a reasoned judgement concerning the matter. Without limiting the generality of the foregoing, such matters include alterations of share capital, charter amendments, property acquisitions or dispositions, reverse takeovers, amalgamations, mergers, arrangements or reorganizations and other similar transactions.

13.2 If the action to be taken is in respect of a restructuring transaction under which securities are to be changed, exchanged, issued, or distributed, the information circular must include information sufficient to enable a reasonable securityholder to form a reasoned judgement concerning the nature and effect of the restructuring transaction and the expected resulting entity or entities. This information must include, to the extent necessary to enable a reasonable securityholder to form a reasoned judgement, the disclosure (including financial statement disclosure) for each entity securities of which are being changed, exchanged, issued, or distributed, and for each entity that would result from the restructuring transaction, prescribed by the form of prospectus that the entity would be eligible to use for a distribution of securities in the jurisdiction. For the purposes of this section 13.2, a restructuring transaction means a reverse take-over, amalgamation, merger, arrangement or reorganization or other similar transaction, but does not include a subdivision, consolidation, or other transaction that only affects the number of securities of a class that are outstanding. If the action is to be taken on a matter that is a business combination which will be accounted for as a reverse take-over, disclosure in this Item must include disclosure prescribed by the appropriate prospectus form for the legal subsidiary, as that term is used in the Handbook.

13.3 If the matter is one that is not required to be submitted to a vote of securityholders, state the reasons for submitting it to securityholders and state what action management intends to take in the event of a negative vote by the securityholders.

13.4 Where the requirement set out in section 13.2 trigger reconciliation requirements for the financial statements of an SEC foreign issuer or designated foreign issuer (as defined in National Instrument 71-102 *Continuous Disclosure and Other*

Exemptions Relating to Foreign Issuers), these requirements are waived provided that the financial statements comply with the requirements of Part 7 of National Instrument 71-102, as applicable.[3]

13.5 Section 13.2 does not apply to a form 51-102F5 that is sent to holders of voting securities of a reporting issuer soliciting proxies otherwise than on behalf of management of the reporting issuer (a "dissident circular"), unless the sender of the dissident circular is proposing a restructuring transaction involving the reporting issuer and the sender, under which securities of the sender, or an affiliate of the sender, are to be distributed or transferred to securityholders of the reporting issuer. However, a sender of a dissident circular shall include in the dissident circular the disclosure required by section 13.2 if the sender of the dissident circular is proposing a restructuring transaction under which securities of the sender or securities of an affiliate of the sender are to be changed, exchanged, issued or distributed.

ITEM 14 —RESTRICTED SHARES

14.1 If the action to be taken involves a transaction that would have the effect of converting or subdividing, in whole or in part, existing shares into restricted shares, or creating new restricted shares, the information circular must also include, as part of the minimum disclosure required, a detailed description of:

(a) the voting rights attached to the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, and the voting rights, if any, attached to the shares of any other class of shares of the issuer that are the same or greater on a per share basis than those attached to the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

(b) the percentage of the aggregate voting rights attached to the issuer's securities that are represented by the class of restricted shares;

(c) any significant provisions under applicable corporate and securities law, in particular whether the restricted shares may or may not be tendered in any takeover bid for securities of the reporting issuer having voting rights superior to those attached to the restricted shares, that do not apply to the holders of the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, but do apply to the holders of another class of equity shares, and the extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted shares; and

(d) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted shares that are the subject of the transaction either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity shares of the issuer and to speak at the meetings to the same extent that holders of equity shares are entitled.

14.2 If holders of restricted shares do not have all of the rights referred to in section 14.1, the detailed description referred to in section 14.1 must include, in bold-face type, a statement of the rights the holders do not have.

ITEM 15 — ADDITIONAL INFORMATION

15.1 Disclose that additional information relating to the issuer may be found on SEDAR at www.sedar.com. Disclose the manner in which securityholders may contact the issuer in order to obtain, without charge, copies of financial statements and MD&A of the issuer as required by sections 4.12 and 6.5 of National Instrument 51-102.

15.2 Include a statement to the effect that financial information is provided in the issuer's comparative financial statements and MD&A for its most recently completed financial year.

[3] If the prospectus rules are amended to incorporate this relief, this provision will no longer be necessary.

FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

Table of Contents

FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

ITEM 1 — GENERAL INSTRUCTIONS AND INTERPRETATION

1.1 Definitions. For purposes of this Form:

"CEO" of an issuer means an individual who served as chief executive officer of the issuer or acted in a similar capacity during the most recently completed financial year;

"exempt issuer" means an issuer that:

(a) had revenues of less than $25 million in the most recently completed financial year,

(b) is not a non-redeemable investment fund or mutual fund,

(c) had an aggregate market value of less than $25 million as at the end of its two most recently completed financial years, and

(d) if it is a subsidiary of another issuer, that other issuer is also an exempt issuer;

"long-term incentive plan" or "LTIP" means any plan providing compensation intended to serve as incentive for performance to occur over a period longer than one financial year, whether the performance is measured by reference to financial performance of the issuer's or an affiliate of the issuer, the price for the issuer's securities, or any other measure, but does not include option or SAR plans or plans for compensation through restricted shares or restricted share units;

"Named Executive Officers" means the individuals referred to in section 1.3;

"normal retirement age", with respect to a pension or similar plan, means normal retirement age as defined in the plan or, if not defined in the plan, the earliest time at which a participant in the plan may retire without any benefit reduction due to age;

"options" includes all options, share purchase warrants and rights granted by the issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment (an extension of an option or replacement grant is a grant of a new option) and includes other securities if:

(a) the class or series of the securities has been created to be issued, or securities of the class or series have been or will be issued, primarily for compensation for services rendered or otherwise in connection with office or employment;

(b) the securities carry the right to purchase or otherwise acquire (e.g., through an exchange or conversion) securities of the issuer or of any of its subsidiaries; and

(c) the securities and the terms of the purchase or acquisition of the securities in effect are similar to options;

"plan" includes, but is not limited to, any plan, contract, authorization or arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, restricted shares or restricted share units, performance units and performance shares, or similar instruments may be received or purchased, but does not include the Canada Pension Plan or similar government plans or any group life, health, hospitalization, medical reimbursement or relocation plan that does not discriminate in scope, terms or operation in favour of executive officers or directors of the issuer and is available generally to all salaried employees;

"replacement grant" of an option or SAR means the grant of an option or SAR reasonably related to any prior or potential cancellation of an option or SAR, whether by:

(a) an exchange of existing options or SARs for options or SARs with new terms;

(b) the grant of new options or SARs designed to operate in tandem with previously granted options or SARs that upon exercise will operate to cancel the previously granted options or SARs;

(c) downward repricing of previously granted options or SARs; or

(d) any other means;

"repricing" of an option or SAR means the adjustment or amendment of the exercise or base price of an option or SAR previously awarded, whether through amendment, cancellation or replacement grants, or any other means, but does not include any repricing occurring through the operation of a formula or mechanism in, or applicable to, the previously awarded option or SAR that results in the periodic adjustment of the effective exercise, purchase or base price, a plan anti-dilution provision, or a recapitalization or similar transaction equally affecting all holders of the class of securities underlying the option or SAR and "repriced" has a corresponding meaning;

"stock appreciation right" ("SAR") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

1.2 Plain, Concise and Understandable Disclosure. Information required by this Form should be provided in a plain, concise and understandable manner under the appropriate Item in the "Executive Compensation" section of the disclosure document. If any Item of this Form requires disclosure of information in tabular form, the information must be presented in the specific format set out. Any table or column of a table may be omitted if there has been no compensation that otherwise would be required to be disclosed in that table or column in any financial year covered by the table.

1.3 Individuals Covered. Disclosure must be provided under this Form for:

(a) each CEO, despite the amount of compensation of that individual;

(b) each of the issuer's four most highly compensated executive officers, other than the CEO, who were serving as executive officers at the end of the most recently completed financial year, provided that disclosure is not required under this Form for an executive officer whose total salary and bonus, as determined in accordance with Item 2, does not exceed $100,000; and

(c) any additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year-end.

1.4 Determination of Most Highly Compensated Executive Officers. The determination of which executive officers are the issuer's most highly compensated executive officers must be made on the basis of the total annual salary and bonus of each executive officer of the issuer during the most recently completed financial year calculated in accordance with Item 2.

1.5 Change in Status of a Named Executive Officer During the Financial Year. If the CEO served in that capacity during any part of a financial year for which disclosure is required under this Form, information must be provided as to all of his or her compensation for the full financial year. If a Named Executive Officer, other than the CEO, served as an executive officer of the issuer (whether or not in the same position) during any part of a financial year for which disclosure is required under this Form, information must be provided as to all of his or her compensation for the full financial year.

1.6 Exclusion of Executive Officer Due to Unusual Compensation or Compensation for Foreign Assignment. It may be appropriate, in limited circumstances, for the issuer to exclude from the disclosure required by this Form an individual, other than a CEO, who is one of the issuer's most highly compensated executive officers. Among the factors that should be considered in determining to exclude an individual are:

(a) the payment or accrual of an unusually large amount of cash compensation (such as bonus or commission) that is not part of a recurring arrangement and is unlikely to continue; and

(b) whether the individual is one of the four most highly compensated executive officers only because of the payment of additional amounts of cash compensation intended to compensate him or her for increased living expenses that may be attributed predominately to an assignment outside of Canada.

1.7 All Compensation Covered. Unless otherwise specified, this Form requires disclosure of all plan and non-plan compensation awarded to, earned by, or paid to, each Named Executive Officer and each director covered by Item 11 for services rendered by that individual in all capacities to the issuer or a subsidiary of the issuer or otherwise in connection with office or employment of that individual with the issuer or a subsidiary of the issuer. Except as

expressly provided, no amount, benefit or right reported as compensation for a financial year need be reported as compensation for any subsequent fiscal year.

1.8 Sources of Compensation. Compensation to officers and directors from the issuer must include compensation from the issuer and its subsidiaries. In addition, if any understanding or agreement exists among any of the issuer, its subsidiaries or an officer or director of the issuer or its subsidiary and another entity, for the primary purpose of the other entity furnishing compensation to the officer or director for services rendered to, or otherwise in connection with office or employment with, the issuer or any of its subsidiaries, any compensation furnished under that understanding or agreement must be included in the appropriate category of compensation of the officer or director.

1.9 Compensation Furnished to Associates. If any understanding or agreement exists among any of the issuer, its subsidiaries or another entity and an officer or director of the issuer or its subsidiary for the primary purpose of the issuer, its subsidiary or the other entity furnishing compensation to the officer or director for services rendered to, or otherwise in connection with office or employment with, the issuer or any of its subsidiaries through compensation to an associate of the director or officer, any compensation to such associate under that understanding or agreement must be included in the appropriate category of compensation of the officer or director.

ITEM 2 — SUMMARY COMPENSATION TABLE

2.1 State the information specified in section 2.2 concerning the compensation of each of the Named Executive Officers for each of the issuer's three most recently completed financial years, in the tabular form under the caption set out below.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Other Annual Compen-sation ($) (e)	Securities Under Opntions/ SARs Granted ($) (fg)	Restricted Shares or Restricted Share Units ($) (g)	LTIP Payouts ($) (h)	All Other Compen-sation ($) (i)
CEO								
A								
B								
C								
D								

2.2 The Table required by section 2.1 must include:

(a) The name and principal position of the Named Executive Officer (column (a)).

(b) The financial year covered (column (b)).

(c) Annual compensation (columns (c), (d) and (e)), including:

(i) the dollar value of any cash or non-cash base salary earned by the Named Executive Officer during the financial year covered (column (c));

(ii) the dollar value of any cash or non-cash bonus earned by the Named Executive Officer during the financial year covered (column (d));and

(iii) the dollar value or all other annual compensation of the Named Executive Officer during the financial year covered that is not properly categorized as salary or bonus (column (e)).

(d) Long-term compensation (columns (f), (g) and (h)), including:

(i) the sum of the number of securities under option (with or without tandem SARs) and, separately, the sum of the number of securities subject to freestanding SARs (column (f));

(ii) the dollar value (net of consideration paid by the Named Executive Officer) of any restricted shares or restricted share units (calculated by multiplying the closing market price of the issuer's unrestricted shares on the date of grant by the number of shares or share units awarded (column (g)); and

(iii) the dollar value of all payouts under LTIPs (column (h)).

(e) All other compensation for the covered financial year that is not properly reported in any other column of the table required by this Item (column (i)).

2.3 For purposes of paragraphs 2.2(c)(i) and (ii) regarding salary and bonus:

(a) Amounts deferred at the election of a Named Executive Officer must be included in the salary column (column (c)) or bonus column (column (d)), as appropriate, for the financial year in which earned. If the amount of salary or bonus earned in a given financial year is not calculable, that fact must be disclosed in a footnote and that amount must be disclosed in the subsequent financial year in the appropriate column for the financial year in which earned.

(b) For securities or any other form of non-cash compensation, disclose the fair market value of the compensation at the time the compensation is awarded, earned or paid.

(c) Any amount of salary or bonus earned in a covered year that was foregone, at the election of a Named Executive Officer, under a program of the issuer under which stock, stock-based or other forms of non-cash compensation may be received in lieu of a portion of annual compensation, need not be included in the salary or bonus columns. Instead, the issuer may disclose the receipt by the Named Executive Officer during that financial year of the non-cash compensation in lieu of salary or bonus in the appropriate column of the table corresponding to that year (i.e. options or SARs (column (f)), restricted shares or restricted share units (column (g)), and all other compensation (column (i))). If the election was made under a long-term incentive plan and therefore is not reportable at the time of grant in the table required by this Item, a footnote must be added to the salary or bonus column disclosing this fact and referring to the table required by Item 3 for disclosure of the reward.

2.4 For purposes of paragraph 2.2(c)(iii) regarding all other annual compensation:

(a) Perquisites and other personal benefits, securities or property are to be disclosed in column (e), unless the aggregate amount of such compensation is no greater than the lesser of $50,000 and 10 percent of the total of the annual salary and bonus of the Named Executive Officer for the financial year. Each perquisite or other personal benefit exceeding 25 percent of the total perquisites and other personal benefits reported for a Named Executive Officer must be identified by type and amount in a footnote to the other annual compensation column (column (e)). Perquisites and other personal benefits must be valued on the basis of the aggregate incremental cost to the issuer and its subsidiaries.

(b) If securities, options, SARs, loans, deferred compensation or other obligations issued to a Named Executive Officer carry a right to receive interest, dividends or other amounts that at the time of issue or reset is above-market or preferential (i.e., at a rate greater than the rate ordinarily paid by the issuer or its subsidiary on securities or other obligations having the same or similar features issued to third parties), the above-market portion of all such interest, dividends or other amounts paid during the financial year or payable during that period but deferred at the election of the Named Executive Officer must be disclosed in column (e).

(c) Earnings on long-term incentive plan compensation or dividend equivalents paid during the financial year or payable during that period but deferred at the election of the Named Executive Officer must be disclosed in column (e).

(d) Amounts reimbursed during the financial year for the payment of taxes must be disclosed in column (e).

(e) The dollar value of the difference between the price paid by a Named Executive officer for a security of the issuer or its subsidiaries that was purchased from the issuer or its subsidiaries (through deferral of salary or bonus or otherwise) and the fair market value of the security at the date of purchase must be disclosed in column (e), unless the discount was available generally, either to all security holders or to all salaried employees of the issuer.

(f) The dollar value of imputed interest benefits from loans provided to, or debts incurred on behalf of, the Named Executive Officer by the issuer and its subsidiaries as computed in accordance with the *Income Tax Act* (Canada) must be disclosed in column (e).

(g) The dollar value of amounts of loan or interest obligations of the Named Executive Officer to the issuer, its subsidiary or third parties that were serviced, settled or extinguished by the issuer or its subsidiaries without the substitution of an obligation to repay the amount to the issuer or subsidiary in its place must be disclosed in column (e).

2.5 For purposes of subsection 2.2(d) regarding long-term compensation:

(a) If at any time during the most recently completed financial year the issuer has repriced downward options or freestanding SARs previously awarded to a Named Executive Officer, disclose the options or SARs so repriced as new options or SARs grants in column (f).

(b) Awards of restricted shares or restricted share units that are subject to performance-based conditions to vesting, in addition to lapse of time or continued service with the issuer or a subsidiary, may be disclosed as LTIP awards under column (i) instead of under column (g). If this approach is selected, once the restricted share or restricted share unit vests, it must be reported as an LTIP payout in column (h).

(c) In a footnote to the restricted shares and restricted share units column (column (g)) disclose:

(i) the number and value of the aggregate holdings of restricted shares and restricted share units at the end of the most recently completed financial year with the value being calculated in accordance with paragraph 2.2(d)(ii);

(ii) for any restricted share or restricted share unit that will vest, in whole or in part, in less than three years from the date of grant, the total number of securities awarded and the vesting schedule; and

(iii) whether dividends or dividend equivalents will be paid on the restricted shares and restricted share units disclosed in the column.

(d) If any specified performance target, goal or condition to payout was waived with respect to any amount included in LTIP payouts, disclose this fact in a footnote to the LTIP payout column (column (h)).

2.6 For purposes of subsection 2.2(e), all other compensation for the covered financial year that is not properly reported in any other column of the table required by this Item includes, but is not limited to:

(a) The amount paid, payable or accrued to a Named Executive Officer under a plan or arrangement for compensation for:

(i) the resignation, retirement or other termination of the officer's employment with the issuer or a subsidiary of the issuer; or

(ii) a change in control of the issuer or a subsidiary of the issuer or a change in the officer's responsibilities following such a change in control.

(b) If securities, options, SARs, loans, deferred compensation or other obligations issued to a Named Executive Officer carry a right to receive interest, dividends or other amounts that at the time of issue or reset is above-market or preferential (i.e., at a rate greater than the rate ordinarily paid by the issuer or its subsidiary on securities or obligations having the same or similar features issued to third parties), the dollar value of the above-market portion of all such interest, dividends or other amounts earned during the financial year, or calculated with respect to that period, except that amounts that are paid during that period, or payable during that period at the election of the Named Executive Officer must be reported as other annual compensation in column (e).

(c) The dollar value of amounts earned on long-term incentive plan compensation during the financial year, or calculated with respect to that period, and dividend equivalents earned during that period except that amounts that are paid during that period, or payable during that period at the election of the Named Executive Officer must be reported as other annual compensation in column (e).

(d) Annual contributions or other allocations by the issuer or its subsidiary to vested and unvested defined contribution plans.

(e) The dollar value of any insurance premium paid by, or on behalf of, the issuer or its subsidiary during the financial year with respect to term life insurance for the benefit of a Named Executive Officer, and, if there is

an arrangement or understanding, whether formal or informal, that the officer has or will receive or be allocated an interest in any cash surrender value under the insurance policy, either:

(i) the full dollar value of the remainder of the premiums paid by, or on behalf of, the issuer or its subsidiary; or

(ii) if the premiums will be refunded to the issuer or its subsidiary on termination of the policy, the dollar value of the benefit to the officer of the remainder of the premium paid by, or on behalf of, the issuer or its subsidiary during the financial year. This benefit must be determined for the period, projected on an actuarial basis, between payment of premium and the refund.

The same method of reporting under this paragraph must be used for each of the Named Executive Officers. If the issuer changes methods of reporting from one year to the next, that fact and the reason for the change must be disclosed in a footnote to the all other compensation column (column (i)).

2.7 For purposes of subsection 2.2(e) regarding all other compensation not otherwise properly reported in any other column:

(a) LTIP awards and amounts received on exercise of options and SARs need not be reported as all other compensation in column (i).

(b) Information on defined benefit and actuarial plans need not be reported in column (i).

2.8 If during any of the financial years covered by the table required by this Item, a Named Executive Officer was not employed by the issuer or its subsidiary for the entire financial year, disclose this fact and the number of months the officer was so employed during the year in a footnote to the table.

2.9 If during any of the financial years covered by the table required by this Item, a Named Executive Officer was compensated by a non-subsidiary affiliate of the issuer, disclose in a note to the table:

(a) the amount and nature of such compensation; and

(b) whether the compensation is included in the compensation reported in the table.

2.10 Information with respect to a financial year-end prior to the most recently completed financial year-end need not be provided if the issuer was not a reporting issuer at any time during such prior financial year.

ITEM 3 — LONG-TERM INCENTIVE PLAN AWARDS TABLE

3.1 State the information specified in section 3.2 concerning LTIP awards made to Named Executive Officers during the most recently completed financial year in the tabular form under the caption set out below.

LONG-TERM INCENTIVE PLANS—AWARDS IN MOST RECENTLY COMPLETED FINANCIAL YEAR

Name (a)	Securities, Units or Other Rights (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Estimated Future Payouts Under Non-Securities-Price-Based plans		
			Threshold ($ or #) (d)	Target ($ or #) (e)	Maximum ($ or #) (f)
CEO					
A					
B					
C					
D					

3.2 The table required by section 3.1 must include for each LTIP award:

(a) The name of the Named Executive Officer (column (a)).

(b) The number of securities, units or other rights awarded under any LTIP and, if applicable, the number of securities underlying any such unit or right (column (b)).

(c) The performance or other time period until payout or maturation of the award (column (c)).

(d) For plans not based on stock price, the dollar value of the estimated payout or range of estimated payouts under the award (threshold, target and maximum amount), whether such award is denominated in stock or cash (columns (d) through (f)).

3.3 Describe in a footnote to, or a narrative that accompanies, the table required by this Item the material terms of any award, including a general description of the formula or criteria to be applied in determining the amounts payable. Issuers are not, however, required to disclose any factor, criterion or performance-related or other condition to payout or maturation of a particular award that involves confidential or business information, disclosure of which would adversely affect the issuer's competitive position.

3.4 Separate disclosure must be provided in the table required by this Item and under section 3.3 for each award made to a Named Executive Officer, if awards were made under more than one plan or awards under the same plan have different material terms. Identify the particular plan under which each award was made.

3.5 For purposes of this Item:

(a) "threshold" means the minimum amount payable for a certain level of performance under the plan;

"target" means the amount payable if the specified performance target(s) are reached, and "maximum" means the maximum payout possible under the plan.

(b) A tandem grant of two instruments, only one of which is pursuant to an LTIP, need be reported only in the table applicable to the other instrument.

(c) In column (e), the issuer must provide a representative amount based on the previous financial year's performance if the target award is not determinable.

ITEM 4 — OPTIONS AND SARS

4.1 State the information specified in section 4.2 concerning individual grants of options to purchase or acquire securities of the issuer or any of its subsidiaries (whether or not in tandem with SARs) and freestanding SARs made during the most recently completed financial year to each of the Named Executive Officers, in the tabular form under the caption set out below.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name (a)	Securities, Under Options/SARs Granted (#) (b)	Percent of Total Options/ SARs Granted to Employees in Financial Year (c)	Exercise or Base Price ($/Security) (d)	Market Value of Securities Underlying Options/ SARs on the Date of Grant ($/Security) (e)	Expiration Date (f)
CEO					
A					
B					
C					
D					

4.2 The table required by section 4.1 must include for each grant of options or SARs:

(a) The name of the Named Executive Officer (column (a)).

(b) The number of securities underlying the options or freestanding SARs granted (column (b)).

(c) The percentage that the grant represents of total options and freestanding SARs granted to employees of the issuer and its subsidiaries during the financial year (column (c)).

(d) The per-security exercise or base price of the options or freestanding SARs granted (column (d)).

(e) The per-security market value of the underlying securities on the date of grant (column (e)).

(f) The expiration date of the options or freestanding SARs granted (column (f)).

4.3 For the table required by section 4.1:

(a) The information must be presented for each Named Executive Officer in groups according to each issuer and class or series of security underlying the options or SARs granted and within these groups in reverse chronological order. For each grant, disclose in a footnote the issuer and the class or series of securities underlying the options or freestanding SARs granted.

(b) If more than one grant of options or freestanding SARs was made to a Named Executive Officer during the most recently completed financial year, a separate row must be used to provide the particulars of each grant. However, more than one grant during a single financial year to a Named Executive Officer may be aggregated if each grant being aggregated was made at the same exercise or base price and has the same expiration date and the same performance vesting thresholds, if any.

(c) A single grant of options or freestanding SARs must be reported as separate grants for each tranche with a different exercise or base price, expiration date or performance vesting threshold.

(d) Each material term of the grant, including but not limited to the date of exercisability, the number of SARs, dividend equivalents, performance units or other instruments granted in tandem with options, a performance-based condition to exercisability, a re-load feature or a tax-reimbursement feature must be disclosed in a footnote to the table.

(e) Options or freestanding SARs granted in an option repricing transaction must be disclosed.

(f) If the exercise or base price is adjustable over the term of an option or freestanding SAR in accordance with a prescribed standard or formula, include in a footnote to, or a narrative accompanying, the table a description of the standard or formula.

(g) If any provision of an option or SAR (other than an anti-dilution provision) could cause the exercise or base price to be lowered, a description of the provision and its potential consequences must be included in a footnote to, or a narrative accompanying the table.

(h) In determining the grant date market value of the securities underlying options or freestanding SARs, use either the closing market price or any other formula prescribed under the option or SAR plan. For options or SARs granted prior to the establishment of a trading market in the underlying securities, the initial offering price may be used.

4.4 State the information specified in section 4.5 concerning each exercise of options (or tandem SARS) and freestanding SARs during the most recently completed financial year by each of the Named Executive Officers and the financial year-end value of unexercised options and SARs, on an aggregated basis, in the tabular form and under the caption set out below.

AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

Name (a)	Securities, Acquired on Exercise (#) (b)	Aggregate Value Realized ($) (c)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable (d)	Value of Unexercised in-the-Money Options/SARs at FY-End ($) Exercisable/ Unexercisable (e)
CEO				
A				
B				
C				
D				

4.5 The table required by section 4.4 must include:

(a) The name of the Named Executive Officer (column (a)).

(b) The aggregate number of securities received on exercise or, if no securities were received, the aggregate number of securities for which options or SARs were exercised (column (b)).

(c) The aggregate dollar value realized upon exercise (column (c)).

(d) The total number of securities underlying unexercised options and SARs held at the end of the most recently completed financial year, separately identifying the exercisable and unexercisable options and SARs (column (d)).

(e) The aggregate dollar value of in-the-money, unexercised options and SARs held at the end of the financial year, separately identifying the exercisable and unexercisable options and SARs (column (e)).

4.6 For the table required by section 4.4:

(a) Options or freestanding SARs are in-the-money at financial year-end if the market value of the underlying securities on that date exceeds the exercise or base price of the option or SAR.

(b) The dollar values in columns (c) and (e) are calculated by determining the difference between the market value of the securities underlying the options or SARs at exercise or financial year-end, respectively, and the exercise or base price of the options or SARs.

(c) In calculating the dollar value realized on exercise (column (c)), the value of any related payment or other consideration provided (or to be provided) by the issuer or its subsidiary to, or on behalf of, a Named Executive Officer, whether in payment of the exercise or base price or related taxes, must not be included. Instead, these payments are to be disclosed in accordance with section 2.4.

ITEM 5 — OPTION AND SAR REPRICINGS

5.1 If at any time during the most recently completed financial year, the issuer has repriced downward any options or freestanding SARs held by any Named Executive Officer, state the information specified in section 5.2 concerning all downward repricings of options or SARs held by executive officers of the issuer during the shorter of:

(a) the 10 year period ending on the date of this Form; and

(b) the period during which the issuer has been a reporting issuer, in the tabular form under the caption set out below.

TABLE OF OPTION AND SAR REPRICINGS

Name (a)	Date of Repricing (b)	Securities Under Options/SARs Repriced or Amended (#) (c)	Market Price of Securities at Time of Repricing or Amendment ($/Security) (d)	Exercise Price at Time of Repricing or Amendment ($/Security) (e)	New Exercise Price ($/Security) (f)	Length of Original Option Term Remaining at Date of Repricing or Amendment (g)

5.2 The table required by section 5.1 must include, for each downward repricing:

(a) The name and position of the executive officer (column (a)).

(b) The date of repricing (column (b)).

(c) The number of securities underlying replacement or amended options or SARs (column (c)).

(d) The per-security market price of the underlying security at the time of repricing (column (d)).

(e) The original per-security exercise price or base price of the cancelled or amended option or SAR (column (e)).

(f) The per-security exercise price or base price of the replacement option or SAR (column (f)).

(g) The amount of time remaining before the replaced or amended option or SAR would have expired (column (g)).

5.3 For the table required by section 5.1:

(a) Information about a replacement grant made during the financial year must be disclosed even if the corresponding original grant was cancelled in a prior year.

(b) If the replacement grant is not made at the current market value, describe this fact and the terms of the grant in a footnote or accompanying textual narrative.

(c) The information must be presented in groups according to issuer and class or series of security underlying options or SARs and within these groups in reverse chronological order.

5.4 In a narrative immediately before or after the table required by this Item, explain in reasonable detail the basis for all downward repricings during the most recently completed financial year of options and SARs held by any of the Named Executive Officers.

ITEM 6 — DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE

6.1 For defined benefit or actuarial plans under which benefits are determined primarily by final compensation (or average final compensation) and years of service, state the estimated annual benefits payable upon retirement (including amounts attributable to any defined benefit supplementary or excess pension awards plan) in specified compensation and years of service classifications separately for each plan in the tabular form under the caption set out below.

PENSION PLAN TABLE

Remuneration ($)	Years of Service				
	15	20	25	30	35
125,000					
150,000					
175,000					
200,000					
225,000					
250,000					
300,000					
400,000					
[insert additional rows as appropriate for additional increments]					

6.2 Immediately following the table disclose:

(a) The compensation covered by the plan(s), including the relationship of the covered compensation to the compensation reported in the Summary Compensation Table required by Item 2 and state the current compensation covered by the plan for any Named Executive Officer whose total compensation differs substantially (by more than 10 percent) from that set out in the Summary Compensation Table.

(b) The estimated credited years of service for each of the Named Executive Officers.

(c) A statement as to the basis upon which benefits are computed (for example; straight-life annuity amounts), and whether or not the benefits listed in the table are subject to any deduction for social security or other offset amount.

6.3 For purposes of section 6.l, compensation set forth in the table must allow for reasonable increases in existing compensation levels or, alternately, the issuer may present, as the highest compensation level in the table, an amount equal to 120 percent of the amount of covered compensation of the most highly compensated of the Named Executive Officers.

6.4 For defined benefit or actuarial plans under which benefits are not determined primarily by final compensation (or average final compensation) and years of service, state in narrative form:

(a) The formula by which benefits are determined.

(b) The estimated annual benefits payable upon retirement at normal retirement age for each of the Named Executive Officers.

ITEM 7 — TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

Describe the terms and conditions of each of the following contracts or arrangements:

(a) Any employment contract between the issuer or its subsidiary and a Named Executive Officer.

(b) Any compensatory plan or arrangement, including payments to be received from the issuer or its subsidiary, with respect to a Named Executive Officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of employment of the officer's employment with the issuer and its subsidiaries or from a change of control of the issuer or any subsidiary of the issuer or a change in the Named Executive Officer's responsibilities following a change-in-control and the amount involved, including all periodic payments or instalments, exceeds $100,000.

ITEM 8 — COMPENSATION COMMITTEE

8.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, under the caption "Composition of the Compensation Committee", identify each individual who served as a member of the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of

any such committee, the entire board of directors) during the most recently completed year, indicating each committee member who:

(a) was, during the financial year, an officer or employee of the issuer or any of its subsidiaries;

(b) was formerly an officer of the issuer or any of its subsidiaries;

(c) had or has any relationship that requires disclosure by the issuer under the items captioned "Promoters", "Indebtedness of Directors, Executive Officers, and Senior Officers", "Interest of Management and Others in Material Transactions" and "Interest of Insiders in Material Transactions" in the form into which the disclosure required by this Form is being included;

(d) was an executive officer of the issuer and also served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another issuer, one of whose executive officers served on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of the issuer;

(e) was an executive officer of the issuer and also served as a director of another issuer, one of whose executive officers served on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of the issuer; and

(f) was an executive officer of the issuer and also served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another issuer, one of whose executive officers served as a director of the issuer.

8.2 Disclosure of relationships under section 8.1 need only be included for relationships that existed on or after January 1, 1994.

ITEM 9 — REPORT ON EXECUTIVE COMPENSATION

9.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, describe under the caption "Report on Executive Compensation" the policies of the compensation committee or other board committee performing equivalent functions, or in the absence of any such committee then of the entire board of directors of the issuer, during the most recently completed financial year, for determining compensation of executive officers (including the Named Executive Officers).

9.2 In the report required by this Item, include a discussion of:

(a) The relative emphasis of the issuer on cash compensation, options, SARs, securities purchase programs, restricted shares, restricted share units and other incentive plans, annual versus long-term compensation, and whether the amount and terms of outstanding options, SARs, restricted shares and restricted share units were taken into account when determining whether and how many new option grants would be made.

(b) The specific relationship of corporate performance to executive compensation, and, in particular, if an award was made to a Named Executive Officer under a performance-based plan despite failure to meet the relevant performance criteria, disclose the waiver or adjustment of the relevant performance criteria and the bases for the decision.

9.3 In the report required by this Item, state the following information about each CEO's compensation:

(a) The bases for the CEO's compensation for the most recently completed financial year, including the factors and criteria upon which the CEO's compensation was based and the relative weight assigned to each factor.

(b) The competitive rates, if compensation of the CEO was based on assessments of competitive rates, with whom the comparison was made, the nature of, and the basis for, selecting the group with which the comparison was made and at what level in the group the compensation was placed. Disclose if different competitive standards were used for different components of the CEO's compensation.

(c) The relationship of the issuer's performance to the CEO's compensation for the most recently completed financial year, describing each measure of issuer's performance, whether quantitative or qualitative, on which the CEO's compensation was based and the weight assigned to each measure.

9.4 The report required under this Item must be made over the name of each member of the issuer's compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors). If the board of directors modified or rejected in any material way any action or recommendation by the committee with respect to decisions in the most recently completed financial year, the report should indicate this fact, explain the reasons for the board's action and be made over the name of all members of the board.

9.5 For purposes of this Item:

(a) Disclosure of target levels with respect to specific quantitative or qualitative performance-related factors considered by the committee (or board), or any factors or criteria involving confidential commercial or business information, the disclosure of which could have an adverse effect on the issuer, is not required.

(b) If compensation of executive officers is determined by different board committees, a joint report may be presented indicating the separate committee's responsibilities and members of each committee or alternatively separate reports may be prepared for each committee.

(c) In the event of a dissenting committee member, a report need not be made over the name of the dissenting member; however, the report must identify the dissenting member and the reasons provided to the committee for the dissent.

9.6 Boiler plate language should be avoided in describing factors and criteria underlying awards or payments of executive compensation.

ITEM 10 — PERFORMANCE GRAPH

10.1 If any compensation is reported in response to Items 2, 3, 4, 5 or 6 for the most recently completed financial year, immediately after the information required by Item 9 provide a line graph comparing:

(a) the yearly percentage change in the issuer's cumulative total shareholder return on each class or series of equity securities that are publicly traded, as measured in accordance with section 10.1, with

(b) the cumulative total return of a broad equity market index assuming reinvestment of dividends, that includes issuers whose securities are traded on the same exchange or are of comparable market capitalization; provided, however, that if the issuer is within the S & P/TSX Composite Index, the issuer must use that index.

10.2 The yearly percentage change in an issuer's cumulative total shareholder return on a class or series of securities must be measured by dividing:

(a) the sum of:

(i) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment; and

(ii) the difference between the price for the securities of the class or series at the end and the beginning of the measurement period, by

(b) the price for the securities of the class or series at the beginning of the measurement period.

10.3 The issuer also may elect to include in the graph required by this Item a line charting the cumulative total return, assuming reinvestment of dividends, of:

(a) a published industry or line-of-business index;

(b) peer issuer(s) selected in good faith. (If the issuer does not select its peer issuers) on an industry or line-of-business basis, the issuer must disclose the basis for its selection.); or

(c) issuer(s) with similar market capitalization(s), but only if the issuer does not use a published industry or line-of-business index and does not believe it can reasonably identify a peer group. (If the issuer uses this alternative, the graph must be accompanied by a statement of the reasons for this selection.).

10.4 For purposes of this Item:

(a) "measurement period" means the period beginning at the "measurement point" established by the market close on the last trading day before the beginning of the issuer's fifth preceding financial year, through and including the end of the issuer's most recently completed financial year. If the class or series of securities has been publicly traded for a shorter period of time, the period covered by the comparison may correspond to that time period.

(b) "published industry or line-of-business index" means any index that is prepared by a party other than the issuer or its affiliate and is accessible to the issuer's securityholders; provided, however, that an issuer may use an index prepared by it or its affiliate if such index is widely recognized and used.

10.5 Any election by an issuer to use an additional index under section 10.3 is considered to apply in respect of all subsequent financial years unless abandoned by the issuer in accordance with this section. In order to abandon the index the issuer must have, in the information circular or annual filing for the financial year immediately preceding the most recently completed financial year:

(a) stated its intention to abandon the index;

(b) explained the reason(s) for this change; and

(c) compared the issuer's total return with that of the elected additional index.

10.6 In preparing the required graphic comparisons:

(a) Use, to the extent feasible, comparable methods of presentation and assumptions for the total return calculations required by section 10.2; provided, however, that if the issuer constructs its own peer group index under section 10.3(b), the same methodology must be used in calculating both the issuer's total return and that of the peer group index.

(b) Assume the reinvestment of dividends into additional securities of the same class or series at the frequency with which dividends are paid on the securities during the applicable financial year.

10.7 In constructing the graph:

(a) The closing price at the measurement point must be converted into a fixed investment, stated in dollars (e.g. $100), in the issuer's securities (or in the securities represented by a given index), with cumulative returns for each subsequent financial year measured as a change from that investment.

(b) Each financial year should be plotted with points showing the cumulative total return as of that point. The value of the investment as of each point plotted on a given return line is the number of securities held at that point multiplied by the then-prevailing security price.

10.8 The issuer must present information for the issuer's last five financial years, and may choose to graph a longer period but the measurement point must remain the same. A period shorter than five years may be used if the class or series of securities forming the basis for the comparison has been publicly traded for a shorter time period.

10.9 Issuers may include comparisons using performance measures in addition to total return, such as return on average common shareholders' equity, so long as the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of any such committee the entire board of directors) describes the link between that measure and the level of executive compensation in the report required by Item 9 of this Form.

10.10 If the issuer uses peer issuer comparisons or comparisons with issuers with similar market capitalizations, the identity of those issuers must be disclosed and the returns of each component issuer of the group must be weighted according to the respective issuer's market capitalization at the beginning of each period for which a return is indicated.

ITEM 11 — COMPENSATION OF DIRECTORS

11.1 Under a separate subheading describe:

(a) any standard arrangements, stating amounts, under which directors of the issuer were compensated by the issuer and its subsidiaries during the most recently completed financial year for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;

(b) any other arrangements, stating the amounts paid and the name of the director, in addition to, or in lieu of, any standard arrangement, under which directors were compensated in their capacity as directors by the issuer and its subsidiaries during the most recently completed financial year;

(c) any arrangement, stating the amounts paid and the name of the director, under which directors of the issuer were compensated by the issuer and its subsidiaries during the most recently completed financial year for services as consultants or experts.

11.2 If information required by section 11.1 is provided in response to another item of this Form, a cross-reference to where the information is provided satisfies section 11.1.

ITEM 12 — UNINCORPORATED ISSUERS

12.1 Unincorporated issuers must report:

(a) the identity of and amount of fees or other compensation paid by the issuer to individuals acting as directors or trustees of the issuer for the most recently completed financial year; and

(b) the identity of and amount of expenses reimbursed by the issuer to such individuals in respect of the fulfilment of their duties as directors or trustees during the most recently completed financial year.

12.2 The information required by this Item may be disclosed in the issuer's annual financial statements instead.

ITEM 13 — EXEMPT ISSUERS

13.1 Exempt issuers may omit the disclosure required by Items 5, 6, 8, 9 and 10. Exempt issuers must, in a narrative that accompanies the table required by section 4.1, disclose which grants of options or SARs result from repricing and explain in reasonable detail the basis for the repricing.

ITEM 14 — ISSUERS REPORTING IN THE UNITED STATES

14.1 Except as provided in section 14.2, SEC issuers may satisfy the requirements of this Form by providing the information required by Item 402 of Regulation S-K under the 1934 Act instead of the information required by this Form.

14.2 Section 14.1 is not available to an issuer that, as a foreign private issuer, satisfies Item 402 of Regulation S-K by providing the information required by Items 6.B. and 6.E.2. of Form 20-F under the 1934 Act.

COMPANION POLICY 51-102CP TO NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1 – INTRODUCTION AND DEFINITIONS

1.1 INTRODUCTION AND PURPOSE

(1) National Instrument 51-102 *Continuous Disclosure Obligations* (the "Instrument") sets out disclosure requirements for all issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.

(2) The purpose of this Companion Policy ("this Policy") is to help you understand how the Canadian securities regulatory authorities interpret or apply certain provisions of the Instrument. This Policy includes explanations, discussion and examples of various parts of the Instrument.

1.2 FILING OBLIGATIONS

Reporting issuers must file continuous disclosure documents under the Instrument only in the local jurisdictions in which they are a reporting issuer.

1.3 CORPORATE LAW REQUIREMENTS

Reporting issuers are reminded that corporate law requirements may apply to certain matters which are addressed by the Instrument. For example, applicable corporate law may require the delivery of annual financial statements to shareholders and may not allow a reporting issuer to prepare its financial statements in accordance with US GAAP. The Instrument does not override corporate law requirements.

1.4 DEFINITIONS

(1) **General** – Many of the terms for which the Instrument or forms prescribed by the Instrument provide definitions are defined somewhat differently in the applicable securities legislation of several local jurisdictions. For instance, the terms "form of proxy", "proxy", "recognized quotation and trade reporting system", "solicit", "equity security", "published market", "material change" and "insider" are defined in local securities legislation of most jurisdictions. The Canadian securities regulatory authorities consider the meanings given to these terms in securities legislation to be substantially similar to the definitions set out in the Instrument.

As stated in section 1.1(1) of the Instrument, a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires. This means, for example, that the definitions of "insider" and "material change" found in section 1.1(2) of the Instrument only apply in jurisdictions that do not have definitions of these terms in either the general definitions section of their securities statutes or in portions of their securities statutes governing continuous disclosure.

(2) **Aggregate market value** – For the purposes of calculating the aggregate market value, the market value of instalment receipts should not be included in calculating the market value of a reporting issuer's outstanding equity securities. Instalment receipts that evidence the beneficial ownership of outstanding equity securities (subject to an encumbrance to secure the obligation of the instalment receipt holder to pay future instalments) and other similar receipts that evidence beneficial ownership of outstanding equity securities are not, themselves, equity securities. The market value of the equity securities evidenced by the receipt will, however, be included.

(3) **Asset-backed security** – Section 1.7 of Companion Policy 44-101CP provides guidance for the definitions of "asset-backed securities" and "principal obligor". In addition, Section 8.1 of Companion Policy 44-101CP outlines the views of Canadian securities regulatory authorities with respect to disclosure items in the AIF for issuers of asset-backed securities.

(4) **Development Stage Issuer** – The definition of development stage issuer in the Instrument is consistent with the concept of an enterprise in the development stage as discussed in Accounting Guideline ACG-11.

(5) **Directors and Officers –** Where the Instrument or any of the Forms use the term "directors" or "officers", a reporting issuer that is not a corporation, must refer to the definitions in securities legislation of "director" and "officer". The definition of "officer" may include any individual acting in a capacity similar to that of an officer of a company. Similarly, the definition of "director" typically includes a person acting in a capacity similar to that of a director of a company.

Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with the Instrument and the Forms.

1.5 PLAIN LANGUAGE PRINCIPLES

We believe that plain language will help investors understand your disclosure so that they can make informed investment decisions. You can achieve this by:

- using short sentences
- using definite everyday language
- using the active voice
- avoiding superfluous words
- organizing the document in clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure
- not relying on boilerplate wording
- avoiding abstract terms by using more concrete terms or examples
- avoiding multiple negatives
- using technical terms only when necessary and explaining those terms
- using charts, tables and examples where it makes disclosure easier to understand.

1.6 SIGNATURE AND CERTIFICATES

Reporting issuers are not required to sign or certify documents filed under the Instrument. Whether or not a document is signed or certified, it is an offence under securities legislation to make a false or misleading statement in any required document.

PART 2 – FOREIGN ISSUERS

2.1 FOREIGN ISSUERS

National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* provides relief for eligible foreign issuers from certain continuous disclosure and other obligations, including those contained in the Instrument.

PART 3 - FINANCIAL STATEMENTS

3.1 FILING DEADLINE FOR ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Section 4.2 of the Instrument sets out filing deadlines for annual financial statements. While section 4.2 of the Instrument does not address the auditor's report date, reporting issuers are encouraged to file their annual financial statements as soon as practicable after the date of the auditor's report. The delivery obligations set out in section 4.12 of the Instrument are not tied to the filing of the financial statements.

3.2 GAAP RECONCILIATION

Subsection 4.7(3)(b) of the Instrument specifies that where a reconciliation from US GAAP to Canadian GAAP is required, it must include quantification of the effect of material differences between Canadian GAAP and US GAAP that relate to measurement in the issuer's financial statements, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP. While the differences impacting net income must be presented in a tabular format, differences relating to assets, liabilities, retained earnings, and other aspects of the issuer's financial statements may be presented in a tabular format or some other format.

3.3 PRESENTATION OF COMPARATIVES AFTER CHANGE FROM CANADIAN GAAP TO US GAAP

Subsections 4.7(4) and 4.7(5) of the Instrument require that for the first year after a change from Canadian GAAP to US GAAP, financial information for the comparative periods must be provided both as previously reported under Canadian GAAP and restated under US GAAP. For annual financial statements, both comparatives must be presented on the face of the financial statements; for interim financial statements, the comparatives as previously reported under Canadian GAAP, may be presented either on the face of the financial statements or in the notes. Examples of the format for presentation of the comparatives for both annual and interim financial statements may be found in Appendix A to this Companion Policy.

3.4 BALANCE SHEET LINE ITEMS

The balance sheet line item requirements in section 4.9 of the Instrument establish a minimum level of balance sheet disclosure for interim and annual financial statements that may be in addition to the requirements under the accounting principles used to prepare the financial statements. The Instrument does not prescribe an order in which the items must be presented. A reporting issuer should consider its industry sector, stage of development and transactions to determine whether additional items should be separately presented in the balance sheet or the notes to the financial statements to facilitate an investor's overall understanding of the reporting issuer's financial position.

3.5 ADDITIONAL INFORMATION FOR DEVELOPMENT STAGE ISSUERS

Section 4.10 of the Instrument requires development stage issuers to provide, as a schedule or note to their interim and annual financial statements, a breakdown of material components of expenses and additions to deferred expenditures. A component of a class of expenses or additions to deferred costs is generally considered to be a material component if it exceeds:

(a) 20% of the total amount of the class; and

(b) $25,000

While the Instrument requires breakdowns only for expenses and additions to deferred expenditures recorded for each period covered by the income statement or the cash flow statement, reporting issuers are encouraged to provide information about operating results, cash flow, and deferred expenditures on a cumulative from inception basis.

3.6 CANADIAN GAAS

Sections 4.8 and 8.8 of the Instrument refer to auditor's reports prepared in accordance with Canadian GAAS. NI 14-101 states that "Canadian GAAS means generally accepted auditing standards as determined with reference to the Handbook." Section 5100 of the Handbook sets out the general standard of Canadian GAAS and includes reference to an auditor's "objective state of mind." This standard, when read together with the objectivity standard for auditors contained in the Standards of Professional Conduct applicable to Canadian auditors in each jurisdiction, emphasizes the importance of the independence of the auditor. In the view of the Canadian securities regulatory authorities, auditor independence is an essential element of Canadian GAAS.

3.7 RESERVATION OF OPINION IN AN AUDITOR'S REPORT

An auditor's report required by section 4.1 of the Instrument that accompanies a reporting issuer's annual financial statements may not contain a reservation of opinion unless exemptive relief is granted under section 13.1. We are of the view that such exemptive relief will not be granted where the reservation is:

(a) due to a departure from GAAP acceptable under the Instrument; or

(b) due to a limitation in the scope of the auditor's examination that:

  (i) results in the auditor being unable to form an opinion on the financial statements as a whole because of a limitation in the scope of the audit;

  (ii) is imposed or could reasonably be eliminated by management; or

  (iii) could reasonably be expected to be recurring.

3.8 AUDITOR INVOLVEMENT WITH INTERIM FINANCIAL STATEMENTS

The board of directors of a reporting issuer, in discharging its responsibilities for ensuring the reliability of interim financial statements, should consider engaging an external auditor to carry out a review of such financial statements.

3.9 CHANGE IN ENDING DATE OF FINANCIAL YEAR

Where a reporting issuer changes the ending date of its financial year, the reporting issuer should refer to National Policy 51 for guidance concerning reporting periods, filing deadlines and notification procedures. Among other things, National Policy 51 contemplates that an interim period may be other than a period commencing with the beginning of a financial year and ending nine, six or three months before the end of the financial year.

3.10 CHANGE OF AUDITOR

Subsection 4.14(4) of the Instrument requires a reporting issuer, upon a termination or resignation of its auditor, to prepare a change of auditor notice, have the audit committee or board of directors confirm their review of the notice, deliver the reporting package to the applicable regulator or securities regulatory authority, and if there are any reportable events, issue and file a news release describing the information in the reporting package. Subsection 4.14(5) of the Instrument requires the reporting issuer to perform these same procedures upon an appointment of a successor auditor. Where a termination or resignation of a former auditor and appointment of a successor auditor occur within a short period of time, it may be possible for a reporting issuer to perform the procedures described above required by both 4.14(4) and 4.14(5) concurrently and meet the timing requirements set out in those sections. In other words, the reporting issuer would prepare only one comprehensive notice and reporting package.

3.11 DISCLOSURE OF FINANCIAL RESULTS

Section 4.3 of the Instrument requires that annual financial statements be reviewed by a company's audit committee (if any) and approved by the board of directors before filing. Section 4.6 of the Instrument requires the board of directors to review interim financial statements before they are filed and this can be delegated to an audit committee. We believe that extracting information from financial statements that have not been reviewed by the board or audit committee and releasing that information to the marketplace in a news release is inconsistent with the prior review requirement. Also see National Policy 51-201 *Disclosure Standards.*

PART 4 – AIF

4.1 ADDITIONAL / SUPPORTING DOCUMENTATION

Any material incorporated by reference in an AIF is required under section 5.3 of the Instrument to be filed with the AIF unless the material has been previously filed. When a reporting issuer using SEDAR files a previously unfiled document with its AIF, the reporting issuer should ensure that the document is filed under the appropriate SEDAR filing type and document type specifically applicable to the document, rather than generic type "Documents Incorporated by Reference". For example, a reporting issuer that has incorporated by reference an information circular in its AIF and has not previously filed the circular should file the circular under the "Management Proxy Materials" filing subtype and the "Management proxy/information circular" document type.

PART 5 – ELECTRONIC DELIVERY OF DOCUMENTS

5.1 ELECTRONIC DELIVERY OF DOCUMENTS

Any documents required to be sent under this Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with Québec Staff Notice, *The Delivery of Documents by Electronic Means*, in Québec, and National Policy 11-201 *Delivery of Documents by Electronic Means*, in the rest of Canada.

PART 6 - BUSINESS ACQUISITION REPORT AND

FINANCIAL STATEMENTS FOR SIGNIFICANT DISPOSITIONS

6.1 OBLIGATIONS TO FILE A BUSINESS ACQUISITION REPORT

(1) **Financial Statement Disclosure of Significant Acquisitions** – Appendix B to this Policy is a chart outlining the key obligations for financial statement disclosure of significant acquisitions in a business acquisition report.

(2) **Acquisition of a Business** – A reporting issuer that has made a significant acquisition must include in its business acquisition report certain financial statements of each business acquired. The term "business" should be evaluated in light of the facts and circumstances involved. We generally consider that a separate entity, a subsidiary or a division is a business and that in certain circumstances a smaller component of a company may also be a business, whether or not the business previously prepared financial statements. In determining whether an acquisition constitutes the

acquisition of a business, a reporting issuer should consider the continuity of business operations, including the following factors:

(a) whether the nature of the revenue producing acquisition or potential revenue producing activity will remain generally the same after the acquisition; and

(b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the reporting issuer instead of remaining with the vendor after the acquisition.

6.2 DETERMINATION OF SIGNIFICANCE

(1) **Business uses Accounting Principles other than those used by the Reporting Issuer** – Subsection 8.2(6) of the Instrument provides that where the financial statements of the business or related businesses are prepared in accordance with accounting principles other than those used in reporting issuer's financial statements, for purposes of applying the significance tests, the relevant financial statements for the business or related businesses must be reconciled. It is unnecessary for the reconciliation to be audited for the purpose of the test.

If the acquisition of the business or related businesses is determined to be significant, then a reconciliation must be included in the most recent annual and interim financial statements as required by subsection 8.6(4).

(2) **Acquisition of a Previously Unaudited Business** – Subsection 8.2(1) of the Instrument requires the significance of an acquisition to be determined using the most recent audited financial statements of the reporting issuer and the business acquired. However, if the financial statements of the business or related businesses for the most recently completed financial year were not audited, subsection 8.2(9) of the Instrument permits use of the unaudited financial statements for the purpose of applying the significance tests. If the acquisition is determined to be significant, then the annual financial statements required by subsection 8.4(1) of the Instrument must be audited.

(3) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsection 8.2(1) of the Instrument is whether the reporting issuer's consolidated investments in and advances to the business or related businesses exceeds 20 per cent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer that ended before the date of the acquisition. In applying this test, the "investments in" the business should be determined using the total cost of the purchase, as determined by generally accepted accounting principles, including consideration paid or payable and the costs of the acquisition. If the acquisition agreement includes a provision for contingent consideration, for the purpose of applying the test, the contingent consideration should be included in the total cost of the purchase unless the likelihood of payment is considered remote at the date of the acquisition. In addition, any payments made in connection with the acquisition which would not constitute purchase consideration but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services.

6.3 FINANCIAL STATEMENTS OF RELATED BUSINESSES

Subsection 8.4(4) of the Instrument requires that if a reporting issuer includes in its business acquisition report financial statements for more than one related businesses, separate financial statements must be presented for each business except for the periods during which the businesses were under common control or management, in which case the reporting issuer may present the financial statements on a combined basis. Although one or more of the related businesses may be insignificant relative to the others, separate financial statements of each business for the same number of periods required must be presented. Relief from the requirement to include financial statements of the least significant related business or businesses may be granted depending on the facts and circumstances.

6.4 PREPARATION OF DIVISIONAL AND CARVE-OUT FINANCIAL STATEMENTS

(1) **Interpretations** – In this section of this Companion Policy, unless otherwise stated, the following interpretations apply:

(a) A reference to "a business" means a division or some lesser component of another business acquired by a reporting issuer that constitutes a significant acquisition, as that term is used in subsection 8.2(1) of the Instrument.

(b) The term "parent" refers to the vendor from whom the reporting issuer purchased a business.

(2) **Acquisition of a Division** - As discussed in subsection 6.1(2) of this Companion Policy, the acquisition of a division of a business and in certain circumstances, a lesser component of a person or company may constitute a business for purposes of the Instrument, whether or not the subject of the acquisition previously prepared financial statements. In order to determine the significance of the acquisition and comply with the requirements for financial statements in a business acquisition report under Part 8 of the Instrument, financial statements for the business must be prepared. This section provides guidance on preparing the financial statements.

(3) **Divisional and Carve-Out Financial Statements** – The terms "divisional" and "carve-out" financial statements are often used interchangeably although a distinction is possible. Some companies maintain separate financial records and financial statements for a business activity or unit that is operated as a division. Financial statements prepared from these financial records are often referred to as "divisional" financial statements. In other circumstances, no separate financial records for a business activity are maintained; they are simply consolidated with the parent's records. In these cases, if the parent's financial records are sufficiently detailed, it is possible to extract or "carve-out" the information specific to the business activity in order to prepare separate financial statements of that business. Financial statements prepared in this manner are commonly referred to as "carve-out" financial statements. The guidance in this section applies to the preparation of both divisional and carve-out financial statements unless otherwise stated.

(4) **Preparation of Divisional and Carve-Out Financial Statements**

(a) When complete financial records of the business acquired have been maintained, those records should be used for preparing and auditing the financial statements of the business. For the purposes of this section, it is presumed that the parent maintains separate financial records for its divisions.

(b) When complete financial records of the business acquired do not exist, carve-out financial statements should generally be prepared in accordance with the following guidelines:

(i) *Allocation of Assets and Liabilities* – A balance sheet should include all assets and liabilities directly attributable to the business.

(ii) *Allocation of Revenues and Expenses* – Income statements should include all revenues and expenses directly attributable to the business. Some fundamental expenditures may be shared by the business and its parent in which case the parent's management must determine a reasonable basis for allocating a share of these common expenses to the business. Examples of such common expenses include salaries, rent, depreciation, professional fees, general and administration.

(iii) *Calculation of Income and Capital Taxes* – Income and capital taxes should be calculated as if the entity had been a separate legal entity and filed a separate tax return for the period presented.

(iv) *Disclosure of Basis of Preparation* – The financial statements should include a note describing the basis of preparation. If expenses have been allocated as discussed in paragraph (b)(ii), the financial statements should include a note describing the method of allocation for each significant line item, at a minimum.

(5) **Statements of Assets Acquired, Liabilities Assumed and Statements of Operations** – When it is impracticable to prepare carve-out financial statements of a business, a reporting issuer may be required to include in its business acquisition report an audited statement of assets acquired and liabilities assumed and a statement of operations of the business. The statement of operations should exclude only those indirect operating costs not directly attributable to the business, such as corporate overhead. If indirect operating costs were previously allocated to the business and there is a reasonable basis of allocation, they should not be excluded.

6.5 PREPARATION OF PRO FORMA FINANCIAL STATEMENTS GIVING EFFECT TO SIGNIFICANT ACQUISITIONS

(1) **Objective and Basis of Preparation** – The objective of pro forma statements is to illustrate the impact of a transaction on a reporting issuer's financial position and results of operations by adjusting the historical financial statements of the reporting issuer to give effect to the transaction. Accordingly, the pro forma financial statements should be prepared on the basis of the reporting issuer's financial statements as already filed. No adjustment should be made to eliminate extraordinary items or discontinued operations.

(2) **Pro Forma Balance Sheet and Income Statements** – Subsection 8.4(3) of the Instrument does not require a pro forma balance sheet to be prepared to give effect to significant acquisitions that are reflected in the reporting issuer's most recent annual or interim balance sheet filed under the Instrument.

(3) **Non-coterminous Year-ends** - Where the financial year-end of a business differs from the reporting issuer's year-end by more than 93 days, subsection 8.4(3)(b)(iii) requires an income statement for the business to be constructed for a period of 12 consecutive months. For example, if the constructed reporting period is 12 months and ends on June 30, the 12 months should commence on July 1 of the immediately preceding year; it should not begin on March 1st of the immediately preceding year with three of the following 15 months omitted, such as the period from October 1 to December 31, since this would not be a consecutive 12 month period.

(4) **Effective Date of Adjustments** - For the pro forma income statements included in a business acquisition report, the acquisition and most of the adjustments should be computed as if the acquisition had occurred at the beginning of the reporting issuer's most recently completed financial year and carried through the most recent interim period presented, if any. However, adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the purchase price allocation arising from giving effect to the acquisition as if it occurred on the date of the reporting issuer's most recent balance sheet filed.

(5) **Acceptable Adjustments** – Pro forma adjustments should be limited to those that are directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable.

(6) **Multiple Acquisitions** – If the pro forma financial statements give effect to more than one acquisition, the pro forma adjustments may be grouped by line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

6.6 RELIEF FROM THE REQUIREMENT TO AUDIT OPERATING STATEMENTS OF AN OIL AND GAS PROPERTY

The applicable securities regulatory authority or regulator may exempt a reporting issuer from the requirement to include the report of an auditor on the operating statements referred to in section 8.15 of the Instrument if during the 12 months preceding the date of the acquisition, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of 6,000 cubic feet of gas to one barrel of oil), is less than 20% of the total daily average production of the vendor for the same or similar periods, and:

(a) the reporting issuer provides written submissions prior to the deadline for filing the business acquisition report which establishes to the satisfaction of the appropriate regulator, that despite reasonable efforts during the purchase negotiations, the reporting issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

(b) the purchase agreement includes representations and warranties by the vendor that the amounts presented in the operating statement agree to the vendor's books and records; and

(c) the reporting issuer discloses in the business acquisition report its inability to obtain an audited operating statement, the reasons therefor, the fact that the representations and warranties referred to in clause (ii) have been obtained, and a statement that the results presented in the operating statements may have been materially different if the statements had been audited.

6.7 GAAP RECONCILIATION

Subsection 8.6(4) of the Instrument specifies that if financial statements for an acquired business or related businesses are prepared in accordance with accounting principles that are different than the accounting principles used to prepare the reporting issuer's financial statements, a reconciliation is required. Paragraph (b) of subsection 8.6(4) requires quantification of the effect of material differences that relate to measurement, including a tabular reconciliation for net income. As discussed in section 3.2 of this Companion Policy, while the differences impacting net income must be presented in a tabular format, differences relating to assets, liabilities, retained earnings, and other aspects of the financial statements may be presented in a tabular format or some other format.

6.8 AUDITOR'S REPORT ACCOMPANYING FINANCIAL STATEMENTS OF AN ACQUIRED BUSINESS OR RELATED BUSINESSES

An auditor's report required by subsection 8.4(1) that accompanies financial statements of an acquired business or related businesses may not contain a reservation of opinion except in the case of a reservation relating to inventory of a small business as set out in subsection 8.8(3)(b). The comments in section 3.4 of this Companion Policy also apply.

6.9 PRO FORMA FINANCIAL STATEMENT DISCLOSURE FOR SIGNIFICANT DISPOSITIONS

(1) Business and Business Segments – Section 8.17 of the Instrument requires that the notes to a reporting issuer's next filed financial statements include pro forma financial statements that give effect to significant dispositions that have been completed but are not reflected in the reporting issuer's financial statements. The disposition of a business segment, as defined in the Handbook, is excluded from the pro forma requirements because the financial statements presentation of a discontinued business segment is addressed by the Handbook.

(2) Acceptable Adjustments – Pro forma adjustments should be limited to those that are directly attributable to a specific disposition transaction for which there are firm commitments and for which complete financial effects are objectively determinable.

(3) Multiple Dispositions – If the pro forma financial statements give effect to more than one significant disposition, the pro forma adjustments may be grouped by line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

6.10 EXEMPTIONS FROM REQUIREMENT FOR FINANCIAL STATEMENTS IN A BUSINESS ACQUISITION REPORT

(1) **Exemptions** – We are of the view that relief from the financial statement requirements of Part 8 of the Instrument should be granted only in unusual circumstances not related to cost or the time involved in preparing and auditing the financial statements. Reporting issuers seeking relief from the financial statement or audit requirements of Part 8 must apply for the relief before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief.

(2) **Conditions to Exemptions –** If relief is granted from the requirements of Part 8 of the Instrument to include audited financial statements of an acquired business or related businesses, conditions will likely be imposed, such as a requirement to include audited divisional or partial income statements or divisional statements of cash flow, financial statements accompanied by an auditor's report containing a reservation of opinion relating to inventory, or an audited statement of net operating income for a business.

(3) **Exemption from Including One or More Years** – Relief may be granted from the requirement to include financial statements of an acquired business or related businesses for one or more years in a business acquisition report in some situations that may include the following:

(a) the business's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is required to be filed, that the reporting issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and

(ii) disclose in the business acquisition report the fact that the historical accounting records have been destroyed and cannot be reconstructed;

(b) the business has recently emerged from bankruptcy and current management of the business and the reporting issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is filed that the reporting issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful;

(ii) disclose in the business acquisition report the fact that the business has recently emerged from bankruptcy and current management of the business and the reporting issuer are denied access to the historical accounting records;

(c) the business has undergone a fundamental change in the nature of its business or operations affecting the majority of its operations and all, or substantially all, of the executive officers and directors of the company

have changed. The evolution of a business or progression of a development cycle will not be considered to be a fundamental change in a reporting issuer's business or operations. Relief from the requirement to include audited financial statements of the business for the year in which the change in operations occurred, or for the most recently completed financial year if the change in operations occurred during the business's current financial year, generally will not be granted.

(4) **Pro Forma Income Statement** – The pro forma income statement prepared to give effect to significant dispositions should only present items included in income from continuing operations.

(5) **Constructed Financial Statements of the Business for the Purpose of Preparing *Pro Forma* Financial Statements** – An income statement of a disposed business that is constructed or otherwise carved out from the reporting issuer's financial statements for the purpose of preparing a pro forma income statement does not need to be audited or provided as separate financial statements. Only a separate column in the pro forma income statements is required.

6.11 FOREIGN GAAS SUBSTANTIALLY EQUIVALENT TO CANADIAN GAAS

We are of the view that in order for auditing standards to be substantially equivalent to Canadian GAAS, they must require underlying audit work that is comparable in scope, nature and timing to the work required in connection with an audit in accordance with Canadian GAAS. For example, auditing standards of a foreign jurisdiction such as the United States are known to the Canadian securities regulatory authorities to be substantially equivalent to the standards of the CICA. Foreign issuers using auditors from foreign jurisdictions, with auditing standards and supervision that are less well known to securities regulatory authorities or regulators, are encouraged to consult with staff of securities regulatory authorities or regulators in advance of filing of financial statements to resolve uncertainty as to whether the securities regulatory authority or regulator will consider a particular auditor or auditing standards to be acceptable.

In making a determination of whether the foreign auditing standards applied are substantially equivalent to Canadian GAAS, auditors are referred, in particular, to the general standard of Canadian GAAS as set out in Section 5100 of the Handbook and its reference to an auditor's "objective state of mind". As discussed in Section 3.6 of this Companion Policy, auditor independence is an essential element of Canadian GAAS and should be reflected, among other things, in the foreign GAAS applied in order for the foreign GAAS applied and Canadian GAAS to be considered substantially equivalent.

PART 7 – ADDITIONAL FILING REQUIREMENTS

7.1 ADDITIONAL FILING REQUIREMENTS

Section 11.1 of the Instrument requires a document to be filed only if it contains information that has not been included in disclosure already filed by the reporting issuer. For example, if a reporting issuer has filed a material change report under the Instrument and the Form 6-K filed by the reporting issuer with the SEC discloses the same information, whether in the same or a different format, there is no requirement to file the Form 6-K under the Instrument.

PART 8 – EXEMPTIONS

8.1 REVIEW OF EXEMPTIONS AND WAIVERS

Section 13.2 of the Instrument essentially allows a reporting issuer, in certain circumstances, to continue to rely upon an exemption or waiver from continuous disclosure obligations obtained prior to the Instrument coming into force if the exemption or waiver relates to a substantially similar provision in the Instrument and the reporting issuer provides written notice to the securities regulatory authority or regulator of its reliance on such exemption or waiver. Upon receipt of such notice, the Canadian securities regulatory authorities will review it to determine if the provision of the Instrument referred to in the notice is substantially similar to the provision from which the prior exemption, waiver or approval was granted.

Appendix A
Presentation of Comparatives after Change from Canadian GAAP
To US GAAP for SEC Issuers

As discussed in section 3.3 of this Companion Policy, the following are examples of the format for presentation of comparative financial information for both annual and interim financial statements.

1. Annual Financial Statements

(a) First Year in US GAAP

	Current Year (US GAAP)	Prior Year Comparative Restated (US GAAP)	Prior Year Comparative as Previously Reported (Canadian GAAP)
Financial Statement (F/S) Line Item			

The notes to the annual financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

2. Interim Financial Statements

(a) All Comparative Figures Presented on the Face of the Interim Financial Statements and note disclosure of reconciliation information

(i) Balance Sheet

F/S Line Item	Current Year (US GAAP)	Prior Year Comparative Restated (US GAAP)	Prior Year Comparative as Previously Reported (Canadian GAAP)

(ii) Statements of Income and Cash Flows

F/S Line Item	Current Interim Period (3 months) (US GAAP)	Comparative Interim Period (3 months) Restated (US GAAP)	Comparative Interim Period (3 months) as Previously Reported (Canadian GAAP)	Current Year to Date Interim Period (US GAAP)	Comparative Year to Date Interim Period Restated (US GAAP)	Comparative Year to Date Interim Period as Previously Reported (Canadian GAAP)

(iii) Notes to the Interim Financial Statements

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

(b) Comparative Figures as Previously Reported in Canadian GAAP Presented as a Schedule or a Note to the Interim Financial Statements and Separate Note Presentation of Reconciliation

(i) Balance Sheet

F/S Line Item	Current Year (US GAAP)	Prior Year Comparative Restated (US GAAP)

(ii) Statements of Income and Cash Flows

F/S Line Item	Current Interim Period (3 months) (US GAAP)	Comparative Interim Period (3 months) Restated (US GAAP)	Current Year to Date Interim Period (US GAAP)	Comparative Year to Date Interim Period Restated (US GAAP)

(iii) Schedule or Note to the Interim Financial Statements - Disclosing the Comparatives as Previously Reported in Canadian GAAP and as Restated in US GAAP

(A) Schedule or Note to the Interim Financial Statements –

Balance Sheet Comparatives

F/S Line Item	Prior Year Comparative Restated (US GAAP)	Prior Year Comparative as Previously Reported (Canadian GAAP)

(B) Schedule or Note to the Interim Financial Statements –

Statements of Income and Cash Flows Comparatives

F/S Line Item	Comparative Interim Period (3 months) Restated (US GAAP)	Comparative Interim Period (3 months) as Previously Reported (Canadian GAAP)	Comparative Year to Date Interim Period Restated (US GAAP)	Comparative Year to Date Interim Period as Previously Reported (Canadian GAAP)

(iv) Notes to the Interim Financial Statements

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- quantification of the differences
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

(c) Comparative Figures as Previously Reported in Canadian GAAP Presented as a Schedule or a Note to the Interim Financial Statements and Integrated with Reconciliation Information

(i) Balance Sheet

F/S Line Item	Current Year (US GAAP)	Prior Year Comparative Restated (US GAAP)

(ii) Statements of Income and Cash Flows

F/S Line Item	Current Interim Period (3 months) (US GAAP)	Comparative Interim Period (3 months) Restated (US GAAP)	Current Year to Date Interim Period (US GAAP)	Comparative Year to Date Interim Period Restated (US GAAP)

(iii) Schedule or Note to the Interim Financial Statements - Disclosing the Comparatives as Previously Reported in Canadian GAAP, Reconciling Adjustments, and Comparatives in US GAAP as Restated

(A) Schedule or Note to the Interim Financial Statements –

Balance Sheet Comparatives

F/S Line Item	Prior Year Comparatives as Previously Reported (Canadian GAAP)	Reconciling Adjustments	Prior Year Comparative Restated (US GAAP)

(B) Schedule or Note to the Interim Financial Statements –

Statements of Income and Cash Flows Comparatives

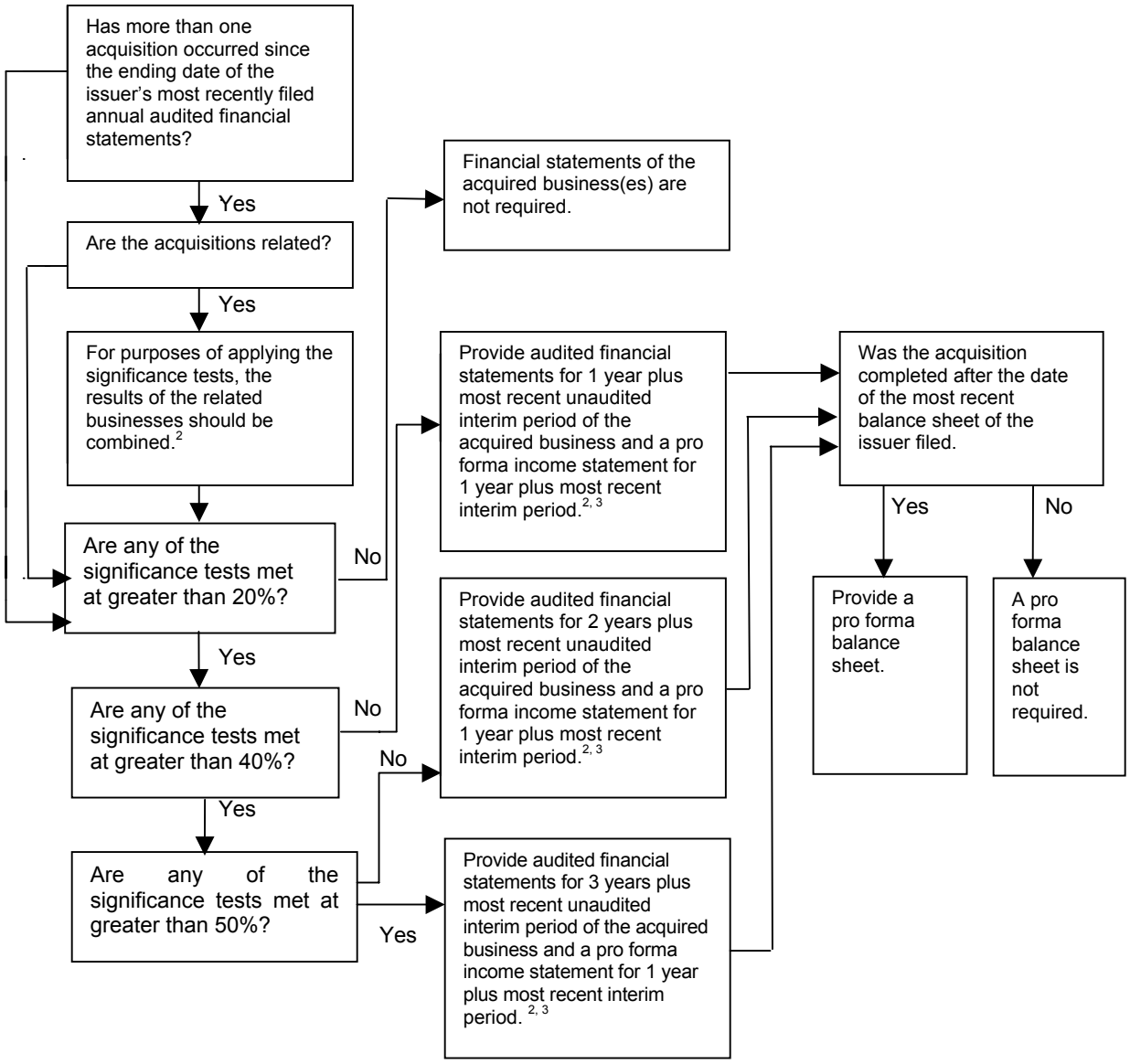
F/S Line Item	Comparative Interim Period (3 months) as Previously Reported (Canadian GAAP)	Reconciling Adjustments	Comparative Interim Period (3 months) Restated (US GAAP)	Comparative Year to Date Interim Period as Previously Reported (Canadian GAAP)	Reconciling Adjustments	Comparative Year to Date Interim Period Restated (US GAAP)

(iv) Notes to the Interim Financial Statements

The notes to the interim financial statements would set out the reconciliation information in the manner specified in Part 4.7(3)(a) and (c) of the Instrument including:

- explanation of material differences between Canadian GAAP and US GAAP relating to measurement
- disclosure consistent with Canadian GAAP where not already reflected in the financial statements

APPENDIX B
BUSINESS ACQUISITIONS DECISION CHART FOR DETERMINING FINANCIAL STATEMENTS REQUIRED IN A BUSINESS ACQUISITION REPORT[1]



Notes

1 This decision chart provides general guidance and should be read in conjunction with National Instrument 51-102 and Companion Policy 51-102CP.

2 If an acquisition of related businesses constitutes a significant acquisition when the results of the related businesses are combined, the required financial statements shall be provided for each of the related businesses, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

3 As an alternative to the most recent interim period, financial statements for the acquired business may be provided for the period that started the day after the business' most recent annual balance sheet and ended on a day that is more recent than the ending date of the most recent interim period otherwise required and is not later than the date of acquisition.

6.1.3 Notice and Request for Comment - Proposed OSC Rule 51-801 and Companion Policy 51-801CP, Proposed Amendments to OSC Rule 56-501, Proposed Revocation of OSC Rules 51-501, 52-501, 54-501 and 62-102, and Proposed Rescission of Companion Policy 51-501CP, Companion Policy 52-501CP, Commission Policy 52-601, and Commission Policy 51-603

NOTICE AND REQUEST FOR COMMENT

PROPOSED ONTARIO SECURITIES COMMISSION ("COMMISSION") RULE 51-801 *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS* AND COMPANION POLICY 51-801CP *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS*

PROPOSED AMENDMENTS TO COMMISSION RULE 56-501 *RESTRICTED SHARES*

PROPOSED REVOCATION OF
COMMISSION RULE 51-501 *AIF & MD&A*
COMMISSION RULE 52-501 *FINANCIAL STATEMENTS*
COMMISSION RULE 54-501 *PROSPECTUS DISCLOSURE AND*
COMMISSION RULE 62-102 *DISCLOSURE OF OUTSTANDING SHARE DATA*

AND

PROPOSED RESCISSION OF
COMPANION POLICY 51-501CP TO COMMISSION RULE 51-501 *AIF & MD&A,*
COMPANION POLICY 52-501CP TO COMMISSION RULE 52-501 *FINANCIAL STATEMENTS,*
COMMISSION POLICY 52-601 *APPLICATIONS FOR EXEMPTIONS FROM PREPARATION AND MAILING OF INTERIM FINANCIAL STATEMENTS, ANNUAL FINANCIAL STATEMENTS AND PROXY SOLICITATION MATERIAL,* AND
COMMISSION POLICY 51-603 *RECIPROCAL FILINGS*

Substance and Purpose

Proposed Commission Rule 51-801 *Implementing National Instrument* 51-102 *Continuous Disclosure Obligations* (the "Proposed Implementing Rule") is a local Ontario rule implementing proposed National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") in Ontario. Proposed Companion Policy 51-801CP to the proposed Implementing Rule (the "Proposed Companion Policy") provides information relating to the manner in which the Commission interprets or applies certain provisions of the Proposed Implementing Rule and NI 51-102. For a complete review of the substance and purpose of NI 51-102, please refer to the CSA Notice and Request for Comment regarding NI 51-102.

Summary

Sections 3.1 and 3.2 of the Proposed Implementing Rule provide that some of the financial statement filing requirements of NI 51-102 apply to financial statements filed under the Act.

Section 3.3 of the Proposed Implementing Rule provides that the delivery requirements of section 79 of the Act do not apply if a reporting issuer complies with the delivery requirements of section 4.12 of NI 51-102.

The Proposed Implementing Rule also specifies new forms for reports required under subsections 75(2), 81(2) and 86(1) of the Act.

The Proposed Implementing Rule also revokes Commission Rule 51-501 *AIF & MD&A,* Commission Rule 52-501 *Financial Statements*, Commission Rule 54-501 *Prospectus Disclosure* and Commission Rule 62-102 *Disclosure of Outstanding Share Data*. These rules are being revoked because the subject matter of these rules is now addressed by NI 51-102. The Proposed Implementing Rule also provides amendments to Commission Rule 56-501 *Restricted Shares* ("Commission Rule 56-501"). Commission Rule 56-501 contains requirements for issuers with restricted shares in several contexts including continuous disclosure obligations. The amendments to Commission Rule 56-501 provide that this rule will no longer apply to continuous disclosure documents, which subject matter is now governed by NI 51-102.

NI 51-102 includes certain requirements that are also dealt with in the Act. This is the result of the Commission's goal to produce one harmonized rule for continuous disclosure obligations applicable to reporting issuers in all jurisdictions. The Act cannot be amended at this time to remove provisions which essentially duplicate those found in NI 51-102. Accordingly, the Proposed Companion Policy clarifies that reporting issuers, other than investment funds, need only refer to NI 51-102 for their Ontario securities law requirements regarding continuous disclosure, proxies and proxy solicitation and do not have to refer to Parts XVIII and Part XIX of the Act, except for sections 76 and 87 of the Act.

Alternatives Considered

None.

Authority

Paragraph 143(1) 22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use by reporting issuers of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1) 23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII of the Act. Paragraph 143(1) 24 authorizes the Commission to require issuers or other persons and companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 143(1) 22 of the Act. Paragraph 143(1) 25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1) 26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1) 27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part IX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities or reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1) 38 authorizes the Commission to prescribe requirements in respect of reverse take-overs including requirements for disclosure that are substantially equivalent to that provided by a prospectus. Paragraph 143(1) 39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1) 44 authorizes the Commission to vary the Act to permit or require the use of an electronic or computer-based system for the filing, delivery or deposit of: i) documents or information required under or governed by the Act, the regulations or rules, and ii) documents determined by the regulations or rules to be ancillary to documents required under or governed by the Act, the regulations or rules. Paragraph 143(1) 49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1) 56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Anticipated Costs and Benefits

For a summary of the anticipated costs and benefits of NI 51-102 please see the CSA Notice and Request for Comment regarding NI 51-102.

Proposed Rescission of Policies

The Commission proposes to rescind:

(a) Companion Policy 51-501CP to Commission Rule 51-501 (“Companion Policy 51-501CP”);

(b) Companion Policy 52-501CP to Commission Rule 52-501 (“Companion Policy 52-501CP”);

(c) Commission Policy 52-601 *Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material;* and

(d) Commission Policy 51-603 *Reciprocal Filings.*

Companion Policy 51-501CP and Companion Policy 52-501CP are being rescinded in conjunction with the revocation of Commission Rule 51-501 and Commission Rule 52-501 that is contained in the Proposed Implementing Rule. Commission Policy 51-603 is being rescinded because the subject matter of this policy is covered by NI 51-102. Commission Policy 52-601 is being rescinded because the provisions of this policy are no longer applicable as a consequence of NI 51-102.

Request for Comments

Interested parties are invited to make written submissions with respect to the Proposed Implementing Rule, Proposed Companion Policy and proposed amendments, revocations and rescissions of rules and policies. Submissions received by September 19, 2002 will be considered. Submissions should be addressed to:

John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-2318
e-mail jstevenson@osc.gov.on.ca

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 requires that a summary of the written comments received during the comment period be published.

Questions may be referred to any of:

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-8252
e-mail: jpeters@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-8252
e-mail: itsatsos@osc.gov.on.ca

Text of Proposed Rule

The text of the Proposed Implementing Rule and Proposed Companion Policy follows.

6.1.4 OSC Rule 51-801, Implementing National Instrument 51-102 Continuous Disclosure Obligations

ONTARIO SECURITIES COMMISSION RULE 51-801

IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1 – DEFINITIONS

1.1 DEFINITIONS

(1) In this Rule, "NI 51-102" means "National Instrument 51-102 *Continuous Disclosure Obligations*".

(2) Each term used in this Rule that is defined or interpreted in Part 1 of NI 51-102 has the meaning ascribed to it in that Part.

PART 2 – APPLICATION

2.1 APPLICATION

This Rule does not apply to investment funds.

PART 3 — INTERRELATIONSHIP WITH LEGISLATION

3.1 ANNUAL FINANCIAL STATEMENTS

(1) The financial statements required under section 78 of the Act must include the statements, balance sheet and notes described in subsection 4.1(1) of NI 51-102.

(2) Sections 4.2, 4.3, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.13 of NI 51-102 apply to financial statements and auditor's reports required under section 78 of the Act as if any reference to section 4.1 in sections 4.2, 4.3, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.13 of NI 51-102 was a reference to section 78 of the Act.

(3) This section applies for financial years beginning on or after ●, 200● **[NTD: same date as 2.2(1)(a) of NI 51-102]**.

3.2 INTERIM FINANCIAL STATEMENTS

(1) The financial statements required under subsection 77(1) of the Act must include the statements, balance sheet and notes described in section 4.4 of NI 51-102.

(2) Sections 4.5, 4.6. 4.7, 4.9, 4.10, 4.11 and 4.13 of NI 51-102 apply to financial statements required under subsection 77(1) of the Act as if any reference to section 4.4 in sections 4.5, 4.6, 4.7, 4.9, 4.10, 4.11 and 4.13 of NI 51-102 was a reference to subsection 77(1) of the Act.

(3) This section applies for interim periods in financial years beginning on or after ●, 200●. **[NTD: same date as 2.2(1)(b) of NI 51-102.]**

3.3 DELIVERY OF FINANCIAL STATEMENTS

Section 79 of the Act does not apply to a reporting issuer that complies with section 4.12 of NI 51-102 in the case of (a) annual financial statements for financial years beginning on or after ●, 200●, and (b) interim financial statements for interim periods in financial years beginning on or after ●, 200●.

3.4 MATERIAL CHANGE REPORTS

Except as otherwise provided in National Instrument 71-101 *The Multijurisdictional Disclosure System,* every report required under subsection 75(2) of the Act must be a completed Form 51-102F3 except that the reference in Item 3 of Form 51-102F3 to paragraph 7.1(1)(a) of NI 51-102 shall be read as referring to subsection 75(1) of the Act and references in Items 6 and 7 of Form 51-102F3 to subsections 7.1(2) and 7.1(4) of NI 51-102 shall be read as referring to subsections 75(3) and 75(4), respectively, of the Act.

3.5 ANNUAL FILING

Except as otherwise provided in National Instrument 71-101 *The Multijurisdictional Disclosure* System and in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* every report required under

subsection 81(2) of the Act must be a completed Form 51-102F1 and must be filed in accordance with the deadlines for filing Form 51-102F1s set out in section 5.2 of NI 51-102.

3.6 INFORMATION CIRCULARS

Except as otherwise provided in National Instrument 71-101 *The Multijurisdictional Disclosure* System and in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* an information circular referred to in clause (a) or (b) of subsection 86(1) of the Act must be a completed Form 51-102F5.

PART 4 – REVOCATIONS AND AMENDMENTS OF RULES

4.1 REVOCATION OF RULES

(1) Ontario Securities Commission Rule 51-501 *AIF & MD&A* is revoked.

(2) Ontario Securities Commission Rule 52-501 *Financial Statements* is revoked.

(3) Ontario Securities Commission Rule 54-501 *Prospectus Disclosure* is revoked.

(4) Ontario Securities Commission Rule 62-102 *Disclosure of Outstanding Share Data* is revoked.

4.2 AMENDMENTS TO RULE 56-501

Ontario Securities Commission Rule 56-501 *Restricted Shares* is amended as follows:

(a) by deleting subsection 1.2(2);

(b) by deleting Section 2.1; and

(c) by deleting the words “and an information circular concerning a proposed reorganization” in subsection 2.3(1).

PART 5 – EFFECTIVE DATE

5.1 EFFECTIVE DATE

This Rule comes into force on ●. [NTD: same date as 13.1 of NI 51-102]

COMPANION POLICY 51-801CP - TO ONTARIO SECURITIES COMMISSION RULE 51-801 *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS*

1.1 Introduction - The purpose of this Companion Policy is to provide information relating to the manner in which the Ontario Securities Commission (the "Commission") interprets or applies certain provisions of Commission Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* (the "Implementing Rule") and National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102").

1.2 Interrelationship between NI 51-102 and the Securities Act Ontario (the "Act") – NI 51-102 is intended to provide a single source of harmonized continuous disclosure obligations for reporting issuers other than investment funds. As a result, NI 51-102 sometimes repeats (without any substantive change) certain requirements that are also dealt with in the Act under Parts XVIII *Continuous Disclosure* and Part XIX *Proxies and Proxy Solicitation*. In addition NI 51-102, through the Implementing Rule, varies or adds to some of the requirements contained in Parts XVIII and XIX of the Act. The cumulative effect of NI 51-102 and the Implementing Rule is that NI 51-102 supersedes the requirements applicable to reporting issuers (other than investment funds) found in Parts XVIII and XIX (other than sections 76 and 87 of the Act, the subject matter of which are not dealt with in NI51-102). Reporting issuers can and should therefore refer to NI 51-102 in place of the requirements contained in Parts XVIII and XIX of the Act (other than sections 76 and 87).

6.1.5 Notice and Request for Comment - Proposed National Instrument 71-102, Continuous Disclosure and Other Exemptions Relating to Foreign Issuers, Companion Policy 71-102CP, Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NOTICE AND REQUEST FOR COMMENT

PROPOSED NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

COMPANION POLICY 71-102CP
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

We (the members of the Canadian Securities Administrators (CSA)) have developed a nationally harmonized set of continuous disclosure (CD) requirements for reporting issuers, other than investment funds. The Notice and Request for Comment on Proposed National Instrument 51-102 *Continuous Disclosure Obligations* provides information about the proposed rule (the CD Rule).

Concurrently, we have developed a nationally harmonized set of exemptions from CD and other requirements for eligible foreign issuers. An eligible foreign issuer is a reporting issuer, other than an investment fund, that is incorporated outside of Canada, unless it has more than 50 percent of its shares held in Canada and one or more of the following is also true: the majority of its directors and officers are Canadian residents, more than 50 percent of its assets are in Canada, or the business is principally administered in Canada. These exemptions will ease compliance for foreign issuers and increase their access to Canadian capital markets.

The exemptions are contained in a proposed rule, National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Eligible Foreign Issuers* (the Rule). Companion Policy 71-102 to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Companion Policy) provides guidance on interpreting the Rule.

Scope and Purpose

The Rule provides eligible foreign issuers with various options relating to the accounting principles used to prepare their financial statements and the auditing standards used to audit their annual financial statements.

The Rule provides broader relief from the requirements of the CD Rule for two sub-categories of eligible foreign issuers - SEC foreign issuers and designated foreign issuers (defined below) - on the condition that they comply with the CD requirements of the SEC or a designated foreign jurisdiction. It also exempts SEC foreign issuers and designated foreign issuers from certain other requirements of Canadian securities legislation, including insider reporting and early warning, that are not contained in the CD Rule.

US-incorporated issuers will be able to rely on either the Rule or the exemptions already available to them under National Instrument 71-101 *The Multijurisdictional Disclosure System* (MJDS), or both. The Companion Policy identifies the significant differences between the exemptions in the Rule and in MJDS.

Eligible foreign issuers that have obtained discretionary exemptive relief from CD requirements will need to examine it in light of the grandfathering provisions in the CD Rule and consider whether they need new or additional relief. The exemptions in the Rule are in addition to any discretionary relief that foreign issuers may continue to rely on.

The Rule does not relieve foreign issuers that electronically file under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR), or their insiders, from the insider reporting requirements included in National Instrument 55-102 *System for Electronic Disclosure by Insiders* (SEDI).

The Rule does not relieve foreign issuers from the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) or proposed National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101).

We are developing a separate national instrument that will cover the CD obligations of investment funds, including foreign investment funds. We expect this rule to be adopted at approximately the same time as, the CD Rule and the Rule.

Background

Many provisions of the Rule reflect discretionary relief from CD and other requirements that we have granted to foreign issuers in the past.

The Rule is similar in concept and structure to draft OSC Rule 72-502 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* published for comment on October 12, 2001. In developing the Rule, we considered comments received on draft OSC Rule 72-502.

The proposed requirements in the Rule concerning generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) are based on the outcomes from CSA Request for Comment 52-401 *Discussion Paper: Financial Reporting in Canada's Capital Markets*, published on March 16, 2001.

We also considered MJDS, which provides relief from CD requirements only to US-incorporated issuers.

It is proposed that CSA staff will no longer recommend that relief be granted to foreign issuers on a case-by-case basis on the terms set out in the continuous disclosure and proxy solicitation section of CSA Notice 95/04 *Proposed Foreign Issuer Prospectus and Continuous Disclosure System*. The relief contemplated by that notice is encompassed in the Rule.

Exemptions from Prospectus Requirements

The Rule does not provide exemptions from prospectus disclosure requirements. CSA staff is currently developing a harmonized long form prospectus regime. As part of this project, CSA staff will consider the prospectus regime specifically as it relates to foreign issuers. This consideration includes a review of IOSCO's "International Disclosure Standards for Cross-Border Offerings and Initial Listings By Foreign Issuers" that were issued in 1998 to determine what modifications to or relief from the CSA's harmonized prospectus regime is appropriate for foreign issuers.

Summary of the Rule and Important Changes

Broad CD Relief for SEC Foreign Issuers and Designated Foreign Issuers

The Rule provides that SEC foreign issuers and designated foreign issuers may satisfy the requirements of Canadian securities legislation by complying with the requirements of the SEC or designated foreign jurisdictions, as applicable, and concurrently filing and sending in Canada the documents that were filed and sent under SEC or designated foreign jurisdiction requirements.

An SEC foreign issuer is an eligible foreign issuer that has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act.

A designated foreign issuer is an eligible foreign issuer that is not an SEC foreign issuer, is subject to the disclosure requirements of one of 15 designated foreign jurisdictions, and does not have more than 10 percent of its equity securities held by Canadian residents. The designated foreign jurisdictions are Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland.

The relief for SEC foreign issuers and designated foreign issuers extends to material change reports, annual information forms, management discussion and analysis, information circulars, proxies and proxy solicitation, restricted share disclosure requirements, business acquisition reports, change of auditor requirements, insider reports and reports of share acquisitions under early warning requirements.

The relief for information circulars, proxies and proxy solicitation is available to any person that solicits proxies in respect of the eligible foreign issuer, not just the issuer.

The relief for insider reports is not available to an eligible foreign issuer, or the insiders of the issuer, that is an electronic filer under SEDAR.

Foreign issuers are exempt from the requirements relating to communications with beneficial owners of their securities, if they comply with comparable foreign requirements and with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* regarding fees payable to intermediaries for any depositary or intermediary located in Canada.

Foreign issuers are also exempt from valuation and minority approval requirements relating to going private transactions and related party transactions, provided that, in the case of an SEC foreign issuer, less than 20% of the issuer's equity securities are held in Canada.

Accounting Principles and Auditing Standards Relief

The Rule permits SEC foreign issuers to file financial statements prepared in accordance with US GAAP without reconciliation to Canadian GAAP. The Rule also permits eligible foreign issuers to file financial statements prepared in accordance with

International Accounting Standards, again without reconciliation to Canadian GAAP. Auditing standards permitted by the Rule include US GAAS and International Standards of Auditing.

Designated foreign issuers are permitted to file financial statements prepared in accordance with the accounting principles accepted in the designated foreign jurisdiction without reconciliation and audited in accordance with the auditing standards accepted in the designated foreign jurisdiction.

An issuer that is a "foreign private issuer" for SEC purposes and has less than 10 percent of its equity securities held by Canadian residents, may file financial statements prepared in accordance with the accounting principles that meet disclosure requirements for SEC filings provided that the financial statements include any reconciliation to US GAAP required by the SEC.

Finally, the Rule permits eligible foreign issuers to file financial statements prepared in accordance with foreign accounting principles that cover substantially the same core subject matter as Canadian GAAP, reconciled to Canadian GAAP for both annual and interim financial statements. Similarly, the Rule permits audit reports prepared in accordance with foreign auditing standards that are substantially equivalent to Canadian GAAS accompanied by an explanation of material differences compared to Canadian GAAS.

Language of documents

A foreign issuer must file any required document in French or English. If the document is translated from English to French or French to English, and the translation is sent to securityholders, the foreign issuer must also file the translation.

If the document filed is translated from a language other than English or French, the foreign issuer must also file the document on which the translation is based and a certificate of translation.

Purpose and Summary of the Companion Policy

The purpose of the Companion Policy is to state the manner in which certain provisions of the Rule will be interpreted or applied by the Canadian securities regulatory authorities. It contains discussions, explanations and examples primarily relating to:

- the interrelationship between the Rule and MJDS;
- the manner of calculating the number of voting securities owned by residents of Canada for the purposes of the definition of "eligible foreign issuer";
- the availability of exemptions from insider reporting requirements;
- the availability of exemptions from restricted share minority approval requirements;
- the applicability of NI 43-101 and NI 51-101; and
- accounting principles and auditing standards for eligible foreign issuers.

Anticipated Costs and Benefits

The benefits provided by the Rule are the reduction of duplicative regulation and the consequent increased access to Canadian capital markets by foreign issuers.

The Rule imposes no material costs on foreign issuers, but rather seeks to reduce costs and duplicative regulation.

Possible Amendments to the Rule

We are considering placing all GAAP and GAAS requirements relating to CD and prospectus obligations of reporting issuers in a separate national instrument.

Related Amendments

National

We plan to repeal CSA Staff Notice 42-301 and CSA Notice 52-302 *Dual Reporting of Financial Information*.

Local

Appendix A to this Notice and Request for Comment proposes the rescission of OSC Policy 7.1, the related rules and order. It also outlines proposed related amendments to three provisions of Ontario Regulation 1015 of R.R.O. 1990. Finally, Appendix A contains other information required to be published under Ontario securities legislation.

The Ontario Securities Commission is separately publishing for comment proposed Rule 71-802 which is the local rule implementing the Rule in Ontario.

Unpublished Materials

In proposing the Rule, we have not relied on any significant unpublished study, report, or other written materials other than the self-assessments prepared by IOSCO members of compliance with the *Objectives and Principles of Securities Regulation* published by IOSCO in September 1998.

Request for Comment

We request your comments on the Rule and Companion Policy. In addition to any general comments you may have, we also invite comments on the following specific questions:

1. What is your assessment of the costs and benefits of the Rule?

2. Have we included the appropriate countries in the definition of "designated foreign jurisdiction"? If not, please explain in detail why any countries should be added or removed, with reference to the laws of that country.

3. Should we use the threshold of having not more than 10 percent equity security ownership in Canada for determining which foreign issuers may file financial statements prepared in accordance with the accounting principles accepted in the designated foreign jurisdiction, without a reconciliation to Canadian GAAP? If not, what threshold would be appropriate?

4. Should we use the threshold of having not more than 10 percent equity security ownership in Canada for determining which foreign issuers may satisfy Canadian CD requirements by complying with the requirements of a designated foreign jurisdiction? If not, what threshold would be appropriate?

5. Do you agree that foreign issuers should not be exempt from the disclosure requirements of NI 43-101 and NI 51-101? Why or why not?

Please submit your comments in writing on or before September 19, 2002.

Please address your submission to all of the CSA member commissions, as follows:

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Administration Branch
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Attorney General
Commission des valeurs mobilières du Québec
Saskatchewan Securities Commission
Registrar of Securities, Government of Yukon

You do not need to deliver your comments to all of the CSA member commissions. Please deliver your comments to the two addresses that follow, and they will be distributed to all other jurisdictions by CSA staff.

Peter Brady, Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Fax: (604) 899-6814
e-mail : pbrady@bcsc.bc.ca

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
Fax : (514) 864-6381
e-mail : consultation-en-cours@cvmq.com

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:

Peter Brady
Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6874 or (800) 373-6393 (in B.C.)
pbrady@bcsc.bc.ca

Carla-Marie Hait
Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6726 or (800) 373-6393 (in B.C.)
chait@bcsc.bc.ca

Michael Moretto
Associate Chief Accountant, Corporate Finance
British Columbia Securities Commission
(604) 899-6767 or (800) 373-6393 (in B.C.)
mmoretto@bcsc.bc.ca

Mavis Legg
Manager, Securities Analysis
Alberta Securities Commission
(403) 297-2663
mavis.legg@seccom.ab.ca

Stephen Murison
Legal Counsel
Alberta Securities Commission
(403) 297-4233
stephen.murison@seccom.ab.ca

Bob Bouchard
Director, Corporate Finance
Manitoba Securities Commission
(204) 945-2555
bbouchard@gov.mb.ca

Bill Slattery
Deputy Director, Corporate Finance and Administration
Nova Scotia Securities Commission
(902) 424-7355
slattejw@gov.ns.ca

Joan Beck
Senior Legal Counsel, Corporate Finance
Ontario Securities Commission
(416) 593-8254
jbeck@osc.gov.on.ca

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
(416) 593-8134
jpeters@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Continuous Disclosure
Ontario Securities Commission
(416) 593-8223
itsatsos@osc.gov.on.ca

Rosetta Gagliardi
Conseillère en réglementation
Commission des valeurs mobilières du Québec
(514) 940-2199 ext. 4554
rosetta.gagliardi@cvmq.com

Ian McIntosh
Deputy Director, Corporate Finance
Saskatchewan Securities Commission
(306) 787-5867
imcintosh@ssc.gov.sk.ca

June 21, 2002.

Additional Information

This Notice and Request for Comment refers to securities legislation administered by the CSA member commissions listed above and certain other documents. Additional information concerning the legislation can be found at the following public websites:

Alberta Securities Commission: www.albertasecurities.com
British Columbia Securities Commission: www.bcsc.bc.ca
Manitoba Securities Commission: www.msc.gov.mb.ca
New Brunswick Securities Administration Branch: www.gov.nb.ca
Securities Commission of Newfoundland and Labrador: www.gov.nf.ca/gsl/cca/s/
Nova Scotia Securities Commission: www.gov.ns.ca/nssc/
Ontario Securities Commission: www.osc.gov.on.ca
Prince Edward Office of the Attorney General: www.gov.pe.ca
Commission des valeurs mobilières du Québec: www.cvmq.com
Saskatchewan Securities Commission: www.ssc.gov.sk.ca

APPENDIX A

BACKGROUND AND STATUS OF ONTARIO SECURITIES COMMISSION ("OSC") PROPOSED RULE 72-502 AND COMPANION POLICY 72-502CP, ADDITIONAL INFORMATION REQUIRED IN ONTARIO, NOTICE OF PROPOSED RESCISSION OF OSC POLICY 7.1, THE RELATED ORDER AND RULES AND REQUEST FOR COMMENT AND RELATED AMENDMENTS TO ONTARIO SECURITIES REGULATION

Background and Status of OSC Proposed Rule 72-502 and Companion Policy 72-502CP

As indicated in the Notice and Request for Comment which this Appendix accompanies, the Rule is similar in concept and structure to OSC Proposed Rule 72-502 *Continuous Disclosure and other Exemptions Relating to Foreign Issuers*, published for comment on October 12, 2001. OSC Proposed Rule 72-502 will not be finalized. It is beneficial for issuers to have one national instrument to consider. Therefore OSC staff have worked with the CSA to develop the Rule and the Companion Policy rather than finalizing OSC Proposed Rule 72-502 which would have been a local rule in Ontario.

The notice published in the OSC Bulletin on October 12, 2001 at (2001), 24 OSCB 6053 entitled, *Notice of Proposed Rule 72-502 and Companion Policy 72-502CP Continuous Disclosure and other Exemptions Relating to Foreign Issuers and Proposed Rescission of OSC Policy 7.1, the Related Order and Rules,* provides background information regarding OSC Policy 7.1, the Related Order and Rules (as defined below). It may be helpful to refer to this notice as this background information has not been reproduced here. Schedule A to the notice provided a description of the SEC's foreign issuer continuous disclosure regime. Schedule B provided a table of concordance between OSC Policy 7.1 and Proposed Rule 72-502. The information found in these schedules has not been reproduced here.

The OSC received two submissions on OSC Proposed Rule 72-502 and Companion Policy 72- 502CP. The CSA considered the submissions in drafting the Rule and Companion Policy and thank the commenters for their comments.

1. Comment: One commenter recommended the inclusion of a definition of "Canadian resident" in OSC Proposed Rule 72-502. The commenter recommended a definition based either on a tax law definition or on the registered address, subject to information suggesting otherwise.

   Response: The term "Canadian resident" is replaced with "residents of Canada" in the Rule. The CSA is not aware of difficulties resulting from the use of this phrase in other rules and do not propose to define "residents of Canada". The tax definition is unnecessarily complex for the purposes of the Rule.

2. Comment: One commenter suggested that Canadian issuers who are also SEC registrants and 10-K filers should be given an exemption from the requirements of contemporaneously filing and sending financial statements to security holders. This would be necessary to give these Canadian issuers similar treatment to foreign issuers.

   Response: The Rule relates only to foreign issuers. Comments regarding Canadian issuers may be made in connection with the Notice and Request for Comment on Proposed National Instrument 51-102 *Continuous Disclosure Obligations*. As noted there, it is proposed that the sending requirements for financial statements will be eliminated unless security holders request the financial statements.

We have made some changes from OSC Proposed Rule 72-502. The following are some of the changes. First, the Rule does not contemplate the designation of additional foreign jurisdictions. It simply indicates the jurisdictions that we propose to be designated foreign jurisdictions. Second, we have added proxy relief for SEC foreign private issuers that are required to file reports under section 15(d) of the 1934 Act. This was not proposed in OSC Proposed Rule 72-502. Third, the Rule does not provide relief from OSC Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* for issuer bids and insider bids as OSC Proposed Rule 72-502 would have. Relief in these areas will be provided in a future instrument. Finally, an accounting section has been added to the Rule.

Authority for the Rule

Paragraph 143(1)36 of the *Securities Act* (Ontario) (the "Act") which authorizes the Ontario Securities Commission (the "Commission") to make rules varying the Act for foreign issuers to facilitate, among other things, compliance with requirements applicable or relating to reporting issuers and the making of going private transactions and related party transactions where the foreign issuers are subject to requirements of the laws of other jurisdictions that the Commission considers are adequate in light of the purposes and principles of the Act provides the Commission with the authority to make the Rule.

The following provisions of the Act also provide the Commission with authority to make the Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other

use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1)23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII of the Act. Paragraph 143(1)25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1)26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1)27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part XIX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities of reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1)28 authorizes the Commission to make rules regulating take-over bids, issuer bids, insider bids, going private transactions and related party transactions, including early warning provisions. Paragraph 143(1)30 authorizes the Commission to make rules providing for exemptions from any requirement of Part XXI (Insider Trading and Self-Dealing) of the Act. Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1)49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1)56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Alternatives Considered

The Commission considered whether to rescind OSC Policy 7.1, the Order and the Rules (each as defined below) and rely upon the continuous disclosure regime created by National Instrument 71-101 *The Multijurisdictional Disclosure System* and that contemplated by CSA Notice 95/04 outlining the proposed Foreign Issuer Prospectus and Continuous Disclosure System or amend the Act or make a rule to create a separate foreign issuer continuous disclosure regime. The Commission determined to reformulate OSC Policy 7.1, the Order and the Rules as a rule in a substantially simplified form. Initially, proposed Rule 72-502 was published for comment on October 12, 2001. However, as noted above, it was determined that it would be preferable to publish the Rule for comment on a national basis rather than proceeding with a local rule in Ontario.

The continuous disclosure and other relief granted by the Rule is substantially broader than that granted by NI 71-101 or contemplated by the proposed Foreign Issuer Prospectus and Continuous Disclosure System in that it permits eligible foreign issuers that are not SEC registrants to file disclosure documents filed with foreign regulatory authorities in lieu of documents in the form filed by domestic issuers.

Notice of Proposed Rescission of OSC Policy 7.1, the Related Order and Rules

In Ontario, the Rule would replace Ontario Securities Commission Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers ("OSC Policy 7.1"), and the Order *In the Matter of Certain Reporting Issuers* (1980) OSCB 54, as amended (the "Order"). The Order was amended by the Rules *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 6304, (2000), 23 OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 1924, which in turn incorporated the deemed rule of the same name, (1980) OSCB 166 (the "First Rule"), *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 151, (2000), 23 OSCB 289 and (2000), 23 OSCB 8244, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 1913 and *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6435, (1999), 22 OSCB 151, (2000), 23 OSCB 289 and (2000), 23 OSCB 8244, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 3247 (defined collectively as the "Rules"). *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, which in turn incorporated the deemed rule of the same name (1985), 8 OSCB 2915, which related to prompt offering qualifying system eligible issuers expired on December 31, 2000.

OSC Policy 7.1 and the Order created seven categories of reporting issuers, granted exemptions from certain continuous disclosure and other requirements and set out the Commission's interpretation with respect to the exemptions provided under Part XVIII, Part XIX and Part XXI of the Act. The scope of OSC Policy 7.1 and the Order was both domestic and foreign issuers.

The scope of the Rule is limited to foreign issuers. The exemptions granted to Canadian domestic issuers by Policy 7.1, the Order and the Rules are no longer necessary given the harmonization of disclosure requirements and regulations among jurisdictions and in light of the publication for comment of the CD Rule.

Regulation Sections to be Amended

The Commission proposes to amend subsection 1(4) of Regulation 1015 of R.R.O. 1990 (the “Regulation”) to refer to the Rule rather than the First Rule.

The Commission proposes to amend section 161 of the Regulation to refer to the Rule rather than the First Rule.

The Commission also proposes to amend subsection 203.2(1) of the Regulation to refer to the Rule in order to create an exemption to the requirement contained in that provision.

Request for Comments on the Proposed Rescission of OSC Policy 7.1, the Related Order and Rules

Interested parties are invited to make written submissions with respect to the proposed rescission of OSC Policy 7.1, the related Order and Rules. Submissions received by September 19, 2002 will be considered. Submissions should be addressed to:

John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
e-mail: jstevenson@osc.gov.on.ca

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 requires that a summary of the written comments received during the comment period be published.

Proposed Rescission of OSC Policy 7.1, the Order and the Rules

OSC Policy 7.1 will be rescinded on the date that the Rule comes into force. The text of the proposed rescission of the Order and the Rules follows.

RESCISSION OF ONTARIO SECURITIES COMMISSION ORDER
IN THE MATTER OF PARTS XVII AND XX OF THE *SECURITIES ACT*

AND

IN THE MATTER OF CERTAIN REPORTING ISSUERS

AND

ONTARIO SECURITIES COMMISSION RULES
IN THE MATTER OF CERTAIN REPORTING ISSUERS

PART 1 RESCISSION

1.1 Rescission - The following instruments

(a) Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers (1980), OSCB 54, as amended,

(b) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1218, as amended by (1999), 22 OSCB 151, (2000), OSCB 289 and (2000), 23 OSCB 8244, that incorporates by reference the deemed rule (1980), OSCB 166, as amended,

(c) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289 and (2000), that incorporates by reference the deemed rule (1984), 7 OSCB 1913, as amended; and

(d) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289 and (2000), OSCB 8244, that incorporates by reference the deemed rule (1984), 7 OSCB 3247 as amended, are rescinded.

PART 2 EFFECTIVE DATE

2.1 Effective Date - This rescission comes into force on the date that National Instrument 71-102 comes into force.

6.1.6 National Instrument 71-102, Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

Table of Contents

NATIONAL INSTRUMENT 71-102

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING

TO FOREIGN ISSUERS

PART 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation[1]

(1) A term used in this Instrument and defined in the securities statute of the local jurisdiction has the meaning given to it in that statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure, proxy solicitation, financial disclosure, insider reporting or take-over and issuer bid matters; or (b) the context otherwise requires.

(2) Subject to subsection (1), in this Instrument:

"AIF" means a completed Form 51-102F1 *AIF* or, in the case of an SEC foreign issuer, either a completed Form 51-102F1 or a current annual report on Form 10-K, or on Form 20-F, under the 1934 Act;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report*;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

"designated foreign issuer" means an eligible foreign issuer:

(a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act;

(b) that is subject to the foreign disclosure requirements; and

(c) for which the total number of equity securities owned of record, directly or indirectly, by residents of Canada does not exceed ten (10) per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

"designated foreign jurisdiction" means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

"eligible foreign issuer" means a reporting issuer, other than a investment fund, that is not incorporated or organized under the laws of Canada or a jurisdiction of Canada, unless:

(a) outstanding voting securities carrying more than 50 per cent of the votes for the election of directors are owned of record directly or indirectly by residents of Canada; and

(b) any one or more of:

(i) the majority of the senior officers or directors of the issuer are residents of Canada;

(ii) more than 50 per cent of the assets of the issuer are located in Canada; or

(iii) the business of the issuer is administered principally in Canada;

"equity security" means any security of an issuer that carries a residual right to participate in earnings of the issuer and, on the liquidation or winding-up of the issuer, in its assets;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system

[1] National Instrument 14-101 *Definitions* defines certain terms that are used in more than one national or multilateral instrument.

that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

"foreign disclosure requirements" means the requirements to which an eligible foreign issuer is subject concerning disclosure made to a foreign regulatory authority:

(a) relating to the eligible foreign issuer and the trading in its securities; and

(b) that is made publicly available in the foreign jurisdiction under:

(i) the securities laws of the foreign jurisdiction in which the principal trading market of the eligible foreign issuer is located; or

(ii) the rules of the marketplace that is the principal trading market of the eligible foreign issuer;

"foreign regulatory authority" means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

"group scholarship plan" means a scholarship plan the securities of which entitle the beneficiaries, who are designated in connection with the acquisition of the securities that have the same year of maturity, to a scholarship award proportionate to the value of the securities in respect of which they are designated, on or after maturity of the securities;

"inter-dealer bond broker" means a person or company that is approved by the IDA under IDA By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to IDA By-Law No. 36 and IDA Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"investment fund" means a mutual fund, a non-redeemable investment fund or a group scholarship plan;

"marketplace" means:

(a) an exchange;

(b) a quotation and trade reporting system;

(c) a person or company not included in paragraph (a) or (b) that:

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker;

"MD&A" means a completed Form 51-102F2 *Management Discussion & Analysis* or, in the case of an SEC foreign issuer, either a completed Form 51-102F2 or management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"Nasdaq" means Nasdaq National Market and Nasdaq SmallCap Market;

"non-redeemable investment fund" means, an issuer:

(a) whose primary purpose is to invest money provided by its securityholders;

(b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than other mutual funds or non-redeemable investment funds; and

(c) that is not a mutual fund;

"principal trading market" means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer's most recent financial year that ended before the date the determination is being made;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

"recognized exchange" means:

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange;

(b) in Québec, an exchange recognized by the securities regulatory authority as a self-regulatory organization, and

(c) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means:

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"SEC foreign issuer" means an eligible foreign issuer that:

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America;

"SEDI issuer" has the meaning ascribed to that term in National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*;

"TSX" means the Toronto Stock Exchange;

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

"US GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support and as supplemented by Regulation S-X and Regulation S-B made under the 1934 Act; and

"US GAAS" means generally accepted auditing standards in the United States of America as supplemented by the SEC's rules on auditor independence.

1.2 Determination of Canadian Shareholders

(1) For the purposes of sections 4.11, 7.1 and paragraph (c) of the definition of "designated foreign issuer", a reference to equity securities owned of record, directly or indirectly, by residents of Canada, includes:

(a) the underlying securities that are equity securities of the eligible foreign issuer; and

(b) the equity securities of the eligible foreign issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the eligible foreign issuer.

(2) For the purposes of paragraph (a) of the definition of "eligible foreign issuer", securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the eligible foreign issuer must be included as outstanding in determining both the number of votes attached to securities owned of record, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer's outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer and Eligible Foreign Issuer

For the purposes of paragraph (c) of the definition of "designated foreign issuer", paragraph (a) of the definition of "eligible foreign issuer" and section 4.11, the calculation is made:

(a) if the issuer has not completed a financial year since becoming a reporting issuer, at the date that the issuer became a reporting issuer; and

(b) for all other issuers,

(i) for the purpose of financial statement and MD&A filings under this Instrument, on the first day of the most recent year or year-to-date interim period for which operating results are presented in the financial statements or MD&A; and

(ii) for the purpose of other continuous disclosure filing obligations under this Instrument, on the first day of the issuer's current financial year.

PART 2

LANGUAGE OF DOCUMENTS

2.1 French or English

(1) A person or company must file a document required to be filed under this Instrument in French or in English.

(2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders of an issuer a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, linguistic obligations and rights prescribed by Québec law must be complied with.

2.2 Filings Prepared in a Language other than French or English

(1) If a person or company files a document that is required to be filed under this Instrument that is a translation of a document prepared in a language other than French or English, the person or company must file the document upon which the translation was based.

(2) An eligible foreign issuer filing a document upon which the translation was based under subsection (1) must file with the regulator or securities regulatory authority a certificate as to the accuracy of the translation.

PART 3

FILING AND SENDING OF DOCUMENTS

3.1 Timing of Filing of Documents

A person or company filing a document under this Instrument must file the document at the same time as, or as soon as practicable after, the filing or furnishing of the document to the SEC or to a foreign regulatory authority.

3.2 Sending of Documents to Canadian Securityholders

If a person or company sends a document to any securityholder of a class under US federal securities laws, or the laws or requirements of a designated foreign jurisdiction, and that document is required to be filed under this Instrument then such document must be sent at the same time to each securityholder of that class whose last address as shown on the books of the issuer is in the local jurisdiction.

PART 4

SEC FOREIGN ISSUERS

4.1 Amendments / Supplements

Any amendments or supplements to disclosure documents filed by an SEC foreign issuer under this Instrument must also be filed.

4.2 Material Change Reporting

An SEC foreign issuer is exempt from securities legislation requirements relating to disclosure of material changes if the issuer:

(a) complies with the requirements of the US exchange on which its securities are listed or Nasdaq, as applicable, for making public disclosure of material information on a timely basis;

(b) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis, if securities of the issuer are not listed on a US exchange or quoted on Nasdaq;

(c) promptly issues in Canada and files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a) or (b);

(d) complies with the requirements of US federal securities law for filing or furnishing current reports to the SEC; and

(e) files the current reports filed with or furnished to the SEC.

4.3 Financial Statements

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of interim financial statements, and annual financial statements and auditor's reports thereon if it:

(a) complies with the requirements of US federal securities law relating to quarterly reports and annual reports;

(b) in the case where securities of the issuer are listed on a US exchange or quoted on Nasdaq, complies with the requirements of the US exchange or Nasdaq relating to annual financial statements and interim financial statements;

(c) files the quarterly reports and annual reports filed with or furnished to the SEC, a US exchange or Nasdaq;

(d) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (c); and

(e) in the case of the annual financial statements, has them reviewed by the audit committee, if any, of the board of directors and approved by the board of directors.

4.4 Annual Reports, AIFs, Business Acquisition Reports & MD&A

An SEC foreign issuer satisfies securities legislation requirements to file annual reports, AIFs, business acquisition reports and MD&A if it:

(a) complies with the requirements of US federal securities law relating to annual reports, quarterly reports, current reports and management's discussion and analysis;

(b) files each annual report, quarterly report, current report and management's discussion and analysis filed with or furnished to the SEC; and

(c) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (b).

4.5 Proxies and Proxy Solicitation by the Issuer / Information Circulars

(1) An SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it:

(a) complies with the requirements of US federal securities law relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to the meeting that is filed with or furnished to the SEC;

(c) sends each document filed under paragraph (b) to each securityholder whose last address as shown on the book of the issuer is in the local jurisdiction in the manner and at the time required by US federal securities law and the requirements of the US exchange on which securities of the issuer are listed or Nasdaq; and

(d) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (b).

(2) An SEC foreign issuer that:

(a) is a foreign private issuer as defined under Rule 3b-4 under the 1934 Act; and

(b) is required to file reports under section 15(d) of the 1934 Act

satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it complies with the requirements of paragraphs (a), (b), (c) and (d) of subsection (1).

4.6 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the SEC foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company complies with the requirements of paragraphs (a), (b), (c) and (d) of subsection 4.5(1).

(2) A person or company, other than the SEC foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to an SEC foreign issuer that meets the requirements of paragraphs 4.5(2)(a) and (b) if the person or company complies with paragraphs (a), (b), (c) and (d) of subsection 4.5(1).

(3) If a proxy solicitation is made with respect to an SEC foreign issuer by a person or company other than the SEC foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the SEC foreign issuer, the exemption in subsection (1) or (2) is not available, if:

(a) the aggregate published trading volume of the class on the TSX and the TSX Venture Exchange Inc. exceeded the aggregate published trading volume of the class on national securities exchanges in the United States of America and Nasdaq:

(i) for the 12 calendar month period before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information discussed by the SEC foreign issuer in its most recent Form 10-K or Form 20-F filed with the SEC under the 1934 Act demonstrated that paragraph (a) of the definition of “eligible foreign issuer” was satisfied; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of “eligible foreign issuer” is satisfied.

4.7 Disclosure of Outstanding Share Data

An SEC foreign issuer is exempt from securities legislation requirements relating to disclosure of outstanding share data if the issuer:

(a) reports outstanding share information in compliance with the 1934 Act; and

(b) files a copy of all disclosure of outstanding share data made under the 1934 Act that has not previously been filed promptly after its filing with the SEC.

4.8 Early Warning

A person or company is exempt from the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company:

(a) complies with the requirements of US federal securities law relating to the reporting of beneficial ownership of equity securities of the SEC foreign issuer; and

(b) files each report of beneficial ownership that is filed with the SEC.

4.9 Insider Reporting

The insider reporting requirements do not apply to an insider of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if:

(a) the SEC foreign issuer is not a SEDI issuer;

(b) the insider complies with the requirements of US federal securities law regarding insider reporting; and

(c) the insider files each insider report that is filed with the SEC.

4.10 Communication with Beneficial Owners of Securities

An SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries if the issuer:

(a) complies with the requirements of Rule 14a-13 under the 1934 Act for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

4.11 Going Private Transactions and Related Party Transactions

Securities legislation requirements relating to going private transactions and related party transactions do not apply to a SEC foreign issuer carrying out a going private transaction or related party transaction if the total number of equity securities of the SEC foreign issuer owned of record, directly or indirectly, by residents of Canada, does not exceed twenty (20) per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer.

4.12 Change of Auditor

An SEC foreign issuer satisfies securities legislation requirements relating to a change of auditor if the issuer:

(a) complies with US federal securities laws requirements relating to a change of auditor; and

(b) files a copy of all filings made under US federal securities laws requirements relating to the change of auditor promptly after their filing with the SEC.

4.13 Restricted Shares

(1) Securities legislation continuous disclosure requirements relating to restricted shares do not apply in respect of SEC foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted shares do not apply in respect of SEC foreign issuers.

PART 5

DESIGNATED FOREIGN ISSUERS

5.1 Amendments / Supplements

Any amendments or supplements to disclosure documents filed by a designated foreign issuer under this Instrument must also be filed.

5.2 Material Change Reporting

A designated foreign issuer is exempt from securities legislation requirements relating to disclosure of material changes if the issuer:

(a) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis;

(b) promptly issues in Canada and files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a); and

(c) files the documents disclosing the material information filed with or furnished to the foreign regulatory authority.

5.3 Financial Statements

A designated foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of interim financial statements, and annual financial statements and auditor's reports thereon if it:

(a) complies with the foreign disclosure requirements relating to interim financial statements, annual financial statements and auditor's reports on annual financial statements;

(b) files the interim financial statements, annual financial statements and auditor's reports on annual financial statements required to be filed with or furnished to the foreign regulatory authority;

(c) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (b); and

(d) in the case of the annual financial statements, has them reviewed by the audit committee, if any, of the board of directors and approved by the board of directors.

5.4 Annual Reports, AIFs, Business Acquisition Reports & MD&A

A designated foreign issuer satisfies securities legislation requirements to file annual reports, AIFs, business acquisition reports and MD&A if it:

(a) complies with the foreign disclosure requirements relating to annual reports, quarterly reports, business acquisitions and management's discussion and analysis;

(b) files each annual report, quarterly report, report in respect of a business acquisition and management's discussion and analysis required to be filed with the foreign regulatory authority; and

(c) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.5 Proxies and Proxy Solicitation by the Issuer / Information Circulars

A designated foreign issuer satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it:

(a) complies with the foreign disclosure requirements relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to the meeting that is filed with the foreign regulatory authority;

(c) sends each document filed under paragraph (b) to each securityholder whose last address as shown on the books of the issuer is in the local jurisdiction, in the manner and at the time required by the foreign disclosure requirements; and

(d) complies with sections 7.1 and 7.3 as they relate to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.6 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the designated foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to a designated foreign issuer if the person or company satisfies the requirements of paragraphs 5.5(a), (b), (c) and (d).

(2) If a proxy solicitation is made with respect to a designated foreign issuer by a person or company other than the designated foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the designated foreign issuer, the exemption in subsection (1) is not available, if:

(a) the aggregate published trading volume of the class on the TSX and the TSX Venture Exchange exceeded the aggregate trading volume on securities marketplaces outside Canada:

(i) for the 12 calendar months before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before the commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information disclosed by the designated foreign issuer in a document filed within the previous 12 months with a foreign regulatory authority, demonstrated that paragraph (a) of the definition of “eligible foreign issuer” was satisfied; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of “eligible foreign issuer” is satisfied.

5.7 Disclosure of Outstanding Share Data

A designated foreign issuer is exempt from securities legislation requirements relating to disclosure of outstanding share data if the issuer:

(a) complies with the foreign disclosure requirements relating to disclosure of outstanding share data; and

(b) files each report disclosing outstanding share data that is filed with a foreign regulatory authority.

5.8 Early Warning

A person or company is exempt from the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of a designated foreign issuer if the person or company:

(a) complies with the foreign disclosure requirements relating to reporting of beneficial ownership of equity securities of the designated foreign issuer; and

(b) files each report of beneficial ownership that is filed with the foreign regulatory authority.

5.9 Insider Reporting

The insider reporting requirements do not apply to an insider of a designated foreign issuer if:

(a) the designated foreign issuer is not a SEDI issuer;

(b) the insider complies with the foreign disclosure requirements regarding insider reporting; and

(c) the insider files each insider report that is filed with the foreign regulatory authority.

5.10 Communication with Beneficial Owners of Securities

A designated foreign issuer satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries if the issuer:

(a) complies with foreign disclosure requirements regarding communication with beneficial owners of securities; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

5.11 Going Private Transactions and Related Party Transactions

Securities legislation requirements relating to going private transactions and related party transactions do not apply to a designated foreign issuer carrying out a going private transaction or related party transaction.

5.12 Change of Auditor

A designated foreign issuer satisfies securities legislation requirements relating to a change of auditor if the issuer:

(a) complies with foreign disclosure requirements relating to a change of auditor; and

(b) files a copy of all filings made under foreign disclosure requirements relating to the change of auditor promptly after their filing with the foreign regulatory authority.

5.13 Restricted Shares

(1) Securities legislation continuous disclosure requirements relating to restricted shares do not apply in respect of designated foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted shares do not apply in respect of designated foreign issuers.

PART 6

FOREIGN TRANSITION ISSUERS

6.1 Application

This Part only applies in Ontario.

6.2 Definition

In this section, “foreign transition issuer” means an issuer:

(a) that is not incorporated or organized under the laws of Canada or a jurisdiction of Canada;

(b) that is not an SEC foreign issuer or designated foreign issuer;

(c) that became a reporting issuer solely by listing securities on the TSX before •, 2003[2];

(d) of which the total number of securities of the class listed on the TSX registered in the names of residents of Canada does not exceed five percent of the total number of issued and outstanding securities of the class; and

(e) of which the total number of holders of securities of the class listed on the TSX registered in the names of residents of Canada does not exceed 300.

6.3 Transitional Exemptions

Until July 1, 2004 a foreign transition issuer is exempt from:

(a) securities legislation requirements to file business acquisition reports, AIFs and MD&A;

(b) securities legislation requirements relating to the preparation and filing of annual financial statements and auditors' reports thereon if the annual financial statements are:

(i) prepared in compliance with the laws of the foreign jurisdiction of incorporation or organization of the issuer, and

(ii) filed not later than the earlier of:

(A) promptly after they are filed with any other governmental agency or securities market regulatory authority, and

(B) 140 days after the end of the financial year; and

(c) securities legislation requirements relating to the preparation and filing of interim financial statements, if the interim financial statements are:

(i) prepared in compliance with the laws of the foreign jurisdiction of incorporation or organization of the issuer; and

(ii) filed not later than:

(A) promptly after they are filed with any other governmental agency or securities market regulatory authority; and

(B) 60 days after the end of the interim period.

PART 7

ACCOUNTING PRINCIPLES AND AUDITING

STANDARDS FOR ELIGIBLE FOREIGN ISSUERS

7.1 Accounting Principles

(1) Subject to subsection (3) and subsections 7.2(1) and (2), an eligible foreign issuer satisfies securities legislation requirements relating to generally accepted accounting principles for annual and interim financial statements by filing statements prepared in accordance with:

(a) Canadian GAAP but may not be prepared in accordance with differential reporting options as set out in section 1300 of the Handbook;

(b) US GAAP if the issuer is an SEC foreign issuer;

(c) International Accounting Standards;

[2] The date this Instrument is expected to become effective.

(d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if the issuer is an SEC foreign issuer and at the beginning of the most recent year or year-to-date interim period for which operating results are presented in the financial statements, the total number of equity securities owned of record directly or indirectly by residents of Canada does not exceed ten (10) percent, on a fully-diluted basis, of the total number of equity securities of the issuer provided that the financial statements include any reconciliation to US GAAP required by the SEC;

(e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction that the issuer is subject to, if the issuer is a designated foreign issuer; or

(f) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, provided the notes to the financial statements:

(i) explain the nature of material differences between Canadian GAAP and the accounting principles used that relate to measurement in the issuer's financial statements;

(ii) quantify the effect of material differences between Canadian GAAP and the accounting principles used that relate to measurement in the issuer's financial statements, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP; and

(iii) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements.

(2) An eligible foreign issuer that relies on subsection 7.1(1) must state in the notes to the financial statements which accounting principles the financial statements have been prepared in accordance with.

(3) Where an eligible foreign issuer relies on subsection 7.1(1), the accounting principles used to prepare financial information presented for the comparative period must be the same as the accounting principles used for the most recently completed period presented in the financial statements.

7.2 Accounting Principles for Significant Acquisitions

(1) An eligible foreign issuer that cannot rely on section 4.4 or section 5.4 satisfies securities legislation requirements relating to accounting principles for:

(a) the financial statements used to determine whether an acquisition of a business or related businesses is a significant acquisition, by complying with the following:

(i) if the issuer's financial statements are prepared under paragraph 7.1(1)(a), (b) or (c), the financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, the same accounting principles used in the issuer's financial statements and the significance tests must be applied using financial information for both the issuer and the business or related businesses based on those accounting principles; and

(ii) if the issuer's financial statements are prepared under paragraph 7.1(1)(f), the financial statements for a business or related businesses must be prepared in accordance with, or reconciled to, Canadian GAAP and the significance tests must be applied using financial information for both the issuer and the business or related businesses based on Canadian GAAP;

(b) the financial statements of a business or related businesses included in a business acquisition report, by complying with the following:

(i) the financial statements required to be filed in a business acquisition report must be prepared in accordance with:

(A) Canadian GAAP, but may not be prepared in accordance with differential reporting options as set out in section 1300 of the Handbook; or

(B) accounting principles that cover substantially the same core subject matter as Canadian GAAP including recognition and measurement principles and disclosure requirements;

(ii) the financial statements required to be filed in a business acquisition report must be prepared in accordance with the same accounting principles for each period presented;

(iii) if the issuer's financial statements are prepared under paragraph 7.1(1)(a) or (f), then the most recent financial statements for a business or related businesses required to be filed must be prepared in accordance with:

(A) Canadian GAAP but may not be prepared in accordance with differential reporting options as set out in section 1300 of the Handbook; or

(B) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, provided the notes to the financial statements:

1. explain the nature of material differences between Canadian GAAP and the accounting principles used that relate to measurement;

2. quantify the effect of material differences between Canadian GAAP and the accounting principles used that relate to measurement, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP; and

3. provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements.

(iv) if the issuer's financial statements are prepared under paragraph 7.1(1)(b), then the most recent financial statements for a business or related businesses required to be filed must be prepared in accordance with US GAAP or reconciled to US GAAP; or

(v) if the issuer's financial statements are prepared under paragraph 7.1(1)(c), then the most recent financial statements for a business or related businesses required to be filed must be prepared in accordance with International Accounting Standards, or reconciled to International Accounting Standards.

(c) pro forma financial statements included in a business acquisition report, by complying with the following:

(i) if the issuer's financial statements are prepared under paragraph 7.1(1)(a), (b) or (c), then the pro forma financial statements must be prepared using the accounting principles used by the issuer; or

(ii) if the issuer's financial statements are prepared under paragraph 7.1(1)(f), then the pro forma financial statements must be prepared using Canadian GAAP.

7.3 Auditing Standards

(1) Subject to subsections (2), (3) and (4), an eligible foreign issuer satisfies securities legislation requirements relating to the auditing standards that must be used to audit financial statements and prepare an auditor's report by filing financial statements and an accompanying auditor's report that have been audited or prepared, as the case may be, in accordance with:

(a) Canadian GAAS;

(b) US GAAS;

(c) International Standards of Auditing;

(d) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction that the issuer is subject to, if the issuer is a designated foreign issuer; or

(e) auditing standards that are substantially equivalent to Canadian GAAS.

(2) If an eligible foreign issuer relies on subsection (1)(c), (d) or (e), the auditor's report must specify which auditing standards are being applied.

(3) If an eligible foreign issuer relies on paragraph 7.1(1)(c) or (e), the auditor's report filed by the issuer must be accompanied by a statement by the auditor confirming that the auditing standards applied are substantially equivalent to Canadian GAAS.

(4) If an eligible foreign issuer relies on paragraph 7.1(1)(c) or (e), the auditor's report filed by the issuer must be accompanied by a statement by the auditor disclosing any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS.

(5) If an eligible foreign issuer relies on:

(a) paragraph 7.3(1)(a), the auditor's report must not contain a reservation, or

(b) paragraph 7.3(1)(b), the auditor's report must contain an unqualified opinion, or

(c) paragraph 7.3(1)(c) or (e), the comparison required by subsection (4) must indicate that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

PART 8

EFFECTIVE DATE

8.1 Effective Date

This Instrument comes into force on •, 2003.

COMPANION POLICY 71-102CP TO NATIONAL INSTRUMENT 71-102

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS

RELATING TO FOREIGN ISSUERS

PART 1 – GENERAL

1.1 Introduction and Purpose

(1) National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the "Instrument") contains disclosure and other exemptions relating to foreign issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.

The Instrument provides eligible foreign issuers with various options relating to the accounting principles used to prepare their financial statements and the auditing standards used to audit their annual financial statements.

The Instrument also provides broader relief from requirements of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") for two sub-categories of eligible foreign issuers – SEC foreign issuers and designated foreign issuers – on the condition that they comply with the continuous disclosure ("CD") requirements of the SEC or a designated foreign jurisdiction. SEC foreign issuers and designated foreign issuers are also exempted from certain other requirements of Canadian securities legislation, including insider reporting and early warning, that are not contained in NI 51-102.

(2) This Companion Policy provides information about how the Canadian securities regulatory authorities interpret the Instrument, and should be read in conjunction with it.

(3) The Instrument provides that certain persons and companies satisfy the requirements of Canadian securities legislation by complying with the requirements of certain foreign jurisdictions. The Canadian securities regulatory authorities consider that the requirements of the foreign regulators or foreign jurisdictions identified in the Instrument, as they concern continuous disclosure, AIF and MD&A, proxies and proxy solicitation, early warning and insider reporting, communication with beneficial owners of securities, and going private and related party transactions to adequately serve the purposes of Canadian securities legislation on the conditions set out in the Instrument.

1.2 Other Relevant Legislation

In addition to this Instrument, foreign issuers should consult the following non-exhaustive list of legislation to see how it may apply to them:

(1) Implementing Legislation (the regulation, rule, ruling, order or other instrument that implements the Instrument in each applicable jurisdiction);

(2) NI 51-102;

(3) National Instrument 71-101 *The Multijurisdictional Disclosure System* ("NI 71-101").

1.3 Multijurisdictional Disclosure System

(1) NI 71-101 permits certain US incorporated issuers to satisfy specified Canadian CD requirements by using disclosure prepared in accordance with US requirements. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer, but other instances in which the relief available to a reporting issuer in one instrument differs from the relief available to the reporting issuer under the other instrument. Many issuers that are eligible for an exemption under the Instrument will be ineligible to rely on NI 71-101 and vice versa. For example, the Instrument defines a class of "SEC foreign issuers". Not all US issuers referred to in NI 71-101 are SEC foreign issuers and not all SEC foreign issuers are US issuers.

(2) An eligible US issuer may choose to use an exemption in the Instrument or NI 71-101. For example, section 17.1 of NI 71-101 grants an exemption from the insider reporting requirements to an insider of a US issuer that has securities registered under section 12 of the 1934 Act if the insider complies with the requirements of US federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. This relief goes beyond the exemption provided by section 4.9 of the Instrument which is not available to insiders of a SEDI issuer as defined in National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* and requires that the insider of the SEC foreign issuer file with the applicable regulator or securities regulatory authority Canadian insider reports.

1.4 Exemptions

(1) The exemptions contained in the Instrument are in addition to any exemptions that may be available to an issuer under any other applicable legislation.

(2) If an issuer wishes to seek exemptive relief from NI 51-102 on grounds similar but not identical to those permitted under this Instrument, the issuer should apply for this relief under the exemptive provisions of NI 51-102.

1.5 Exemptions May Not Require Disclosure

Most of the exemptions in the Instrument are only available to a person or company that complies with a particular aspect of either US federal securities laws or the laws of a designated foreign jurisdiction. If those laws do not require the issuer to disclose, file or send any information, for example, because the issuer may rely on an exemption under those laws, then the issuer is not required to disclose, file or send any information in order to rely on the exemption contained in the Instrument.

PART 2 – DEFINITIONS

2.1 Calculation of Voting Securities Owned by Residents of Canada

In order to qualify for any of the exemptions contained in the Instrument, other than the relief for "foreign transition issuers" in Part 6, an issuer must be an "eligible foreign issuer". The definition of eligible foreign issuer is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of "eligible foreign issuer", it is the CSA's view that, in determining the outstanding voting securities that are directly or indirectly owned of record by residents of Canada, an issuer should use reasonable efforts to:

(a) determine securities held of record by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada;

(b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports; and

(c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

The determination of the percentage of securities of the foreign issuer owned of record by residents of Canada should be made in the same manner for the purposes of paragraph (d) of the definition of "designated foreign issuer" and paragraph (d) of the definition of "foreign transition issuer" in section 6.2 of the Instrument. This method of calculation differs from that of NI 71-101, which only requires a calculation based on the address of record. Accordingly, some SEC foreign issuers may qualify for exemptive relief under NI 71-101 but not under this Instrument.

PART 3 – INSIDER REPORTS

3.1 Requirement to File Insider Reports on SEDI

Insiders of foreign issuers who voluntarily file under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* are required to file insider reports electronically under SEDI. The Instrument does not provide an exemption from filing insider reports in the form required by Canadian securities legislation if the foreign issuer is a SEDI filer. However, under NI 71-101 an insider of an eligible U.S. issuer, as defined NI 71-101, is exempt from the insider reporting requirements if the insider complies with U.S. federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. Consequently, insiders of NI 71-101 eligible issuers are also exempt from the requirement to file insider reports on SEDI.

Insiders of a foreign issuer that do not file under SEDAR, and who are therefore eligible to file insider reports under section 4.9 or 5.9 of the Instrument, must file the foreign form of insider report in paper form.

PART 4 – RESTRICTED SHARES

4.1 Exemptions

Sections 4.13 and 5.13 of the Instrument provide exemptions from the minority approval requirements of restricted share requirements found in Alberta Securities Commission Policy 1.2, Ontario Securities Commission Rule 56-501 and Policy Q-17 of the Commission des valeurs mobilières du Québec.

PART 5 – RESOURCE ISSUERS

5.1 Standards of Disclosure for Mineral Projects and Oil and Gas Activities

The Instrument does not provide an exemption from National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Issuers are reminded that those National Instruments apply to SEC foreign issuers and designated foreign issuers.

PART 6 – ACCOUNTING PRINCIPLES AND AUDITING STANDARDS FOR ELIGIBLE FOREIGN ISSUERS

6.1 Accounting Principles

(1) Appendix A to this Policy contains a chart outlining the accounting principles permitted for annual and interim financial statements for foreign issuers.

(2) Appendix B to this Policy contains a summary of the accounting principles permitted for the financial statements of a business or businesses acquired by a foreign issuer.

(3) Subsection 7.1(1) of the Instrument specifies that an eligible foreign issuer may file financial statements prepared in accordance with accounting principles that cover substantially the same core subject matter as Canadian GAAP provided the notes to the financial statements include a reconciliation to Canadian GAAP. Subparagraph (f)(ii) of subsection 7.1(1) requires quantification of the effect of material differences between Canadian GAAP and the accounting principles used that relate to measurement in the issuer's financial statements, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP. While the differences impacting net income must be presented in a tabular format, differences relating to assets, liabilities, retained earnings, and other aspects of the issuer's financial statements may be presented in a tabular format or some other format.

6.2 Auditing Standards

(1) **Chart** – Appendix C to this Policy contains a chart outlining the auditing standards permitted for foreign issuers.

(2) **Foreign GAAS Substantially Equivalent to Canadian GAAS -** Paragraph (3) of section 7.3 of the Instrument refers to an auditor's report prepared in accordance with auditing standards that are substantially equivalent to Canadian GAAS. The Canadian securities regulatory authorities are of the view that in order for auditing standards to be substantially equivalent to Canadian GAAS, they must require underlying audit work that is comparable in scope, nature and timing to the work required in connection with an audit in accordance with Canadian GAAS. For example, auditing standards of a foreign jurisdiction such as the United States are known to the Canadian securities regulatory authorities to be substantially equivalent to the standards of the CICA. Foreign issuers using auditors from foreign jurisdictions, with auditing standards and supervisions that are less well known to securities regulatory authorities or regulators, are encouraged to consult with staff of securities regulatory authorities or regulators in advance of filing of financial statements to resolve uncertainty as to whether the securities regulatory authority or regulator will consider a particular auditor or auditing standards to be acceptable.

In making a determination of whether the foreign auditing standards are substantially equivalent to Canadian GAAS, auditors are referred, in particular, to the general standard of Canadian GAAS as set out in Section 5100 of the Handbook and its reference to an auditor's "objective state of mind". This standard, when read together with the objectivity standard for auditors contained in the Standards of Professional Conduct applicable to Canadian auditors in each jurisdiction, emphasizes the importance of the independence of the auditor. In the view of the Canadian securities regulatory authorities, auditor independence is an essential element of Canadian GAAS and should be reflected, among other things, in the foreign GAAS applied in order for the foreign GAAS applied and Canadian GAAS to be considered substantially equivalent.

APPENDIX A

Accounting Principles Permitted for Annual and Interim Financial Statements of Eligible Foreign Issuers[1, 3]

Accounting Principles:	Eligible Foreign Issuers [2]		
	SEC Foreign Issuers [2]	Designated Foreign Issuers [2]	Other Eligible Foreign Issuers
Canadian GAAP	✓	✓	✓
US GAAP	✓ No Canadian GAAP reconciliation required	✓ Canadian GAAP reconciliation may be required [4]	✓ Canadian GAAP reconciliation required
International Accounting Standards(no reconciliation)	✓	✓	✓
Foreign Accounting Principles Used in an SEC Filing (Annual F/S reconciled to US GAAP)	✓ if ≤ 10% Canadian shareholders		
Accounting Principles Accepted in the Designated Jurisdiction (no reconciliation)		✓	
Foreign Comprehensive Accounting Principles reconciled to Canadian GAAP	✓	✓	✓

Notes

1 This decision chart provides general guidance and should be read in conjunction with National Instrument 71-102, Companion Policy 71-102CP and National Instrument 51-102. The decision chart does not relate to financial statements other than those of reporting issuers.

2 These terms are defined in the Instrument.

3 Foreign issuers who are not eligible foreign issuers are required to fully comply with National Instrument 51-102.

4 A Canadian GAAP reconciliation would not be required if the designated foreign jurisdiction accepts financial statements prepared in accordance with US GAAP. See the second last row of this chart.

APPENDIX B

Accounting Principles Permitted for Financial Statements of a Business or Related Businesses Acquired by an Eligible Foreign Issuer

If the Issuer's Financial Statements are prepared using:	Financial statements for an acquired business or related businesses in a Business Acquisition Report must be prepared in accordance with:	The **most recent annual and interim** financial statements for an acquired business or related businesses required in a Business Acquisition Report must be prepared in accordance with:
Canadian GAAP	Comprehensive accounting principles.[1]	Canadian GAAP or Comprehensive accounting principles[1] reconciled to Canadian GAAP.
US GAAP	Comprehensive accounting principles.[1]	US GAAP or Comprehensive accounting principles[1] reconciled to US GAAP.
International Accounting Standards	Comprehensive accounting principles.[1]	International Accounting Standards or Comprehensive accounting principles[1] reconciled to International Accounting Standards.
Foreign Comprehensive Accounting Principles reconciled to Canadian GAAP	Comprehensive accounting principles.[1]	Canadian GAAP or Comprehensive accounting principles[1] reconciled to Canadian GAAP.
Foreign Accounting Principles Used in an SEC Filing	Section 4.4 allows an SEC foreign issuer to satisfy the requirement for business acquisition reports by complying with SEC requirements for current reports.	
Accounting Principles Accepted in the Designated Jurisdiction	Section 5.4 allows a designated foreign issuer to satisfy the requirement for business acquisition reports by complying with the foreign disclosure requirements relating to business acquisitions.	

Notes

1 Comprehensive accounting principles are accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements.

2 These terms are defined in the Instrument.

APPENDIX C

Auditing Standards Permitted for Eligible Foreign Issuers[5]

Auditing Standards:	Eligible Foreign Issuers[4]		
	SEC Foreign Issuers [4]	Designated Foreign Issuers [4]	Other Eligible Foreign Issuers
Canadian GAAS	✓	✓	✓
US GAAS	✓ [1]	✓ [1]	✓ [1]
International Standards of Auditing	✓ [1,2]	✓ [1,2]	✓ [1,2]
Auditing Standards Accepted in the Designated Jurisdiction[3]		✓	
Other Auditing Standards substantially equivalent to Canadian GAAS	✓ [1,2]	✓ [1,2]	✓ [1,2]

Notes

1 Audit Report must be accompanied by a statement disclosing any material differences in the form and content of the audit report compared to a Canadian GAAS audit report.

2 Audit Report must be accompanied by a statement confirming that the auditing standards applied are substantially equivalent to Canadian GAAS.

3 The auditing standards must meet the foreign disclosure requirements of the designated foreign jurisdiction that the issuer is subject to.

4 These terms are defined in the Instrument.

5 Foreign issuers who are not eligible foreign issuers are required to fully comply with NI 51-102.

6.1.7 Notice and Request for Comment - Proposed Rule 71-802, Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NOTICE AND REQUEST FOR COMMENT

PROPOSED RULE 71-802 IMPLEMENTING NATIONAL INSTRUMENT 71-102 CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

Substance and Purpose

Proposed Rule 71-802 Implementing National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the "Proposed Implementing Rule") is a local Ontario rule implementing National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* ("NI 71-102") in Ontario. The Proposed Implementing Rule contains exemptions from certain provisions of the *Securities Act* (Ontario) (the "Act") and rules made under the Act that are necessary in order to implement NI 71-102.

Summary

The Proposed Implementing Rule provides that the following do not apply to SEC foreign issuers and designated foreign issuers, as defined in NI 71-102, provided that they comply with the requirements of NI 71-102:

- Material change reporting requirements of proposed National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") and Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations*
- Annual Report, AIF, Business Acquisition Reports and MD & A requirements of NI 51-102
- Restricted share continuous disclosure requirements in NI 51-102 and minority approval requirements in OSC Rule 56-501 *Restricted Shares*

The Proposed Implementing Rule provides that the following do not apply to persons or companies in respect of securities of SEC foreign issuers and designated foreign issuers, provided that they comply with the requirements of NI 71-102:

- Early warning requirements and acquisition announcement provisions of sections 101 and 102 of the Act and National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*

Finally, the Proposed Implementing Rule provides that OSC Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* does not apply to:

- A SEC foreign issuer carrying out a going private transaction or a related party transaction if the total number of equity securities of the SEC foreign issuer owned of record, directly or indirectly by residents of Canada does not exceed 20 per cent on a fully diluted basis
- A designated foreign issuer carrying out a going private transaction or related party transaction

Alternatives Considered

None.

Authority

Paragraph 143(1)36 of the Act authorizes the Ontario Securities Commission (the "Commission") to make rules varying the Act for foreign issuers to facilitate, among other things, compliance with requirements applicable or relating to reporting issuers and the making of going private transactions and related party transactions where the foreign issuers are subject to requirements of the laws of other jurisdictions that the Commission considers are adequate in light of the purposes and principles of the Act provides the Commission with the authority to make the Proposed Implementing Rule.

The following provisions of the Act also provide the Commission with authority to make the Proposed Implementing Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1)23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act. Paragraph 143(1)25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1)26 authorizes the Commission to make rules prescribing requirements for the validity and

solicitation of proxies. Paragraph 143(1)27 authorizes the Commission to make rules providing for the application of Part XVIII and Part XIX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities of reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1)28 authorizes the Commission to make rules regulating take-over bids, issuer bids, insider bids, going private transactions and related party transactions, including early warning provisions. Paragraph 143(1)30 authorizes the Commission to make rules providing for exemptions from any requirement of Part XXI (Insider Trading and Self-Dealing) of the Act. Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1)49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1)56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Anticipated Costs and Benefits

For a summary of the anticipated costs and benefits of NI 71-102 see CSA Notice and Request for Comment regarding NI 71-102.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Implementing Rule. Submissions received by September 19, 2002 will be considered. Submissions should be addressed to the Commission at the following address:

John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593- 2318
e-mail: jstevenson@osc.gov.on.ca

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 requires that a summary of the written comments received during the comment period be published.

Questions may be referred to:

Joan Beck
Senior Legal Counsel, Corporate Finance
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
(416) 593-8254
e-mail: jbeck@osc.gov.on.ca

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
(416) 593-8134
e-mail: jpeters@osc.gov.on.ca

Text of Proposed Rule

The text of the Proposed Implementing Rule follows.

6.1.8 Rule 71-802, Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

RULE 71-802

IMPLEMENTING
NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION
RULE 71-802

IMPLEMENTING
NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation

(1) In this Rule

"NI 51-102" means National Instrument 51-102 Continuous Disclosure Obligations;

"NI 62-103" means National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues;

"NI 71-102" means National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;

"Rule 51-801" means Rule 51-801 Implementing National Instrument 51-102 Continuous Disclosure Obligations; and

"Rule 56-501" means Rule 56-501 Restricted Shares.

(2) Each term used in this Rule that is defined or interpreted in Part 1 of NI 71-102 has the meaning ascribed to it in that Part.

PART 2 SEC FOREIGN ISSUERS

2.1 Material Change Reporting - Section 7.1 and paragraph 12.1(1)(b) of NI 51-102 and section 3.4 of Rule 51-801 do not apply to an SEC foreign issuer that complies with section 4.2 of NI 71-102.

2.2 Annual Reports, AIFs, Business Acquisition Reports & MD&A - Subsection 12.1(1) of NI 51-102 does not apply to an SEC foreign issuer that complies with section 4.4 of NI 71-102.

2.3 Early Warning - A person or company is exempt from sections 101 and 102 of the Act and the requirements of NI 62-103 in respect of securities of an SEC foreign issuer if the person or company complies with section 4.8 of NI 71-102.

2.4 Going Private Transactions and Related Party Transactions

(1) Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions does not apply to an SEC foreign issuer carrying out a going private transaction or related party transaction if the total number of equity securities of the SEC foreign issuer owned of record, directly or indirectly, by residents of Canada does not exceed 20 per cent, on a fully diluted basis, of the total number of equity securities of the SEC foreign issuer as at the first day of its current financial year.

(2) Despite subsection (1), if the SEC foreign issuer has not completed a financial year since becoming a reporting issuer, the calculation in subsection (1) is made at the date that the issuer became a reporting issuer.

2.5 Restricted Shares- Section 10.1 of NI 51-102 and Part 3 of Rule 56-501 do not apply in respect of an SEC foreign issuer.

PART 3 DESIGNATED FOREIGN ISSUERS

3.1 Material Change Reporting - Section 7.1 and paragraph 12.1(1)(b) of NI 51-102 and section 3.4 of Rule 51-801 do not apply to a designated foreign issuer that complies with section 5.2 of NI 71-102

3.2 Annual Reports, AIFs, Business Acquisition Reports & MD&A - Subsection 12.1(1) of NI 51-102 does not apply to a designated foreign issuer that complies with section 5.4 of NI 71-102.

3.3 **Early Warning** - A person or company is exempt from sections 101 and 102 of the Act and the requirements of NI 62-103 in respect of securities of a designated foreign issuer if the person or company complies with section 5.8 of NI 71-102.

3.4 **Restricted Shares** - Section 10.1 of NI 51-102 and Part 3 of Rule 56-501 do not apply in respect of a designated foreign issuer.

PART 4 EFFECTIVE DATE

4.1 **Effective Date** - This Rule comes into force on the date NI 71-102 comes into force.

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 and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
28-May-2002	4069145 Canada Inc.	1515099 Ontario Limited - Common Shares	8,073.76	15,376.00
24-May-2002	N/A	Acuity Pooled High Income Fund - Trust Units	50,000.00	3,348.00
27-May-2002	N/A	Acuity Pooled High Income Fund - Trust Units	260,000.00	17,381.00
28-May-2002	N/A	Acuity Pooled High Income Fund - Trust Units	150,000.00	10,017.00
29-May-2002	N/A	Acuity Pooled High Income Fund - Trust Units	170,000.00	11,369.00
22-May-2002	Laketon Investment Mgmt	Altiris, Inc. - Common Shares	7,667.00	500.00
29-May-2002	3 Purchasers	Ark e-Tail Services Inc. - Common Shares	370,000.00	46,250.00
27-May-2002	Inco Limited	Aurora Platinum Corp. - Common Shares	217,500.00	75,000.00
22-Mar-2002	Jerry Palombo	BPI American Opportunities Fund - Units	58,638.00	490.00
28-Mar-2002	Carl Turner;Eva Nolan	BPI Canadian Opportunities RSP Fund - Units	51,000.00	5,100.00
28-Mar-2002	45 Purchasers	BPI Global Opportunites III Fund - Units	1,943,503.00	19,438.00
31-May-2002	3 Purchasers	Burcon NutraScience Corporation - Units	201,846.00	109,106.00
23-May-2002	601805 BC Ltd.	CanAlaska Ventures Ltd. - Common Shares	16,000.00	100,000.00
24-May-2002	53 Purchasers	Cequel Energy Inc. - Subscription Receipt	36,743,760.00	9,798,336.00
31-Jan-2001	Bryna Back	CGO&V Balanced Fund - Units	677,328.00	54,545.00

31-Aug-2001	Neil Vosburgh;Jamie Miller	CGO&V Cumberland Fund - Units	12,844.00	911.00
01-Aug-2001 to 31-Aug-2001	Brcko Family	CGO&V Hazelton Fund - Units	1,551,563.00	119,695.00
01-Aug-2001 to 31-Aug-2001	Bryna Back;Kenneth Back	CGO&V International Fund - Units	85,040.00	6,826.71
22-May-2002	De Novo Capital	ChipPAC, Inc. - Shares	13,415.00	1,000.00
17-May-2002	G. Mark Curry	Consulta Canadian Energy Venture Fund L.P. - Units	500,000.00	50,000.00
31-May-2002	Adam Suhr	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Alan Wong	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	A.G. Bennett	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Angelo Ricciuto	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Barrie Johnson	Discovery Biotech Inc. - Common Shares	19,500.00	5,600.00
31-May-2002	Carol LeDuc	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Chris Wolnik	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
31-May-2002	Curtis Brown	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
31-May-2002	G. Hansen	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Daniel Fradette	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
31-May-2002	Fred Lipski	Discovery Biotech Inc. - Common Shares	3,000.00	500.00
31-May-2002	G. W. Pearce	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
31-May-2002	Garry Dietz Jr.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	George Ozburn	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Gerald Hasen	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
31-May-2002	Glendon M. Moore	Discovery Biotech Inc. -	3,000.00	1,000.00

		Common Shares		
31-May-2002	Gordon Lyle	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Harry C. Gillespie	Discovery Biotech Inc. - Common Shares	22,500.00	7,500.00
31-May-2002	Helen Turgeon	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Ian Bayne	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Jami Quathamer	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Jim Moltner	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
31-May-2002	Brian Delima	Discovery Biotech Inc. - Common Shares	1,500.00	1,500.00
31-May-2002	Carl Coville	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	David McCarthy	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
31-May-2002	Fred Carter	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
31-May-2002	George & Jane Jackson	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
31-May-2002	John A. Sparling	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
31-May-2002	Gerald McPhail	Discovery Biotech Inc. - Common Shares	13,500.00	4,500.00
31-May-2002	Dr. F. L. Alberta	Discovery Biotech Inc. - Common Shares	39,000.00	13,000.00
22-May-2002	Canadian Medical Discoveries Fund Inc. AGF Global Health Fund	Ecopia BioSciences Inc. - Common Shares	2,499,999.00	2,777,777.00
13-May-2002	IG AGF Canadian Diversified Growth	Electronics Manufacturing Group Inc. - Common Shares	600,000.00	1,500,000.00
23-May-2002	1186274 Ontario Limited	Genesistp Inc. - Common Shares	6,000,000.00	5,500,079.00
23-May-2002	London Life Growth Equity	Greystar Resources Ltd. - Special Warrants	3,905,000.00	15,620,000.00
19-Dec-2001	David Stubbs	Innovance, inc. - Preferred Shares	1,133,171.52	643,665.00
24-May-2002	J.D.F. Holdings Ltd.	Intra-Cellular Therapies, Inc. - Shares	1,000,000.00	100,000.00

24-May-2002	Bertmau Investments Inc.;4055373 Canada Inc.	KBSH Capital Management Inc. - Units	400,000.00	39,277.00
15-May-2002	Seidler Barry	Kingwest Avenue Portfolio - Units	593,690.00	28,595.00
28-Mar-2002	3 Purchasers	Landmark Global Opportunities Fund - Units	555,000.00	5,173.00
28-Mar-2002	IOCT Financial Inc.	Landmark Global Opportunities RSP Fund - Units	50,753.00	509.00
29-May-2002	Michale Lam	Lexxor Energy Inc. - Common Shares	179,990.00	87,800.00
28-May-2002	Laketon Investment	Liquidmetal Technologies - Common Shares	114,765.00	5,000.00
30-May-2002	3 Purchasers	Matrikon Inc. - Common Shares	1,634,000.00	860,000.00
03-Jun-2002	6 Purchasers	MCAN Performance Strategies - Limited Partnership Units	1,840,000.00	11,276.00
14-May-2002	James E. Thomson	MSU Devices Inc. - Notes	54,551.00	54,551.00
15-May-2002	Archie Chung	Pele Mountain Resources Inc. - Units	36,400.00	130,000.00
29-May-2002	John Lynch	Platinum Group Metals Ltd. - Units	56,000.00	200,000.00
17-May-2002	4 Purchasers	Stratabound Minerals Corp. - Common Shares	24,250.00	142,647.00
31-May-2002	8 Purchasers	Strategic Vista International Inc. - Units	1,503,000.00	1,670,000.00
08-May-2002	3 Purchasers	Torquest Partners Value Fund (Parallel No. 1), L.P - Limited Partnership Units	800,001.00	8.00
19-Mar-2002	BMO Nesbitt Burns Equity Inc. BMO Nesbitt Burns Employee Co-Investment Fund Trust	Torquest Partners Value Fund, L.P. - Limited Partnership Units	4,200,000.00	42.00
21-May-2002	De Novo Capital ;TD Waterhouse	Toy R Us, Inc. - Common Shares	525,542.00	19,350.00
21-May-2002	BMO Nesbitt Burns Inc.	Toy R Us, Inc. - Units	384,700.00	5,000.00
28-Mar-2002	4 Purchasers	Trident Global Opportunities Fund - Units	140,406.00	1,317.00
28-May-2002	10 Purchasers	VSM MedTech Ltd. - Common Shares	4,609,375.00	3,687,500.00
27-May-2002	Pentadan Management Inc.	WBIC Toronto Ltd. - Common Shares	60,000.00	60,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
05-Jun-2002	792523 Ontario Limited	Canmine Resources Corporation - Common Shares	33,140.00	73,000.00

NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3

Seller	Security	Number of Securities
Paros Enterprises Limited	Acktion Corporation - Common Shares	2,000,000.00
John Buhler	Buhler Industries Inc. - Common Shares	722,600.00
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	307,800.00
Viceroy Resources Corporation	Channel Resources Ltd. - Common Shares	7,076,850.00
783233 Alberta Ltd.	EPIC Energy Inc. - Common Shares	1,000,000.00
Conrad M. Black	Hollinger Inc. - Shares	1,611,039.00
Xenolith Gold Limited	Kookaburra Resources Ltd. - Common Shares	1,811,700.00
Northfield Inc.	NFX Gold Inc. - Common Shares	975,000.00
Joelreit Inc. and Macsy Equities Limited	Reitmans (Canada) Limited. - Shares	50,000.00
The Catherine and Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	128,800.00

This page intentionally left blank

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Ariane Gold Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 18th, 2002
Offering Price and Description:
Rights to Subscribe for up to 17,000,000 Subscription Receipts at a Price of $0.70 per Subscription Receipt
31,460,000 Common Shares (and, in certain circumstances, Additional Warrants)
Upon the exercise of 31,460,000 previously issued Special Warrants.
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Canaccord Capital Corporation
Griffiths McBurney & Partners
Sprott Securities Inc.
Promoter(s):
David A. Fennell
James A. Crombie
Project #459824

Issuer Name:
BNS Split Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 17th, 2002
Offering Price and Description:
$ * - * Capital Shares @$ * - per Capital Share.
$ * - * Preferred Shares @$ * per Preferred Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #459630

Issuer Name:
Canico Resource Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated June 11th, 2002
Mutual Reliance Review System Receipt dated June 12th, 2002
Offering Price and Description:
$ * - * Common Shares @$ * per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Research Capital Corp.
Haywood Securities Inc.
Promoter(s):
J. Michael Kenyon
Dr. Roman Shklanka
Anthonie Leteijn
Jonathan A. Rubenstein
Paul B. Sweeney
Project #458900

Issuer Name:
Contrans Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 14th, 2002
Offering Price and Description:
$ *- * Subordinate Voting Trust Units. Price $ * per Subordinate Voting Trust Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Standard Securities Capital Corporation
Haywood Securities Inc.
Promoter(s):
Contrans Corp.
Project #459549

Issuer Name:
Dominion Equity 2002 Flow-Through Limited Partnership
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated June 12th, 2002
Mutual Reliance Review System Receipt dated June 12th, 2002
Offering Price and Description:
$15,000,000 (Maximum Offering)
$5,000,000 (Minimum Offering)
Purchase Price: $1,000 per Unit
Minimum Purchase: 10 Units ($10,000)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #459076

Issuer Name:
General Motors Acceptance Corporation of Canada, Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 14th, 2002
Offering Price and Description:
$8,500,000,000 Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #459567

Issuer Name:
Golden Star Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated June 13th, 2002
Mutual Reliance Review System Receipt dated June 14th, 2002
Offering Price and Description:
Cdn$ * - * Units
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #459431

Issuer Name:
Home Equity Income Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 17th, 2002
Offering Price and Description:
$ * - * Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Raymond James Ltd.
Promoter(s):
Canadian Home Income Plan Corporation
Project #459637

Issuer Name:
Nexfor Inc.
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 13th, 2002
Receipt dated June 14th, 2002
Offering Price and Description:
US$ * - Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #459324

Issuer Name:
Saputo Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated June 11th, 2002
Mutual Reliance Review System Receipt dated June 12th, 2002
Offering Price and Description:
$250,046,250 - 7,635,000 Common Shares @$32.75 per Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Raymond James Ltd.
Scotia Capital Inc.
Promoter(s):
-
Project #458890

Issuer Name:
SFK Pulp Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 14th, 2002
Offering Price and Description:
$ * - * Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
UBS Warburg Inc.
Promoter(s):
Abitibi-Consolidated Inc.
Project #459404

Issuer Name:
Sun Life Financial Services of Canada Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 17th, 2002
Mutual Reliance Review System Receipt dated May 21st, 2002
Offering Price and Description:
$ * - Sun Life ExchangEable Capital Securities - Series B (SLEECS Series B)
@ $1,000 per SLEECS Series B
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #460010

Issuer Name:
Sun Life Assurance Company of Canada
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 17th, 2002
Mutual Reliance Review System Receipt dated May 21st, 2002
Offering Price and Description:
$ * - Sun Life ExchangEable Capital Securities - Series B (SLEECS Series B)
@ $1,000 per SLEECS Series B
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #460019

Issuer Name:
Triple G Systems Group, Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 12th, 2002
Mutual Reliance Review System Receipt dated June 12th, 2002
Offering Price and Description:
3,015,000 Common Shares issuable upon the exercise of 3,015,000
Special Warrants @$2.70 per Special Warrant
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
Research Capital Corporation
Promoter(s):
F. Lee Green
Project #458935

Issuer Name:
Rock Creek Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Amended and Restated Prospectus dated June 7th, 2002
Mutual Reliance Review System Receipt dated 12th day of June, 2002
Offering Price and Description:
$5,000,000 to $9,000,000 - 5,000 to 9,000 Units
@$1,000.00 per Unit
Minimum Subscription : 5 Units
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Promoter(s):
Dary H. Connolly
Milford Taylor
Project #431349

Issuer Name:
MAXXUM Natural Resource Fund
MAXXUM Precious Metals Fund
Scudder Canadian Equity Fund
Scudder Pacific Fund
Scudder Global Fund
Scudder Canadian Small Company Fund
Scudder Canadian Bond Fund
Scudder Life Sciences Fund
Scudder Canadian Money Market Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated June 6th, 2002 to Simplified Prospectus and Annual Information Form
dated August 28th, 2001
Mutual Reliance Review System Receipt dated 12th day of June, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Quadrus Investment Services Inc.
Promoter(s):
-
Project #376564

Issuer Name:
MAXXUM Natural Resource Fund
MAXXUM Precious Metals Fund
Scudder Canadian Equity Fund
Scudder Pacific Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated June 6th, 2002 to Simplified Prospectus and Annual Information Form
dated August 28th, 2001
Mutual Reliance Review System Receipt dated 13th of June, 2002
Offering Price and Description:
(Quadrus Class Units and H Class Units)
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Quadrus Investment Services Inc.
Promoter(s):
-
Project #376600

Issuer Name:
Mackenzie Universal Growth Trends Capital Class
Mackenzie Universal Select Managers Far East Capital Class
Mackenzie Universal World Emerging Growth Capital Class
Mackenzie Universal Health Sciences Capital Class
Principal Regulator - Ontario
Type and Date:
Amendment #3 dated June 6th, 2002 to Simplified Prospectus dated October 25th, 2001
Amendment #4 dated June 6th, 2002 to Annual Information Form dated October 25th, 2001
Mutual Reliance Review System Receipt dated 14th day of June, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Mackenzie Financial Corporation
Promoter(s):
-
Project #382865

Issuer Name:
Mackenzie Universal Health Sciences Fund
Mackenzie Cundill RSP Value Fund
Mackenzie Ivy RSP Foreign Equity Fund
Mackenzie Universal RSP Global Ethics Fund
Mackenzie Universal RSP European Opportunities Fund
Mackenzie Universal RSP International Stock Fund
Mackenzie Universal RSP Select Managers Fund
Mackenzie Universal RSP Select Managers Japan Fund
Mackenzie Universal RSP Select Managers Far East Fund
Mackenzie Universal RSP Select Managers International Fund
Mackenzie Universal RSP Financial Services Fund
Mackenzie Universal RSP Health Sciences Fund
Mackenzie Universal RSP Emerging Technologies Fund
Mackenzie Universal RSP World Science & Technology Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated June 6th, 2002 to the Amended and Restated Simplified Prospectus dated February 15th, 2002, amending and restating the Simplified Prospectus and Annual Information Form dated February 15th, 2002, amending and restating the Annual Information Form dated December 27th, 2001. Amendment #3 dated June 6th, 2002 to the Amended and Restated Annual Information Form dated February 15th, 2002, amending and restating the
Annual Information Form dated December 27th, 2001.
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Mackenzie Financial Corporation
Cundill Funds Inc.
Peter Cundill & Associates Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #403456

Issuer Name:
Mackenzie Ivy Enterprise Fund
Mackenzie Universal Select Managers Canada Fund
Mackenzie Bond Fund
Mackenzie Money Market Fund
Mackenzie Universal RSP U.S. Blue Chip Fund
Mackenzie Universal RSP U.S. Emerging Growth Fund
Mackenzie Universal RSP Select Managers USA Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 6th, 2002 to the Amended and Restated Simplified Prospectus
dated February 15th, 2002, amending and restating the Simplified Prospectus dated December 18th, 2001.
Amendment #3 dated June 6th, 2002 to the Amended and Restated Annual Information Form
dated February 15th, 2002, amending and restating the Annual Information Form dated December 18th, 2001
Mutual Reliance Review System Receipt dated 14th day of June, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Mackenzie Financial Corporation
Peter Cundill & Associates Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #400669

Issuer Name:
ARISE Technologies Corporation
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 5th, 2002
Mutual Reliance Review System Receipt dated 11th day of June, 2002
Offering Price and Description:
Minimum: 1,200,000 Units ($1,200,000) – Maximum: 3,000,000 Units ($3,000,000) @ $1.00 per Unit and $280,000 280,000 Common Shares and 280,000 Share Purchase Warrants Issuable upon the Exercise
of Special Warrants
Underwriter(s) or Distributor(s):
Roche Securities Limited
Promoter(s):
Ian MacLellan
Project #421754

Issuer Name:
Belzberg Technologies Inc.
Type and Date:
Final Prospectus dated June 12th, 2002
Receipt dated 14th day of June, 2002
Offering Price and Description:
$14.332,500.00 - 2,730,000 Units of securities to be issued on the exercise of Special Warrants @$5.25 per Special Warrant
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Sprott Securities Inc.
Promoter(s):
-
Project #443946

Issuer Name:
Creststreet 2002 Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Creststreet 2002 Management Limited
Creststreet Asset Management Limited
Project #451768

Issuer Name:
Canadian 88 Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 12th, 2002
Mutual Reliance Review System Receipt dated 12th day of June, 2002
Offering Price and Description:
$72,219,560.00 - 25,792,700 Common Shares @$2.80 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
TD Securities Inc.
Promoter(s):
-
Project #457578

Issuer Name:
Draxis Health Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
US$10,973,212.00 - 4,220,466 Common Shares
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #457054

Issuer Name:
G.T.C. Transcontinental Group Ltd.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated 14th day of June, 2002
Offering Price and Description:
$138,039,525.00 - 3,507,993 Class A Subordinate Voting Shares @ $39.35 per Class A Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #457760

Issuer Name:
Ivanhoe Energy Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated June 11th, 2002
Mutual Reliance Review System Receipt dated 11th day of June, 2002
Offering Price and Description:
US$10,000,000.00 - Up to 6,451,613 Common Shares to be issued upon the exercise of 5,000,000 Special Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #453655

Issuer Name:
Miramar Mining Corporation
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated June 11th, 2002
Mutual Reliance Review System Receipt dated 13th day of June, 2002
Offering Price and Description:
$30,000,000.00 - 12,500,000 Units (Each Consisting of One Common Share @$2.00 per Unit
and One-Half of One Warrant) and 2,500,000 Flow-Through Common Shares
@$2.00 per Flow-Through Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Dundee Securities Corporation
BMO Nesbitt Burns Inc.
Griffiths McBurney & Partners
First Associates Investments Inc.
Salman Partners Inc.
Promoter(s):
-
Project #457309

Issuer Name:
N-45° First CMBS Issuer Corporation
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 13th, 2002
Mutual Reliance Review System Receipt dated 14th day of June, 2002
Offering Price and Description:
$317,081,000.00 (Approximately) - $125,000,000 principal amount of 5.248%Class A-1 Bonds, due December 15,2006; $140,074,000 principal amount of 5.972%Class A-2 Bonds, due August 15,2011; $28,520,000 principal amount of 6.202%Class B Bonds, due March 15,2012, $13,421,000 principal amount of 6.851%Class C Bonds, due December 15,2012, $10,066,000 principal amount of 6.990% Class D Bonds, due May 15,2013
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Promoter(s):
Hypothèques CDPQ Inc.
Project #454661

Issuer Name:
SouthernEra Resources Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 17th, 2002
Mutual Reliance Review System Receipt dated 18th day of June, 2002
Offering Price and Description:
$50,750,000.00 - 5,000,000 Common Shares @$7.25 per Common Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
Sprott Securities Inc.
First Associates Investments Inc.
Promoter(s):
-
Project #458053

Issuer Name:
The Thomson Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 11th, 2002
Mutual Reliance Review System Receipt dated 11th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Morgan Stanley Canada Limited
RBC Dominion Securities Inc.
Credit Suisse First Boston Canada Inc.
Goldman Sachs Canada Inc.
TD Securities Inc.
UBS Bunting Warburg Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #442514

Issuer Name:
Crystal Enhanced Index RSP Fund (Class A and Class F Units)
Crystal Enhanced Index World Fund (Class A Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 14th, 2002
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Crystal Wealth Management System Limited
Promoter(s):
Crystal Wealth Management System Limited
Project #441782

Issuer Name:
Fidelity American Disciplined Equity Class
Fidelity Global Disciplined Equity Class
Fidelity Canadian Balanced Class
Fidelity Canadian Short Term Income Class
Fidelity Focus Telecommunications Class
Fidelity Focus Technology Class
Fidelity Focus Natural Resources Class
Fidelity Focus Health Care Class
Fidelity Focus Financial Services Class
Fidelity Focus Consumer Industries Class
Fidelity Japanese Growth Class
Fidelity International Portfolio Class
Fidelity Far East Class
Fidelity European Growth Class
Fidelity Small Cap America Class
Fidelity Growth America Class
Fidelity American Opportunities Class
Fidelity True North Class
Fidelity Disciplined Equity Class
Fidelity Canadian Growth Company Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 14th, 2002
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
(Series A and F shares)
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #442333

Issuer Name:
Fidelity Global Disciplined Equity Fund
Fidelity RSP Global Disciplined Equity Fund
Fidelity RSP Small Cap America Fund
Fidelity RSP American Disciplined Equity Fund
Fidelity American Disciplined Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 14th, 2002
Mutual Reliance Review System Receipt dated 17th day of June, 2002
Offering Price and Description:
(Series A, F, and O units)
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #442394

Issuer Name:
Fidelity Global Equity Class
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 30th, 2002
Withdrawn on 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #442333

Issuer Name:
Fidelity Global Equity Fund
Fidelity RSP Global Equity Fund
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 30th, 2002
Withdrawn on 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #442394

Issuer Name:
Hydro One Inc.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated March 28th, 2002
Withdrawn on 17th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Goldman Sachs Canada Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Credit Suisse First Boston Canada Inc.
Merrill Lynch Canada Inc.
Morgan Stanley Canada Limited
Salomon Smith Barney Canada Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Griffiths McBurney & Partners
Raymond James Ltd.
Yorkton Securities Inc.
Dundee Securities Corporation
Research Capital Corporation
Promoter(s):
Eleonor Clitheroe
Ken Hartwick
Sir Graham Day
Radcliffe Latimer
Project #432112

Issuer Name:
Kingsway Financial Services Inc.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 6th, 2002
Withdrawn on 14th day of June, 2002
Offering Price and Description:
* Common Shares @ $* per share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
Raymond James Ltd.
Promoter(s):
-
Project #457827

Issuer Name:
Overlord Income Fund
Principal Jurisdiction - Alberta
Type and Date:
Preliminary Prospectus dated March 8th, 2002
Withdrawn on 17th day of June, 2002
Offering Price and Description:
$50,000,000 to $200,000,000 - 5,000,000 to 20,000,000 Units @ $10.00 per Unit
(Minimum purchase : 200 Units)
Underwriter(s) or Distributor(s):
CBIC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Yorkton Securities Inc.
Research Capital Corporation
Promoter(s):
Overlord Financial Inc.
Project #427350

This page intentionally left blank

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Attention: Barbara Jo-Ann Simpson The Rogers Group Investment Advisors Ltd. 1770 West 7th Avenue 5th Floor Vancouver BC V6J 4Y6	Investment Dealer Equities	Jun 12/02
New Registration	Attention: Philip Gage Jull Fulton Financial Corp. 10Valleyview Court PO Box 15, RR #1 Kleinburg ON L0J 1C0	Limited Market Dealer	Jun 12/02
New Registration	Attention: Kim Terence Doherty Pendo Capital Inc. 1515 Lakeshore Road East PH8 Mississauga ON L5E 3E3	Limited Market Dealer	Jun 13/02
New Registration	Attention: Daniel Charles Pembleton Accilent Capital Management Inc. 10 Yonge Street Suite 1509 Toronto ON M5E 1R4	Limited Market Dealer Investment Counsel & Portfolio Manager	Jun 18/02
Change in Category (Categories)	Attention: Kenneth Leslie Williams Designated Compliance Officer Morrison Williams Investment Management Ltd. 1 Toronto St., Suite 405 PO Box 21 Toronto ON M5C 2V6	From: Investment Counsel & Portfolio Manager To: Limited Market Dealer Investment Counsel & Portfolio Manager	Jun 10/02
Suspension of Registration	Northern Investors Inc.	Extra-Provincial Adviser	Jun 12/02
Suspension of Registration	Tradeweb LLC	International Dealer	Jun 17/02

This page intentionally left blank

Chapter 25

Other Information

25.1 Consents

25.1.1 Trans Hex International Ltd. - cl. 4 of OBCS Reg. 62

Headnote

Consent given to OBCA corporation to continue under the Business Corporations Act (Yukon).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, R.R.O., Reg. 62, as am. by Reg. 290/00, s. 4(b).
Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.

IN THE MATTER OF
THE REGULATION MADE UNDER THE
BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B.16 (THE "OBCA")
R.R.O. 1990, REG. 289/00 (THE "OBCA REGULATION")

AND

IN THE MATTER OF
TRANS HEX INTERNATIONAL LTD.

CONSENT
(Clause 4 OBCA Regulation)

UPON the application (the "Application") of Trans Hex International Ltd. ("Trans Hex") to the Ontario Securities Commission (the "Commission") requesting a consent from the Commission to continue in another jurisdiction pursuant to clause 4 of the OBCA Regulation;

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

AND UPON Trans Hex having represented to the Commission that:

1. Trans Hex is proposing to submit to the Director under the OBCA an application under section 181 of the OBCA (the "Application for Continuance") for authorization to continue (the "Continuance") under the laws of the Yukon Territory;
2. under clause 4 of the OBCA Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission;
3. Trans Hex is an offering corporation under the OBCA and is a reporting issuer under the Securities Act, R.S.O. 1990, c.S.5, as amended (the "Act");
4. Trans Hex is not in default under any of the provisions of the Act or the regulation made under the Act;
5. Trans Hex is not a party to any proceeding under the Act or to the best of its knowledge, information and belief, any pending proceeding under the Act;
6. the board of directors of Trans Hex has authorized the Continuance and the shareholders of Trans Hex have authorized the Continuance by special resolution at a meeting of Trans Hex=s shareholders held on April 9, 2002;
7. the Continuance has been proposed so that Trans Hex may conduct its affairs in accordance with the *Business Corporations Act* (Yukon) (the "YBCA");
8. the continuance of Trans Hex under the YBCA is proposed in furtherance of an approved a restructuring of Trans Hex by the company and its shareholders.
9. the material rights, duties and obligations of a corporation incorporated under the YBCA are substantially similar to those under the OBCA with the exception that there is no Canadian residency requirement for the members of the board of directors under the YBCA; and
10. Trans Hex intends to remain a reporting issuer in Ontario.

THE COMMISSION HEREBY CONSENTS to the continuance of Trans Hex as a corporation under the laws of the Yukon Territory.

June 14, 2002.

“Robert W. Korthals” “Harold P. Hands”

This page intentionally left blank

Index

This page intentionally left blank