The Ontario Securities Commission

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July 26, 2002

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

The Ontario Securities Commission
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

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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
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Executive Offices:	Fax: 416-593-8241
General Counsel's Office:	Fax: 416-593-3681
Office of the Secretary:	Fax: 416-593-2318

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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
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Email: orders@carswell.com

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JULY 26, 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

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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
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

August 6 & 20/02 2:00 - 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)**
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.	s. 127
September 6, 10, 12, 13, 24, 26 & 27/02 9:30 a.m. - 4:30 p.m.	K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff. Panel: HIW / DB / RWD
August 20/02 2:00 p.m.	**Mark Bonham and Bonham & Co. Inc.**
August 21 to 30/02 9:30 a.m.	s. 127 M. Kennedy in attendance for staff Panel: PMM / KDA / HPH
September 16 - 20/02 10:00 a.m.	**James Pincock** s. 127 J. Superina in attendance for Staff Panel: HLM

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 Canadian Trading and Quotation System Application for Recognition as a Quotation and Trade Reporting System

CANADIAN TRADING AND QUOTATION SYSTEM APPLICATION FOR RECOGNITION AS A QUOTATION AND TRADE REPORTING SYSTEM

Canadian Trading and Quotation System (CNQ) has applied to the Commission for recognition as a quotation and trade reporting system under section 21.2.1 of the *Securities Act* (Ontario).

The Commission is publishing for comment the following documents in Chapter 13 of this Bulletin:

1. Notice and request for comment
2. CNQ's application
3. CNQ Policies
4. CNQ Rules
5. Draft recognition order

1.1.3 TSX Inc. (Formerly The Toronto Stock Exchange Inc.) Reorganization and Initial Public Offering

TSX INC.
(FORMERLY THE TORONTO STOCK EXCHANGE INC.)
REORGANIZATION AND
INITIAL PUBLIC OFFERING

TSX Inc. (formerly The Toronto Stock Exchange Inc.) has applied to the Commission for an amended and restated recognition order to reflect a reorganization prior to the initial public offering of TSX Group Inc., a new holding company for TSX Inc., and the name change of The Toronto Stock Exchange Inc. to TSX Inc. In addition, the Canadian Venture Exchange Inc. (CDNX) has applied to amend its exemption from recognition order to reflect the reorganization of TSX Inc. and the name change of CDNX to TSX Venture Exchange Inc.

The Commission is publishing for comment the following documents in Chapter 13 of this Bulletin:

1. Notice and Request for Comment

2. Application

3. Schedules to Application

    a. Draft order under subsection 21.11(4) of the *Securities Act*

    b. Draft regulation under subsection 21.11(5) of the *Securities Act*

    c. Amended and restated recognition order for TSX Inc.

    d. Amended exemption from recognition order for TSX Venture Exchange Inc.

1.3 News Releases

1.3.1 OSC Approves Settlement Between Staff and Blair Taylor

FOR IMMEDIATE RELEASE
July 18, 2002

ONTARIO SECURITIES COMMISSION APPROVES SETTLEMENT BETWEEN STAFF AND BLAIR TAYLOR

TORONTO – This morning, the Ontario Securities Commission approved a settlement reached by staff of the Commission and the respondent (John) Blair Taylor.

From July 1997 to October 1999, Taylor was the Director of Operations and Finance at Phoenix Research and Trading Corporation ("Phoenix Canada"). In November 1999, he was appointed Phoenix Canada's CFO. Taylor is a chartered accountant and was never registered with the Commission as an officer of Phoenix Canada.

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 US$3.3 billion 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 US$120 million.

Taylor agreed that he acted contrary to the public interest by failing to:

- keep the proper books and records;
- establish and implement the appropriate controls and procedures; and
- adequately supervise his staff.

Among other things:

- no record and supporting documentation of the purported original trades were maintained;
- the purported trading activity was not accurately reflected in Phoenix Canada's accounting records;
- Taylor's staff was not provided with sufficient information to perform their responsibilities related to the purported trading activity; and
- third parties, including the beneficial owners of PFIA LP, received inaccurate information.

The Commission reprimanded Taylor and ordered that Taylor be prohibited from becoming or acting as a director or officer of any issuer for two years. As terms of the settlement, Taylor must also pass the Partners, Directors and Officers examination and pay $7,500 in costs to the Commission.

The Commission expressed the view that it was appropriate for staff to bring this proceeding since it is in the public interest that senior management be accountable for investment activities. The settlement approval acknowledges the importance of vigilance in the accurate capture, recording and accounting of trading activities. "It is important that members of senior management, whether registered or acting in a professional capacity, ensure that the firm establishes suitable systems of internal control," said Brian Butler, Manager of Investigations, Enforcement Branch.

Copies of the Order and Settlement Agreement 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

Brian Butler
Manager of Investigations
416-593-8286

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

1.3.2 Ontario Division Court Dismisses All Grounds of Appeal by Marchment & MacKay et al.

FOR IMMEDIATE RELEASE
July 19, 2002

ONTARIO DIVISION COURT DISMISSES ALL GROUNDS OF APPEAL BY MARCHMENT & MACKAY, CHARLES ORNSTEIN AND AMIT SOFER

TORONTO – On July 16, a three member panel of the Ontario Divisional Court released Reasons for Judgment in an Appeal of a Commission decision, *Marchment & MacKay v. Ontario Securities Commission.* At the hearing held on June 24, 2002, the Divisional Court dismissed all grounds for appeal raised by Marchment & MacKay, Charles Ornstein and Amit Sofer and awarded costs of $20,000 to be paid to the Ontario Securities Commission by July 24, 2002.

The Divisional Court considered whether the disclosure made by Staff was adequate, and referred to the decision of the Ontario Court of Appeal in *Deloitte & Touche v. Ontario Securities Commission* (released June 13, 2002). The Reasons stated that "even if there was a failure in the disclosure obligation, there was no prejudice to the appellants… The case against the appellants was the testimony of ten witnesses who were strangers to each other and of various backgrounds. In circumstances where no collusion is alleged, these witnesses individually and cumulatively testified to a detailed and extensive pattern of similar conduct in sales practices that in our view constituted an overwhelming case against the appellants."

The appeal was from a decision made August 3, 1999 in which the Commission found, among other things, that Marchment MacKay, Orstein, and Sofer had breached the duties owing to their clients and failed to act honestly, in good faith and in the best interests of their clients. The Commission ordered that, among other things:

- Marchment MacKay's registration be terminated and any exemptions under Ontario securities law were permanently no longer available;
- Orstein's registration was terminated and any exemptions under Ontario securities law were permanently no longer available, providing that after two years Orstein could trade on a restricted basis on his own account and in his RRSP; and
- Sofer's registration was suspended and any exemptions under Ontario securities laws were not available for a period of ten years, provided that after one year Sofer could trade on restricted basis on his own account and in his RRSP.

Copies of the Reasons for Judgment 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

Brian Butler
Manager, Investigations
416-593-8286

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-786-1555 (Toll Free)

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 High Income Principal And Yield Securities Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief granted from requirement to deliver annual audited financial statements to March 31, 2002, and where applicable, from the requirement to file and deliver the annual report for the period ended March 31, 2002.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, BRITISH COLUMBIA, ALBERTA,
QUÉBEC, SASKATCHEWAN, MANITOBA,
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
HIGH INCOME PRINCIPAL AND YIELD
SECURITIES CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker**"**) in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from High Income Principal And Yield Securities Corporation (the "Company") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that the Company be exempted from delivering to security holders annual financial statements and be exempted from the preparation, filing and delivery of an annual report, where applicable, for the period ended March 31, 2002, as would otherwise be required pursuant to applicable Legislation;

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

AND WHEREAS the Company has represented to the Decision Maker that:

1. The Company was incorporated under the laws of the province of Ontario on December 7, 2001. The fiscal year-end of the Company is March 31.

2. The Company is authorized to issue an unlimited number of Class A Shares, Subordinate Shares, Equity Shares and Preferred Shares of which, as at the date hereof, 1,000 Class A Shares, 375,000 Subordinate Shares, 2,670,000 Equity Shares and 2,670,000 Preferred Shares are outstanding. The Preferred Shares and Equity Shares of the Company are together referred to as the "Shares**"**.

3. The Class A Shares are the only voting shares of the Company. The holders of the Shares and Subordinate Shares many only vote in certain circumstances. Lawrence Asset Management Inc. ("LAMI") owns 500 Class A Shares, and two individuals who are both officers and directors of the Company each hold 250 Class A Shares. LAMI is the promoter of the Company as well as the manager.

4. The Company became a reporting issuer or the equivalent in each of the Jurisdictions by virtue of it filing with the securities regulatory authority in each of the provinces of Canada a long form prospectus dated February 27, 2002 (the "Prospectus**"**) qualifying the issuance of up to a maximum of 4,000,000 Preferred Shares and up to a maximum of 4,000,000 Equity Shares (the "Offering**"**) (plus up to 10% of the number of each of Preferred Shares and Equity Shares issued at the closing of the Offering). In addition, the Prospectus disclosed that the Company would complete a private placement of Subordinate Shares to LAMI, the proceeds of which would be invested in the Managed Equity Portfolio (defined below) so that the funds available for investment in the Managed Equity Portfolio, after expenses of the Offering, would be approximately 1.4 times the gross proceeds of the Offering of the Equity Shares.

5. On March 19, 2002, the Company issued 2,670,000 Preferred Shares and 2,670,000 Equity Shares at an issuance price of $25.00 per Preferred Share and $20.00 per Equity Share pursuant to the closing of the Offering. The

Shares were listed on The Toronto Stock Exchange on March 18, 2002.

6. Simultaneously with the closing of the Offering, the Company completed a private placement of 375,000 Subordinate Shares to LAMI at an issuance price of $20.00 per Subordinate Share (the "Private Placement").

7. The principal undertaking of the Company is the holding of a diversified portfolio consisting principally of equity securities issued by companies which form part of the S&P/TSE 60 Index or the Standard & Poor's 500 Composite Stock Price Index (the "Managed Equity Portfolio") and a portfolio of equity securities agreed upon by the Company and an affiliate of Canadian Imperial Bank of Commerce that the Company will acquire with approximately 40% of the gross proceeds of the Offering and the Private Placement.

8. The Shares and the Subordinate Shares are redeemable at the option of the holder on a monthly basis at a price computed by reference to the value of a proportionate interest in the net assets of the Company. As a result, the Company is a "mutual fund" under the securities legislation of certain provinces of Canada (excluding the Province of Québec).

9. The Prospectus included an audited balance sheet of the Company as at February 27, 2002 and an unaudited pro forma balance sheet as at February 27, 2002 prepared on the basis of the completion and sale of up to 4,000,000 Preferred Shares and up to 4,000,000 Equity Shares, the maximum number of Shares of the Company being qualified for distribution by the Prospectus as well as the Private Placement of up to 625,000 Subordinate Shares. On March 19, 2002, the Company actually issued 2,670,000 Preferred Shares and 2,670,000 Equity Shares pursuant to the Offering and completed a private placement of 375,000 Subordinate Shares. A press release was issued by the Company on March 19, 2002 announcing to the public the actual number of Shares that were issued by the Company pursuant to the Offering and the actual number of Subordinate Shares that were issued by way of private placement.

10. Although the Company came into existence on December 7, 2001, up to the time of closing of the Offering and the Private Placement, the Company had no significant assets or operations. The Company had only seven business days of operations after the closing of the Offering and Private Placement prior to the end of the period for which the annual financial statements would be required.

11. The benefit to be derived by the security holders of the Company from receiving the annual financial statements and the annual report, where applicable, would be minimal given (i) the extremely short period from the date of the Prospectus to the end of the applicable period; (ii) that the Company had not yet fully invested its funds by the end of the applicable period; (iii) the disclosure already provided in the Prospectus; and (iv) there were no material changes in the affairs of the Company from March 19, 2002 to the date of this application.

12. The expense to the Company of printing and delivering to its security holders the annual financial statements and of preparing, filing and delivering the annual report, where applicable, would not be justified in view of the minimal benefit to be derived by the security holders from receiving such statements and would be detrimental to security holders in light of the unnecessary costs that would as a consequence be incurred by the Company.

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

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

IT IS HEREBY DECIDED by the Decision Makers pursuant to the Legislation that the Company is exempted from delivering to its security holders annual audited financial statements and is exempted from, where applicable, the preparation, filing and delivering to its security holders of the annual report for the period ended March 31, 2002.

July 18, 2002.

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

2.1.2 Northampton Group Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - application for relief from registration and prospectus requirements in connection with proposed issuance of warrants by issuer to holders of unsecured convertible debentures of the issuer in connection with proposed renegotiation of the terms of the debentures - debentures will shortly become due - issuer wishes to propose a renewal of the debentures for a further five-year term, with certain amendments, including the elimination of the current conversion feature and a separate issuance of warrants - issuance of stand-alone warrants in effect substitutes the form of conversion feature, but not the substance of the initial conversion right - debentureholders who do not wish to receive the amended debentures will be paid the principal amount plus interest on maturity date - relief granted subject to conditions.

Applicable Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF
NORTHAMPTON GROUP INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta and Ontario (collectively, the "Jurisdictions") has received an application (the "Application") from Northampton Group Inc. ("Northampton") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the registration requirement and the prospectus requirement in the Legislation shall not apply to the proposed issuance by Northampton of warrants (the"Warrants") to purchase up to 2,656,500 common shares in the capital of Northampton (the "Common Shares") to holders (the "Debentureholders") of unsecured debentures of Northampton (the "Debentures") in connection with a proposed renegotiation of the terms of the Debentures (the "Refinancing");

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

AND WHEREAS Northampton has represented to the Decision Makers that:

1. Northampton is a corporation incorporated under the *Business Corporations Act* (Ontario), and is engaged with its subsidiaries, associates and affiliates in the business of hotel ownership, management, development and construction in the mid-market hotel sector.

2. The authorized capital of Northampton consists of an unlimited number of Common Shares and an unlimited number of voting preference shares (8% non-cumulative, non-participating, redeemable and retractable at the paid up amount). As at March 31, 2002 a total of 20,830,559 Common Shares and 5,500,000 preference shares were issued and outstanding.

3. Northampton has $3,450,000 aggregate principal amount of Debentures outstanding. The Debentures were issued on July 22, 1997 pursuant to a prospectus filed in Ontario on July 11, 1997. The Debentures mature on July 22, 2002, bear interest at 9% and are convertible into common shares at a rate of $0.80 per common share. The Debentures are held by more than 100 Debentureholders, excluding those held by persons related to Northampton's management or major shareholder.

4. Shihasi Financial Corporation, a private company incorporated under the *Business Corporations Act* (Ontario), of which the four directors also constitute a majority of directors of Northampton, beneficially own or exercise control or direction over approximately 70.32% of the outstanding Common Shares on a non-diluted basis.

5. Northampton is a reporting issuer in each of the Jurisdictions and is not on the list of defaulting reporting issuers established pursuant to the Legislation.

6. Northampton's Common Shares and Debentures are listed on TSX Venture Exchange and trade under the symbols "YNH" and "YNH.DB", respectively. The Common Shares last traded on the TSX Venture Exchange on June 11, 2002 at $0.52 (other than an odd lot trade on June 20, 2002 at $0.49). The Debentures last traded on June 26, 2002 on the TSX Venture Exchange at $98. The Debentures are in good standing.

7. Northampton filed its initial AIF on March 6, 2002. Northampton has applied to the TSX Venture Exchange to amend its current "Tier Three" trading status to "Tier One" or "Tier Two" on the TSX Venture Exchange, and upon receipt of approval for such amendment will be a "qualifying

issuer" as such term is defined in Multilateral Instrument 45-102 Resale of Securities ("MI 45-102").

8. Although Northampton has enjoyed over five years of profitable growth since the issuance of the Debentures, Northampton has reinvested its cash flow into its business and, as a result, is not in a position to repay all of the Debentures on their due date of July 22, 2002 without a new financing. In addition, Northampton would like to preserve its existing capital structure and maintain its public Debentureholder base.

9. Accordingly, Northampton proposes to amend the terms of the Debentures to provide for i) a renewal of the term for a further five years, ii) the elimination of the current conversion feature; (iii) an increase in the interest rate from 9% to 10% per annum, (iv) a modification of its leverage ratio covenant, and (v) the issuance to the Debentureholders of certain Warrants, as described below.

10. Subject to the relief requested in this Application being granted, Northampton proposes to issue to the Debentureholders 770 Warrants per $1,000 principal amount of Debentures held, or 2,656,500 Warrants in total. Each Warrant represents the right to purchase one Common Share of Northampton at prices as follows:

    $0.65 from July 22, 2002 to January 22, 2004;
    $0.75 from January 22, 2004 to July 22, 2005; and
    $0.90 from July 22, 2005 to July 22, 2007.

11. Northampton proposes to list the Warrants on the TSX Venture Exchange.

12. Northampton estimates that the initial trading value of the Warrants will be approximately $0.01 per Warrant, and that the aggregate value of the Warrants to be issued upon their initial distribution is approximately $25,000 or less than one per cent of the $3.45 million outstanding Debentures.

13. The issuance of Warrants is intended to replace the existing conversion feature of the Debentures. Consequently, the amended Debentures will not carry a conversion feature.

14. Under the terms of the restructuring, Jones, Gable & Co., a registered dealer, will receive an advisory fee equal to 4.75% of the principal amount of non-insider Debentures which are extended for a further term.

15. Debentureholders wishing to participate in the restructuring will be required to elect to receive the amended Debenture plus Warrant. Debentureholders who do not wish to receive the amended Debentures will be paid the principal amount plus interest on the Debentures to which they are entitled as of the Maturity Date.

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

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

THE DECISION of the Decision Makers under the Legislation is that the registration requirement and the prospectus requirement shall not apply to the issuance of Warrants to the Debentureholders in connection with the Refinancing provided that the first trade in Warrants acquired pursuant to this Decision in a Jurisdiction shall be deemed to be a distribution under the Legislation of such Jurisdiction unless

(i) if Northampton was a qualifying issuer, as defined in MI 45-102, at the distribution date, the conditions in subsection (3) of section 2.6 of MI 45-102 Resale of Securities are satisfied; or

(ii) if Northampton was not a qualifying issuer at the distribution date, the conditions in subsection (4) of section 2.6 of MI 45-102 are satisfied.

July 12, 2002.

"Paul Moore" "Robert W. Korthals"

2.1.3 BioMarin Pharmaceutical Inc. et al. - MRRS Decision

Headnote

Rule 54-501 - Relief granted from the requirement to reconcile to Canadian GAAP certain financial statements included in an information circular that were prepared in accordance with U.S. GAAP, and relief granted from the requirement that *pro forma* financial statements be accompanied by a compilation report.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.

Ontario Rule Cited

Rule 54-501 Prospectus Disclosure in Certain Information Circulars (2000), 23 OSCB 8519, section 3.1.
Rule 41-501 General Prospectus Requirements (2000), 23 OSCB 761, sections 7.10, 9.1 and 9.4; Form 41-501F1 section 8.4 and subsection 8.5(2).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND ALBERTA

AND

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

AND

IN THE MATTER OF
BIOMARIN PHARMACEUTICAL INC.,

AND

IN THE MATTER OF
BIOMARIN ACQUISITION (NOVA SCOTIA) COMPANY

AND

IN THE MATTER OF
GLYKO BIOMEDICAL LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Ontario and Alberta (the "**Jurisdictions**"), has received an application from BioMarin Pharmaceutical Inc. ("**BioMarin**"), BioMarin Acquisition (Nova Scotia) Company ("**BioMarin Nova Scotia**") and Glyko Biomedical Ltd. ("**Glyko**") (collectively, the "**Applicant**"), for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that Glyko be exempted from:

(a) the requirement that historical and *pro forma* financial statements of BioMarin prepared in accordance with generally accepted accounting principles ("**GAAP**") in the United States ("**U.S.**") contained in the Circular (as defined below) be accompanied by a note to explain and quantify the effect of material differences between Canadian GAAP and U.S. GAAP that relate to measurements and provide a reconciliation of such financial statements to Canadian GAAP;

(b) the requirement that the BioMarin auditor's report contained in the Circular (as defined below) disclose any material differences in the form and content of its auditor's report as compared to a Canadian auditor's report and confirming that the auditing standards applied are substantially equivalent to Canadian generally accepted auditing standards;

(c) the requirement that the BioMarin management discussion and analysis ("**MD&A**") contained in the Circular (as defined below) provide a restatement of those parts of the BioMarin MD&A that would read differently if the BioMarin MD&A were based on statements prepared in accordance with Canadian GAAP and the requirement that the BioMarin MD&A provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP; and

(d) the requirement that the *pro forma* financial statements of BioMarin, contained in the Circular (as defined below), be accompanied by a compilation report.

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 Applicant having represented to the Decision Makers that:

1. The effect of the Arrangement will be to provide holders (other than common shares of Glyko ("**Glyko Common Shares**") held by dissenting shareholders (the "**Dissenting Shareholders**") who ultimately receive fair value for their Shares) with shares of common stock of BioMarin (the "**BioMarin Common Shares**") in exchange for their Glyko Common Shares. Each Glyko Shareholder will receive 0.3309 BioMarin Common Shares for each Glyko Common Share held (the "**Exchange Ratio**"). In no event will the aggregate number of BioMarin Common Shares issued to Glyko Shareholders exceed 11,367,617 BioMarin Common Shares. The Glyko Common Shares will be transferred to and acquired by BioMarin Nova Scotia, an indirect wholly-owned subsidiary of BioMarin, such that upon completion of the transaction, BioMarin will own indirectly all of the Glyko Common Shares.

2. BioMarin is a developer of enzyme therapies to treat serious, life-threatening, chronic genetic diseases and other diseases and conditions.

3. As at December 31, 2001, BioMarin's total assets were approximately US$171.8. For the year ended December 31, 2001, BioMarin's revenues and net loss were approximately US$11.7 million and US$67.6 million, respectively. As at March 31, 2002, BioMarin's total assets were approximately US$157.3 million. For the three months ended March 31, 2002, BioMarin's revenues and net loss were approximately US$3.8 million and US$26.6 million, respectively.

4. BioMarin's principal executive office is located at 371 Bel Marin Keys Boulevard, Suite 210, Novato, California 94949.

5. BioMarin's authorized capital consists of (i) 1,000,000 shares of preferred stock, par value US$0.001 per share; and (ii) 75,000,000 shares of common stock, par value US$0.001 per share. As of June 27, 2002, there were no shares of preferred stock and 53,424,129 BioMarin Common Shares issued and outstanding.

6. The BioMarin Common Shares trade on the Nasdaq National Market and the SWX Swiss Exchange. BioMarin is currently subject to the reporting requirements of the United States *Securities Exchange Act of 1934*, as amended. BioMarin is not currently a "reporting issuer" in any province or territory of Canada, will not become a "reporting issuer" by virtue of the Transaction and does not intend to become a "reporting issuer" in any province or territory of Canada after completion of the Transaction.

7. BioMarin Nova Scotia, an indirect wholly-owned subsidiary of BioMarin, was incorporated under the laws of the Province of Nova Scotia on February 6, 2002. BioMarin Nova Scotia was incorporated solely for the purpose of engaging in the Transaction.

8. BioMarin Nova Scotia's only material asset upon completion of the Transaction will be all of the issued and outstanding Glyko Common Shares.

9. Glyko was incorporated pursuant to the *Canada Business Corporations Act* ("**CBCA**") on June 26, 1992. The registered office of Glyko is 199 Bay Street, Toronto, Ontario, M5L 1A9.

10. Glyko does not have any operating activities or operational employees. The principal asset of Glyko is an equity position in BioMarin. As of the date hereof, Glyko holds 11,367,617 BioMarin Common Shares, representing 21.3% of the outstanding BioMarin Common Shares.

11. The BioMarin Common Shares held by Glyko were issued by BioMarin to Glyko upon the inception and initial funding of BioMarin and upon subsequent funding and a subsequent technology license transfer from Glyko to BioMarin.

12. As at January 21, 2002, based upon information provided by the Canadian Depository for Securities Limited ("**CDS**") and ADP Independent Investor Communications Corporation ("**IICC**"), there were 34,352,823 Glyko Common Shares issued and outstanding. Based upon information provided by CDS and IICC, the Applicant believes that 722,639 or 2.1% of the outstanding Glyko Common Shares are held beneficially by approximately 168 shareholders of Glyko resident in Canada.

13. Glyko's authorized capital consists of an unlimited number of Glyko Common Shares. As of July 3, 2002, there were 34,352,823 Glyko Common Shares issued and outstanding.

14. As of July 3, 2002, 81,397 Glyko Common Shares were reserved for issuance upon the exercise of outstanding options ("**Glyko Options**") to purchase Glyko Common Shares under the 1994 Glyko stock option plan.

15. The Glyko Common Shares are listed on the Toronto Stock Exchange (the "**TSE**") under the symbol "GBL".

16. Glyko is a "reporting issuer" or the equivalent in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia. To the best of the knowledge of Glyko, Glyko is not in default of any of the requirements of the securities legislation of such jurisdictions.

17. On July 2, 2002, Glyko was granted an interim order under Section 192 of the CBCA (the "**Interim Order**") by the Ontario Superior Court of Justice (the "**Court**") which order specifies, among other things, certain procedures and requirements to be followed in connection with the calling and holding of the Special Meeting (as defined below) and the completion of the Arrangement.

18. A special meeting (the "**Special Meeting**") of the Glyko Shareholders is anticipated to be held on August 15, 2002 at which Glyko will seek the requisite Glyko Shareholder approval (which, pursuant to the Interim Order, is expected to be 66 2/3% of the votes attached to the Glyko Common Shares represented at the Special Meeting) for a special resolution approving the Arrangement and the continuance of Glyko under the laws of British Columbia (as more fully described in the Circular).

19. In connection with the Special Meeting and pursuant to the Interim Order, Glyko will mail on or about July 10, 2002 to each Glyko Shareholder (i)

a notice of special meeting, (ii) a form of proxy, and (iii) the Circular. The Circular will be prepared in accordance with the Legislation, except with respect to any relief granted therefrom, and will contain disclosure of the Transaction and the business and affairs of each of BioMarin and Glyko.

20. The Circular will contain the following financial statements:

(a) unaudited *pro forma* consolidated balance sheet of BioMarin as of March 31, 2002 and unaudited *pro forma* consolidated statements of operations for the year ended December 31, 2001 and for the three months ended March 31, 2002, respectively, as if the Arrangement had occurred on March 31, 2002, January 1, 2001 and January 1, 2001, respectively, prepared in accordance with U.S. GAAP;

(b) audited annual consolidated financial statements of BioMarin for each of the fiscal years ended December 31, 2001, December 31, 2000 and December 31, 1999, together with balance sheets as at December 31, 2001 and December 31, 2000 and the auditor's report thereon, prepared in accordance with U.S. GAAP;

(c) unaudited consolidated financial statements of BioMarin for the three months ended March 31, 2002 and March 31, 2001, together with an unaudited balance sheet as at March 31, 2002, prepared in accordance with U.S. GAAP;

(d) audited financial statements of Glyko for each of the fiscal years ended December 31, 2001, December 31, 2000 and December 31, 1999, together with balance sheets as at December 31, 2001 and December 31, 2000 and the auditor's report thereon, prepared in accordance with both Canadian GAAP and U.S. GAAP;

(e) unaudited financial statements of Glyko for the three months ended March 31, 2002 and March 31, 2001, together with an unaudited balance sheet as at March 31, 2002, prepared in accordance with both Canadian GAAP and U.S. GAAP.

21. Arthur Andersen LLP, certified public accountants, were the independent auditors of BioMarin from BioMarin's inception on March 21, 1997 until June 11, 2002. BioMarin is not able to obtain a compilation report from Arthur Andersen LLP on the unaudited *pro forma* financial statements of BioMarin contained in the Circular.

22. It is expected that upon consummation of the Arrangement or shortly thereafter the Glyko Common Shares will be delisted from the TSE.

23. Applications will be made as required by BioMarin to the Nasdaq National Market and the SWX Swiss Exchange to list the additional BioMarin Common Shares issuable in connection with the transaction.

24. Upon completion of the Arrangement, it is expected that the beneficial holders of BioMarin Common Shares resident in Canada will hold approximately 2.8% of the issued and outstanding BioMarin Common Shares.

25. Although BioMarin does not intend to become a reporting issuer on completion of the Transaction, if BioMarin were to become a reporting issuer, it would be able to satisfy its continuous disclosure obligations using U.S. GAAP financial statements pursuant to the Legislation.

26. In the present case, the BioMarin Common Shares trade on the Nasdaq National Market and the results reported in U.S. GAAP are the only relevant results by which financial performance of BioMarin is evaluated and its shares are traded.

27. The principal asset of Glyko is 11,367,617 BioMarin Common Shares. As such, the results of BioMarin reported in U.S. GAAP are the only relevant results by which financial performance of Glyko is currently evaluated.

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 Glyko be exempted from:

(a) the requirement that historical and *pro forma* financial statements of BioMarin prepared in accordance with U.S. GAAP contained in the Circular be accompanied by a note to explain and quantify the effect of material differences between Canadian GAAP and U.S. GAAP that relate to measurements and provide a reconciliation of such financial statements to Canadian GAAP;

(b) the requirement that the BioMarin auditor's report contained in the Circular disclose any material differences in the form and content of its auditor's report as compared to a Canadian auditor's report

and confirming that the auditing standards applied are substantially equivalent to Canadian generally accepted auditing standards;

(c) the requirement that the BioMarin MD&A contained in the Circular provide a restatement of those parts of the BioMarin MD&A that would read differently if the BioMarin MD&A were based on statements prepared in accordance with Canadian GAAP and the requirement that the BioMarin MD&A provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP; and

(d) the requirement that the *pro forma* financial statements of BioMarin contained in the Circular be accompanied by a compilation report.

July 10, 2002.

"Iva Vranic"

2.1.4 Shoppers Drug Mart Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from prospectus and registration requirements in connection with the distribution, from time to time, of securities to associates (pharmacy owners) under a share incentive plan – associates not technically employees or consultants but required to devote their full time and attention to pharmacy business – relief from prospectus requirement for first trade of securities acquired under previous orders by associates – relief from prospectus requirement for first trade of securities acquired by employees under various stock plans – relief from issuer bid requirements where issuer repurchases securities acquired under plans from associates.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53, 74(1) and 104(2)(c).

Applicable Ontario Rules

Multilateral Instrument 45-102 Resale of Securities.
Ontario Securities Commission Rule 45-503 Trades to Employees, Executives and Consultants.

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

AND

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

AND

IN THE MATTER OF
SHOPPERS DRUG MART CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, New Brunswick, Northwest Territories, Yukon and Nunavut (the "Jurisdictions") has received an application from Shoppers Drug Mart Corporation (the "Company" or "Shoppers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the

"Registration Requirement") and to file and receive a receipt for a prospectus (the "Prospectus Requirement" and, together with the Registration Requirement, the "Prospectus and Registration Requirements") do not apply to certain proposed distributions, from time to time, of securities of the Company issued by it pursuant to its Share Incentive Plan dated November 21, 2001 (the "Plan"), including options, shares, performance shares and other share-based awards not inconsistent with the Plan, that the Prospectus Requirement does not apply to first trades of securities acquired upon the conversion of non-voting shares of the Company (the "Non-Voting Shares") previously acquired under exemptions from the Prospectus and Registration Requirements or pursuant to the Previous Orders (as defined below), that the Prospectus Requirement does not apply to first trades in Ontario of employees of the Company of securities acquired under the Plan or under predecessor employee stock purchase and option plans of the Company (the "Predecessor Plans"), that the requirement contained in the Legislation to comply with the rules governing issuer bids (the "Issuer Bid Requirement") does not apply to the Company with respect to certain repurchases by the Company of securities issued under the Plan or prior to the adoption of the Plan, and that certain relief from the Issuer Bid Requirement previously granted be rescinded;

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 Shoppers has represented to the Decision Makers that:

1. Shoppers is a corporation continued under the laws of Canada.

2. Shoppers is a reporting issuer or the equivalent in each of the Jurisdictions, and is not in default of any of the requirements contained in the Legislation.

3. The authorized capital of Shoppers consists of an unlimited number of common shares ("Shares") and an unlimited number of preferred shares issuable in series.

4. The Shares are listed on The Toronto Stock Exchange.

5. Shoppers is a holding company whose only business is holding the securities of the entities which operate the Shoppers Drug Mart/Pharmaprix business.

6. The Shoppers Drug Mart/Pharmaprix business includes the licensing of retail operations consisting of approximately 830 drug stores. Each drug store is operated by a pharmacist (an "Associate") who, through a wholly-owned corporation, has entered into a licensing agreement with a wholly-owned subsidiary of the Company. Each such licensing agreement requires that the Associate devote their full time and attention to the operation and management of the drug store that is the subject of the license. As a result, each Associate has detailed knowledge of the Shoppers Drug Mart/Pharmaprix business.

7. Shoppers proposes to issue securities from time to time pursuant to the Plan to directors and employees of the Company and to Associates.

8. Shoppers also proposes to allow Associates to purchase securities through a Registered Retirement Savings Plan ("RRSP") of which they are the beneficiary.

9. Associates who acquire securities, either directly or through an RRSP of which they are the beneficiary, will be required to enter into certain agreements (the "Governing Agreements") which will restrict their ability to deal with the securities so acquired. Among other things, the Governing Agreements will place certain transfer restrictions on the securities and will give the Company the right to repurchase the securities from the Associate in certain circumstances, including in the event that the licensing agreement respecting the Associate is terminated. The Governing Agreements will also provide drag-along rights to certain institutional holders of Shares and will provide certain "piggy-back" rights to holders of the securities. Generally, these securities may only be transferred or sold after a prescribed period of time from the date of issue unless transferred or sold pursuant to various exceptions, which include sales pursuant to the exercise of drag-along rights or "piggy-back" rights.

10. Prior to any purchase of securities by Associates, Associates will be provided with a full description of the attributes of the securities, copies of the Governing Agreements, a summary of the provisions of the Governing Agreements and full information concerning the contractual transfer restrictions applicable to the securities.

11. Prior to the adoption of the Plan, Non-Voting Shares were issued to Associates (or their RRSPs) under exemptions from the Prospectus and Registration Requirements or pursuant to the Previous Orders (as defined below), and Shares were issued to employees under exemptions from the Prospectus and Registration Requirements. In connection with such issuances Associates and employees were required to enter into certain agreements, substantially similar to the Governing Agreements, which imposed restrictions on the transferability of their securities.

12. On January 14, 2000, prior to the Company's initial public offering of Shares (the "IPO"), an MRRS Decision Document was issued by the

Alberta Securities Commission on behalf of all Decision Makers (the "First Order") granting relief to the Company (a) except in Ontario, from the Prospectus and Registration Requirements with respect to a one time distribution of Non-Voting Shares to Associates (or to their RRSPs), and (b) from the Issuer Bid Requirement with respect to any repurchases by the Company of Non-Voting Shares from Associates (or their RRSPs), provided that at the time of the repurchase there was no published market for the Non-Voting Shares.

13. On March 14, 2001, prior to the Company's IPO, an MRRS Decision Document was issued by the Alberta Securities Commission on behalf of all Decision Makers (the "Second Order" and, together with the First Order, the "Previous Orders") granting relief to the Company, from time to time, (a) from the Prospectus and Registration Requirements with respect to the distribution of Non-Voting Shares to Associates (or to their RRSPs), and (b) from the Issuer Bid Requirement with respect to any repurchases by the Company of Non-Voting Shares from Associates (or their RRSPs), provided that at the time of the repurchase there was no published market for the Non-Voting Shares.

14. On November 12, 2001, Shoppers filed a prospectus in connection with the IPO and its Shares became listed for trading on The Toronto Stock Exchange on November 21, 2001, the date of closing.

15. Pursuant to provisions in the articles of the Company, on the closing of the IPO, all of the Non-Voting Shares were automatically converted into Shares.

16. The Predecessor Plans were repealed on November 9, 2001 and replaced by the Plan. Following such date, no securities were issued or will be issued pursuant to such Predecessor Plans.

17. The participation of directors and employees of the Company and Associates in any distribution of securities pursuant to the Plan will be voluntary. No such person will be induced, directly or indirectly, to purchase securities by expectation of maintaining or continuing their status with the Company or as an Associate.

18. Currently, there are Associates resident in each of the Jurisdictions except Nunavut.

19. As Associates are not employees of the Company, no exemption from the Prospectus and Registration Requirements exists under the Legislation to allow the Company to issue securities to Associates.

20. By the terms of the Previous Orders, the Non-Voting Shares issued to Associates thereunder were subject to resale restrictions contained in the Legislation, where applicable. A first trade by Associates in the Shares issued to Associates on the automatic conversion of Non-Voting Shares into Shares on the closing of the IPO may be subject to the resale restrictions in the Legislation, where applicable.

21. There have been no trades of Shares issued by the Company to Associates (or their RRSPs) as of the date hereof, except for trades made to the Company as described below or trades made pursuant to a prospectus filed under the Legislation in the Jurisdictions.

22. The issuer bid relief granted under the Previous Orders in respect of repurchases by the Company of Non-Voting Shares issued to Associates (and their RRSPs) is no longer available because the Non-Voting Shares have been converted into Shares and there is a published market for the Shares.

23. The Company may, or may be required to, repurchase securities issued to Associates (or their RRSP's) under the Plan or prior to the adoption of the Plan upon the terms set out in the applicable Governing Agreements on the occurrence of certain events, including termination of an Associate's licensing agreement, or death or disability of the security holder. In addition, the applicable Governing Agreements permit the Company and the security holder to enter into a negotiated settlement with respect to such repurchases of securities. Any repurchase by the Company of the securities will constitute an issuer bid under the Legislation. The exemption from the Issuer Bid Requirement under the Legislation may not be available with respect to such repurchases.

24. As of the date hereof, there have been no repurchases by the Company of (a) securities issued under the Plan, or (b) Shares issued to Associates (or their RRSPs) under exemptions from the Prospectus and Registration Requirements or pursuant to the Previous Orders, except for purchases made pursuant to an exemption to the Issuer Bid Requirements under the Legislation, since the Company became a reporting issuer.

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 Prospectus and Registration Requirements shall not apply to the distribution, from time to time, by the Company of securities under the Plan to Associates or to RRSPs of which an Associate is the beneficiary provided that:

(a) except in Quebec, the first trade of securities acquired pursuant to this Decision will be a distribution or a primary distribution to the public, unless the conditions in subsection 2.6(3), 2.6(4) or 2.6(5) of Multilateral Instrument 45-102 are satisfied;

(b) in Quebec, a French-language offering notice which describes in detail the operation of the Plan must be furnished to Associates; and

(c) in Quebec, the alienation of the securities acquired pursuant to this Decision is a distribution and cannot take place without a prospectus unless Shoppers is and has been a reporting issuer in Quebec and has complied with the applicable requirements for the twelve months immediately preceding the alienation;

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

(a) except in Quebec, the Prospectus Requirement shall not apply to the first trades by current and former Associates of Shares acquired upon the conversion of Non-Voting Shares previously acquired under exemptions from the Prospectus and Registration Requirements or pursuant to the Previous Orders, provided that the conditions contained in subsection 2.6(3), 2.6(4) or 2.6(5) of Multilateral Instrument 45-102 are satisfied;

(b) in Quebec, the alienation by current and former Associates and employees of the Company of (i) Shares acquired upon the conversion of Non-Voting Shares previously acquired under exemptions from Prospectus and Registration Requirements, in the case of current and former Associates, and (ii) Shares acquired at or after the time of the acquisition of the Shoppers Drug Mart/Pharmaprix business and directly or indirectly pursuant to the Predecessor Plans in the case of current and former employees, cannot take place without a prospectus or a prospectus exemption prior to the expiry of a 12-month period following the initial distribution of the securities, except between the holder of the securities and his or her associates, provided, in the latter case, that the Commission is advised five days prior to the distribution. After the 12-month period, the alienation may take place without a prospectus or a prospectus exemption provided that the issuer is a reporting issuer. Furthermore, if the seller is an insider, the reporting issuer must have complied with the applicable disclosure requirements during the 12 months preceding the alienation.

AND THE FURTHER DECISION of the Decision Maker in Ontario under the Legislation in Ontario is that the Prospectus Requirement shall not apply to the first trades in Ontario by current and former employees of the Company of Shares acquired under the Plan or the Predecessor Plans provided that the conditions contained in subsection 2.6(3), 2.6(4) or 2.6(5) of Multilateral Instrument 45-102 are satisfied;

AND THE FURTHER DECISION of the Decision Makers under the Legislation is that paragraph 6.2 of the First Order and paragraph 6.2 of the Second Order are rescinded as of the date hereof;

AND THE FURTHER DECISION of the Decision Makers under the Legislation is that the Issuer Bid Requirement shall not apply to any repurchase by the Company of securities issued (a) under the Plan to current and former Associates (or their RRSPs), or (b) to current or former Associates (or their RRSPs) under exemptions from the Prospectus and Registration Requirements or pursuant to the Previous Orders, provided that:

(a) the value of the consideration paid for the securities acquired does not exceed the market price (as determined pursuant to the applicable Legislation, where defined) of the securities at the date of the acquisition; and

(b) the aggregate number of securities acquired by the Company within a period of twelve months does not exceed 5% of the securities that are issued and outstanding at the commencement of the period.

July 12, 2002.

"Robert L. Shirriff" "H. Lorne Morphy"

2.2 Orders

2.2.1 Canam International Partnership 1990 - s. 144

Headnote

Section 144 - revocation of cease trade order upon remedying of default - updating of public disclosure record by filing outstanding audited financial statements.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5 as am., ss. 127, ss. 144.

Notices Cited

Ontario Securities Commission Notice 35 - Revocation of Cease Trade Orders (1995) 18 OSCB 5.

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

AND

IN THE MATTER OF
CANAM INTERNATIONAL PARTNERSHIP 1990

ORDER
(Section 144)

WHEREAS the securities of Canam International Partnership 1990 (the Issuer) are currently subject to an Order made by the Director on behalf of the Ontario Securities Commission (the "Commission") dated May 25, 2001 pursuant to paragraph 2 of subsections 127(1) and 127(5) of the Act and extended by further Order of the Director dated June 8, 2001 made under subsection 127(8) of the Act (collectively, the Cease Trade Order) directing that trading in the securities of the Issuer cease;

AND WHEREAS the Cease Trade Order was made by reason of the Issuer's failure to file with the Commission its audited financial statements for the year ended December 31, 2000;

AND WHEREAS the Issuers have made an application to the Director pursuant to Section 144 of the Act for a revocation of the Cease Trade Orders;

AND UPON the Issuer having represented to the Commission that:

1. AIM GP Canada Inc., as successor of ADMAX Canada Inc., is the general partner of the Issuer. AIM GP Canada Inc. is a wholly owned subsidiary of AIM Funds Management Inc.

2. The Issuer is a limited partnership, formed on October 18, 1989 and existing under the laws of the Province of Ontario, and was organized for the purpose of funding deferred sales charge commissions on sales of mutual fund securities issued by Acuity Funds Ltd., Sagit Investment Management Ltd. and Trimark Investment Management Inc. (now AIM Funds Management Inc.).

3. The Issuer's authorized and issued capital is 45,260 original units, 8,542 Class A units and 13,450 Class B units.

4. The Issuer is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories. The Issuer became a reporting issuer in Ontario on January 29, 1990.

5. As a result of the Issuer's failure to file on SEDAR its audited annual financial statements for the fiscal year ended December 31, 2000 together with the auditor's report thereon (the Financial Statements) within 140 days after the end of the fiscal period, the Issuer was in default of its obligations under s.78 of the Act. This default arose due to an administrative oversight.

6. The Issuer's Financial Statements were filed on SEDAR on July 23, 2001 and the Issuer is therefore no longer in default of its obligations under s.78 of the Act.

7. Except for the Cease Trade Order, the Issuer has not been previously subject to any cease trade orders by the Commission.

8. The Issuer is not currently subject to any cease trade orders in any other jurisdiction.

9. Except for the Cease Trade Order, the Issuer is not in default of any of the requirements of the Act or the rules and regulations made thereunder.

10. The units of the issuer are not listed or quoted on any exchange or organized market.

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

AND UPON the Director being satisfied that the Issuer is now in compliance with the continuous disclosure requirements under Part XVIII of the Act and has remedied its default in respect of such requirements;

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

IT IS ORDERED under Section 144 of the Act, that the Cease Trade Order is hereby revoked.

July 16, 2002.

"John Hughes"

2.2.2 Canam International Partnership 1991 - s. 144

Headnote

Section 144 - revocation of cease trade order upon remedying of default - updating of public disclosure record by filing outstanding audited financial statements.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5 as am., ss. 127, ss. 144.

Notices Cited

Ontario Securities Commission Notice 35 - Revocation of Cease Trade Orders (1995) 18 OSCB 5.

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

AND

IN THE MATTER OF
CANAM INTERNATIONAL PARTNERSHIP 1991

ORDER
(Section 144)

WHEREAS the securities of Canam International Partnership 1991 (the Issuer) are currently subject to an Order made by the Director on behalf of the Ontario Securities Commission (the "Commission") dated May 25, 2001 pursuant to paragraph 2 of subsections 127(1) and 127(5) of the Act and extended by further Order of the Director dated June 8, 2001 made under subsection 127(8) of the Act (collectively, the Cease Trade Order) directing that trading in the securities of the Issuer cease;

AND WHEREAS the Cease Trade Order was made by reason of the Issuer's failure to file with the Commission its audited financial statements for the year ended December 31, 2000;

AND WHEREAS the Issuers have made an application to the Director pursuant to Section 144 of the Act for a revocation of the Cease Trade Orders;

AND UPON the Issuer having represented to the Commission that:

1. AIM GP Canada Inc., as successor of ADMAX Canada Inc., is the general partner of the Issuer. AIM GP Canada Inc. is a wholly owned subsidiary of AIM Funds Management Inc.

2. The Issuer is a limited partnership, formed on April 22, 1991 and existing under the laws of the Province of Ontario, and was organized for the purpose of funding deferred sales charge commissions on sales of mutual fund securities issued by Acuity Funds Ltd., Sagit Investment Management Ltd. and Trimark Investment Management Inc. (now AIM Funds Management Inc.).

3. The Issuer's authorized and issued capital is 200,868 units (original and extended offer), 17,030 Class B units and 21,730 Class C units.

4. The Issuer is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. The Issuer became a reporting issuer in Ontario on October 18, 1991.

5. As a result of the Issuer's failure to file on SEDAR its audited annual financial statements for the fiscal year ended December 31, 2000 together with the auditor's report thereon (the Financial Statements) within 140 days after the end of the fiscal period, the Issuer was in default of its obligations under s.78 of the Act. This default arose due to an administrative oversight.

6. The Issuer's Financial Statements were filed on SEDAR on July 23, 2001 and the Issuer is therefore no longer in default of its obligations under s.78 of the Act.

7. Except for the Cease Trade Order, the Issuer has not been previously subject to any cease trade orders by the Commission.

8. The Issuer is not currently subject to any cease trade orders in any other jurisdiction.

9. Except for the Cease Trade Order, the Issuer is not in default of any of the requirements of the Act or the rules and regulations made thereunder.

10. The units of the issuer are not listed or quoted on any exchange or organized market.

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

AND UPON the Director being satisfied that the Issuer is now in compliance with the continuous disclosure requirements under Part XVIII of the Act and has remedied its default in respect of such requirements;

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

IT IS ORDERED under Section 144 of the Act, that the Cease Trade Order is hereby revoked.

July 16, 2002.

"John Hughes"

2.2.3 (John) Taylor Blair - ss. 127(1))

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

AND

**IN THE MATTER OF
(JOHN) BLAIR TAYLOR**

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

WHEREAS on July 16, 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 (John) Blair Taylor ("Taylor");

AND WHEREAS Taylor 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 Taylor 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 July 17, 2002 is approved;

2. pursuant to subsection 127(1), paragraph 8 of the Act, Taylor is prohibited from becoming or acting as a director or officer of any issuer for two years commencing on the date of this Order; and

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

July 18, 2002.

"Paul Moore" "Theresa McLeod" "Harold Hands"

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

AND

**IN THE MATTER OF
(JOHN) BLAIR TAYLOR**

SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND (JOHN) BLAIR TAYLOR

I. INTRODUCTION

1. By Notice of Hearing, the Ontario Securities Commission (the "Commission") will convene a hearing to consider the approval of this proposed settlement between Staff of the Commission ("Staff") and the respondent (John) Blair Taylor ("Taylor") including the making of an Order pursuant to subsection 127(1) and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act").

II. Joint Settlement Recommendation

2. Staff agrees to recommend settlement of an intended proceeding respecting Taylor in accordance with the terms and conditions described below. Taylor consents to the making of an Order against him in the form attached as Schedule "A" based on the facts set out in Part III of this Settlement Agreement.

III. STATEMENT OF FACTS

Acknowledgement

3. Solely for the purposes of this proceeding, and of any other proceeding commenced by a securities regulatory agency, Staff and Taylor agree with the facts set out in paragraphs 4 through 46.

Phoenix Research and Trading Corporation

4. 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 Commission as an investment counsel and portfolio manager pursuant to the Act. Phoenix Canada's registration was voluntarily suspended in May 2000 due to its difficulties in filing audited financial statements and maintaining insurance.

5. Phoenix Canada was a small company of approximately 14 employees. 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.

6. 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.

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

8. 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

9. 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) invested in 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.

10. 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.

Overview

11. In early January 2000, PFIA LP collapsed when it sustained a loss in excess of US$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 represented PFIA LP's entire U.S. dollar portfolio. The UST Notes were not hedged. The concentration, size and length of time this unhedged position was in place contravened PFIA LP's investment guidelines and restrictions. The UST Notes caused PFIA LP's collapse.

12. 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.

13. In reality, Duthie had engaged in a strategy of purchasing long bonds financed by repos.

14. The Bank of New York informed Phoenix Canada on January 4, 2000 that the latter was in a significant overdraft position (in excess of US$50 million) The UST Notes caused the overdraft position. As a result, Phoenix Canada liquidated all of PFIA LP's assets. A loss to PFIA LP of over US$120 million was sustained due to the unhedged UST Notes.

15. Immediately on being informed of its overdraft position, Phoenix Canada attempted to contact Duthie. On January 5, 2000, Phoenix Canada confirmed that the UST Notes were in fact unhedged long bonds and contacted Staff. As a condition of its registration, Phoenix Canada promptly retained a forensic accounting firm to prepare a report respecting the UST Notes.

PFIA LP

16. 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.

17. 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.

18. Taylor was the Director of Operations and Finance and then the CFO of Phoenix Canada. He was the most senior person in the Operations Group. Taylor's duties included the direct supervision of the Operations Manager and the Settlement Clerk.

PFIA LP's Acquisition of the UST Notes

19. PFIA LP held investments in U.S. dollars, Canadian dollars and Euros. From the fall of 1998 through early January 2000, Duthie was responsible for PFIA LP's U.S. dollar portfolio.

20. Phoenix Canada's management informs Staff that Duthie was authorized to engage in 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 (ie terminable on demand by either party to the transaction).

21. 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 merely plays the interest rate spread between the borrowing rate (repo leg) and the lending rate (open reverse repo leg).

22. On the repo leg, 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, 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 incurred 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.

23. Duthie did not engage in such a trading strategy. Rather, Duthie accumulated the UST Notes, financing the leveraged position using repos.

Management's Failure to Detect the True Nature of the UST Notes

24. Management relied principally on Duthie's representations that the UST Notes (and other long bonds reported 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).

25. Within one day of being informed by the Bank of New York that PFIA LP was in a significant overdraft position, Phoenix Canada was able to discern that the UST Notes were long bonds and not the purported open reverse repos. Duthie also confirmed that the UST Notes were a long bond position.

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

    (a) establish, implement and monitor appropriate alternative controls and procedures respecting the purported open reverse repos;

    (b) maintain the books, records and other documents necessary for the proper recording of the purported open reverse repos transactions; and

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

As a result of these failures, the true nature of the UST Notes was not detected by management.

(a) Trade Capture of the Purported Open Reverse Repos

27. Phoenix Canada's method of capturing Duthie's trades in the purported open reverse repos was flawed and thus, unreliable. Phoenix Canada's computer trading system ("Alydia") was not designed to capture open repos or open reverse repos. All trades by Duthie in the purported open reverse repos therefore were entered into the bond module of Alydia as long bonds. Phoenix Canada then made two manual adjustments to reflect what it believed the true nature of the transactions to be namely:

    (a) a manual adjustment to "correct" PFIA LP's value at risk ("VAR") report so that the VAR would be meaningful. This adjustment was based 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

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

(b) Phoenix Canada's VAR Reports

28. Phoenix Canada prepared, on a daily basis, a VAR report. 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. The information used to create the VAR report was pulled from the information inputted to Alydia. Phoenix Canada adjusted the VAR report program so that the purported open reverse repos (entered as long bonds) were treated as short term long bonds (which they were not) and their risk assessed accordingly.

29. The adjustments to the VAR report 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.

(c) "Pricing" of the Purported Open Reverse Repos

30. The purported open reverse repos were entered incorrectly 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.

31. Taylor 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 then 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 a "price" to the purported open reverse repos.

32. Taylor never reallocated 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. The "capital gain" was then carried over to the profit and loss statement relating to Duthie's market neutral strategy.

33. 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", Taylor had nothing against which to check these transactions.

(d) Segregation of Duties

34. Phoenix Canada failed to segregate duties relating to the purported open reverse repos by:

(a) 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;

(b) permitting Duthie to execute trades on behalf of PFIA LP respecting the purported open reverse repos and make the "pricing" adjustment relating to interest earned on the purported open reverse repos; and

(c) permitting Duthie to access collateral by virtue of his participation in cash management activities while engaged in his own profit and loss activities.

As a result of these failures, the true nature of the UST Notes remained undetected by Phoenix Canada.

(e) Books and Records

35. Phoenix Canada did not maintain any books and records of the original trades of the purported open reverse repos. Taylor did not request or obtain any open reverse repo contracts. Further, there was no manual blotter or spreadsheet maintained for the purported open reverse repos.

36. 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 and trial balances were flawed and unreliable. For example, the settlement report used to confirm and settle trades listed trades in the UST Notes. The collateral usage report did not reflect the purported open reverse repos. The Operations Manager and Settlement Clerk who used these reports were unaware that the long bonds listed were a proxy for the purported open reverse repos.

Incorrect Reporting

37. 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 and the interest income as capital gains.

38. At no time did Taylor inform the Bank of Bermuda that Phoenix Canada was engaged in a trading strategy of repos and open reverse repos. 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. Because Phoenix Canada did not notify the Bank of Bermuda that the long bond position was a proxy for the purported open reverse repos, the Bank was able to agree the trades reflected on the trade blotters to third party trade confirms.

Suitability

39. 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.

Lack of Supervision

40. Taylor failed to provide his operations staff with sufficient information to carry out their responsibilities as it related to the purported open reverse repos. Among other things, because Taylor failed to inform the Settlement Clerk that the long bond position was a proxy for the purported open reverse repos, she was able to

agree the trades reflected on the trade blotters to trade confirms.

Taylor's Misconduct Relating to the Purported Open Reverse Repos

41. As the Director of Operations and then CFO of Phoenix Canada, Taylor:

    (a) failed to ensure that the books, records and other documents necessary for the proper recording of Phoenix Canada's purported open reverse repo transactions were maintained;

    (b) failed to establish and implement appropriate controls and procedures for the accurate capturing, recording, accounting and reporting of Phoenix Canada's purported open reverse repo transactions; and

    (c) failed to adequately supervise Phoenix Canada's accounting and operations staff.

42. This settlement agreement relates only to Taylor's conduct and failures vis-à-vis Phoenix Canada's open reverse repo transactions. Staff is not impugning any other aspect of Phoenix Canada's trade capture and financial accounting systems.

43. Taylor informs Staff that he relied upon internal and external controls in place at Phoenix Canada to indicate whether there existed any deficiencies in its accounting and financial management systems. Taylor acknowledges that it was not sufficient to rely on such controls.

44. Taylor informs Staff that throughout 1996 to 1999, Phoenix Canada did not receive any internal control memorandum from its auditors.

45. Taylor's conduct was contrary to the public interest.

46. Taylor co-operated with Staff's investigation concerning the UST Notes.

IV. TERMS OF SETTLEMENT

47. Taylor agrees to the following terms of settlement:

    (a) The making of an Order:

        (i) approving this Settlement Agreement;

        (ii) prohibiting Taylor from becoming or acting as a director or officer of any issuer for 2 years;

        (iii) reprimanding Taylor; and

    (b) Taylor will take and complete successfully, within 2 years from the date of an Order approving this Settlement Agreement, the Partners, Directors and Seniors Officers Qualifying Examination prepared and conducted by the Canadian Securities Institute; and

    (c) Taylor will make a payment by certified cheque to the Commission in the amount of $7,500 respecting the costs of the Commission's investigation.

V. STAFF COMMITMENT

48. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Taylor respecting the facts set out in Part III of this Settlement Agreement.

VI. APPROVAL OF SETTLEMENT

49. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for July 18, 2002, or such other date as may be agreed to by Staff and Taylor (the "Settlement Hearing"). Taylor will attend the Settlement Hearing in person.

50. Counsel for Staff or for Taylor may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Taylor agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

51. If this settlement is approved by the Commission, Taylor agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

52. Staff and Taylor agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

53. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

    (a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Taylor leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Taylor;

    (b) Staff and Taylor shall be entitled to all available proceedings, remedies and

challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Taylor, or as may be required by law; and

(d) Taylor agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VII. DISCLOSURE OF SETTLEMENT AGREEMENT

54. Subject to paragraph 50 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Taylor until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Taylor, or as may be required by law.

55. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

56. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

57. A facsimile copy of any signature shall be as effective as an original signature.

July 17, 2002.

"(John) Blair Taylor"
(John) Blair Taylor

July 17, 2002.

"Michael Watson"
Staff of The Ontario Securities Commission
Per: Michael Watson

2.2.4 Province of Manitoba - s. 83

Headnote

Province of Manitoba became a reporting issuer by virtue of the listing of its notes on the Toronto Stock Exchange – All issued and outstanding securities of issuer are considered exempt securities under the Act - 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), 35(2)(1)(a), 73(1)(a) and 83.

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

AND

IN THE MATTER OF
THE PROVINCE OF MANITOBA

ORDER
(Section 83)

WHEREAS the Province of Manitoba ("Manitoba") has applied to the Ontario Securities Commission (the "Commission") for an order pursuant to section 83 of the Act, that Manitoba be deemed to have ceased to be a reporting issuer;

AND UPON Manitoba having represented to the Commission that:

1. Manitoba is a provincial government;

2. Pursuant to the Order of the Lieutenant Governor in Council of Manitoba No. 245/2000, dated June 21, 2000 (the "Parameter Order in Council"), made under subsection 50(1) of *The Financial Administration Act* (Manitoba) (the "FAA"), Manitoba is authorized to borrow up to an aggregate principal amount of $2,200,000,000 by way of, among other things, the issue and sale of provincial securities;

3. Provincial securities of Manitoba may include a provision that the interest rate payable on the provincial securities or the amount of principal payable at maturity be calculated and paid with reference to the value of a share or commodity or with reference to an index or some other basis;

4. Any money raised pursuant to the Parameter Order in Council, and the interest and any premium thereon constitute direct and unconditional obligations of Manitoba, charged upon and payable out of the Consolidated Fund of Manitoba and ranking *pari passu* with all such other amounts constituting general obligations of

Manitoba, without any preference granted by Manitoba one above the other by reason of priority of date of issue, currency of payment or otherwise;

5. Manitoba has, and may, from time to time, pursuant to the Paramater Order in Council raise money by issuing notes ("Notes"), which are debt securities ("Debt Securities") that constitute direct, unconditional obligations of Manitoba;

6. The terms of Notes issued by Manitoba have provided for a return to the holder that is linked to various market indices (such as currencies, commodities, interest rates, swap rates), an equity index or basket of securities or equity indices or other underlying interests;

7. Debt Securities, including Notes, of Manitoba are exempt securities pursuant to:

   (a) paragraph 1(a) of subsection 35(2) of the Act with respect to registration requirements; and

   (b) paragraph 73(1)(a) with respect to prospectus requirements, as the Debt Securities evidence indebtedness of a provincial government;

8. On May 6, 2002, Manitoba listed its Principal Protected S&P 500 Index Linked Notes, Series 1 (the "S&P Notes"), which constitute direct, unconditional obligations of Manitoba and were issued pursuant to the Parameter Order in Council, on the Toronto Stock Exchange (the "TSX");

9. Upon such listing, Manitoba became a reporting issuer for purposes of Ontario securities law;

10. Manitoba is not in default of any requirements of Ontario securities legislation;

11. All other securities of Manitoba that are issued and outstanding (the "Outstanding Securities") are securities that:

   (a) are referred to in paragraph 1(a) of subsection 35(2) of the Act; and

   (b) were issued by Manitoba in reliance upon the prospectus exemption contained in paragraph 73(1)(a) of the Act that refers to securities in paragraph 1(a) of subsection 35(2) of the Act;

12. Manitoba may from time to time arrange for the listing of its securities on the TSX, and upon such listing Manitoba may, by virtue of the definition of "reporting issuer" in the Act become a reporting issuer; in which case, Manitoba intends to apply to the Commission for an order pursuant to section 83 of the Act, that Manitoba be deemed to have ceased to be a reporting issuer; and

13. Manitoba will advise the Director if any of the Outstanding Securities cease to be exempt securities so that the Director may consider whether, in the circumstances, it may be appropriate to apply to the Commission for an order, pursuant to section 83.1 of the Act, to deem Manitoba to be a reporting issuer for the purposes of Ontario securities law.

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

AND UPON the Commission being satisfied that to do so would be in the public interest;

IT IS ORDERED, pursuant to section 83 of the Act, that Manitoba is deemed to have ceased to be a reporting issuer.

July 19, 2002.

"Paul M. Moore" "Robert L. Shirriff"

2.2.5 Cognos Incorporated - cl. 104(2)(c)

Headnote

Clause 104(2)(c) - Exemption from issuer bid requirements of Part XX granted to issuer proposing to acquire its shares from entities related to a former employee offering such shares by prospectus.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 93(3)(d), 95, 96, 97, 98, 100 and 104(2)(c).

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

AND

IN THE MATTER OF
COGNOS INCORPORATED

ORDER
(Clause 104(2)(c))

UPON the application of Cognos Incorporated ("Cognos") to the Ontario Securities Commission (the "Commission") for an order pursuant to clause 104(2)(c) of the Act exempting Cognos from the requirements of sections 95, 96, 97, 98 and 100 of the Act (collectively, the "Issuer Bid Requirements") in connection with Cognos' proposed acquisition of up to 5% of the common shares of Cognos (the "Shares") being offered to the public pursuant to a secondary public offering by prospectus (the "Offering") of 4,500,000 Shares (or up to 5,175,000 Shares if the underwriters' over-allotment option is exercised in full) by entities related to a former employee of Cognos;

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

AND UPON Cognos having represented to the Commission as follows:

1. Cognos is a corporation existing under the laws of Canada.

2. Cognos is a reporting issuer under the Act and is not on the list of defaulting reporting issuers maintained pursuant to subsection 72(9) of the Act.

3. Cognos' authorized capital consists of an unlimited number of Shares and an unlimited number of preference shares. As of May 31, 2002 Cognos had 87,947,963 Shares outstanding and nil preference shares outstanding.

4. The Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") and The Nasdaq National Market ("Nasdaq").

5. On June 20, 2002, Cognos filed a preliminary short form PREP prospectus with securities regulatory authorities in all the provinces of Canada and a registration statement on Form F-10 with the United States Securities and Exchange Commission in respect of the Offering by 3539211 Canada Inc., 3539334 Canada Inc., 3539393 Canada Inc., 3539202 Canada Inc., 3497801 Canada Inc., 3539504 Canada Inc., 3539555 Canada Inc. and 3539571 Canada Inc. (the "Selling Shareholders"), all of which are entities affiliated with Michael U. Potter. Cognos intends to file a final prospectus (the "Prospectus") in connection therewith.

6. 3539202 Canada Inc., 3539211 Canada Inc., 3539334 Canada Inc., and 3539393 Canada Inc. (collectively, the "Ontario Selling Shareholders") have their registered offices in Ontario and are resident in Ontario. The remaining Selling Shareholders have their registered offices in Quebec and are resident in Quebec.

7. Mr. Potter was an employee of Cognos from 1972 until 1995.

8. Mr. Potter, through his controlled entities, acquired the Shares which will be sold pursuant to the Offering from Cognos on September 1, 1978, September 2, 1980 and January 15, 1981 and subsequently transferred those Shares to the Selling Shareholders on October 8, 1998.

9. Mr. Potter, indirectly through his controlled entities, has shared voting power and shared investment power with The Windsor Trust, a Barbados trust, of the Selling Shareholders. The beneficiaries of The Windsor Trust are a mix of charities and charitable trusts. Mr. Potter is not the settlor, beneficiary or trustee of The Windsor Trust.

10. On October 8, 2001 Cognos commenced a normal course issuer bid (the "Bid") through the facilities of the TSX and Nasdaq to purchase up to 4,400,943 Shares, representing not more than 5% of the outstanding Shares, during the twelve-month period ending October 8, 2002. To date, 1,188,357 Shares have been purchased pursuant to the Bid representing 1.35% of the outstanding Shares.

11. Cognos wishes to have the ability to purchase up to 5% of the Shares being offered in the Offering for cancellation from the Ontario Selling Shareholders at the public offering price. The public offering price will be determined through negotiation between the Selling Shareholders and representatives of the underwriters.

12. Cognos' proposed purchase of Shares from the Ontario Selling Shareholders constitutes an issuer bid within the meaning of the Act. Cognos cannot

rely upon the exemption from the Issuer Bid Requirements in clause 93(3)(d) of the Act because the proposed purchase from the Ontario Selling Shareholders is not directly from a former employee. No other exemption from the Issuer Bid Requirements is available in the circumstances.

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

IT IS ORDERED pursuant to clause 104(2)(c) of the Act that the purchase by Cognos of up to 5% of the number of Shares being sold pursuant to the Offering from the Ontario Selling Shareholders pursuant to the Prospectus is exempt from the Issuer Bid Requirements, provided that:

(a) the purchase price paid for the Shares does not exceed the market price of the Shares determined in accordance with section 183 of the regulation made under the Act, as at the date of such purchase, and

(b) the aggregate number of Shares purchased by Cognos pursuant to the Offering, when aggregated with all other Shares acquired by Cognos in reliance upon clause 93(3)(d) of the Act, within a period of twelve months does not exceed 5 per cent of the issued and outstanding Shares outstanding at the commencement of the period.

July 16, 2002.

"Paul Moore" "Harold P. Hands"

2.2.6 Sanchez Computer Associates, Inc. - s. 83

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, R.S.O. 1990, CHAPTER S. 5, AS AMENDED (THE "ACT")

IN THE MATTER OF
SANCHEZ COMPUTER ASSOCIATES, INC.
(FORMERLY "SPECTRA SECURITIES SOFTWARE INC.")

ORDER
(SECTION 83 OF THE ACT)

UPON the application of Sanchez Computer Associates, Inc. (formerly Spectra Securities Software Inc.) ("**Spectra**") for an order under Section 83 of the Act that Spectra be deemed to have ceased to be a reporting issuer under the Act;

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

AND UPON it being represented by Spectra to the Commission that:

1. Spectra is a corporation governed by the *Business Corporations Act* (Ontario) (the "**OBCA**") pursuant to Articles of Arrangement dated July 3, 2002;

2. Spectra became a reporting issuer under the Act on December 15, 2000 and is not in default of the requirements of the Act;

3. the authorised capital of Spectra consists of an unlimited number of common shares (the "Spectra Shares") of which 100 common shares are issued and outstanding.

4. pursuant to a plan of arrangement completed under Section 182 of the OBCA effective July 3, 2002 (the "**Arrangement**"), Sanchez Computer Associates, Inc., a corporation existing under the laws of the Commonwealth of Pennsylvania, ("**Sanchez**") indirectly acquired all of the issued and outstanding common shares (the "**Shares**") of Spectra;

5. as a result of the Arrangement, Sanchez indirectly holds all of the issued and outstanding securities of Spectra;

6. the Shares are not and never have been quoted or listed for trading on any exchange;

7. other than the Shares, Spectra has no securities, including debt securities, outstanding; and

8. Spectra does not intend to seek public financing by way of an offering of its securities.

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

IT IS ORDERED pursuant to Section 83 of the Act that Spectra is deemed to have ceased to be a reporting issuer under the Act effective as at the date of this order;

July 19, 2002.

"John Hughes"

2.2.7 Skylon Advisors Inc. - s. 147

Headnote

Section 147 of the Act - issuer is exempt from the payment of the fee otherwise payable under section 7.3 of Rule 45-501 in connection with a dual structure transaction where prospectus fees have already been paid.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., subsection 18(2) of Schedule I.

Rules Cited

Ontario Securities Commission Rule 45-501 - Exempt Distributions, s. 7.3.

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

AND

IN THE MATTER OF
SKYLON ADVISORS INC.

ORDER
(Section 147)

UPON the application (the "Application") of Skylon High Yield Trust (the "High Yield Trust") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act exempting the High Yield Trust from the payment of certain fees otherwise payable under section 7.3 of Commission Rule 45-501 – *Exempt Distributions* ("Rule 45-501") in connection with the issuance of High Yield Trust units with an aggregate principal amount of $125,000,000 by the High Yield Trust to the Counterparties (as defined below);

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

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

1. Skylon Advisors Inc. (the "Manager") is a corporation incorporated under the laws of the Province of Ontario on September 19, 2001. The registered office of the Manager is located in Toronto, Ontario;

2. The Manager acts as the manager and trustee of Skylon Capital Yield Trust (the "Capital Yield Trust") and the High Yield Trust;

3. The Capital Yield Trust is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement made as of March 27, 2002;

4. The Capital Yield Trust is authorized to issue an unlimited number of redeemable, transferable units of one class and series (the "Capital Yield Units"), each of which represents an equal, undivided beneficial interest in the net assets of the Capital Yield Trust;

5. The Capital Yield Trust filed a final prospectus dated March 27, 2002 (the "Capital Yield Prospectus"), relating to an offering of the Capital Yield Units (the "Offering") with all of the provincial securities regulatory authorities. A final receipt for this prospectus was issued on March 28, 2002.

6. The Capital Yield Trust is a reporting issuer in each of the provinces of Canada and is not in default of any requirements of Canadian securities legislation;

7. The initial public offering of the Capital Yield Trust was completed on April 18, 2002, at which time 5,000,000 Capital Yield Units were issued. In connection with that offering, an additional 420,000 Capital Yield Units were issued upon the exercise of an over-allotment option.

8. The Capital Yield Trust has invested its assets in a portfolio of common shares of Canadian public companies (the "Common Share Portfolio") to provide the Capital Yield Trust with the means to meet its investment objectives. The Capital Yield Trust has entered into forward purchase and sale agreements (collectively, the "Forward Agreement") with TD Global Finance ("TDGF"), a member of the TD Bank Financial Group, and Royal Bank of Canada ("RBC") (TDGF and RBC collectively referred to as the "Counterparties"). Under the Forward Agreement the Counterparties have agreed to pay to the Capital Yield Trust on or about the termination date of the Capital Yield Trust as the purchase price for the Common Share Portfolio an amount equal to 100% of the redemption proceeds of a corresponding number of units of the High Yield Trust;

9. The High Yield Trust is an investment trust established under the laws of Ontario pursuant to a trust agreement made as of April 11, 2002;

10. A final non-offering prospectus dated April 11, 2002 (the "High Yield Prospectus"), was filed with la Commission des valeurs mobilières du Québec ("CVMQ") to enable the High Yield Trust to become a reporting issuer under the *Securities Act* (Québec) (the "Québec Act"). A receipt for the High Yield Prospectus, dated April 11, 2002, was issued by the CVMQ;

11. The High Yield Trust is a reporting issuer in the Province of Québec and is not in default of any requirements of the Québec Act or the Regulations to the Québec Act;

12. The High Yield Trust was established for the purpose of acquiring a portfolio consisting primarily of high yield debt securities including corporate bonds and bank loans (the "High Yield Portfolio"). The return to holders of Capital Yield Units and the Capital Yield Trust will be dependent upon the return of the High Yield Trust and the High Yield Portfolio by virtue of the Forward Agreement;

13. To provide the High Yield Trust with the funds to purchase the High Yield Portfolio, on April 23, 2002, the High Yield Trust issued units to the Counterparties for an aggregate subscription price of $117,437,513.76. On May 23, 2002, the High Yield Trust issued additional units to the Counterparties upon the exercise of an over-allotment option for an aggregate subscription price of $9,599,997.01. The total aggregate subscription price of these issuances is $127,037,510.77. The issuances were made in reliance on the prospectus and registration exemptions under section 2.3 of Rule 45-501;

14. In connection with this distribution, the High Yield Trust has filed a Form 45-501F1 and is awaiting the outcome of this application to submit the related fees required under section 7.3 of Rule 45-501;

15. Pursuant to subsection 18(2) of Schedule 1 of Ontario Regulation 1015, the Capital Yield Trust has paid fees totalling $27,685.26 to the Commission in connection with the filing of the preliminary prospectus of the Capital Yield Trust and the Capital Yield Prospectus qualifying the distribution of the Capital Yield Units;

16. If the relief sought is not granted, the High Yield Trust will be required to pay the amount of $20,326.00 in fees to the Commission in respect of the distribution of the units of the High Yield Trust to the Counterparties;

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

IT IS ORDERED, pursuant to section 147 of the Act, that the High Yield Trust is exempt from the requirement to pay the fees applicable to the filing of a Form 45-501F1 under section 7.3 of Rule 45-501 in connection with the issuance of the units of the High Yield Trust by the High Yield Trust to the Counterparties.

July 9, 2002.

"Paul M. Moore" "R. W. Korthals"

2.2.8 Texada Software Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since March 21, 2001 and in Alberta since November 29, 2000 - 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.

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
TEXADA SOFTWARE INC.

ORDER
(Subsection 83.1(1))

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

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

AND UPON the Company representing to the Commission as follows:

1. The Company was incorporated pursuant to the *Company Act* (British Columbia) on March 21, 2000 under the name Ex Fund (B) Capital Corp. The Company changed its name to Aqua Capital Corp. on June 16, 2000 and then later changed its name to Texada Software Inc. on May 15, 2002.

2. The head office of the Company is located at 7B - 291 Woodlawn Road West, Guelph, Ontario.

3. The authorized capital of the Company consists of 200,000,000 shares divided into 100,000,000 common shares without par value and 100,000,000 preference shares without par value, issuable in series, which have rights, privileges and restrictions and conditions as established by the Company's board of directors.

4. As at May 30, 2002, 23,905,500 common shares were issued and outstanding, and 1,979,775 common shares had been reserved for outstanding stock options, share purchase warrants and agent's options. The Company has no preference shares outstanding.

5. The Company has been a reporting issuer under the Securities Act (British Columbia) (the "B.C. Act") and the Securities Act (Alberta) (the "Alberta Act") since November 29, 2000.

6. The Company is not in default of any requirements of the B.C. Act or the Alberta Act.

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

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

9. The Company has a significant connection to Ontario for the reasons that significantly greater than 10 per cent of the beneficial and registered common shareholders of the Company had, as at May 30, 2002, residence in Ontario, and the mind and management of the Company are located in Ontario.

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

11. The continuous disclosure materials filed by the Company under the B.C. Act and under the Alberta Act since November 29, 2000 are available on the System for Electronic Document Analysis and Retrieval (SEDAR).

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

13. Neither the Company nor any of its officers, directors nor, to the knowledge of the Company, its officers and directors, any of its controlling shareholders, 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.

14. Neither the Company nor any of its officers, directors, nor to the knowledge of the Company, its officers and directors, any of its controlling

shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

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

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

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

July 19, 2002.

“John E. Hughes”

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 Lenore Deonarine - ss. 26(3)

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

AND

IN THE MATTER OF
THE REGISTRATION OF LENORE DEONARINE

WRITTEN SUBMISSIONS TO THE DIRECTOR PURSUANT TO SUBSECTION 26(3) OF THE SECURITIES ACT

Date:	July 17, 2002
Director:	David M. Gilkes Manager, Registrant Regulation Services
Submissions:	Toni Sargent Registration Officer
	Lenore Deonarine For the Applicant

DECISION AND REASONS FOR DECISION

The decision of the Director is to impose terms and conditions upon the registration of Ms. Lenore Deonarine (Ms. Deonarine or the Registrant) as a salesperson. These are the reasons for the decision.

Background

On April 13, 1998, Ms. Deonarine was registered as salesperson by the Ontario Securities Commission (OSC). On April 3, 2002, the OSC was informed by Ms. Deonarine's employer, CIBC Securities (CIBC), that the Registrant had filed a personal bankruptcy form.

On April 29, 2002, Staff sent a letter to Ms. Deonarine and the CIBC proposing terms and conditions requiring quarterly reporting to the OSC, be imposed on the registration of Ms. Deonarine. The Registrant did not accept the proposal and requested the opportunity to be heard by the Director pursuant to subsection 26(3) of the Act which states:

> (3) Refusal – The Director shall not refuse to grant, renew, reinstate or amend registration or impose terms and conditions thereon without giving the applicant an opportunity to be heard.

The other provision relevant to this decision is subsection 26(2) of the Act which states:

> (2) Terms and conditions – The Director may in his or her discretion restrict a registration by imposing terms and conditions thereon and, without limiting the generality of the foregoing, may restrict the duration of registration and may restrict the registration to trades in certain securities or a certain class of securities.

Ms. Deonarine requested to be heard through a written submission, which was received on May 7, 2002.

Summary of Ms. Deonarine's Submission

The Registrant asked that her registration be allowed to continue without terms and conditions. Ms. Deonarine noted her competency as a mutual fund salesperson and focussed on the busy schedule of her supervisor that fact that her supervisor is not always at the same location as the Registrant. In closing Ms. Deonarine wrote "As a result, it would be very inconvenient and difficult to adhere to the terms and conditions".

Summary of Staff's Registration File

Staff of the OSC recommended that standard terms and conditions for quarterly reporting to the OSC be imposed on Ms. Deonarine's registration. Filing for personal bankruptcy gave Staff concerns regarding Ms. Deonarine's continued suitability for registration.

It is standard practice that terms and conditions for quarterly reporting are imposed upon an individual's registration should they file for bankruptcy. Ms. Deonarine's competency as a mutual fund salesperson was not a consideration in Staff's recommendation to impose terms and conditions.

Staff noted that many registrants have supervision terms and conditions imposed on their registrations and are able to fulfil the requirements. At the time of this decision, CIBC had six registrants required to submit quarterly or monthly reports to the OSC. In addition, CIBC's letter informing the OSC of the Registrant's bankruptcy filing, noted: "We understand your receipt of this document may result in the need for quarterly supervision reports to be submitted for Ms. Deonarine."

Director's Findings

I find that terms and conditions as set out in Exhibit "A", should be imposed upon the registration of Ms. Deonarine.

The Registrant submitted that the terms and conditions would be an inconvenience for both her and even more so for CIBC. However, CIBC currently submits reports for a number of registrants and immediately recognized that it may have to submit quarterly supervision reports for Ms. Deonarine.

Staff have consistently imposed terms and conditions on the registration of an individual filing for bankruptcy, as it affects the financial soundness and suitability of a registrant.

The position of Staff is consistent with the OSC mandate of investor protection and for these reasons, I find that terms and conditions should be imposed on the registration of Ms. Deonarine.

July 17, 2002.

"David M. Gilkes"

EXHIBIT "A"
PROPOSED CONDITIONS FOR REGISTRATION OF LENORE DEONARINE

1. For the sale of Mutual Funds only.

2. Written QUARTERLY supervision reports (copy attached) are to be submitted to the Ontario Securities Commission (Attention: Manager, Registrant Regulation) reporting on the details of Lenore Deonarine's sales activities and her dealings with clients. The first quarterly report covering the period from the date of this letter up to July 29, 2002 is due by August 12, 2002. Subsequent reports are due 15 calendar days after the end of each relevant quarterly reporting.

3. All handling of clients' funds will be strictly supervised by Lenore Deonarine's supervising officer.

4. This condition is to continue until Lenore Deonarine has fully satisfied her obligation and presents to the Manager, Registrant Regulation, acceptable evidence that same has been complied with.

_____
Approved Officer for
CIBC Securities Inc.

_____
Print Name of Signatory Above

_____
Date

_____
Lenore Deonarine
Applicant

_____
Date

QUARTERLY SUPERVISION REPORT

I hereby certify that strict supervision has been conducted for the quarter ending _____, 200__, of the trading activities of _____, by the undersigned. I further certify the following:

1. All orders, both buy and sell, and sales contracts have been initialled and reviewed by a senior officer before entry.

2. All client accounts have been reviewed for:

   - suitability of investments
   - excess trading or switching, and
   - client addresses and any amendments thereto

3. A review of trading activity on a daily basis has been conducted of the salesperson's client accounts.

4. No transactions have been made in any new account until the full and correct documentation is in place.

5. No client complaints have been received during the period covered. (If there have been, please attach a copy of the complaint documentation and the follow-up action initiated by the company).

6. There has been no handling of clients' funds or securities or issuance of cheques to clients without management approval.

7. Any transfer of funds or securities between clients' accounts has been authorized in writing and reviewed by the supervising officer.

8. Spot audits of the salesperson's client accounts have been conducted during the preceding month to ensure compliance with these procedures and no violation of these procedures were discovered.

_____
Date

_____
Supervising Officer
CIBC Securities Inc.

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire
360Networks Inc.	19 Jul 02	31 Jul 02		
Black Pearl Minerals Consolidated Inc.	23 Jul 02	02 Aug 02		
Grand Oakes Resources Corp.	23 Jul 02	02 Aug 02		
Greentree Gas & Oil Ltd.	22 Jul 02	02 Aug 02		
Intelligent Web Technologies Inc.	11 Jul 02	23 Jul 02	23 Jul 02	
Knowledge House Inc.	23 Jul 02	02 Aug 02		
Merchant Capital Group Incorporated	23 Jul 02	02 Aug 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
Asset Management Software Systems Corp.	23 Jul 02	02 Aug 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		22 Jul 02
Merchant Capital Group Incorporated	23 May 02	05 June 02	05 June 02		23 Jul 02
Petrolex Energy Corporation	28 May 02	10 June 02	10 June 02		
Systech Retail Systems Inc.	27 June 02	10 July 02	10 Jul 02		
Vision SCMS Inc.	23 May 02	05 June 02	05 June 02		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
CA-Network Inc.	18 July 02

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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-Jun-2002	Conference Cup Ltd.	1298417 Ontario Ltd - Mortgage	1,910,208.00	1,910,208.00
28-Jun-2002	The TDL Group Ltd	1298417 Ontario Ltd - Mortgage	1,910,208.00	1,910,208.00
30-Jun-2002	Residual Holdings ULC	1462888 Ontario Inc. - Rights	4,035,000.00	1.00
28-Jun-2002	6 Purchasers	AADCO Automotive Inc. - Units	700,000.00	700,000.00
01-Jul-2002	4 Purcasers	ABC American -Value Fund - Units	615,716.76	699,277.00
01-Jul-2002	5 Purchasers	ABC Fully-Managed Fund - Units	900,000.00	104,279.00
01-Jul-2002	George Mohacsi;National Bank Financial	ABC Fundamental - Value Fund - Units	300,000.00	18,952.00
16-May-2002	7 Purchasers	Accenture Ltd. - Common Shares	4,374,720.00	140,000.00
14-Jun-2002	Canadian Imperial Bank of Commerce	Advantex Marketing International Inc. - Warrants	0.00	25,895.00
05-Jul-2002	Canwest Media Sales Limited	AD2MEDIA, Ltd. - Debentures	60,000.00	60,000.00
23-May-2002	Strategic Nova Canadian High Yield Bond Fund	Ainsworth Lumber Co. Ltd. - Notes	248,755.00	250,000.00
05-Jul-2002	Mike Jones	Arrow Global RSP Multimanager Fund - Units	25,000.00	2,627.00
01-Jul-2002	Ascendant Limited Partnership	Ascenant Limited Partnership - Limited Partnership Units	100,000.00	102.00
01-Dec-2001	Ascendant Capital Inc.	Ascendant Limited Partnership - Limited Partnership Units	325,000.00	332.00
01-Jul-2002	Arrow Global Multi-Strategy Fund;Arrow Global Multi-Strategy Fund II	Ascendant Volatility Fund Limited Partnership - Limited Partnership Units	155,000.00	155.00
12-Jul-2002	7 Purchasers	AXMIN Inc. - Units	1,252,020.00	6,338,000.00

01-Nov-2001	Textron Canada Limited master Trust Ontario	Bank of Ireland Asset Management Limited - Units	300,000.00	27,615.00
09-Jul-2002	8 Purchasers	Blue Water Bridge Authority - Bonds	90,500,000.00	90,500.00
17-Jun-2002	4 Purchasers	Bycast Media Systems Canada Inc. - Preferred Shares	426,000.00	266.25
04-Jul-2002	3926893 Canada Limited	Bycast Media Systems Canada Inc. - Warrants	0.00	63,480.00
10-Jul-2002	The Manufacturers Life Insurance Company	Canaccord Holdings Ltd. - Common Shares	10,000,000.00	1,904,762.00
10-Jul-2002	The Manufacturers Life Insurance Company	Canaccord Holdings Ltd. - Convertible Debentures	10,000,000.00	1.00
11-Jul-2002	CMP 2002 resource Limited Partnership	Canadian Royalties Inc. - Common Shares	1,912,500.00	1.00
15-Mar-2002	4 Purchasers	Carter Co. Holdings Inc. - Units	800,000.00	4.00
25-Jun-2002	Greyling Investments;L.P.	Cassiar Resources Inc. - Common Shares	6,122,692.10	17,493,406.00
09-Jul-2002	25 Purchasers	Cequel Energy Inc. - Subscription Receipt	9,412,500.00	25,100,000.00
01-Jul-2002	3 Purchasers	CIT Group Inc. - Shares	2,272,400.00	65,000.00
24-Jun-2002	Vertex One Asset Management Inc.	Corner Bay Silver Inc. - Common Shares	3,570,000.00	850,000.00
03-Jul-2002	6 Purchasers	CP Ships Limited - Notes	38,101,320.00	6.00
28-Jun-2002	3 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	59,928.00	4,594.00
28-Jun-2002	4 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	70,104.00	5,644.00
28-Jun-2002	9 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	1,300,180.00	127,286.00
28-Jun-2002	14 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	126,195.00	10,153.00
01-Jun-2002 7/9/02	TD Securities Equity	Crystallex International Corporation - Common Shares	1,434,714.00	460,400.00
08-Jul-2002	3 Purchasers	Datawest Solutions Inc. - Units	2,580,000.00	1,612,500.00
03-Jul-2002	172007 Canada Inc.	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
03-Jul-2002	645026 Ont. Ltd. Mr. Marble	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jun-2002	Angelo Ricciuto	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00

03-Jun-2002	Barrie E. Johnson	Discovery Biotech Inc. - Common Shares	7,500.00	2,500.00
03-Jul-2002	Bob Mahon	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jul-2002	Carol Leduc	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Chris Wolnik	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Curtis Brown	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
03-Jul-2002	Dennis O'Hare	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Dieter Schmidt	Discovery Biotech Inc. - Common Shares	4,950.00	1,650.00
03-Jul-2002	Douglas Shelffield	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Dynamic Global Solutions Ltd.	Discovery Biotech Inc. - Common Shares	19,500.00	6,500.00
03-Jul-2002	Edward Chechak	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jul-2002	Emido Payone	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jul-2002	Gary Young	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jul-2002	George Stevers	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jul-2002	Gerrard Lanthier	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jul-2002	Gerry McPhail	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
03-Jul-2002	Gordon Lyle	Discovery Biotech Inc. - Common Shares	9,000.00	3,000.00
03-Jul-2002	Gordon Wood	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
03-Jul-2002	Greg Machin	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Harvey Joel	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Ivan Kovko	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jul-2002	Jan Read	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

03-Jul-2002	JMW Automotive	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jul-2002	John Fitzgerald	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
03-Jul-2002	Joseph P. Valeriote	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jul-2002	Judith Seed	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jul-2002	Ken W. Hardy	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
11-Jul-2002	Venture Coaches Fund;The Business Engineering;Science Y Technology	DragonWave Inc. - Preferred Shares	2,500,000.00	2,500,000.00
05-Jul-2002	6 Purchasers	E-Scotia Limited Partnership - Units	187.00	187.00
09-Jul-2002	6 Purchasers	E-Scotia Limited Partnership - Units	46,750.00	46,750.00
20-Jun-2002	CI Mutual Fund Group	El Paso Corporation - Common Shares	10,668,561.75	350,000.00
20-Jun-2002	Sivercreek Mgmt Inc.	El Paso Corporation - Units	4,201,725.00	55,000.00
09-Jul-2002	Royal Bay Capital Inc.	Elumina Lighting Technologies Inc. - Common Shares	100,000.00	30,960.00
28-Jun-2002	Export Development Corporation	Empresa de Generacion Electrica Fortuna, S.A. - Notes	24,299,200.00	16,000,000.00
08-Jul-2002	Municipality and Jurisdiction of Residence	Gibraltar Steel Corporation - Common Shares	1,000,000.00	32,655.00
30-Jun-2002	6 Purchasers	Gladiator Limited Partnership - Limited Partnership Interest	850,000.00	96,371,169.00
08-Jul-2002	3 Purchasers	Gold Summit Mines Ltd. - Shares	10,500.00	50,000.00
21-Jun-2002	Agnico Eagles Mines Limited;Royal Trust Corporation of Canada	Golden Goliath Resources Ltd. - Units	850,410.00	1,889,800.00
11-Jul-2002	The Canadian Pacific Railway;The Retirement Plan for Canadian utilities Limited	GPM Real Property (9) Ltd. - Common Shares	17,326,733.00	17,326,733.00
28-Jun-2002	CIBC WMC;INC.	Grade Communications Holdings, Inc. - Preferred Shares	4,999,997.70	3,569,445.00
08-Jul-2002	Mac Voisin	Handshake Interactive Technologies Inc. - Common Shares	10,000.31	24,391.00

15-Jun-2002	165174 Canada Inc.	Handshake Interactive Technologies Inc. - Common Shares	50,000.32	121,952.00
01-May-2002 6/4/02	Brawley Cathers Ltd.	K2 Energy Corp. - Common Shares	416,800.00	694,667.00
01-May-2002 6/4/02	26 Purchasers	K2 Energy Corp. - Debentures	4,710,000.00	26.00
14-Jun-2002	N/A Purchasers	MDS Capital Corp. - Option	0.00	0.00
05-Jul-2002	6 Purchasers	MMCAP Limited Partnership Fund - Limited Partnership Units	1,421,260.00	1,421.00
23-Jan-2001	Scotia Bank Master Trust	Morgan Stanley Dean Witter Investment Management Inc. - Units	17,999,500.00	1,628,947.00
31-Jan-2001	GTE Fund	Morgan Stanley Dean Witter Investment Management Inc. - Units	5,000,000.00	451,120.00
31-Jan-2001	Queen's University Investment Fund	Morgan Stanley Dean Witter Investment Management Inc. - Units	200,000.00	18,040.00
31-Jan-2001	Community Foundation for Greater Toronto	Morgan Stanley Dean Witter Investment Management Inc. - Units	9,667,278.30	879,325.00
31-Jan-2001	Queen's University Endowment Fund Ontario	Morgan Stanley Dean Witter Investment Management Inc. - Units	502,061.37	47,550.00
31-Jan-2001	Queens University Investment Account	Morgan Stanley Dean Witter Investment Management Inc. - Units	622,000.16	58,910.00
31-Jul-2001	Community Foundation for Greater Toronto	Morgan Stanley Dean Witter Investment Management Inc. - Units	943,186.89	89,329.00
31-Jul-2001	Workplace Safety & Insurance Board	Morgan Stanley Dean Witter Investment Management Inc. - Units	20,000,000.00	1,894,205.00
04-Jul-2001	Scotiabank Master Trust	Morgan Stanley Dean Witter Investment Management Inc. - Units	29,240,000.00	2,780,973.00
30-Jan-2001	Community Foundation for Greater Toronto	Morgan Stanley Dean Witter Investment Management Inc. - Units	400,750.00	37,709.00
16-Jul-2002	CMP 2002 Resource Limited partnership	Normabec Mining Resources Ltd. - Units	150,000.00	600,000.00
17-Jun-2002	3 Purchasers	Northam Real Estate Investment Fund V, L.P. - Units	500,000.00	500.00
30-Jun-2002	1497644 Ontario Inc.	Northern Assets inc. - Common Shares	1.00	5,000,000.00

27-Jun-2002	GATX/MM Venture Finance Partnership	NSI Global Inc. - Warrants	0.00	1.00
12-Jun-2002	CI Mutual Funds Group	Pacer International Inc. - Common Shares	1,728,000.00	75,000.00
30-Jun-2002	3 Purchasers	Performance Market Neutral Fund - Units	275,000.00	220.00
21-Jun-2002	Ontario Teachers Pension Plan	Printcafe Software, Inc. - Common Shares	6,853,500.00	450,000.00
11-Jun-2002	34 Purchasers	Quincunx Gold Exploration Ltd. - Special Warrants	1,240,000.00	2,480,000.00
08-Jul-2002	Sentient GP I;L.P.;Sentient (Aust) Pty Limited	Regis Resources Inc. - Debentures	1,500,000.00	1,500,000.00
22-May-2002	Ontario Teachers Pension Plan Board	Rent-A-Centre - Common Shares	1,220,000.00	20,000.00
03-May-2002	6 Purchasers	Seagate Technology HDD Holdings - Notes	4,424,298.00	2,820,000.00
02-Jul-2002	The Rollick Beverage Company Inc.	Sleeman Breweries Ltd. - Common Shares	2,499,997.00	225,428.00
19-Jul-2002	Bradley L Jones	Stealth Minerals Limited - Stock Option	70,000.00	700,000.00
28-Jun-2002	3 Purchasers	The McElvaine Investment Limited Partnership - Units	65,000.00	2,160.00
28-Jun-2002	7 Purchasers	The McElvaine Investment Trust - Units	622,240.23	33,644.00
10-Jul-2002	24 Purchasers	Venturion VGI Limited Partnership - Limited Partnership Units	28,177,561.50	0.00
09-Jul-2002	Steve and Claudia Blumberger	Winstar Resources Ltd. - Common Shares	98,216.25	357,150.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
02-Oct-2001	MRF 2000 Limited Partnership	Bushmills Energy Corporation - Common Shares	223,440.00	114,000.00
03-Dec-2001	MRF 2000 Limited Partnership	Canadian Superior Energy Inc. - Common Shares	33,400.00	20,000.00
28-Jun-2002	Middlefield Private Flow-Through Fund	Canadian Superior Energy Inc. - Common Shares	320,000.00	100,000.00
06-Jun-2002	AIG DKR Commodity Arbitrage Fund	Claude Resources Inc. - Warrants	100,237.50	182,250.00
27-Dec-2001	MRF 2000 Limited Partnership	Compton Petroleum Corporation - Common Shares	132,660.00	33,000.00
01-Apr-2002	MRF 2000 Limited Partnership	Devlan Exploration Inc. - Common Shares	805,000.00	350,000.00
01-Apr-2002	MRF 2000 Limited Partnership	Elk Point Resources Inc. - Common Shares	858,000.00	260,000.00
08-Jun-2001	MRF 2000 Limited Partnership	Equatorial Energy Inc. - Common Shares	504,000.00	14,000.00
01-Apr-2002	MRF 2000 Limited Partnership	Lexxor Energy Inc. - Shares	550,000.00	250,000.00
20-Jun-2001	MRF 2000 Limited Partnership	Magin Energy Inc. - Common Shares	1,180,000.00	200,000.00
26-Jun-2002	MIDDLEFIELD PRIVATE FLOW	Magin Energy Inc. - Common Shares	414,000.00	75,000.00
28-Jun-2002	MIDDLEFIELD PRIVATE FLOW	Navigo Energy Inc. - Common Shares	1,932,202.75	59,447.00
01-Apr-2002	MRF 2000 Limited Partnership	Peyto Exploration & Development Corp - Common Shares	4,680,000.00	800,000.00
05-Jun-2002	MRF 2000 Limited Partnership	Prime West Energy Trust - Trust Units	335,184.00	34,915.00
01-Apr-2002	MRF 2000 Limited Partnership	Promax Energy Inc. - Common Shares	347,840.00	869,600.00
01-Apr-2002	MRF 2000 Limited Partnership	Provident Energy Trust - Trust Units	1,243,200.00	120,000.00
01-Apr-2002	MRF 2000 Limited Partnership	Purcell Energy Ltd. - Common Shares	1,791,590.00	601,205.00
01-Apr-2002	MRF 2000 Limited Partnership	Seventh Energy Ltd. - Common Shares	159,090.00	454,545.00
01-Apr-2002	MRF 2000 Limited Partnership	Tempest Energy Corp. - Shares	1,248,450.00	123,000.00

01-Apr-2002	MRF 2000 Limited Partnership	Terraquest Energy Corporation - Common Shares	150,000.00	300,000.00
01-Apr-2002	MRF 2000 Limited Partnership	Ventus Engergy Ltd. - Common Shares	1,684,212.00	421,053.00
01-Apr-2002	MRF 2000 Limited Partnership	Vermilion Resources Ltd. - Common Shares	960,690.00	93,000.00

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
Discovery Capital Corporation	CardioComm Solutions Inc. - Common Shares	1,440,500.00
Sprott Asset Management Inc.	High River Gold Mines Ltd. - Common Shares	1,785,500.00
George Theadore	Infolink Technologies Ltd. - Common Shares	3,000,000.00
Cesar Correia	Infolink Technologies Ltd. - Common Shares	3,000,000.00
William J. Gastle	Microbix Biosystems Inc. - Common Shares	495,000.00
Susan M. S. Gastle	Microbix Biosystems Inc. - Common Shares	235,000.00
Targa Group Inc.	Plaintree Systems Inc. - Common Shares	11,988,665.00
Targa Group Inc.	Plaintree Systems Inc. - Common Shares	6,661,665.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Calpine Power Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated July 23rd, 2002
Offering Price and Description:
$ * - * Trust Units @ $10.00 per Trust Unit
Underwriter(s) or Distributor(s):
Scotial Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corp.
HSBC Securities (Canada) Inc.
Promoter(s):
Calpine Corporation
Project #467019

Issuer Name:
Elliott & Page Monthly High Income Fund
Elliott & Page Growth & Income Fund
Elliott & Page Generation Wave Fund
Elliott & Page Growth Opportunities Fund
Elliott & Page International Equity Fund
Elliott & Page Total Equity Fund
Elliott & Page Global Sector Fund
Elliott & Page Asian Growth Fund
(Class I Units)
Elliott & Page RSP Total Equity Fund
(Advisor Class and Class F Units)
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 19th, 2002
Mutual Reliance Review System Receipt dated July 22nd, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
Elliott & Page Limited
Promoter(s):
-
Project #466747

Issuer Name:
Jones Heward Fund Ltd.
Jones Heward American Fund
GGOF Centurion Japanese Value Fund
GGOF Guardian Canadian High Yield Bond Fund
GGOF Guardian Enterprise Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated July 19th, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Promoter(s):
Guardian Group of Funds Ltd.
Project #465275

Issuer Name:
Indigo Books & Music Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated July 22nd, 2002
Mutual Reliance Review System Receipt dated July 22nd, 2002
Offering Price and Description:
$15,310,841 - Issue of 21,302,047 Rights to Subscribe for up to 2,662,755 Common Shares at a Price of $5.75 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #466814

Issuer Name:
MacDougall, MacDougall & MacTier International Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 23rd, 2002
Mutual Reliance Review System Receipt dated July 23rd, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
MacDougall, MacDougall & MacTier Inc.
Promoter(s):
MacDougall, MacDougall & MacTier Inc.
Project #467138

Issuer Name:
Medsurge Medical Products Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated July 19th, 2002
Offering Price and Description:
$1,500,000 - 5,000,000 Common Shares @ $.030 per Share
Underwriter(s) or Distributor(s):
Leede Financial Markets Inc.
Promoter(s):
Marc Morin
Project #466598

Issuer Name:
Sentry Select Diversified Income Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 23rd, 2002
Mutual Reliance Review System Receipt dated July 24th, 2002
Offering Price and Description:
Offering of Rights to Subscribe for Units
Subscription Price: Three Rights and $ * Per Unit
The Subscription Prices is *% of the net Asset Value per Unit on *, 2002
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
-
Project #467203

Issuer Name:
Contrarian Resource Fund 2002 Limited Partnership
Principal Regulator - British Columbia
Type and Date:
Amendment #1 dated July 12th, 2002 to Prospectus dated May 24th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
TD Securities Inc.
National Bank Financial Inc.
Yorkton Securities Inc.
Research Capital Corporation
Acumen Capital Finance Partners Ltd.
Haywood Securities Inc.
Jennings Capital Inc.
Peters & Co. Limited
Union Securities Ltd.
Wellington West Capital Inc.
Promoter(s):
Contrarian Resource Fund 2002 Management Limited
Project #440689

Issuer Name:
Counsel Conservative Portfolio
Counsel Balanced Portfolio
Counsel Balanced RSP Portfolio
Counsel Growth Portfolio
Counsel Growth RSP Portfolio
Counsel All Equity Portfolio
Counsel All Equity RSP Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 15th, 2002 to Simplified Prospectus and Annual Information Form dated January 15th, 2002
Mutual Reliance Review System Receipt dated 19th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #398161

Issuer Name:
Counsel Select Value
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 15th, 2002 to Simplified Prospectus and Annual Information Form dated May 24th, 2002
Mutual Reliance Review System Receipt dated 19th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Counsel Group of Fund Inc.
Project #436667

Issuer Name:
IG Scudder U.S. Allocation Fund
IG Scudder Emerging Markets Growth Fund
IG Scudder European Growth Fund
IG Scudder Canadian All Cap Fund
Principal Regulator - Manitoba
Type and Date:
Amendment #3 dated July 10th, 2002 to Simplified Prospectus and Annual Information Form dated October 9th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Groupe Financial Services Inc.
Les Services Investors Limitee
Investors Group Financial Servies Inc.
Promoter(s):
-
Project #378758

Issuer Name:
Aecon Group Inc. (formerly Armbro Enterprises Inc.)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated 22nd day of July, 2002
Offering Price and Description:
3,335,000 COMMON SHARES ISSUABLE UPON THE EXERCISE OF PREVIOUSLY ISSUED SPECIAL WARRANTS
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
Griffiths McBurney & Partners
National Bank Financial Inc.
Promoter(s):
Project #461200

Issuer Name:
Clearwater Seafoods Income Fund
Principal Regulator - Nova Scotia
Type and Date:
Final Prospectus dated July 17th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
$211,704,350 - 21,170,435 Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Yorkton Securities Inc.
Beacon Securities Limited
Promoter(s):
Clearwater Fine Foods Incorporated
Project #458697

Issuer Name:
Galvanic Applied Sciences Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
2,000,000 Common Shares and 3,000,000 Common Shares Issuable Upon the Exercise of Previously Issued Special Warrants
Underwriter(s) or Distributor(s):
Woodstone Capital Inc.
Promoter(s):
-
Project #456493

Issuer Name:
InnVest Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of July, 2002
Offering Price and Description:
$300,000,000.00 - 30,000,000 Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Goldman Sachs Canada Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
Whitehall Street Real Estate Limited Partnership XI
Maple Leaf Investment Holdings, L.P.
Maple Leaf Investments, L.P.
Project #458206

Issuer Name:
StrategicNova Managed Futures Hedge Fund
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated July 19th, 2002
Mutual Reliance Review System Receipt dated 22nd day of July, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #459708

Issuer Name:
Swiss Water Decaffeinated Coffee Income Fund
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated July 15th, 2002
Mutual Reliance Review System Receipt dated 17th day of July, 2002
Offering Price and Description:
$54,552,000.00 - 5,455,200 Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
Raymond James Ltd.
Promoter(s):
Tri Guys Decaffeinated Coffee Inc.
Project #434098

Issuer Name:
Cognos Incorporated
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 16th, 2002
Mutual Reliance Review System Receipt dated 16th day of July, 2002
Offering Price and Description:
$*.* - 4,500,000 Common Shares @$*.* per Common Share
Underwriter(s) or Distributor(s):
Goldman Sachs Canada Inc.
Morgan Stanley Canada Limited
RBC Dominion Securities Inc.
Promoter(s):
-
Project #460891

Issuer Name:
First Calgary Petroleums Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 15th, 2002
Mutual Reliance Review System Receipt dated 17th day of July, 2002
Offering Price and Description:
Minimum $25,000,000 (20,000,000 Common Shares);
Maximum $40,000,000 (32,000,000 Common Shares)
@$1.25 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Haywood Securities Inc.
Promoter(s):
-
Project #462682

Issuer Name:
GE Capital Canada Funding Company
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated July 18th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
$6,000,000,000.00 - Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Promoter(s):
General Electric Capital Corporation
Project #464922

Issuer Name:
Golden Star Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated July 17th, 2002
Mutual Reliance Review System Receipt dated 18th day of July, 2002
Offering Price and Description:
$26,600,000.00 - 14,000,000 Units @$1.90 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #459431

Issuer Name:
Morguard Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 17th, 2002
Mutual Reliance Review System Receipt dated 17th day of July, 2002
Offering Price and Description:
$75,000,000.00 - 8.25% Convertible Unsecured Subordinated Debentures due 2007
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #464694

Issuer Name:
FRIEDBERG FOREIGN BOND FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 16th, 2002
Mutual Reliance Review System Receipt dated 19th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Friedberg Mercantile Group
Promoter(s):
-
Project #463776

Issuer Name:
Royal Canadian T-Bill Fund
Royal Premium Money Market Fund
Royal $U.S. Money Market Fund
Royal Canadian Short-Term Income Fund
(formerly Royal Mortgage Fund)
Royal Canadian Bond Index Fund
Royal Select Conservative Portfolio
(formerly Royal Select Income Portfolio)
Royal Select Balanced Portfolio
Royal Select Growth Portfolio
Royal Select Choices Conservative Portfolio
(formerly Royal Select Choices Income Portfolio)
Royal Select Choices Balanced Portfolio
Royal Select Choices Growth Portfolio
Royal Select Choices Aggressive Growth Portfolio
Royal Canadian Index Fund
Royal U.S. Index Fund
Royal U.S. RSP Index Fund
Royal International RSP Index Fund
(Series A Units)
Royal Canadian Money Market Fund
Royal Bond Fund
Royal Monthly Income Fund
Royal Global Bond Fund
Royal Balanced Fund
Royal Tax Managed Return Fund
Royal Balanced Growth Fund
Royal Global Balanced Fund
Royal Dividend Fund
Royal Canadian Value Fund
Royal Canadian Equity Fund
O'Shaughnessy Canadian Equity Fund
Royal Canadian Growth Fund
Royal Energy Fund
Royal Precious Metals Fund
Royal U.S. Equity Fund
O'Shaughnessy U.S. Value Fund
Royal U.S. Mid-Cap Equity Fund
O'Shaughnessy U.S. Growth Fund
Royal Life Science and Technology Fund
Royal International Equity Fund
Royal European Equity Fund
(formerly Royal European Growth Fund)
Royal Asian Equity Fund
(formerly Royal Asian Growth Fund)
Royal Global Education Fund
Royal Global Titans Fund
Royal Global Communications and Media Sector
Royal Global Consumer Trends Sector Fund
Royal Global Financial Services Sector Fund
Royal Global Health Sciences Sector Fund
Royal Global Industrials Sector Fund
(formerly Royal Global Infrastructure Sector Fund)
Royal Global Resources Sector Fund
Royal Global Technology Sector Fund
(formerly Royal e-Commerce Fund)
(Series A and Series F Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 16th, 2002

Mutual Reliance Review System Receipt dated 17th day of July, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
Royal Mutual Funds Inc.
Promoter(s):
-
Project #459378

Issuer Name:
The Capstone Balanced Trust
The Capstone International Trust
The Capstone Cash Management Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 22nd, 2002
Mutual Reliance Review System Receipt dated 23rd day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Capstone Consultants Limited
Promoter(s):
Morgan Meighen & Associates Limited
Project #459921

Issuer Name:
The Newport Fixed Income Fund
The Newport Canadian Equity Fund
The Newport US Equity Fund
The Newport International Equity Fund
The Newport Yield Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Newport Partners Inc.
Promoter(s):
Newport Partners Inc.
Project #460569

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Granite Associates Ltd. Attention: Thomas Arthur James 1662 Valentine Garden Mississauga ON L5J 1H5	Limited Market Dealer	Jul 17/02
Change of Name	Centurion Investment Advisors Inc. Attention: William Terrence Podolsky 130 King Street West, Suite 1800 The Exchange Tower, PO Box 427 Toronto ON M5X 1E3	From: Gold Leaf Securities Inc. To: Centurion Investment Advisors Inc.	May 29/02
Change of Name	UBS Global Asset Management International Ltd. Attention: Ilene Shiller c/o Torys Suite 3000, Maritime Life Tower Box 270, TD Centre Toronto ON M5K 1N2	From: UBS Asset Management International Limited To: UBS Global Asset Management International Ltd.	Apr 08/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 Notice and Request for Comment – Application for Recognition of Canadian Trading and Quotation System Inc.

NOTICE AND REQUEST FOR COMMENT – APPLICATION FOR RECOGNITION OF CANADIAN TRADING AND QUOTATION SYSTEM INC.

A. Background

Canadian Trading and Quotation System Inc. (CNQ) has applied to the Commission for recognition as a quotation and trade reporting system in accordance with section 21.2.1 of the *Securities Act* (Ontario).

CNQ is a private Ontario corporation formed to own and operate an electronic marketplace for Ontario investment dealers to trade non-exchange listed equity securities of Ontario reporting issuers. CNQ will be a new marketplace primarily for small issuers.

Investment dealers will agree with CNQ to be bound by CNQ's rules (Rules) and enforcement and discipline jurisdiction. CNQ will contract with Market Regulation Services Inc. (RS Inc.) to provide market regulation services to CNQ's marketplace. Issuers that are reporting issuers in Ontario can apply to CNQ to qualify their securities for quotation and trading on CNQ's marketplace. Issuers will prepare a quotation statement and maintain an enhanced disclosure record on CNQ's website and agree with CNQ to follow CNQ's policies (Policies) and submit to CNQ's enforcement and discipline jurisdiction. Investors will be able to directly access trading data and an Issuer's enhanced disclosure record at CNQ's website at www.cnq.ca.

The Commission is publishing for comment the application of CNQ and the following related documents:

1. Policies and Rules – The Policies and Rules, which are attached, are subject to approval of the Commission. The Policies and Rules are being published for comment at this time. Subject to comments received, the Commission will consider whether to approve the Policies and Rules. The Forms, which are part of the Policies, are not being published but will be available on our website at www.osc.gov.on.ca.

2. Draft recognition order for CNQ – In the application, CNQ responded to each of the recognition criteria established. Subject to comments received, Staff will recommend that the Commission grant an order recognizing CNQ as a quotation and trade reporting system with terms and conditions based on the recognition order attached.

We are seeking comment on all aspects of CNQ's application for recognition and the related documents.

B. Policies and Rules

(i) Policies

CNQ proposes to adopt Policies that deal with issuer obligations. The Policies include the following: qualification for quotation (Policy 2), timely disclosure and posting requirements (Policy 5), distributions (Policy 6), significant transactions and developments (Policy 7), fundamental changes (Policy 8) and name changes, stock splits and share consolidations (Policy 9).

We note that, in Policy 2, CNQ does not propose to exclude the freely tradeable shares held by or optioned to dealers when calculating an issuer's public float. Staff request comment on whether securities held by all dealers and various parties related to them (the professional group as defined in National Instrument 33-105 Underwriting Conflicts) should be excluded when calculating an issuer's public float.

Question 1: Should securities held by all dealers and various parties related to them (the professional group as defined in National Instrument 33-105 Underwriting Conflicts) be excluded when calculating an issuer's public float?

(ii) Rules

CNQ proposes to adopt the Universal Market Integrity Rules (UMIRs), as amended from time to time. In addition, CNQ proposes to adopt certain Rules that are specific to trading on CNQ. These Rules include the types of orders that may be entered, a fair price rule and provisions dealing with market makers. CNQ also proposes to adopt a sales practice rule.

C. Draft recognition order

Staff of CNQ and the OSC have engaged in extensive discussions leading to the publication of the application and the draft recognition order. The draft recognition order establishes terms and conditions in the following areas:

1. Corporate Governance

2. Fees

3. Fitness

4. Access

5. Financial Viability

6. Regulation

7. Capacity and Integrity of Systems

8. Purpose of Rules

9. Rules and Rule-Making

10. Financial Statements

11. Discipline Rules

12. Due Process

13. Information Sharing

14. Issuer Regulation

15. Clearing and Settlement

16. Transparency Requirements

17. Additional Information

CNQ must meet each term and condition to the satisfaction of the Commission.

C. Comment process

You are asked to provide your comments in writing and delivered on or before **August 23, 2002** addressed to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

We request that you submit a diskette containing an electronic copy of your submission. The confidentiality of submissions cannot be maintained as a summary of written comments received during the comment period will be published.

Questions may be referred to:

Susan Greenglass
Senior Legal Counsel, Market Regulation
(416) 593-8140
email: sgreenglass@osc.gov.on.ca

Barbara Fydell
Legal Counsel, Market Regulation
(416) 593-8253
email: bfydell@osc.gov.on.ca

Susan McCallum
Senior Legal Counsel, Corporate Finance
(416) 593-8248
email: smccallum@osc.gov.on.ca

13.1.2 Canadian Trading and Quotation System Inc. Application Letter

VIA E-MAIL AND DELIVERED

July 16, 2002

Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8

Attention: Randee Pavalow, Director, Capital Markets

Dear Ms. Pavalow:

Re: Application for Recognition of Canadian Trading and Quotation System Inc. ("CNQ")

Introduction

This letter sets out the application of CNQ to the Ontario Securities Commission ("Commission") for recognition as a quotation and trade reporting system in accordance with section 21.2.1 of the *Securities Act* (Ontario).

Background

CNQ will operate an electronic, automated marketplace for participating investment dealers to trade equity securities of qualified reporting issuers. Investment dealers ("CNQ Dealers") will agree with CNQ to be bound by CNQ's rules (including trading rules) and enforcement and discipline jurisdiction. CNQ will contract with Market Regulation Services Inc. ("RS Inc.") to provide market regulation services to CNQ's marketplace. Issuers ("Issuers") that are reporting issuers in Ontario can apply to CNQ to qualify their securities for quotation and trading on CNQ's marketplace. Issuers will prepare and post an enhanced disclosure record to CNQ's website (the "Website") and agree with CNQ to follow CNQ's policies and submit to CNQ's enforcement and discipline jurisdiction. Investors will be able to directly access trading data and an Issuer's enhanced disclosure record at CNQ's website at www.cnq.ca.

Business Components

There will be two fundamental components of CNQ, the Quotation and Trading System and the Website:

1) The Quotation and Trading System

Overview

The Quotation and Trading System (the "System") is a screenbased, automated electronic marketplace. The System will provide to CNQ Dealers order display, including price and volume, recent trade history and other market information. The System will be open for trading during regular Canadian trading hours on all business days. CNQ Dealers will be able to access the System on a secure

basis and be able to configure the display of the System to their individual preferences.

Access

CNQ Dealers will be able to access the System by either a dedicated CNQ trading terminal (a PC with CNQ's trading software) or through a third-party order-entry system (such as Belzberg, KTG Technologies, E*Trade or Reuters).

Automated Marketplace

The System is a fully automated electronic marketplace. CNQ Dealers with access will be able to enter into the System orders to buy or sell securities of qualified CNQ Issuers. Orders are queued in the marketplace according to priority rules (price and time). When a match is made a trade occurs and is confirmed to the respective CNQ Dealers and to the Canadian Depository for Securities Limited ("CDS") clearinghouse for settlement.

The System is a central limit order book (auction market), functionally similar to the marketplaces operated by TSX (formerly TSE and CDNX), combined on a stock-by-stock basis with competitive market-making by CNQ Dealers (dealer market). Market makers enjoy limited exclusive order entry privileges for the stocks in which they are approved market makers.

Order Entry and Handling: Market Makers

CNQ grants limited exclusive order entry privileges to CNQ Dealers willing to become market makers in a CNQ Issuer's stock. In consideration for providing continuous quotations (that is both an order to buy and an order to sell) of minimum size, often as principal, CNQ, on an issuer-by-issuer basis, limits order entry access only to market makers. A non-market maker may only enter a client order directly into the System which is either a market order or a limit order at the displayed bid or ask price, as the case may be, to trade automatically with a market maker. A non-market maker may also enter a cross between the bid and ask. Otherwise, non-market makers must route orders for these particular CNQ Issuers' stocks through a market maker who is obligated to execute or expose client orders according to the order handling rules. In stocks without market makers any CNQ Dealer may enter orders into the order book which then functions as a pure auction market.

2) The Website

Enhanced Issuer Disclosure and Market Data

CNQ's Website will provide investors a central resource to obtain information about CNQ Issuers, the CNQ marketplace and CNQ. Enhanced disclosure of CNQ Issuer information on www.cnq.ca will enable investors to make better-informed investment decisions.

In order to enhance the disclosure by CNQ Issuers and provide investors with more meaningful and timely information CNQ will require CNQ Issuers to prepare and post on the Website a prospectus-like base disclosure document (the "Quotation Statement"), quarterly and monthly updates and reports, press releases and notices of transactions (similar to the documentation provided confidentially to exchanges by exchange listed issuers). CNQ Issuers will post the required (and other permitted) disclosure documentation on a password protected, secure basis to the Website ("Issuer Information").

The Website will display both the Issuer Information and market data from the System. Investors will access timely and meaningful disclosure concerning CNQ Issuers, trading information and market data at the CNQ Website.

Provision of Information

CNQ will provide all necessary notices and information to the Commission as set out in the Commission's order recognizing CNQ as a quotation and trade reporting system ("Recognition Order").

Corporate Governance

CNQ was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on November 24, 2000.

Ownership

CNQ is a private issuer. At the present time, none of its shares are owned by dealers or issuers.

Independent Directors

CNQ believes that its arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules of CNQ, namely, the CNQ Board, are such as to ensure a proper balance between the interests of CNQ Dealers and CNQ Issuers.

The constating documents of CNQ provide that its Board will have a minimum of one and a maximum of 9 directors. In order to ensure a diversity of representation on the Board, at least 50% of the directors will be independent directors provided that the CNQ president shall be deemed to be neither independent nor non-independent if the Board has an uneven number of directors. An "independent" director is one who is not an associate of nor a partner, director, officer, employee or shareholder of a CNQ Dealer or Issuer, a person owning or exercising control over 10% or more of the outstanding voting securities of CNQ (a "major shareholder") or any affiliate of any such person. In addition, employees of CNQ (other than the president, who is deemed to be neither independent nor non-independent as noted above) and any person employed by CNQ in the previous 2 years are not independent directors.

Accordingly, CNQ's independent directors will be individuals who are not connected with its major shareholders, marketplace participants or quoted companies.

Governance Committee

Draft By-law 3A provides that the Board shall establish a Governance Committee comprising an equal number of independent and non-independent directors and the president, who shall be deemed to be neither independent nor non-independent. The Governance Committee shall be responsible for proposing identifying, recruiting and nominating new directors. While the Governance Committee has responsibility for proposing nominees to the Board, the entire Board has responsibility for the nomination.

In discharging its responsibilities, the Governance Committee shall endeavor to ensure that the business, affairs and operations of CNQ are conducted:

- to ensure compliance with Ontario securities law;
- to prevent fraudulent and manipulative acts and practices;
- to promote just and equitable principles of trade; and
- to foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling and processing information with respect to and facilitating transactions in, securities.

If the shareholders elect a director other than one recommended by the Governance Committee and proposed by the Board, or fail to elect such nominee as director, CNQ shall immediately notify the Commission.

Shareholder Vote to Confirm Directors

Under the OBCA and CNQ's by-laws, CNQ's shareholders elect the directors by a simple majority, provided that if a vacancy occurs on the Board and a quorum of directors remains in office, the directors may appoint a qualified person to hold office for the unexpired term of his or her predecessor. If a vacancy results in CNQ not being in compliance with the requirement for a minimum percentage of independent directors, the Board must take steps to remedy the situation as quickly as possible.

Audit Committee

Draft By-law 3A provides for an Audit Committee to be comprised of four directors, none of whom shall be officers or employees of the Corporation. The Committee shall comprise an equal number of independent and non-independent directors.

Fitness

CNQ will ensure that each major shareholder, officer and director is a fit and proper person whose past conduct affords reasonable grounds for belief that the business of CNQ will be conducted with integrity and in the public interest.

Fees

Any and all fees imposed by CNQ will be equitably allocated. They will not have the effect of creating barriers to access and will be balanced with the criteria that CNQ will have sufficient revenues to satisfy its responsibilities.

CNQ's process for setting fees will be fair, appropriate and transparent.

CNQ's current fee schedule is as follows:

Issuers

Initial Fee	$10,000[(1)]
Non-Refundable	*$2000*
Monthly Fee	$300
Fundamental Change	$10,000
Reactivation Fee	$500

Dealers

Initial Set-Up Fee	$2500
Monthly Access Fee	$1250
Trading Fees	The sum of $0.05 per 1,000 shares plus $4.00 per $1,000 value, payable per trade by each side.

(1) The initial fee shall be reduced to $8,000 for application for quotation made prior to issuance of the order recognizing CNQ as a quotation and trade reporting system.

CNQ will engage Market Regulation Services Inc. ("RS Inc") as a regulation services provider and trades on CNQ will be subject to the fees set by RS Inc. in addition to CNQ fees.

Fees for market data have not been determined at this time.

Access

A dealer is eligible to become a CNQ Dealer if it is an Ontario registrant and a member in good standing of the Investment Dealers Association of Canada. CNQ may refuse to approve an applicant, or approve an applicant subject to terms and conditions if it believes that the dealer will not comply with CNQ Requirements, is not qualified by reason of integrity, solvency, training or experience, or it is otherwise not in the public interest to accept such dealer.

Any dealer who is refused approval, or granted approval subject to terms and conditions will be provided with the reasons for the decision and will have a right of appeal to the CNQ Board.

Once approved, a CNQ Dealer must comply with all CNQ Requirements.

Financial Viability

CNQ is a for-profit corporation. It will maintain sufficient financial resources for the proper performance of its functions. On a quarterly basis (or as required by the recognition order if certain criteria are not met), CNQ will provide the Commission with a calculation of certain liquidity, debt coverage and financial leverage measures as set out in the recognition order. CNQ will also assess the appropriateness of the calculations and whether any alternative calculations should be considered and report the results of that assessment to the Commission.

Regulation

CNQ will maintain its ability to perform its regulation functions including setting requirements governing the conduct of and disciplining CNQ Dealers and CNQ Issuers.

CNQ will retain RS Inc. as a regulation services provider to provide, as agent for CNQ, market regulation services approved by the Commission. CNQ will annually assess the performance of RS Inc. of its regulation functions and report to the Board, together with any recommendations for improvement.

The Investment Dealers Association of Canada will monitor and enforce compliance with the CNQ mark-up and sales practice rules. RS Inc. will monitor and enforce compliance with the Universal Market Integrity Rules, which will govern trading on CNQ in addition to CNQ-specific trading rules. CNQ will perform all other regulation functions.

Capacity and Integrity of Systems

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, CNQ will:

(a) on a reasonably frequent basis, and in any event, at least annually,

  (i) make reasonable current and future capacity estimates;

  (ii) conduct capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

  (iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;

  (iv) review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards, and natural disasters; and

  (v) establish reasonable contingency and business continuity plans;

(b) annually, cause to be performed an independent review and written report, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (a) and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review; and

(c) promptly notify the Commission of material systems failures and changes.

Current Capacity:

The CNQ trading system will be built to meet initial and medium term requirements. In general terms the system will be built to provide the highest possible availability, security and efficiency. All hardware and software components will be duplicated within the architecture of the system so as to provide for complete redundancy in the event of failure of any single component. This principle of design will be fully extended to all aspects of CNQ's marketplace operations to ensure that trading may continue at all times without interruption.

The initial system will be sized to provide sufficient capacity for levels of trading much higher than what is expected.

Future Capacity:

On a monthly basis, the capacity of the system will be compared to current and expected future market activity to ensure that the system continues to provide more than sufficient capacity to ensure that the CNQ marketplace operates with the highest availability and efficiency. The server technology, which provides the base for capacity and efficiency of the marketplace, is easily expandable without interruption to service. At appropriate intervals, data will be transferred from the system's databases to external storage devices so that CNQ will ensure long term retention of all marketplace data and to provide for appropriate disaster recovery plans.

Contingency:

As noted above, CNQ's technology architecture, including the hosting environment and network connectivity, will provide for complete redundancy and the highest levels of security for all components of the system. In essence, if one aspect of the system fails to function there will be a duplicated component which will seamlessly take over that part of the operation. The system will be monitored 24 hours a day, 7 days a week, to ensure that all components continue to operate and remain secure. At least one member of CNQ's technical staff will be on call at all times to ensure that any repair is completed as soon as possible to maintain the established level of redundancy.

Initially, CNQ will ensure that its primary trading system does not require an off-site back-up except in the case of a major disaster, by designing the base system with complete redundancy for all components. Also, all trading information will be stored at 15 minute intervals at a secure

off-site location. In the event of a major disaster, CNQ will have stored market data up to the time of disaster and be able to reconstruct the market and the system at a new site within approximately four weeks. Eventually, once the trading volumes and revenues grow to sufficient levels, CNQ intends to build an off-site "hot" back-up system.

Purpose of Rules

CNQ will establish rules, policies and other similar instruments (Rules) that are necessary or appropriate to govern and regulate all aspects of its business and affairs to:

- ensure compliance with securities legislation;
- prevent fraudulent and manipulative acts and practices;
- promote just and equitable principles of trade;
- foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and
- provide for appropriate discipline.

Rules will be filed with the Commission and published for public notice and comment prior to implementation, except for limited circumstances where there is an urgent need to implement a rule, in which case the rule will be effective immediately, subject to withdrawal if the Commission disapproves the rule, either before or following notice and comment.

Financial Statements

CNQ will file unaudited quarterly financial statements within 60 days of each quarter end and audited financial statements within 90 days of year end, prepared in accordance with generally accepted accounting principles.

Discipline Rules

CNQ will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation. CNQ will retain RS Inc. to act as agent for monitoring and enforcing compliance with its rules. CNQ Dealers will be required to attorn to the jurisdiction of RS Inc.

Due Process

CNQ's requirements relating to access to the facilities of CNQ, the imposition of limitations or conditions on access and denial of access will be fair and reasonable. Parties will be given an opportunity to be heard or make representations and CNQ will keep a record, give reasons and provide for appeals of its decisions.

Information Sharing

CNQ is able and willing to share information and otherwise co-operate with the Commission and its staff, the Canadian Investor Protection Fund, other Canadian exchanges and recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions.

Issuer Regulation

CNQ will have sufficient authority over CNQ Issuers and will have appropriate review procedures in place to monitor and enforce issuer compliance with CNQ Requirements.

Clearing and Settlement

All trades on CNQ will be cleared and settled through the CDS.

Transparency Requirements

CNQ will comply with the pre-trade and post-trade transparency requirements set out in National Instrument 21-101 Marketplace Operation.

Conclusion

We look forward to receiving your comments at your earliest convenience. If you have any questions or would like to discuss any aspects of this application, please contact Robert Cook at 416-572-2470 or Timothy Baikie at 416-572-2282.

Yours truly,

Timothy Baikie
General Counsel & Secretary

cc: Ms. Susan Greenglass, Legal Counsel, Market Regulation

13.1.3 Canadian Trading and Quotation System Inc. Policies

POLICY 1

INTERPRETATION AND GENERAL PROVISIONS

1. CNQ Philosophy

1.1 CNQ believes that the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices are: (a) high quality, timely and continuous disclosure by issuers, (b) trading rules designed to ensure integrity and a fair and orderly market, and (c) comprehensive and independent market regulation to administer and enforce the trading rules and timely and continuous disclosure requirements.

1.2 CNQ believes recent advances in technology such as SEDAR and the Internet which facilitate instant, widespread and economical dissemination of information permit CNQ to require and CNQ Issuers to provide an enhanced standard of disclosure to secondary market investors, irrespective of an Issuer's size.

1.3 Fundamental to CNQ is the establishment by CNQ Issuers of a comprehensive, publicly-available disclosure base, providing enhanced quality and timeliness of information. CNQ's Issuer disclosure obligations aim to ensure that investors may trade informed by current full, true and plain disclosure concerning CNQ Issuers.

1.4 CNQ's Issuer disclosure commences with the Quotation Statement, an Issuer prepared document intended to provide prospectus level disclosure. The Quotation Statement is accompanied by the Quotation Summary which provides a high-level summary of the Quotation Statement. The Quotation Statement must be supplemented and updated quarterly, monthly and upon the occurrence of significant events affecting the Issuer. A CNQ Issuer must prepare, certify and post a Quarterly Quotation Statement including quarterly financial statements, management's discussion and analysis and updating any changes to the Quotation Statement and a Monthly Progress Report, reporting activity (or lack of activity) by the Issuer in the preceding calendar month accompanied by a Certificate of Compliance, certifying that the Issuer is in compliance with Ontario securities law. CNQ Issuers must also prepare and post Notices of any distribution of securities, transactions or developments or proposed distributions, transactions or developments. CNQ Issuer disclosure obligations are in addition to or supplementary to the continuous disclosure obligations under Ontario securities law. Notices of proposed distributions and transactions must be updated every two weeks, either indicating completion or ongoing status. Issuers failing to provide updates will have an indication of non-compliance attached to their stock symbol in the CNQ Marketplace and be subject to suspension if not remedied within a further two weeks.

2. CNQ Discretion

2.1 The Policies of CNQ have been put in place to serve as guidelines to Issuers, Issuers applying for qualification for quotation of securities, and their professional advisers. However, CNQ reserves the right to exercise its discretion in applying the policies in all respects. CNQ can waive or modify an existing requirement or impose additional requirements. Any such waiver, modification or imposition of additional requirements may be general or particular in its application, as determined by CNQ. In exercising its discretion, CNQ will take into consideration facts or situations unique to a particular party. Quotation of securities on CNQ is a privilege, not a right, and CNQ may grant or deny an application, including an application for the qualification for quotation, notwithstanding the published Policies of CNQ.

3. Definitions

3.1 Unless otherwise defined or interpreted or the subject matter or context otherwise requires, every term used in these Policies that is:

(a) defined or interpreted in section 1 of the *Securities Act* has the meaning ascribed to it in that section;

(b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection;

(c) defined in subsection 1.1(3) of National Instrument 14-101 has the meaning ascribed to it in that subsection;

(d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that section;

(e) defined or interpreted in Part 1 of National Instrument 21-101 has the meaning ascribed to it in that subsection;

(f) defined in subsection 1.1 of National Instrument 44-101 has the meaning ascribed to it in that subsection;

(g) defined in section 1.1 of UMIR has the meaning ascribed to it in that section; and

(h) a reference to a requirement of CNQ shall have the meaning ascribed to it in the applicable by-law, Rule or Policy of CNQ.

3.2 In all Policies, unless the subject matter or context otherwise requires:

"affiliated entity" has the meaning ascribed to it in Ontario Securities Commission Rule 45-501.

"Board Lot" means a standard trading unit.

"Business Day" means any day from Monday to Friday inclusive, excluding statutory holidays.

"by-laws" means any by-law of CNQ as amended and supplemented from time to time.

"CNQ" means Canadian Trading and Quotation System Inc.

"CNQ Board" means the Board of Directors of CNQ and includes any committee of CNQ's Board of Directors to which powers have been delegated in accordance with the by-laws, Policies or Rules.

"CNQ Bulletin" means an electronic communication from CNQ to CNQ Dealers;

"CNQ Dealer" means a Participant which has applied to CNQ for, and has been permitted by CNQ, access to the CNQ system, provided such access has not been terminated or suspended.

"CNQ Issuer" means an Issuer which has its securities qualified for quotation on the CNQ System or which has applied to have its securities qualified for quotation on the CNQ System.

"CNQ Requirements" means collectively:

(a) the Rules;

(b) these Policies;

(c) UMIR; and

(d) any Decision,

as amended, supplemented and in effect from time to time.

"CNQ System" means the electronic system operated by CNQ for trading and quoting securities.

"CNQ Trading and Access Systems" includes all facilities and services provided by CNQ to facilitate quotation and trading, including, but not limited to: the CNQ System, data entry services; any other computer-based quotation and trading systems and programs, communications facilities between a system operated or maintained by CNQ and a trading or order routing system operated or maintained by a CNQ Dealer, another market or other person approved by CNQ, a communications network linking authorized persons to quotation dissemination, trade reporting and order execution systems and the content entered, displayed and processed by the foregoing, including price quotations and other market information provided by or through CNQ.

"Clearing Corporation" means The Canadian Depository for Securities Limited or such other person as recognized by the Commission as a clearing agency for the purposes of the *Securities Act* and which has been designated by CNQ as an acceptable clearing agency.

"Certificate of Compliance" means the certificate of compliance which each CNQ Issuer must complete and post in Form 6.

"control block holder" means any person or combination of persons holding a sufficient number of any securities of a CNQ Issuer or CNQ Dealer to affect materially the control of that CNQ Issuer or CNQ Dealer, but any holding of any person or combination of persons holding more than 20% of the outstanding voting securities of a CNQ Issuer or CNQ Dealer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of that CNQ Issuer or CNQ Dealer.

"Decision" means any decision, direction, order, ruling or other determination of CNQ, including any committee of CNQ, or the Market Regulator made in the administration or application of these Policies or any Rule.

"disqualify", **"disqualification"** and **"disqualified"** where used in relation to the quotation of an Issuer's securities means termination of the qualification of an Issuer for quotation of its securities on the CNQ System.

"freely tradeable" in respect of securities means securities that have no restriction on resale or transfer, including restrictions imposed by pooling or other arrangements or in a shareholder agreement.

"Handbook" means the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

"Investor Relations Activities" means any activities or oral or written communications, by or on behalf of a CNQ Issuer or shareholder of a CNQ Issuer, that promote or reasonably could be expected to promote the purchase, or sale of securities of the CNQ Issuer, but does not include:

(a) the dissemination of information provided, or records prepared, in the ordinary course of business of the CNQ Issuer

(i) to promote the sale of its products or services, or

(ii) to raise public awareness of the CNQ Issuer,

that cannot reasonably be considered to promote the purchase, or sale of securities of the CNQ Issuer;

(b) activities or communications necessary to comply with

(i) applicable securities legislation or

(ii) CNQ Requirements or the requirements of any other regulatory body having jurisdiction over the CNQ Issuer;

(c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication that is of general and regular circulation if

(i) the communication is only through the newspaper, magazine or publication, and

(ii) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(d) such other activities or communications that may be specified by CNQ.

"Market Regulator" means Market Regulation Services Inc. or such other person as recognized by the Commission as a regulation services provider for the purposes of the *Securities Act* and which has been designated by CNQ as an acceptable regulation services provider.

"material information" means a material fact, a material change and any other information that might influence or change an investment decision of either a reasonable conservative or speculative investor.

"Monthly Progress Report" means Form 7.

"MR Policy" means a Policy as defined in UMIR, being a policy statement adopted by the Market Regulator in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

"outside director" means a director who is not an officer or employee of an Issuer or any of its affiliates.

"Personal Information Form" or **"PIF"** means Form 3.

"Policy" means any policy statement and any direction or decision adopted by the CNQ Board or any committee of the CNQ Board in connection with the administration or application of these Policies, as such policy statement, direction or decision is amended, supplemented and in effect from time to time.

"post" means submitting a document in prescribed electronic format to the CNQ.ca website and, in the case of a requirement to post a share certificate, means filing a definitive specimen with CNQ and posting an electronic version of the certificate on the CNQ.ca website in PDF format.

"Quotation Agreement" means Form 4.

"Quarterly Quotation Update" means Form 5.

"Quotation Statement" means Form 2A together with all required supporting documents.

"Quotation Summary" means Form 2B.

"Record Date" means the date fixed as the record date for the purpose of determining shareholders of a CNQ Issuer eligible for a distribution or other entitlement.

"Regulation" means Ontario Regulation 1015 - General Regulation made under the *Securities Act*, as amended from time to time.

"Related Entity" means, in respect of a CNQ Issuer

(a) a person

(i) that is an affiliated entity of the CNQ Issuer;

(ii) of which the CNQ Issuer is a control block holder;

(b) a management company or distribution company of a mutual fund that is a CNQ Issuer; or

(c) a management company or other company that operates a trust or partnership that is a CNQ Issuer.

"Related Person" means, in respect of a CNQ Issuer

(a) a Related Entity of the CNQ Issuer;

(b) general partners, directors and officers of the CNQ Issuer or Related Entity;

(c) a promoter of or person who performs Investor Relations Activities for the CNQ Issuer or Related Entity;

(d) any person that owns or exercises voting control over at least 10% of the total voting rights attached to all voting securities of the CNQ Issuer or Related Entity; and

(e) such other person as may be designated from time to time by CNQ.

"*Securities Act*" means the *Securities Act*, R.S.O. 1990, c.S.5 as amended from time to time.

"SEDAR" means the System for Electronic Document Analysis and Retrieval.

"**Statutory Holiday"** means such day or days as may be designated by the CNQ Board or established by law applicable in Ontario.

"stock option" means an option to purchase shares from treasury granted to an employee, director, officer, consultant or service provider of a CNQ Issuer.

"Trading Day" means a business day during which trades are executed on the CNQ System.

"UMIR" means the Universal Market Integrity Rules adopted by the Market Regulator as amended from time to time.

"unrelated director" means an outside director who has no relationship with the Issuer, in any capacity (e.g. as lawyer, accountant, banker, supplier or customer), save as a shareholder of the Issuer who is not a control block holder.

3.3 *Interpretation.* In these Policies and accompanying forms,

"person" includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust.

4. Rules of Construction

4.1 The division of CNQ Requirements into separate Rules, Policies, divisions, sections, subsections and clauses, the provision of a table of contents and index thereto, and the insertion of headings, indented notes and footnotes are for convenience of reference only and shall not affect the construction or interpretation of CNQ Requirements.

4.2 The use of the words "hereof", "herein", "hereby", "hereunder" and similar expressions indicated the whole of the Policies and not only the particular Policy in which the expression is used, unless the context clearly indicates otherwise.

4.3 The word "or" is not exclusive and the word "including", when following any general statement or term, does not limit that general statement or term to the specific matter set forth immediately after the statement or term, whether or not non-limited language (such as "without limitation" or "but not limited to" or similar words) is used.

4.4 Any reference to a statute, unless otherwise specified, is a reference to that statute and the regulations made pursuant to that statute, with all amendments made and in force from time to time, and to any statute or regulation that may be passed which supplements or supersedes that statute or regulation.

4.5 Unless otherwise specified, any reference to a policy, rule, blanket order or instrument includes all amendments made and in force from time to time and any policy, rule, blanket order or instrument which supplements or supersedes that policy, rule, blanket order or instrument.

4.6 Grammatical variations of any defined term shall have similar meanings; words imputing the masculine gender include the feminine or neuter gender and words in the singular include the plural and vice versa.

4.7 All times mentioned in CNQ Requirements shall be local time in Toronto on the day concerned, unless the subject matter or context otherwise requires.

4.8 Any reference to currency refers to lawful money of Canada (unless expressed to be in some other currency).

4.9 Failure by CNQ to exercise any of its rights, powers or remedies under the CNQ Requirements or its delay to do so will not constitute a waiver of those rights, powers or remedies. The single or partial exercise of a right, power or remedy will not prevent its subsequent exercise or the exercise of any other right, power or remedy. CNQ will not be deemed to have waived the exercise of any right, power or remedy unless such waiver is made in writing and delivered to the person to which such waiver applies or is published, if such waiver applies generally. Any waiver may be general or particular in its application, as determined by CNQ.

5. Appeals of Decisions

5.1 A CNQ Issuer or any person directly affected by a Decision under these Policies, other than a Decision of the Market Regulator, may appeal such Decision to the CNQ Board.

5.2 At the request of either the appellant or CNQ management, the matter may first be considered by the Quotation Advisory Committee for an advisory opinion, but the Committee shall not have the power to make a final determination of the matter.

5.3 A Decision of the CNQ Board may be appealed to the Ontario Securities Commission pursuant to the provisions of the *Securities Act*.

5.4 A Decision of the Market Regulator may be appealed pursuant to the provisions of UMIR.

POLICY 2

QUALIFICATION FOR QUOTATION

1. Eligibility for Quotation

1.1 Only Issuers which are reporting issuers under the *Securities Act* not in default of any requirement thereof are eligible for quotation.

1.2 Each Issuer wishing to qualify for quotation of its securities must:

(a) prepare and file with CNQ the Quotation Statement and prescribed documentation;

(b) enter into a CNQ Issuer Agreement;

(c) have high speed access to the Internet and post on the CNQ.ca website the Quotation Statement and prescribed documentation; and

(d) pay to CNQ the non-refundable quotation application fee prescribed by Policy 10-Schedule of Fees, plus applicable taxes.

1.3 Each CNQ Issuer must have a public float of freely-tradeable shares worth at least $50,000 and consisting of at least 150 public holders holding at least a board lot each of the security. The public float must constitute at least 10% of the total issued and outstanding of that security, provided that a CNQ Issuer may have a public float that constitutes at least 5% of the total issued and outstanding if it has at least 200 public holders of at least a board lot each of the security. For the purposes of this Policy, a “public holder” is any shareholder other than a Related Person, an employee or a Related Person of a CNQ Issuer or any person or group of persons acting jointly or in concert holding

(a) more than 5% of the issued and outstanding; or

(b) securities convertible or exchangeable into the quoted security and would, on conversion or exchange, hold more than 5% of the issued and outstanding.

1.4 CNQ shall designate as a “thin float issuer” any CNQ Issuer that has less than 10% of the total issued and outstanding held by the public holders as freely tradeable shares. CNQ will also apply this designation to companies that have a smaller public float as a percentage of the issued and outstanding than would be determined by the following formula:

Target % freely tradeable shares = 35 — (0.05 x actual number of public holders of at least a board lot)

An identifying marker will be added to the Issuer's stock symbol and disclosure on the CNQ.ca website. Thin float issuers must include disclosure identifying themselves as thin float issuers in all disclosure documentation.

1.5 Notwithstanding compliance with the foregoing, CNQ may in its discretion designate any CNQ Issuer as a "thin float" issuer whose shareholder distribution profile indicates a susceptibility to market volatility.

1.6 Operating companies in any industry must have achieved revenue from the sale of goods or the delivery of services to customers and these revenues must appear on its audited financial statements, or on an interim statement supported by a comfort letter from the company's auditor. These companies, if not yet profitable, must have liquid assets or a business plan that demonstrates a reasonable likelihood that the company can sustain its operations and achieve its objectives.

1.7 Non-operating companies in any industry must have a reasonable plan to develop an active business and the financial resources to carry out that plan. Companies at an early stage of development must be able to achieve limited objectives that will advance their development to a stage where additional financing is typically available to the companies in their industry. In particular, the following criteria apply:

(a) Mineral resource companies must have title to a property that is prospective for minerals and on which there has been exploration previously conducted. It must have obtained an independent report that meets the requirements of National Instrument 43-101 and that recommends further exploration on the property. If the company does not have title to the property, it must have the means and ability to earn a significant interest in the property upon completion of a fully-financed exploration program that will be completed within a reasonable time.

(b) Energy resource companies must have title to a property on which measurable quantities of conventional energy resources have been identified or the means and ability to earn a significant interest in the property upon completion of a fully-financed exploration program. The company must also submit a qualifying report on the property in accordance with National Policy 2B or any successor instrument.

(c) Investment companies must have an appropriate balance between income and activity depending on the nature of their investments. Holding companies that are not active in the management of investee companies should own majority interests or have effective control in businesses that can generate returns that will flow to the shareholders of the issuer through distributions, or have prospects for growth through the reinvestment of earnings. Merchant banking or venture capital companies must have minimum net tangible assets of $1 million and a track record of acquiring and divesting interests in arm's-length enterprises in a manner that can be characterized as conducting an active business.

1.8 An Issuer must have (i) cash generating capacity; (ii) a recent history as a listed company and a minimum working capital of $50,000; or (iii) a minimum working capital of $100,000. A company has a "recent history as a listed company" if it has been listed on an Canadian stock exchange within the previous 6 months and has not violated any of that exchange's requirements (other than minimum financial or shareholder distribution requirements for maintaining a listing) or applicable securities legislation.

1.9 CNQ will not approve an Issuer for quotation if any Related Persons, or investor relations persons associated with the Issuer have been convicted of fraud, breach of fiduciary duty, violations of securities legislation (other than a minor breach that does not necessarily give rise to investor protection or market integrity concerns) or any other activity that concerns integrity of conduct unless the Issuer severs relations with such person to CNQ's satisfaction.

1.10 CNQ may not approve an Issuer for quotation if any Related Persons, or investor relations persons associated with the Issuer

(a) have entered into a settlement agreement with a securities regulator or other authority;

(b) are known to be associated with other offenders depending on the nature and extent of the relationship and the seriousness of the offence committed; or

(c) have a consistent record of business failures, particularly failures involving public companies,

unless the Issuer severs relations with such person to CNQ's satisfaction.

1.11 CNQ may deem any person to be unacceptable to be associated in any manner with a CNQ Issuer if CNQ reasonably believes such association will give rise to investor protection concerns or could bring the CNQ marketplace into disrepute.

2. Required Documentation

In connection with an initial application for quotation, an Issuer must file with CNQ the documents described below.

2.1 Application

The application for quotation must include the following:

(a) a letter applying to qualify for quotation (Form 1A) requesting qualification for quotation of one or more specific classes of equity securities of the Issuer and indicating the number and class of the Issuer's securities issued and outstanding and, if convertible or exchangeable securities are issued and outstanding, the number and type of securities reserved for issuance;

(b) a completed Quotation Application (Form 1B) together with the supporting documentation set out in Appendix A to the Quotation Statement;

(c) a draft Quotation Statement (Form 2A) (including financial statements);

(d) draft Quotation Summary (Form 2B);

(e) a duly executed Personal Information Form (Form 3) from each Related Person of the Issuer; if any of these persons is not an individual, a PIF from each director, senior officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual;

(f) current insider reports from each person required to file a PIF, as filed with the Commission; and

(g) the application fee prescribed by Policy 10 - Schedule of Fees.

2.2 Comments, Responses and Additional Documentation

The Issuer must respond to any questions or comments, written or oral, from CNQ, and submit any additional documents or agreements requested by CNQ.

2.3 Final Documentation

CNQ must receive the following documents prior to qualification for quotation:

(a) two originally executed copies of the Quotation Statement (Form 1B) dated within three business days of the date they are submitted to CNQ together with any additions or amendments to the supporting documentation previously provided as required by Appendix A to the Quotation Application;

(b) originally executed copies of the Quotation Summary (Form 2) dated within three business days of the date they are submitted to CNQ;

(c) two duly executed Quotation Agreements (Form 4);

(d) three choices for a stock symbol;

(e) an opinion of counsel that the Issuer:

(i) is in good standing under and not in default of applicable corporate law;

(ii) is a reporting issuer under the *Securities Act* and is not in default of any requirement of Ontario securities law or the securities legislation of each jurisdiction in which it is a reporting issuer or equivalent;

(iii) has the corporate power and capacity to own its properties and assets, to carry on its business as it is currently being conducted, and to enter into the Quotation Agreement and to perform its obligations thereunder; and

(iv) has taken all necessary corporate action to authorize the execution, delivery and performance of the Quotation Agreement and that the Quotation Agreement has been duly executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms;

(f) an opinion of counsel that all shares previously issued of the class of securities to be quoted or that may be

issued upon conversion, exercise or exchange of other previously-issued securities are or will be duly issued and are or will be outstanding as fully paid and non-assessable shares;

(g) a certificate of the applicable government authority that the Issuer is in good standing under and not in default of applicable corporate law;

(h) a certificate of the Commission that the Issuer is a reporting issuer and not on the list of defaulting reporting issuers maintained by the Commission pursuant to the *Securities Act*.

2.4 Posting Officer

(a) A CNQ Issuer may not post any documents required under the CNQ Requirements except through its designated posting officer who has been designated, trained and approved as follows:

(i) The Issuer must designate at least one individual to act as the Issuer's posting officer and at least one backup. The posting officers will be responsible for executing, on behalf of the Issuer, all of the postings required of the Issuer under the CNQ Requirements.

(ii) The Issuer's designated postings officers must be trained by CNQ or a party selected by CNQ to execute postings on CNQ's Internet website.

(iii) The Issuer's designated posting officers will not be permitted to execute any postings until CNQ is satisfied that the designated posting officers are capable of executing postings.

(b) A CNQ Issuer may post documents through the facilities of a third party CNQ approved posting service provider.

2.5 CNQ Postings

(a) **Access** – The Issuer must have high speed access to the Internet.

(b) **Postings** – The Issuer must post on the CNQ.ca website the following:

(i) the Quotation Statement;

(ii) the Quotation Summary;

(iii) the Quotation Agreement;

(iv) the opinion of counsel described in Policy 2 - 2.3(e);

(v) the certificate of good standing described in Policy 2 – 2.3(f);

(vi) the reporting issuer certificate described in Policy 2 - 2.3(g);

(vii) an executed Certificate of Compliance (Form 6); and

(viii) all documents comprising the Issuer's SEDAR record, and an index of such filings, for the previous two calendar years.

3. Continuing to Qualify for Quotation

3.1 To continue to qualify for quotation on the CNQ System, a CNQ Issuer must meet all of the following requirements:

(a) the CNQ Issuer must be in good standing under and not in default of applicable corporate law;

(b) the CNQ Issuer must be a reporting issuer under the Securities Act not on the list of defaulting issuers maintained by the Commission pursuant to the Securities Act and not in default of the securities legislation of any jurisdiction in which it is a reporting issuer or equivalent;

(c) the CNQ Issuer must be in compliance with the CNQ Requirements;

(d) the CNQ Issuer must post all required documents and information required under the Policies of CNQ, including without limitation, the requirement to post a monthly Certificate of Compliance (Form 6);

(e) the CNQ Issuer must concurrently post all public documents submitted to SEDAR; and

(f) The CNQ Issuer must submit a Personal Information Form for any new Related Person of the Issuer (if any of these persons is not an individual, a PIF from each director, officer and each person who beneficially, directly or indirectly owns, controls or exercises direction over 20% or more of the voting rights of such non-individual).

4. Procedure

4.1 CNQ will automatically suspend from quotation the securities of a CNQ Issuer if CNQ or the CNQ Market Regulator determines that the CNQ Issuer fails to meet any of the above criteria or it is in the public interest to suspend quotation of the securities of the CNQ Issuer.

5. Quotation in US Dollars

5.1 The CNQ System accommodates securities being quoted in US dollars. Securities cannot trade in both US and Canadian dollars, but a CNQ Issuer may have one class of security qualify for quotation in US dollars and a different security qualify for quotation in Canadian dollars.

6. Quotation of Securities Convertible or Exercisable into Securities of Exchange Listed Issuers

6.1 CNQ may in its discretion permit quotation of warrants or convertible securities of Issuers, whose underlying securities are listed on a recognized stock exchange in Canada if the warrants or convertible securities are not listed on the stock exchange.

6.2 CNQ may amend, modify or waive its qualification for quotation requirements, in whole or in part, to permit quotation of warrants or convertible securities of exchange listed Issuers. CNQ will permit quotation of warrants or convertible securities only after consultation and in co-ordination with the recognized stock exchange.

POLICY 3

SUSPENSIONS AND DISQUALIFICATION

1. Quotation Agreement

1.1 The Quotation Agreement authorizes CNQ or the Market Regulator to halt and authorizes CNQ to suspend quotation and trading in a CNQ Issuer's securities or to disqualify for quotation the securities of a CNQ Issuer, without notice, at any time, if CNQ or the Market Regulator, as the case may be, believes it is in the public interest.

2. Halts

2.1 CNQ or the Market Regulator can order a quotation and trading halt to allow for public dissemination of material news pursuant to Policy 5.

3. Suspensions

3.1 CNQ will automatically and without any prior notice suspend from qualification for quotation a CNQ Issuer's securities if, at any time, the CNQ Issuer:

(a) fails to meet any of the requirements for continued qualification for quotation;

(b) fails to comply with Ontario securities law;

(c) fails to comply with the Quotation Agreement or any CNQ Requirement; or

(d) CNQ considers it in the public interest to do so.

3.2 If a CNQ Issuer which has had its securities suspended from qualification for quotation pursuant to this Policy 3 or otherwise has, within 90 days from the date of such suspension, cured the default or breach that gave rise to the suspension and paid CNQ the requalification fee set out in Policy 10, the CNQ Issuer's securities will automatically requalify for quotation.

3.3 Throughout the period during which a CNQ Issuer's securities are suspended from qualifying for quotation, the CNQ System will not allow quotation or trading by CNQ Dealers in the securities of the CNQ Issuer; the CNQ.ca website will indicate that the CNQ Issuer's securities have been suspended from qualification for quotation. CNQ Dealers may quote or trade the securities of the CNQ Issuer on other marketplaces or over-the-counter unless prohibited under securities legislation or UMIR.

3.4 Throughout the period during which a CNQ Issuer's securities are suspended from qualifying

for quotation, the CNQ Issuer must continue to comply with all applicable CNQ Requirements.

4. Disqualifications and Withdrawal of Quotations

4.1 CNQ will automatically and without any prior notice, disqualify from quotation a CNQ Issuer's securities unless the Issuer has, within 90 days of having its securities suspended from qualification for quotation:

(a) cured the default or breach that gave rise to the suspension from qualification for quotation; and

(b) paid to CNQ the requalification fee set out in Policy 10.

4.2 CNQ may, automatically and without any prior notice, disqualify for quotation a CNQ Issuer's securities if CNQ and the CNQ Market Regulator consider that it would be in the public interest to do so.

4.3 A CNQ Issuer may at any time request that CNQ withdraw from quotation all or any class of its securities. Any such request must be made in writing and must identify the securities that will be the subject of the withdrawal.

POLICY 4

CORPORATE GOVERNANCE AND MISCELLANEOUS PROVISIONS

1. Introduction

1.1 Boards of directors should be structured and their proceedings conducted in a way calculated to encourage, reinforce, and demonstrate the board's role as an independent and informed monitor of the conduct of the corporation's affairs and the performance of its management. Board structure and practice will, over time, significantly affect the extent to which a board of directors is likely to exercise is powers and discharge its obligations in a manner that effectively advances corporate objectives.

1.2 No single governance structure fits all publicly held corporations, and there is considerable diversity of organizational styles. Each corporation should develop a governance structure that is appropriate to its nature and circumstances.

2. Corporate Governance

2.1 The board of directors of every CNQ Issuer is responsible for, among other things, the following matters:

(a) strategic planning;

(b) principal business risks and risk management;

(c) appointing, training and monitoring senior management

(d) executive compensation;

(e) succession planning;

(f) communications policy; and

(g) internal control and management information systems.

2.2 Canadian corporate law generally prescribes requirements related to the number or percentage of outside directors. For example, the *Business Corporations Act* (Ontario) requires that an offering corporation have at least three directors, at least one-third of whom are outside directors. The similar provisions of the *Canada Business Corporations Act* require that at least two directors be outside directors. An outside director may or may not be an unrelated director, which is a director who has no tie to the corporation other than as a director or as a shareholder who is not a control block holder. Both outside and unrelated directors can bring a fresh perspective to issuers

in addition to acting as an independent discipline on management. CNQ considers that a requirement to have a specified number or percentage of outside directors or a specified number or percentage of unrelated directors may not be suitable for all CNQ Issuers. Smaller corporations frequently do not have the resources or the ability to attract talented individuals to serve as outside or unrelated directors. It may also be more important for small issuers to have on the board individuals who have a prior familiarity with the issuer's business rather than those who can bring an independent perspective or discipline. For this reason CNQ does not prescribe requirements dealing with outside or unrelated directors; however CNQ Issuers must comply with applicable corporate law. However, CNQ Issuers are encouraged to examine the appropriateness of including either or both outside or unrelated directors, on their boards of directors.

2.3 Every CNQ Issuer, as an integral element of the process for appointing new directors, should provide an orientation and education program or manual for new recruits to the board.

2.4 Every board of directors should examine its size and, with a view to determining the impact of the number of directors upon effectiveness, undertake where appropriate, a program to reduce or increase the number of directors to a number which facilitates more effective decision-making.

2.5 The board of directors, together with the senior management, such as the Chief Executive Officer or President, should develop position descriptions for the board and for the senior management, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the senior management is responsible for meeting.

2.6 Canadian corporate law generally prescribes a minimum number or percentage of directors sitting on the audit committee of the board of directors that must be outside directors. For example, the *Business Corporations Act* (Ontario) requires that an offering corporation have an audit committee composed of not less than three directors, a majority of whom are not officers or employees of the corporation or any of its affiliates.

2.7 The Canadian Securities Administrators (the "CSA") Notice respecting audit committees provides additional guidelines to CNQ Issuers. The CSA Notice provides that the objectives of an audit committee, are as follows:

(a) to help directors meet their responsibilities, especially for accountability;

(b) to provide better communication between directors and external auditors;

(c) to enhance the external auditor's independence

(d) to increase the credibility and objectivity of financial reports; and

(e) to strengthen the role of the outside directors by facilitating in depth discussions between directors on the audit committee, management and external auditors.

2.8 The role of audit committees is continuing to evolve. Boards of directors of CNQ Issuers should adapt the responsibilities of their audit committees to their particular circumstances. CNQ agrees with the CSA Notice that no published set of practices can substitute for the active commitment to high standards by every party having responsibility for the corporate disclosure system.

2.9 CNQ strongly encourages boards of directors of CNQ Issuers to select independent directors as members of audit committees, to limit membership to such directors whenever possible and that the chairperson of the audit committee should be an independent director.

2.10 For reasons similar to those expressed in paragraph 2.2, CNQ does not consider that it is appropriate to prescribe a higher threshold for CNQ Issuers than that prescribed by corporate law or recommended by the CSA. However, CNQ endorses the recommendations and guidelines of the CSA Notice. CNQ Issuers should consider that placing a greater number or higher percentage of outside or unrelated directors on the audit committee may function as an effective protection of shareholder interests.

2.11 The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the CNQ Issuer in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.

2.12 Although CNQ does not prescribe corporate governance requirements, investors will expect that all CNQ issuers are subject to the requirements that generally apply to Canadian corporations unless informed otherwise. Therefore, non-corporate issuers and issuers incorporated in jurisdictions outside of Canada must state in their quotation statement the nature and extent to which their governing legislation or constating documents differ materially from

Canadian legislation with respect to the aspects of corporate governance described in this Policy.

3. Directors and Officers

3.1 The identity, history and experience of management, including officers and directors, is important information concerning a CNQ Issuer.

3.2 Every officer and director of a CNQ Issuer is required to complete a Personal Information Form (Form 3) upon their appointment or election as an officer or director of a CNQ Issuer.

3.3 CNQ may collect such personal information about the directors and officers of a CNQ Issuer as CNQ may require and, notwithstanding the qualification for quotation of its securities, a CNQ Issuer must remove, or cause the resignation of, any director or officer which CNQ determines is not suitable for the purpose of acting as a director or officer of a CNQ Issuer, failing which CNQ may immediately disqualify for quotation the Issuer's securities.

4. Transfer and Registration of Securities

4.1 Every CNQ Issuer must maintain in good standing transfer and registration facilities in the City of Toronto, where the securities of the CNQ Issuer must be directly transferable. Where transfer facilities are maintained in other cities, certificates must be interchangeably transferable and identical in colour and form with the certificates transferable in Toronto. Certificates must name the cities where they are transferable.

5. Share Certificates

5.1 Certificates must bear a CUSIP number which can be obtained from the Clearing Corporation.

5.2 All certificates must conform with the requirements of the corporate and securities legislation applicable to the CNQ Issuer. All certificates must be printed by a recognized bank note company or its affiliate or other security printer which has a contractual affiliation with a recognized bank note company.

5.3 The foregoing requirements, except for a CUSIP number, do not apply to a completely non-certificated issue that complies with the requirements of the Clearing Corporation.

6. Book Based System

The securities of all CNQ Issuers must be qualified for and entered into the book-based system maintained by the Clearing Corporation

POLICY 5

TIMELY DISCLOSURE AND POSTING REQUIREMENTS

1. Introduction

1.1 CNQ believes that two of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices are: (a) high quality and timely continuous disclosure by CNQ Issuers, and (b) comprehensive market regulation to ensure that high quality and timely continuous disclosure occurs. All investors must have equal and timely access to material information about a CNQ Issuer, both to allow investors to make reasoned and informed investment decisions, and to participate in securities markets on an equal footing with other investors.

1.2 Recent advances in the technology of information dissemination such as SEDAR and the Internet facilitate immediate, widespread and economical dissemination of issuer information. For this reason, CNQ requires CNQ Issuers to provide an enhanced standard of disclosure to secondary market participants, irrespective of the Issuer's size. The establishment of a comprehensive, publicly available disclosure base for every CNQ issuer lies at the heart of the CNQ market.

1.3 To continue to qualify for quotation, every CNQ Issuer must make high quality, timely continuous disclosure of material information.

1.4 This Policy is not an exhaustive statement of the timely and continuous disclosure requirements applicable to Issuers. CNQ Issuers must comply with all applicable requirements of securities legislation and Commission rules. In particular, mining issuers must comply with the additional disclosure requirements of National Policy 43-101-Standards of Disclosure for Mineral Projects. Oil and gas issuers must comply with the additional disclosure requirements of (Proposed) National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. All CNQ Issuers must comply with National Policy 51-201 – Disclosure Standards.

2. Disclosable Events

2.1 Issuers are required to make public disclosure of all material information.

2.2 CNQ Issuers are not required to interpret the impact of external political, economic and social developments on their affairs, but if the external development will have or has had a direct effect on their business and affairs that is both material and uncharacteristic of the effect generally experienced as a result of such development by

other companies engaged in the same business or industry, CNQ Issuers are urged, where practical, to explain the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, an announcement should be made. A reasonable investor's investment decision may be affected by factors relating directly to the securities themselves as well as by information concerning the CNQ Issuer's business and affairs. For example, changes in a CNQ Issuer's issued capital, stock splits, redemptions and dividend decisions may all have an impact upon the reasonable investor's investment decision.

2.3 Actual or proposed developments that require immediate disclosure include, but are not limited to, the following:

1. changes in share ownership that may affect control of the issuer;

2. changes in corporate structure, such as reorganizations, amalgamations, etc.;

3. take-over bids or issuer bids;

4. major corporate acquisitions or dispositions;

5. changes in capital structure;

6. borrowing of a significant amount of funds;

7. public or private sale of additional securities;

8. development of new products and developments affecting the Issuer's resources, technology, products or market;

9. significant discoveries or exploration results, both positive and negative, by resource companies;

10. entering into or loss of significant contracts;

11. firm evidence of significant increases or decreases in near-term earnings prospects;

12. changes in capital investment plans or corporate objectives;

13. significant changes in management;

14. significant litigation;

15. major labour disputes or disputes with major contractors or suppliers;

16. events of default under financing or other agreements; or

17. any other developments relating to the business and affairs of the issuer that might reasonably be expected to influence or change an investment decision of a reasonable investor.

2.4 Disclosure is only required where a development is material. Announcements of an intention to proceed with a transaction or activity should be made when a decision has been made to proceed with it by the CNQ Issuer's board of directors, or by senior management with the expectation of concurrence from the board of directors. However, a corporate development in respect of which no firm decision has yet been made but that is reflected in the market price may require prompt disclosure.

2.5 Forecasts of earnings and other financial forecasts need not be disclosed, but where a significant increase or decrease in earnings is indicated in the near future, such as in the next fiscal quarter, this fact must be disclosed. Forecasts should not be provided on a selective basis to investors or others not involved in the management of the affairs of the issuer. If disclosed, they should be generally disclosed.

3. Consultation with the Market Regulator

3.1 It is the responsibility of each issuer to determine what information is material in the context of the CNQ Issuer's own affairs. The materiality of information varies from one CNQ Issuer to another, and will be influenced by factors such as the CNQ Issuer's profitability, assets, capitalization, and the nature of its operations. An event that is "significant" or major" in the context of a smaller CNQ Issuer's business and affairs may not be material to a larger CNQ Issuer.

3.2 Given the element of judgment involved, CNQ Issuers are encouraged to consult with the Market Regulator on a confidential basis as to whether a particular event gives rise to material information.

4. Rumours and Unusual Trading Activity

4.1 Rumours and unusual trading activity may influence or change the investment decision of a reasonable investor and/or the trading price of the CNQ Issuer's securities. It is impractical to expect management to be aware of, and comment on, all rumours or unusual trading activity. However, when either rumours or unusual trading activity occur, the Market Regulator may request that the CNQ Issuer make a clarifying statement. A trading

halt may be imposed pending release of a "no corporate developments" statement from the CNQ Issuer. If a rumour is correct in whole or in part, or if it appears that the unusual trading activity reflects illicit trading on non-disclosed material information, the Market Regulator will require the CNQ Issuer to make immediate disclosure of the relevant material information, and a trading halt may be imposed pending release and dissemination of that information.

5. Timing of Disclosure and Pre-Notification of the Market Regulator

5.1 Subject to pre-notification of the Market Regulator, a CNQ Issuer is required to disclose material information forthwith upon the information becoming known to management, or in the case of information previously known, forthwith upon it becoming apparent that the information is material. Immediate release of information is necessary to ensure that it is promptly available to all investors and to reduce the risk that persons with access to that information will act upon undisclosed information.

5.2 The policy of immediate disclosure frequently requires that press releases be issued during trading hours, especially when an important corporate development has occurred. When this occurs, the CNQ Issuer must notify the Market Regulator prior to the issuance of a press release. The Market Regulator will then be able to determine whether trading in the CNQ Issuer's securities should be temporarily halted.

6. Dissemination

6.1 A news release must be transmitted to the media by the quickest possible method, and by a method that provides the widest dissemination possible. To ensure that the entire financial community is aware of the news at the same time, a wire service (or combination of services) must be used which provides national and simultaneous coverage.

6.2 CNQ accepts the use of any news services that meet the following criteria:

(a) dissemination of the full text of the release to the national financial press and to daily newspapers that provide regular coverage of financial news;

(b) dissemination to all CNQ Dealers; and

(c) dissemination to all relevant regulatory bodies.

6.3 Dissemination of news is essential to ensure that all investors have equal and timely information. The onus is the CNQ Issuer to ensure appropriate dissemination of news releases, and any failure to properly disseminate news shall be deemed to be a breach of this policy and shall be grounds for suspension or disqualification from quotation of the CNQ Issuer's securities. In particular, CNQ will not consider relieving a CNQ Issuer from its obligation to disseminate news properly because of cost factors.

6.4 CNQ Issuers must simultaneously post to the CNQ.ca website all news releases disseminated.

7. No Selective Disclosure

7.1 Disclosure of material information must not be made on a selective basis. The disclosure of material information should not occur except by means that ensure that all investors have access to the information on an equal footing. CNQ recognizes that good corporate governance involves actively communicating with investors, brokers, analysts, and other interested parties with respect to the corporation's business and affairs, through private meetings, formal or informal conferences, or by other means. However, when communications of any nature occur other than widely disseminated press releases in accordance with this rule, CNQ Issuers may not, under any circumstances, communicate material information to anyone, other than in the necessary course of business, in which case the party receiving the information must be instructed to keep it confidential and not to trade the CNQ Issuer's securities.

7.2 The board of directors of a CNQ Issuer should put in place policies and procedures that will ensure that those responsible for dealing with shareholders, brokers, analysts, and other external parties are aware of their and the CNQ Issuer's obligations with respect to the disclosure of material information.

7.3 Should material information be disclosed, whether deliberately or inadvertently, other than through a widely disseminated press release in accordance with the rule, the CNQ Issuer must immediately contact the Market Regulator and request a trading halt pending the widespread dissemination of the information.

8. Content of News Releases

8.1 Announcements of material information should be factual and balanced and unfavourable news must be disclosed just as promptly and completely as favourable news. News releases must contain sufficient detail to enable investors to make informed investment decisions. CNQ Issuers should communicate clearly and accurately the nature of the information, without including unnecessary details, exaggerated reports or editorial commentary.

8.2 All news releases must include the name of an officer or director of the CNQ Issuer who is responsible for the announcement, together with the CNQ Issuer's telephone number. The Issuer may also include the name and telephone number of an additional contact person.

8.3 Any CNQ Issuer that fails to comply with any provision of this Policy may be subject to a halt of quotation and trading of its securities without prior notice to the CNQ Issuer.

9. Confidential Disclosure - When Information May be Kept Confidential

9.1 Section 75(3) of the *Securities Act* (Ontario), as supplemented by National Policy 51-201, provides that where, in the opinion of the reporting issuer, the public disclosure of a material change would be unduly detrimental to the interests of the reporting issuer, or where the material change consists of a decision to implement a change made by senior management of the issuer who believe that confirmation of the decision by the board of directors is probable, the reporting issuer may file a report disclosing a material change on a confidential basis. Non-disclosure of information is also provided for in s.140(2) of the *Securities Act* (Ontario).

9.2 When a reporting issuer requests that information be kept confidential, then pursuant to s.75(4) of the *Securities Act*, the reporting issuer must advise the Commission in writing within 10 days if it wishes that the information continue to be held on a confidential basis, and every 10 days thereafter until the material information is generally disclosed. The Commission takes the view that it can require the issuer to disclose confidential information when, in its view, the benefit from public disclosure would outweigh the harm to the issuer resulting from disclosure.

9.3 CNQ Issuers should be guided by pertinent securities legislation in determining whether material information can be filed on a confidential basis with the Commission. Where a decision is made to file a confidential report with the Commission, the Market Regulator must be immediately notified of the CNQ Issuer's decision to do so. The Market Regulator must be provided with a copy of all submissions to the Commission relating to a request to make or to continue confidential disclosure, or to make general disclosure of previously held confidential information. The Market Regulator must be kept fully apprised of the nature of any discussions between the CNQ Issuer and the Commission relevant thereto, and any decision of the Commission with respect to the ability of the CNQ Issuer to make or continue confidential disclosure, or requiring the CNQ Issuer to make general disclosure.

10. Maintaining Confidentiality

10.1 Where disclosure of material information is delayed, the CNQ Issuer must maintain complete confidentiality. In the event that such confidential information, or rumours respecting the same, is divulged in any manner (other that in the necessary course of business), the CNQ Issuer is required to make an immediate announcement on the matter. The Market Regulator must be notified material information is disclosed, market activity in the CNQ Issuer's securities should be closely monitored by the issuer. Any unusual market activity probably means that news of the matter is being disclosed and that certain persons are taking advantage of it. In such case, the Market Regulator should be advised immediately and a halt in trading will be imposed until the CNQ Issuer has made disclosure of the material information.

10.2 At any time when material information is being withheld from the public, the CNQ Issuer is under a duty to take precautions to keep such information completely confidential. Such information should not be disclosed to any of the CNQ Issuer's officers, employees or advisers, except in the necessary course of business. The directors, officers and employees of a CNQ Issuer should be reminded on a regular basis that confidential information obtained in the course of their duties must not be disclosed.

11. Insider Trading

11.1 CNQ Issuers should make insiders and others who have access to material information about the CNQ Issuer before it is generally disclosed aware that trading in securities of the issuer (or securities whose market price or value varies materially with the securities of the reporting issuer) while in possession of undisclosed material information or tipping such information is prohibited under Ontario securities law, and may give rise to administrative, civil and/or criminal liability.

11.2 In any situation where material information is being kept confidential, management is under a duty to take every possible precaution to ensure that no trading whatsoever takes place by any insiders or persons in a "special relationship" with the CNQ Issuer in which use is made of such information before it is generally disclosed to the public.

11.3 In the event that the Market Regulator is of the opinion that insider or improper trading may have occurred before material information has been disclosed and disseminated, the Market Regulator may require that an immediate announcement be made disclosing such material information. The Market Regulator will refer the matter to the appropriate securities commission(s) for enforcement action.

12. Quotation and Trading Halts

12.1 The Market Regulator will normally halt quotation and trading if:

(a) the CNQ Issuer requests a halt, during trading hours, to allow for the dissemination of material information. The Market Regulator must be advised of the material information and halt request as soon as possible, by phone or fax, so that the Market Regulator may determine whether a quotation and trading halt is warranted pending the filing and dissemination of the news release;

(b) rumours are circulating in the marketplace that might influence or change a reasonable investor's investment decision;

(c) unusual trading activity suggests that material information is selectively available. The Market Regulator may require that the CNQ Issuer either disseminate an initial news release if it has not yet done so, or a further news release to rectify the situation;

(d) the CNQ Issuer is not in compliance with the terms of its Quotation Agreement or any CNQ Requirement or Ontario securities law;

(e) the CNQ Issuer has issued an inaccurate, inadequate or misleading news release or the CNQ Issuer has issued a news release but has not requested a halt pending public dissemination of the news, and the market reacts sharply; or

(f) circumstances exist which, in the opinion of CNQ or the Market Regulator, could adversely affect the public interest or the integrity of the CNQ market.

12.2 Where rumours or unusual trading activity are not based on undisclosed material information, the Market Regulator may halt quotation and trading pending the release and dissemination of a "no corporate developments" statement. When the rumours or unusual trading activity are based on whole or in part on undisclosed material information, the Market Regulator may halt trading and quotation pending the release of the material information.

12.3 The Market Regulator, upon consultation with the CNQ Issuer, if appropriate, will determine the time required to disseminate the news release and consequently the length of any quotation and trading halt.

12.4 A CNQ Issuer may request a halt in quotation and trading of its securities pending public disclosure of material information concerning the CNQ Issuer.

12.5 In the event a CNQ Issuer requests a halt in quotation and trading of its securities, the CNQ Issuer shall disseminate a news release as soon as practicable and in any event within 24 hours of the halt, either:

(a) disclosing the material information, or

(b) advising that the halt is at the request of the CNQ Issuer and that public disclosure is pending.

In the former case the halt shall be lifted after dissemination of the news release. In the latter case the halt shall continue unless CNQ or the Market Regulator determines resumption of quotation and trading is in the public interest.

12.6 It is not appropriate for a CNQ Issuer to request a halt if an announcement of material information is not going to be made forthwith.

12.7 A CNQ Issuer may request a halt if material information is to be kept confidential and disclosure delayed temporarily.

12.8 Throughout the period during which a CNQ Issuer's securities are halted, CNQ Dealers shall not quote or trade the securities of the CNQ Issuer on any marketplace or over-the-counter as principal or agent.

13. Documents Required to be Posted

13.1 Every CNQ Issuer must post the following documents:

(a) every document required by the CNQ Policies;

(b) every document required to be filed with the Commission, to be delivered to shareholders of a CNQ Issuer or to be filed on SEDAR;

(c) an annually-updated Management's Discussion and Analysis set out in Section 6 of the Quotation Statement, to be posted within 140 days after the end of the financial year of the Issuer;

(d) a Quarterly Quotation Statement (Form 5), to be posted with a CNQ Issuer's unaudited interim financial statement required under the *Securities Act* (Ontario);

(e) a Monthly Progress Report (Form 7), to be posted before the opening of trading on the first trading day of each month;

(f) a Certificate of Compliance (Form 6), to be posted before the opening of trading on the first trading day of each month;

(g) in the event that an event giving rise to material information occurs that would make the CNQ Issuer's Quotation Statement inaccurate or misleading, the CNQ Issuer shall amend its Quotation Statement and Quotation Summary, if applicable, accordingly and forthwith post the revised Quotation Statement and Quotation Summary, if applicable, and in no event later than two days following the event giving rise to the material information; and

(h) an annually-updated Quotation Statement completed to reflect all changes to information appearing in the previously posted Quotation Statement.

POLICY 6

DISTRIBUTIONS

1. General

1.1 CNQ issuers must comply with the requirements of this Policy for any distribution of quoted securities or any distribution of a security that is exchangeable, exercisable or convertible into a quoted security. The specific requirements that apply depend on the nature of the agreement giving rise to the distribution.

1.2 The CNQ Timely Disclosure Policy recognizes that restricted circumstances exist where an issuer may keep material information confidential for a limited period of time if premature disclosure would be unduly detrimental to the company. CNQ Issuers must not set option exercise prices or other prices at which shares may be issued on the basis of market prices that do not reflect information known to management that has not been disclosed. Exceptions are where the share option or issuance relates directly to the undisclosed event and the grantee or recipient of the shares is not an employee or insider of the CNQ Issuer at the time of grant or issue (e.g. an issuance of shares in payment for an acquisition, or a grant of options to an employee of the company to be acquired as an incentive to remain with the CNQ Issuer).

1.3 Requirements for stock splits and consolidations are detailed in Policy 9. Distributions that result in or could result in a change of business or a change of control may be subject to the additional requirements of Policy 8. Non-arm's length distributions may be subject to the requirements of OSC Rule 61-501 in addition to the requirements of this Policy.

1.4 In addition to the requirements of this Policy, CNQ Issuers must comply with applicable requirements of securities and corporate law for any distribution of securities. In particular, CNQ Issuers should refer to National Instrument 45-101 for rights offerings, OSC Rule 45-501 for exempt distributions in Ontario, Multilateral Instrument 45-103 for exempt distributions in Alberta and British Columbia and Multilateral Instrument 45-102 for restrictions on resale of securities.

1.5 As an issuance or potential issuance of securities constitutes material information, the CNQ Issuer must comply with Policy 5 in addition to the requirements of this Policy.

2. Private Placements

2.1 CNQ defines the term "private placement" as a prospectus exempt distribution of securities for cash or in consideration for forgiveness of bona fide debt. CNQ Issuers may not make a private

placement at a price per security lower than the greater of (a) $0.05 and (b) the closing market price of the security on the CNQ System on the Trading Day prior to the earlier of dissemination of a news release disclosing the private placement or posting of notice of the proposed private placement, less a discount which shall not exceed the amount set forth below:

(1) Closing Price	Discount
Up to $0.50	25% (subject to a minimum price of $0.05)
$0.51 to $2.00	20%
Above $2.00	15%

2.2 The closing price is to be adjusted to reflect stock splits or consolidations and may not be influenced by the issuer, any officer or director of the issuer or any party to or with knowledge of the private placement.

2.3 If debt is to be exchanged for shares, the purchase price is to be determined by the face amount of the debt divided by the number of shares to be issued. If the private placement is of special warrants, the price per share is to be determined based on the total number of shares that may be issued under the placement assuming any penalty provisions are triggered. If the private placement involves securities exerciseable or convertible into a quoted security, please refer to section 7 in addition to this section.

2.4 A CNQ Issuer with a bona fide intention to do a private placement may, on a confidential basis, request price protection based on the closing price on the Trading Day prior to the date on which notice is given to CNQ. The price protection will expire if the private placement has not closed within 45 days of the day on which notice is given to CNQ.

2.5 A CNQ Issuer that has agreed to do a private placement must immediately post notice of the proposed private placement (Form 9) on the CNQ.CA website.

2.6 At least one full Business Day prior to closing of the proposed private placement the CNQ Issuer must post the following documents:

(a) an amended Form 9, if applicable;

(b) a Form 45-501F1 filed (or to be filed) in connection with the private placement;

2.7 Forthwith upon closing, the CNQ Issuer must post the following documents:

(a) a letter of CNQ Issuer confirming receipt of proceeds

(b) an opinion of counsel that:

(i) the CNQ Issuer is in good standing under and not in default of applicable corporate law;

(ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and in each jurisdiction in which it is a reporting issuer or equivalent; and

(iii) the securities issued in connection with the private placement (including any underlying securities, if applicable) have been duly issued and are outstanding as fully paid and non-assessable shares; and

(c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law and CNQ Requirements.

3. Acquisitions

3.1 Where a CNQ Issuer proposes to issue securities as full or partial consideration for assets (including securities), the CNQ Issuer must immediately post notice of the proposed acquisition (Form 9). Management of the Issuer is responsible for ensuring that the consideration paid for the asset is reasonable and must retain adequate evidence of value received for consideration paid such as confirmation of out-of-pocket costs or replacement costs, fairness opinions, geological reports, financial statements or valuations. The evidence of value must be made available to CNQ upon request. Shares issued must issued at a price that does not exceed the maximum discount allowable under section 2.1.

3.2 At least one full Business Day prior to closing of the proposed acquisition the CNQ Issuer must post the following documents:

(a) an amended Form 9, if applicable; and

(b) a Form 45-501F1 filed in connection with the acquisition.

3.3 Forthwith upon closing, the CNQ Issuer must post the following documents:

(a) a letter of the CNQ Issuer confirming closing of the acquisition and receipt of the assets, transfer of title to the assets or other evidence of receipt of

consideration for the issuance of the securities

(b) an opinion of counsel that:

(i) the CNQ Issuer is in good standing under and not in default of applicable corporate laws;

(ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and each jurisdiction in which it is a reporting issuer or equivalent; and

(iii) the shares issued in connection with the acquisition (including any underlying shares, if applicable) have been duly issued and are outstanding as fully paid and non-assessable shares; and

(c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law.

4. Prospectus Offerings

4.1 A CNQ Issuer proposing to issue securities pursuant to a prospectus must disseminate a press release and file notice of the proposed prospectus offering (Form 8).

4.2 The CNQ Issuer must post the following documents concurrently with their filing on SEDAR:

(a) a copy of the preliminary prospectus;

(b) a copy of the receipt for the preliminary prospectus issued by the Commission or other applicable securities regulatory authority;

(c) a copy of the final prospectus: and

(d) a copy of the receipt for the final prospectus issued by the Commission.

The CNQ Issuer may post any other information or documentation relating to the proposed prospectus offering otherwise in compliance with Ontario securities law that the CNQ Issuer considers relevant or of interest to investors.

4.3 Prior to closing of the prospectus offering and the issuance of any securities pursuant thereto the CNQ Issuer must post the following documents:

(a) an amended Form 8, if applicable;

(b) a copy of the final prospectus (if not already posted);

(c) a copy of the receipt for the final prospectus issued by the Commission (if not already posted);

(d) an opinion of counsel that:

(i) the securities issued in connection with the prospectus offering have been validly created in accordance with applicable law; and

(ii) such securities (including any underlying securities, if applicable) when issued will be validly issued as fully paid and non-assessable;

(e) a copy of the opinion of counsel to the CNQ Issuer given on the closing to the underwriter (or to the CNQ Issuer); and

(f) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law and CNQ Requirements.

5. Incentive Stock Options

5.1 This section sets out CNQ's requirements respecting stock options (other than overallotment options to an underwriter in a prospectus offering or options to increase the size of the distribution prior to closing) which are used as incentives or compensation mechanisms for employees, directors, officers, consultants and other persons who provide services for CNQ Issuers.

5.2 A CNQ Issuer must not grant stock options with an exercise price lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

5.3 In addition to CNQ Requirements, a CNQ Issuer must comply with the provisions of Commission Rule 45-503 Trades to Employees, Executives and Consultants. For clarity a CNQ Issuer is or is deemed to be a non-listed issuer for purposes of Rule 45-503.

5.4 A CNQ Issuer must post the following documentation on the date the CNQ Issuer grants stock options immediately after the grant:

(a) a notice of stock option grant or amendment (Form 11); and

(b) an opinion of counsel that the securities issuable upon exercise of the stock options have been validly created in accordance with applicable law and that such securities will, when issued in accordance with the terms of the stock option plan or agreement, as applicable, be validly issued as fully paid and non-assessable.

5.5 The terms of an option may not be amended once issued. If an option is cancelled prior to its expiry date, the CNQ Issuer must post notice of the cancellation and shall not grant new options to the same person until 30 days have elapsed from the date of cancellation.

6. Rights Offerings

General Requirements

6.1 A CNQ Issuer completing a rights offering must do the following at least seven trading days in advance of the record date (the record date being the date of closing of the transfer books for preparation of the final list of shareholders who are entitled to receive rights):

(a) clearances for the rights offering must be obtained from the Commission and all other securities commissions in jurisdictions where the rights will be distributed;

(b) all the terms of the rights offering must be finalized; and

(c) the CNQ Issuer must post all of the following documents (in addition to any other documents that may be required by Ontario securities law and other applicable securities legislation):

(i) a copy of the final version of the rights offering circular as approved by the Commission;

(ii) a specimen copy of the rights certificates;

(iii) a written statement as to the date on which it is intended that the rights offering circular and rights certificates will be mailed to the shareholders (which should be as soon as possible after the record date); and

(iv) an opinion of counsel that the rights and the securities issuable upon exercise of the rights have been validly created in accordance with applicable law and that such securities will, when issued in accordance with the terms of the rights offering, be validly issued as fully paid and non-assessable.

Quotation of Rights on CNQ

6.2 Rights which receive all regulatory approvals may be qualified for quotation on the CNQ System if the rights entitle the holders to purchase securities qualified for quotation. Rights which do not fall into this category will normally not be quoted on CNQ. If rights issued to shareholders of a CNQ Issuer entitle the holders to purchase securities of another Issuer which is not qualified for quotation, the rights will not be quoted on the CNQ System unless such other Issuer and its securities are qualified for quotation on the CNQ System.

6.3 Rights are quoted on the CNQ System on the second trading day preceding the record date. At the same time, the shares of the CNQ Issuer commence trading on an ex-rights basis, which means that purchasers of the CNQ Issuer's securities are not entitled to receive the rights.

6.4 Quotation and trading in rights for normal settlement ceases prior to the opening on the second trading day preceding the expiry date. Quotation in rights on CNQ ceases at 12:00 noon on the expiry date.

Other Requirements Respecting Rights

6.5 Rights must be transferable.

6.6 (a) Once the rights have been quoted on the CNQ System, the essential terms of the rights offering, such as the exercise price or the expiry date, may not be amended.

(b) Shareholders must receive at least one right for each share held.

(c) The rights offering must be unconditional.

Report of Results of Rights Offering

6.7 As soon as possible after the expiry of the rights offering, the CNQ Issuer must do the following:

(a) post a letter stating the number of securities issued as a result of the rights offering, including securities issued pursuant to any underwriting or similar arrangement; and

(b) disseminate a news release setting out details of the rights offering and confirming the closing of the offering.

7. Options, Warrants and Convertible Securities Other Than Incentive Options or Rights

7.1 Quoted securities issuable on conversion of an option, warrant or other convertible security other than an incentive option or right (collectively, "convertible securities") may not be issued at a price (including the purchase price of the convertible) lower than the closing market price of the quoted security on the CNQ System on the Trading Day prior to the earlier of dissemination of a news release disclosing the issuance of the convertible security or the posting of notice of the proposed issuance of the convertible security. For example, if the closing price of the common shares of a CNQ Issuer was $0.50 and a warrant was sold at $0.05, the exercise price of the warrant could not be less than $0.45. If a convertible preferred share were issued at $1.00, it could not be convertible into more than 2 common shares.

7.2 If convertible securities are issued in connection with a private placement of the underlying shares, the total number of underlying shares issuable on conversion cannot be greater than the number of underlying shares initially purchased in the private placement.

7.3 Convertible securities may not be convertible into a quoted security and another convertible security. For example, a warrant may be convertible into a quoted common share and a non-convertible preferred share, but cannot be convertible into a common share and a warrant to buy a further common share.

7.4 In all other respects, the provisions of this Policy apply to the issuance of convertibles. Please refer to section 2 for further requirements for private placements of convertibles, section 3 for issuances of convertibles in connection with an acquisition and section 4 for prospectus offerings.

7.5 Except in exceptional circumstances and with the prior consent of CNQ, CNQ Issuers must not change, modify or amend the characteristics of outstanding warrants or other convertible securities other than pursuant to standard anti-dilution terms. For greater certainty, the fact that a convertible security will expire out of the money is not an "exceptional circumstance."

7.6 CNQ Issuers must obtain appropriate corporate approvals prior to any change, modification or amendment of outstanding warrants or other convertible securities (including non-quoted securities).

8. Control Block Distributions

8.1 A control block holder wishing to distribute securities of a CNQ Issuer through a CNQ Dealer and the CNQ System shall post on the CNQ Issuer's Insider frame on the CNQ.ca website a copy of the Form 45-102F3 Notice of Intention to Distribute together with the correspondence filing the Form 45-102F3 with the Ontario Securities Commission.

8.2 The CNQ Issuer shall be responsible for ensuring the control block holder complies with the provisions of this Policy, failing which the CNQ or the Market Regulator may halt, suspend or disqualify the securities of the CNQ Issuer from quotation.

8.3 In this section, "control block holder" does not include a holder that sells under the provisions of National Instrument 62-101.

POLICY 7

SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS

1. Significant Transactions and Developments

1.1 CNQ defines the term "significant transaction" as any corporate transaction, not involving equity securities, that constitutes material information concerning the CNQ Issuer. Significant transactions include, but are not limited to, material acquisitions, dispositions, option and joint venture agreements or license agreements entered into by the CNQ Issuer. In addition, "significant transaction" includes

(a) any transaction or series of transactions with a Related Person with an aggregate value greater than the lower of (i) $10,000 and (ii) 10% of the CNQ Issuer's market capitalization;

(b) any loan to a CNQ Issuer other than a loan made by a financial institution;

(c) any payment of bonuses, finders fees, commissions or other similar payment by a CNQ Issuer; and

(d) entering into any contract for Investor Relations Activities.

1.2 CNQ defines the term "developments" as any internal corporate development that constitutes material information concerning the CNQ Issuer. Developments include, but are not limited to, material developments to a CNQ Issuer's products or the creation of a new product. A development may also include developments relating to an agreement such as the Issuer completing or failing to complete a milestone provided for in an agreement or breaching the terms of an agreement.

1.3 CNQ Issuers must disseminate a news release upon the occurrence of material information relating to significant transactions (other than significant transactions with Related Persons that do not otherwise constitute material information concerning the CNQ Issuer) and developments pursuant to Policy 5 and include updated information relating to significant transactions (including any significant transactions with Related Persons) and developments in its Monthly Progress Report and Quarterly Quotation Statement.

1.4 Significant transactions that result in a change of business may be subject to the additional requirements of Policy 8. Non-arm's length significant transactions may be subject to the requirements of OSC Rule 61-501 in addition to the requirements of this Policy. In the case of an acquisition, management of the Issuer is responsible for ensuring that the consideration paid for the asset is reasonable and must retain adequate evidence of value received for consideration paid such as confirmation of out-of-pocket costs or replacement costs, fairness opinions, geological reports, financial statements or valuations. The evidence of value must be made available to CNQ upon request.

1.5 CNQ Issuers involved in a significant transaction or development must immediately post notice of the proposed significant transaction or development (Form 10) concurrently or as soon as practicable following the issuance of a news release announcing the significant transaction or development. In the case of a significant transaction with a Related Person that does not otherwise constitute material information concerning the CNQ Issuer (and which is not required to be disclosed under Policy 5), the notice must be posted upon the CNQ Issuer agreeing to the significant transaction.

1.6 At least one full Business Day prior to the closing of a proposed significant transaction the CNQ Issuer must post an initial or amended Form 10, if applicable.

1.7 Forthwith upon closing of a significant transaction, the CNQ Issuer must post

(a) a letter of CNQ Issuer confirming receipt of proceeds or payment of consideration provided for in the agreement(s) relating to the significant transaction (or describing the receipt or payment schedule);

(b) an opinion of counsel that:

(i) the CNQ Issuer is in good standing under and not in default of applicable corporate law;

(ii) the CNQ Issuer is a reporting issuer in Ontario and not in default in Ontario and in each jurisdiction in which it is a reporting issuer or equivalent; and

(c) an executed Certificate of Compliance (Form 6) from the CNQ Issuer that it has complied and is in compliance with Ontario securities law.

2. Restrictions on Contracts for Investor Relations Activities

2.1 Compensation to any persons providing Investor Relations Activities for a CNQ Issuer should be

based on the value of the services provided and not on the CNQ Issuer's market performance. In particular, compensation to persons providing Investor Relations Activities may not be determined in whole or in part by the CNQ Issuer's securities attaining certain price or trading volume thresholds.

POLICY 8

FUNDAMENTAL CHANGES

1.1 A "fundamental change" is a major acquisition accompanied or preceded by a change of control.

1.2 A "major acquisition" by a CNQ Issuer means an asset purchase (whether for cash or securities), take-over (formal bid or exempt bid), amalgamation, arrangement or other form of merger, the result of which is that for the next 12 month period at least 50% of the CNQ Issuer's

(a) assets will be comprised of or

(b) anticipated revenues are expected to be derived from the assets, properties, businesses or other interests that are the subject of the major acquisition.

A "change of control" is a transaction or series of transactions involving the issue or potential issue of that number of securities of a CNQ Issuer that:

(i) is equal to or greater than 100% of the number of equity securities of the CNQ Issuer outstanding prior to the transaction or series of transactions (commonly referred to as a "reverse take-over"), or

(ii) otherwise results in a change of control of the CNQ Issuer or a substantial change of management or of the board of directors of the CNQ Issuer.

CNQ may in its sole discretion determine that a transaction or series of transactions is a fundamental change, notwithstanding these thresholds.

In broad terms, a fundamental change to a CNQ Issuer effectively results in a new issuer, such that the existing disclosure record cannot be relied upon to fairly value the company's securities. CNQ Issuers that are contemplating a transaction or series of transactions that may be a fundamental change must consult with CNQ at an early stage to determine how CNQ will characterize the transaction.

1.3 CNQ believes that one of the fundamental requirements for a fair and efficient capital market that fosters confidence and protects investors from unfair, improper or fraudulent practices is high quality, timely and continuous disclosure by CNQ Issuers. Disclosure sufficient to permit trading to occur on the basis of information adequate for investors to make informed investment decisions must be prepared and disseminated by the CNQ Issuer and provided in an information circular or management proxy circular and Quotation Statement.

1.4 Enhanced disclosure should be made in connection with the announcement of a fundamental change. The disclosure should initially be made in a news release (to be issued and posted on the CNQ.ca website pursuant to Policy 5).

1.5 The Market Regulator will halt trading in the securities of the CNQ Issuer upon the announcement of a fundamental change to permit dissemination of the material information. CNQ will require the Market Regulator to continue the halt at least until the documentation required under sections 1.6 and 1.7 have been accepted and posted. During the halt, no CNQ dealer may quote or trade in the security in any marketplace or over-the-counter, either as principal or agent.

1.6 In order to qualify for quotation of the securities of the resulting issuer, the fundamental change must be approved by the securityholders of the CNQ Issuer at a meeting prior to completion of the transaction. The information circular or management proxy circular delivered to securityholders of the CNQ Issuer must contain prospectus level disclosure of the resulting company, including the financial statement disclosure set out in National Instrument 44-101, Commission Rule 41-501 – General Prospectus Requirements and Form 41-501F1. The information circular or management proxy circular must provide historical financial statements for the target company as if it were going public by way of prospectus and making application for quotation to CNQ, plus pro forma financial statements giving effect to the transaction for the last full fiscal year of the target company and any quarter that has been completed in the current fiscal year. Particular requirements are specified in Form 2A. The information circular or management proxy circular must be posted on the CNQ.ca website.

1.7 The Issuer resulting from the fundamental change must meet the criteria for quotation and make a complete initial application to qualify its securities for quotation on the CNQ System by preparing and filing all of the documents and following the procedures set out in Policy 2 concurrently with filing the information circular or management proxy circular. Completion of the transaction prior to qualification for quotation of the securities of the Issuer resulting from the transaction will result in a suspension from quotation of the CNQ Issuer.

1.8 Principals of the resulting CNQ Issuer must enter into an escrow agreement as if the company was subject to the requirements of NP 46-201 that provides for the escrow of the principal insiders' shares for a period of 36 months. Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released on the date that the shares commence trading on the CNQ system followed by six subsequent releases of 15% each every six months thereafter. The form of the escrow agreement must be as provided in NP 46-201.

POLICY 9

NAME CHANGE, STOCK SPLITS AND SHARE CONSOLIDATIONS

1. Change of Name

1.1 Upon a change of name of a CNQ Issuer, CNQ may assign a new stock symbol to the CNQ Issuer's securities at the request of the Issuer or on its own initiative. The CNQ Issuer's choices should be communicated to CNQ in advance of the effective date of the name change.

1.2 The following documents must be posted in connection with a name change:

(a) a press release announcing the name change;

(b) a notarial or certified copy of the Certificate of Amendment, or equivalent document;

(c) a copy of the definitive specimen of the new or over-printed share certificates;

(d) confirmation from the registrar and transfer agent that it is in a position to effect transfer in the new issue; and

(e) confirmation of notification by the CNQ Issuer to the Commission and the Clearing Corporation of the name change.

1.3 The CNQ Issuer's securities will normally commence trading on the CNQ System under the new name and symbol at the opening of trading two or three trading days after all the documents set out in Section 1.2 are posted. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the name change and effective date of trading under the new name and symbol.

2. Stock Split

2.1 In order to facilitate trading in the securities of the CNQ Issuer and prevent confusion the CNQ Issuer must, after obtaining all necessary shareholder and other corporate approvals but prior to filing Articles of Amendment, if applicable, fix in advance a Record Date for determining shareholders entitled to the benefit of the stock split.

2.2 There are two methods of effecting a stock split: (a) the "push-out" method, and (b) the "call-in" method. If the stock split is accompanied by a share reclassification, either the push-out method or the call-in method may be used; otherwise the push-out method is preferable.

2.3 Under the push-out method, the shareholders keep the share certificates they currently hold, and shareholders of record as of the close of business on the Record Date are provided with additional share certificates by the CNQ Issuer.

2.4 Under the call-in method, the CNQ Issuer implements the stock split by replacing the share certificates currently in the hands of the shareholders with new certificates. Letters of Transmittal are sent to the shareholders of record as of the Record Date requesting them to exchange their share certificates at the offices of the CNQ Issuer's transfer agent.

2.5 If the stock split must be approved by the shareholders, the meeting of shareholders must take place at least seven trading days in advance of the record date.

2.6 The shares will commence quotation on the CNQ System on a split basis at the opening of business on the second trading day preceding the record date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the stock split and effective date of trading on a split basis.

2.7 If the push-out method is to be used, the following documents must be posted and filed with CNQ at least three trading days in advance of the Record Date:

(a) a press release announcing the stock split;

(b) written confirmation of the Record Date, which is deemed to be after the close of the CNQ System on that day;

(c) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional shares will be validly issued as fully paid and non-assessable;

(d) if the stock split is accompanied by a share reclassification, definitive specimens of the new share certificates;

(e) confirmation of notification of the CNQ Issuer to the Ontario Securities Commission and the Clearing Corporation of the stock split; and

(f) a copy of the Certificate of Amendment, or equivalent document.

The CNQ Issuer must also post a written statement as to the date the additional share certificates were mailed to the shareholders.

2.8 Where the call-in method is to be used, the following additional documents must be posted and filed with CNQ:

(a) a copy of the Letters of Transmittal;

(b) a definitive specimen of the new share certificates; and

(c) confirmation from the registrar and transfer agent that it is in a position to effect transfer of the new share certificates giving effect to the stock split.

The CNQ Issuer must also post a written statement as to the mailing date of the Letters of Transmittal.

3. Stock Consolidation

3.1 The name of a CNQ Issuer must be changed as part of a share consolidation. The CNQ Issuer must obtain new share certificates and a new CUSIP number for the consolidated shares, subject to the Clearing Corporation advising the CNQ Issuer in response to its application that a new CUSIP number for the consolidated shares is not required.

3.2 CNQ Issuers may not effect a share consolidation which reduces the number of issued and outstanding shares of the CNQ Issuer, without giving effect to any other distribution or transaction, to less then 1,000,000 shares or if the share consolidation is effected in connection with another distribution or transaction, to less than 500,000 shares, prior to giving effect to the distribution or transaction. CNQ Issuers shall not effect a share consolidation which reduces the number of public holders (as that term is defined in Policy 2) holding at least a board lot to less than 100, prior to giving effect to any other distribution or transaction. In the case of a share consolidation in connection with a fundamental change, the number of shares and public holders of at least a board lot may not be reduced below the minimum required for eligibility for quotation for a new Issuer.

3.3 The following documents must be posted at least three trading days in advance of the Record Date:

(a) a press release announcing the stock consolidation;

(b) a completed Form 12;

(c) written confirmation of the Record Date (if applicable);

(d) a copy of the Letters of Transmittal;

(e) a certified copy of the shareholder resolution authorizing the stock consolidation;

(f) an opinion of counsel that all the necessary steps have been taken to validly effect the consolidation in accordance with applicable law;

(g) a definitive specimen of the new share certificates;

(h) confirmation from the registrar and transfer agent that it is in a position to effect transfers of the consolidated shares; and

(i) confirmation of notification by the CNQ Issuer to the Commission and the Clearing Corporation of the share consolidation.

3.4 The CNQ Issuer must post on the CNQ.ca website:

(a) a copy of the Certificate of Amendment, or equivalent document giving effect to the stock consolidation; and

(b) a written statement as to the date of the mailing of the Letters of Transmittal.

3.5 The shares will commence quotation on the CNQ System on a consolidated basis on the second trading day preceding the Record Date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the share consolidation and effective date of trading on the consolidated basis.

4. Share Reclassification (with no Stock Split)

4.1 The following documentation must be posted in connection with a share reclassification not involving a stock split, a reclassification into more than one class of shares or other change to the CNQ Issuer's capital structure, in which case the CNQ Issuer must consult with CNQ in order to determine the appropriate procedure and CNQ Requirements:

(a) a press release announcing the reclassification;

(b) a completed Form 12;

(c) a written confirmation of the record date;

(d) a certified copy of the shareholders resolution approving the reclassification;

(e) an opinion of counsel that all the necessary steps have been taken to

validly effect the share reclassification in accordance with applicable law;

(f) a definitive specimen(s) of the new or over-printed share certificate(s);

(g) a copy of the Letters of Transmittal, if applicable;

(h) confirmation from the registrar and transfer agent that it is in a position to effect transfers in the reclassified shares; and

(i) confirmation and notification by the CNQ Issuer to the Commission and the Clearing Corporation of the share reclassification.

4.2 The CNQ Issuer must also post:

(a) a copy of the Certificate of Amendment, or equivalent document; and

(b) a written statement as to the date of the mailing of the Letters of Transmittal, if applicable;

4.3 The reclassification will normally become effective for quotation purposes on the CNQ System two trading days preceding the Record Date. CNQ will issue a CNQ Bulletin to CNQ Dealers advising of the share reclassification and effective date of trading on the reclassified basis.

4.4 If the reclassification involves the issuance of restricted shares, the company must comply with OSC Rule 56-501 in addition to this Policy.

POLICY 10

SCHEDULE OF FEES

Issuers

Additional Listing	No Fee
Initial Fee	$10,000 (1)
Non-Refundable	*$2000*
Monthly Fee	$300
Fundamental Change	$10,000
Reactivation Fee	$500

Dealers

Initial Set-Up Fee	$2500
Monthly Access Fee	$1250
Trading Fees	The sum of $0.05 per 1,000 shares plus $4.00 per $1,000 value, payable per trade by each side.

(1) The initial fee $10,000 shall be reduced to $8,000 for application for quotation made prior to issuance of the order recognizing CNQ as a quotation and trade reporting system.

13.1.4 Canadian Trading and Quotation System Inc. Rules

RULE 1

INTERPRETATION AND GENERAL PROVISIONS

1-101 Definitions

(1) Unless otherwise defined or interpreted or the subject matter or context otherwise requires, every term used in these Rules that is:

(a) defined or interpreted in section 1 of the *Securities Act* has the meaning ascribed to it in that section;

(b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection;

(c) defined or interpreted in subsection 1.1(3) of National Instrument 14-101 has the meaning ascribed to it in the subsection;

(d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that subsection;

(e) defined or interpreted in Part 1 of National Instrument 21-101 has the meaning ascribed to it in that part;

(f) defined in subsection 1.1 of National Instrument 44-101 has the meaning ascribed to it in that subsection;

(g) defined in section 1.1 of UMIR has the meaning ascribed to it in that section; and

(h) a reference to a requirement of CNQ shall have the meaning ascribed to it in the applicable by-law, Rule or Policy of CNQ.

(2) In these Rules, unless the subject matter or context otherwise requires:

"affiliated entity" has the meaning ascribed to it in Ontario Securities Commission Rule 45-501.

"ask" or **"offer"** means the lowest price of an order to sell at least one Board Lot of a particular quoted security posted in the CNQ System.

"bid" means the highest price of an order to buy at least one Board Lot of a particular quoted security posted in the CNQ System.

"Board Lot" means a standard trading unit.

"Business Day" means any day from Monday to Friday inclusive, excluding Statutory Holidays.

"by-laws" means any by-law of CNQ as amended and supplemented from time to time.

"Clearing Corporation" means The Canadian Depository for Securities Limited or such other person as recognized by the Commission as a clearing agency for the purposes of the *Securities Act* and which has been designated by CNQ as an acceptable clearing agency.

"Client Matching Order" means a client hit or take order.

"CNQ" means Canadian Quotation and Trading System Inc.

"CNQ Board" means the Board of Directors of CNQ and includes any committee of CNQ's Board of Directors to which powers have been delegated in accordance with the by-laws or the Rules.

"CNQ Contract" means any contract:

(a) to buy or sell any quoted security, if such contract is made through the facilities of CNQ; or

(b) for delivery of and payment for any quoted security (or security which was a quoted security when the contract was made) arising from settlement through the Clearing Corporation.

"CNQ Dealer" means a Participant which has applied to CNQ for, and has been approved by CNQ to access to the CNQ System, provided such access has not been terminated or suspended.

"CNQ Issuer" means an issuer which has its securities qualified for quotation on the CNQ System or which has applied to have its securities qualified for quotation on the CNQ System.

"CNQ Requirements" means collectively:

(a) these Rules;

(b) the Policies;

(c) UMIR; and

(d) any Decision,

as amended, supplemented and in effect from time to time.

"CNQ System" means the electronic system operated by CNQ for trading and quoting securities.

"CNQ Trading and Access Systems" includes all facilities and services provide by CNQ to facilitate quotation and trading, including, but not limited to: the CNQ System; data entry services; any other computer-based quotation and trading systems and programs, communications facilities between a system operated or maintained by CNQ and a trading or order routing system operated or maintained by a CNQ Dealer, another market or other person approved by CNQ; a communications network linking quotation dissemination, trade reporting and order execution systems; and the content entered, displayed and processed by the foregoing, including price quotations and other market information provided by or through CNQ.

"control block holder" means any person or combination of persons holding a sufficient number of any securities of a CNQ Issuer or CNQ Dealer to affect materially the control of that CNQ Issuer or Dealer, but any holding of any person or combination of persons holding more than 20% of the outstanding voting securities of a CNQ Issuer or Dealer shall, in the absence of evidence of the contrary, be deemed to affect materially the control of that CNQ Issuer or Dealer.

"COP" or "Calculated Opening Price" means the price established by the CNQ System for the opening of trading in a CNQ security.

"cross" means a trade entered by a CNQ Dealer holding matching buy and sell orders.

"CSA Marketplace Rules" means National Instrument 21-101 and companion policy and National Instrument 23-101 and companion policy, as amended from time to time.

"Decision" means any decision, direction, order, ruling or other determination of CNQ, including any committee of CNQ, or the Market Regulator made in the administration or application of these Rules or any Policy.

"Designated Market Maker" means, in respect of a particular Market Maker security, the CNQ Dealer or Dealers appointed as Market Maker for that security.

"Fill or Kill Order" means an order that is filled immediately, in whole or in part, with any unfilled balance cancelled from the CNQ System.

"hit order" means a market or limit order entered on a Fill or Kill basis to sell up to the amount available on the bid.

"holding company" means a corporation that holds, directly or indirectly and alone or in combination with any other person, securities of a CNQ Dealer:

(a) carrying 50 per cent or more of the votes carried by all voting securities;

(b) carrying the right to receive 50 per cent or more of any distribution of earnings; or

(c) accounting for 50 per cent or more of the total capital or equity.

"limit order" means an order to buy at no higher than a specified price and an order to sell at no lower than a specified price.

"Market Maker" means a CNQ Dealer approved as such for a particular quoted security.

"Market Maker security" means a quoted security for which one or more CNQ Dealers have been appointed as Market Maker.

"market order" means an order to buy or sell at the best available price.

"Market Regulator" means Market Regulation Services Inc. or such other person as recognized by the Commission as a regulation services provider for the purposes of the *Securities Act* and which has been retained by CNQ as an acceptable regulation services provider.

"MR Policy" means a Policy as defined in UMIR, being policy statement adopted by the Market Regulator in connection with the administration or application of these Rules as such policy statement is amended, supplemented and in effect from time to time "**notice**" means a communication or document to be given, sent, delivered or served by CNQ pursuant to CNQ Requirements to any person subject to these Rules.

"Policy" means any policy statement, direction or decision adopted by the CNQ Board or any committee of the CNQ Board in connection with the administration or application of the Rules as such policy statement is amended, supplemented and in effect from time to time.

"quotation" means an order to buy and an order to sell a security of a CNQ Issuer entered into the CNQ System by a Market Maker in its capacity as such;

"quoted company" means a CNQ Issuer which has one or more classes of its securities quoted on the CNQ System.

"quoted security" means a security of a CNQ Issuer quoted on the CNQ System.

"recognized self-regulatory organization" means a self-regulatory organization recognized by the Commission.

"registered representative" means a person who has been approved as such by the appropriate recognized self-regulatory organization.

"Regulation" means Ontario Regulation 1015- General Regulation made under the Securities Act, as amended from time to time.

"Related Entity" means, in respect of a particular CNQ Dealer, a person that:

(a) is an affiliated entity of the CNQ Dealer:

(b) is a control block holder of the CNQ Dealer or of which the CNQ Dealer is a control block holder

which carries on as a substantial part of its business in Canada that of a broker, dealer or advisor in securities and is not a CNQ Dealer.

"Related Person" means, in respect of a particular CNQ Dealer:

(a) a Related Entity;

(b) an employee of the CNQ Dealer or Related Entity;

(c) general partners, directors and officers of the CNQ Dealer or Related Entity;

(d) such other person as may be designated from time to time by CNQ.

"Rules" means these rules as adopted by the CNQ Board as amended, supplemented and in effect from time to time.

"*Securities Act*" means the *Securities Act*, R.S.O. 1990, c. S.5 as amended from time to time.

"settlement day" means any Trading Day on which settlements in quoted securities may occur through the facilities of the Clearing Corporation.

"significant equity interest" means the holding, directly or indirectly and alone or in combination with any other person, of securities:

(a) carrying 20 per cent or more of the votes carried by all voting securities;

(b) carrying the right to receive 20 per cent or more of any distribution of earnings; or

(c) accounting for 20 per cent or more of the total capital or equity of the issuing person.

"Statutory Holiday" means such day or days as may be designated by the CNQ Board or established by law applicable in Ontario.

"take order" means a market or limit order entered on a Fill or Kill basis to buy up to the amount available on the offer.

"Toronto" means the City of Toronto as the same may be constituted from time to time, and in the event that the City of Toronto shall at any time cease to exist, shall mean the municipality in which the registered office of CNQ is located.

"Trading Day" means a Business Day during which trades are executed on the CNQ System.

"UMIR" means the Universal Market Integrity Rules adopted by the Market Regulator as amended from time to time.

''unpriced order" means an order to buy at the ask or to sell at the bid.

1-102 Interpretation

(1) In determining the value of an order for the purposes of these rules, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated by multiplying the number of shares to be bought or sold under the order by:

(a) in the case of a limit order, the specified maximum price (for a buy order) or minimum price (for a sell order);

(b) in the case of a market buy order, the offer; and

(c) in the case of a market sell order, the bid.

(2) For the purpose of determining the "last sale price" where a sale of at least a Board Lot of a quoted security has not occurred in the CNQ System on a trading day, the last sale price is the price:

(a) of the last sale of the security on the CNQ System;

(b) at which the security was issued, if the security has not previously traded on a market place; or

(c) which has been accepted by the Market Regulator, in any other circumstance.

(3) For the purpose of determining the price at which a security is trading for the purposes of the definition of "Board Lot", the price shall be the last sale price of the particular security.

(4) For the purposes of these Rules,

"person" includes without limitation a company, corporation, incorporated syndicate or other incorporated organization, sole proprietorship, partnership or trust; and

"trade" has the meaning ascribed to it in the *Securities Act* and, in addition, includes a purchase or acquisition of a security for valuable consideration.

1-103 Exercise of CNQ Powers

(1) Unless the subject matter or context requires otherwise, wherever CNQ is specified as having any powers, rights, discretion or is entitled to take any action, then the same may be exercised or taken at any time and from time to time on behalf of CNQ by the CNQ Board, the appropriate officers of CNQ or any committee or person designated by the CNQ Board or the President of CNQ, including the Market Regulator.

(2) Unless the subject matter or context requires otherwise, any exercise of any power, right or discretion or the taking of any action on behalf of CNQ by any person or committee shall be subject to the overall authority of the CNQ Board.

1-104 Rules of Construction

(1) The division of CNQ Requirements into separate Rules, Policies, divisions, sections, subsections and clauses, the provision of a table of contents and index thereto, and the insertion of headings, indented notes and footnotes are for convenience of reference only and shall not affect the construction or interpretation of CNQ Requirements.

(2) The use of the words "hereof", "herein", "hereby", "hereunder" and similar expressions indicated the whole of the Rules and not only the particular rule in which the expression is used, unless the context clearly indicates otherwise.

(3) The word "or" is not exclusive and the word "including", when following any general statement or term, does not limit that general statement or term to the specific matter set forth immediately after the statement or term, whether or not non-limited language (such as "without limitation" or "but not limited to" or similar words) is used.

(4) Any reference to a statute, unless otherwise specified, is a reference to that statute and the regulations made pursuant to that statute, with all amendments made and in force from time to time, and to any statute or regulation that may be passed which supplements or supersedes that statute or regulation.

(5) Unless otherwise specified, any reference to a policy, rule, blanket order or instrument includes all amendments made and in force from time to time and any policy, rule, blanket order or instrument which supplements or supersedes that policy, rule, blanket order or instrument.

(6) Grammatical variations of any defined term shall have similar meanings; words imputing the masculine gender include the feminine or neuter gender and words in the singular include the plural and vice versa.

(7) All times mentioned in CNQ Requirements shall be local time in Toronto on the day concerned, unless the subject matter or context otherwise requires.

(8) Any reference to currency refers to lawful money of Canada (unless expressed to be in some other currency).

(9) Failure by CNQ to exercise any of its rights, powers or remedies under the CNQ Requirements or its delay to do so will not constitute a waiver of those rights, powers or remedies. The single or partial exercise of a right, power or remedy will not prevent its subsequent exercise or the exercise of any other right, power or remedy. CNQ will not be deemed to have waived the exercise of any right, power or remedy unless such waiver is made in writing and delivered to the person to which such waiver applies or is published, if such waiver applies generally. Any waiver may be general or particular in its application, as determined by CNQ.

1-105 Appeals of Decisions

(1) A CNQ Dealer or any person directly affected by a Decision under these Policies, other than a Decision made pursuant to Rule 3-102 or a Decision of the Market Regulator, may appeal such Decision to the CNQ Board.

(2) A Decision of the CNQ Board may be appealed to the Ontario Securities Commission pursuant to the provisions of the *Securities Act*.

(3) A Decision of the Market Regulator, other than a Decision made pursuant to Rule 3-102, may be appealed pursuant to the provisions of UMIR.

1-106 Deeming Provisions

(1) CNQ Dealers are Users for the purposes of UMIR and the CSA Marketplace Rules.

(2) A client who originates an order that is given by a CNQ Dealer to a designated Market Maker is deemed to be a client of the Market Maker for the purposes of these Rules and UMIR.

RULE 2

CNQ DEALERS

2-101 Qualifications

A dealer applying for approval as a CNQ Dealer shall, prior to being approved as a CNQ Dealer:

(a) be an Ontario registrant and a member in good standing of the Investment Dealers Association of Canada or such other recognized self-regulatory organization as may be prescribed by CNQ from time to time; and

(b) meet such standards as may be prescribed from time to time.

2-102 Application

An application for approval as a CNQ Dealer shall be made in such form and contain such information as CNQ may from time to time require.

2-103 Approval as a CNQ Dealer

CNQ may:

(a) approve a dealer as a CNQ Dealer unconditionally;

(b) approve a dealer as a CNQ Dealer subject to such terms and conditions as may be considered appropriate or necessary to ensure compliance by the dealer with CNQ Requirements; or

(c) refuse the application if, after having regard to such factors as CNQ may consider relevant including, without limitation, the past or present conduct, business or condition of the dealer or any of its directors, senior officers or holders of a significant equity interest, CNQ is of the opinion that:

(i) the dealer will not comply with CNQ Requirements,

(ii) the dealer is not qualified by reason of integrity, solvency, training or experience, or

(iii) such approval is otherwise not in the public interest.

2-104 Rights of Applicant

If CNQ proposes to approve a dealer subject to terms and conditions or to refuse a dealer, the applicant shall be:

(a) provided with a statement of the grounds upon which CNQ proposes to approve the applicant subject to terms and conditions or to reject an applicant with the particulars of those grounds; and

(b) entitled to appeal the Decision in accordance with the provisions of Rule 1-104.

2-105 Set Up Fee

(1) A dealer that has been approved as a CNQ Dealer shall pay, before beginning to trade on the CNQ System, the set up fee as may from time to time be fixed by CNQ.

(2) If a dealer has not paid the set up fee within 30 days of approval by CNQ, such approval shall lapse.

2-106 Register of CNQ Dealers

CNQ shall keep a register of CNQ Dealers, setting out the name and address of each CNQ Dealer.

2-107 Representative of CNQ Dealer

(1) A CNQ Dealer that is not an individual shall appoint, in writing, an individual as its representative who shall be a senior officer, director or partner of the CNQ Dealer.

(2) The representative shall:

(a) represent the CNQ Dealer in all dealings with CNQ, with full authority to speak for and bind the CNQ Dealer;

(b) ensure that the CNQ Dealer, and the partners, shareholders, directors, officers and employees of the CNQ Dealer comply with CNQ Requirements; and

(c) be primarily responsible to CNQ for the conduct of the CNQ Dealer and the partners, shareholders, directors, officers and employees of the CNQ Dealer without in any way limiting the duties and liabilities of others under these Rules.

2-108 Not transferable

Approval and status as a CNQ Dealer is not transferable.

2-109 Related Companies

A Related Entity shall comply with all CNQ Requirements as though it were a CNQ Dealer and each partner, owner, director, officer, shareholder or employee of a Related Entity shall comply with CNQ Requirements as though the Related Entity were a CNQ Dealer, except to the extent that non-compliance with specified provisions may be

approved from time to time by CNQ, either generally, individually or by classes.

2-110 Continuing Membership in IDA or SRO

(1) If a CNQ Dealer is suspended from or ceases to be a member of the Investment Dealers Association of Canada or other prescribed recognized self-regulatory organization, it shall, without hearing or notice, be suspended, such suspension to be deemed an interim order made pursuant to Rule 7-107.

(2) If, in the opinion CNQ, a CNQ Dealer breaches a requirement of the Investment Dealers Association of Canada or other prescribed recognized self-regulatory organization of which it is a member, CNQ may impose such terms and conditions on the CNQ Dealer as CNQ deems appropriate in the circumstances.

2-111 Fees and Charges

(1) A CNQ Dealer shall pay such fees and charges as shall be fixed by CNQ, which shall become due and payable to the CNQ at such time or times and in such manner as CNQ shall require.

(2) If a CNQ Dealer has not paid any fees or charges within 30 days of becoming due and payable, CNQ may, without harm or notice, suspend the CNQ Dealer, such suspension to be deemed an interim order made pursuant to Rule 7-107.

2-112 Notifications

A CNQ Dealer shall give CNQ prior written notice of:

(a) a change in its name or the name under which it carries on business;

(b) a change in the address of its head office; and

(c) a change of its representative.

2-113 Indemnification and Limited Liability of CNQ

(1) To the extent permitted by law, CNQ and the Market Regulator shall at all times be indemnified and saved harmless by each CNQ Dealer from and against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment and including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings), whatsoever that CNQ or the Market Regulator sustains or incurs in or about any action, suit or proceeding, whether civil, criminal or administrative, and including any investigation, inquiry or hearing, or any appeal therefrom, that is threatened, brought, commenced or prosecuted against CNQ or the Market Regulator or in respect of which CNQ or the Market Regulator is compelled or requested to participate, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by such CNQ Dealer.

(2) To the extent permitted by law, all costs, charges and expenses indemnified pursuant to Rule 2-113 shall be paid to CNQ by the CNQ Dealer in advance of the final disposition of the matter and shall be paid promptly or at the latest within 30 days after receiving the written request of CNQ.

(3) By making use of the CNQ Trading and Access Systems, a CNQ Dealer expressly agrees to accept all liability arising from the use of the CNQ Trading and Access Systems.

(4) CNQ shall not be liable for any loss, damage, cost, expense, or other liability or claim suffered or incurred by or made against a CNQ Dealer as a result of the use by such CNQ Dealer of the CNQ Trading and Access Systems.

(5) CNQ shall not be liable to a CNQ Dealer for any loss, damage, cost, expense or other liability or claim arising from any:

(a) failure of the CNQ Trading and Access Systems, whether temporary or permanent, arising from any cause;

(b) negligent, reckless or wilful act or omission of:

(i) the Market Regulator or any director, officer or employee of the Market Regulator;

(ii) a director, officer or employee of CNQ or member of a committee appointed by CNQ or the Market Regulator; or

(iii) an independent contractor retained by CNQ or the Market Regulator; or

(c) operation of the CNQ Trading and Access Systems, including without limitation, any halts, suspension or disqualification from quotation of any security.

(6) No director, officer or employee of CNQ or the Market Regulator or member of a committee appointed by CNQ or the Market Regulator shall be liable for any loss, damage or misfortune whatever that happens in the execution of his or her duties or in relation thereto, including in the execution of duties, whether in an official capacity or not, for or on behalf of or in relation to CNQ or the Market Regulator or any body corporate or

entity which he or she serves or provides services to at the request of or on behalf of CNQ or the Market Regulator, unless the same is occasioned by his or her own willful neglect or default.

(7) If a legal proceeding that arises directly or indirectly from the use of the CNQ Trading and Access Systems by a CNQ Dealer is brought or threatened against CNQ, the Market Regulator or a person named in Rule 2-113(5)(b), the CNQ Dealer shall reimburse CNQ for:

(a) all costs, charges, expenses and legal and professional fees incurred to indemnify a person named in Rule 2-113(7);

(b) any recovery adjudged against CNQ, the Market Regulator or a person named in Rule 2-113(7) if CNQ or such person is found to be liable; and

(c) any payment made by CNQ with the consent of the CNQ Dealer in settlement of such proceeding.

2-114 Good Standing

(1) No person shall use, exercise or enjoy any of the rights or privileges of a CNQ Dealer unless the person is a CNQ Dealer that has not been suspended or terminated and that has not been deprived of such rights or privileges pursuant to CNQ Requirements.

(2) A CNQ Dealer that has been suspended or terminated or that has been deprived of some rights or privileges pursuant to CNQ Requirements shall not for that reason alone lose its rights hereunder in respect of any claims it may have against another CNQ Dealer unless such rights are expressly dealt with.

2-115 Termination

(1) A CNQ Dealer may terminate its status as a CNQ Dealer by giving not less than 3 months written notice to CNQ.

(2) CNQ may postpone the effective date of termination until it is satisfied that the CNQ Dealer has:

(a) complied with CNQ Requirements; and

(b) obtained the necessary consents from the recognized self-regulatory organization of which it is a member.

(3) CNQ may terminate a CNQ Dealer's status, if CNQ determines, after a hearing conducted according to the rules established under Rule 7, that a CNQ Dealer has:

(a) contravened or is not in compliance with a CNQ Requirement; or

(b) engaged in conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of CNQ or the public.

2-116 Automatic Suspension

(1) If a CNQ Dealer becomes insolvent or bankrupt or adjudged to be a defaulter in accordance with Rule 5, the CNQ Dealer shall automatically and without the necessity of any action by CNQ, be suspended as a CNQ Dealer and notice of such suspension shall be provided by CNQ to CNQ Dealers.

(2) A CNQ Dealer shall be deemed to be insolvent if:

(a) the CNQ Dealer is for any reason unable to meet its obligations as they generally become due;

(b) the CNQ Dealer has ceased paying its current obligations in the ordinary course of business as they generally become due; or

(c) the aggregate of the property of the CNQ Dealer is not, at a fair valuation, sufficient or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due.

(3) A CNQ Dealer shall be deemed to be bankrupt if the CNQ Dealer has committed an act of bankruptcy as set forth in the *Bankruptcy and Insolvency Act* (Canada).

(4) A CNQ Dealer shall forthwith give written notice to CNQ upon the occurrence of any event or act named in Rule 2-116(2) or (3).

RULE 3

GOVERNANCE OF QUOTATION AND TRADING

3-101 Date and Time of Quotation

(1) The CNQ System shall be open for quotation and trading on each Business Day.

(2) Unless otherwise changed by CNQ the CNQ System will be accessible by CNQ Dealers between 8:00 a.m. and 5:00 p.m. on each Business Day as follows:

(i) the CNQ System will operate in a pre-open state between 8:00 a.m. and 9:29 a.m. on each Business Day;

(ii) the CNQ System will open at 9:30 a.m. and be open for continuous trading until 4:00 p.m. on each Business Day; and

(iii) the CNQ System will close at 5:00 p.m. on each Business Day.

3-102 Trading Suspensions and Halts

(1) The Board may at any time:

(a) suspend quotation and trading on the CNQ System;

(b) close the CNQ System; or

(c) reduce, extend or otherwise alter the time of operation of the CNQ System.

(2) The Board, the Chairman, the President or senior officer designated by the President to act in his or her absence may, in the event of an emergency or a technical problem with the CNQ Trading and Access Systems that is substantially impairing trading or will likely substantially impair trading if not resolved,:

(a) suspend all quotation and trading or quotation and trading in particular quoted securities for that Trading Day; or

(b) reduce, extend or otherwise alter the time of operation of the CNQ System for that Trading Day.

(3) The Market Regulator may halt quotation and trading on the CNQ System in any quoted security at any time and for such period of time as the Market Regulator may consider appropriate in the interest of a fair and orderly market.

(4) Notwithstanding any other provision, the Market Regulator may delay the opening of trading in any quoted security after the customary time of opening for any period in order to assist in the orderly opening of such trading.

3-103 Power of the Market Regulator

(1) The Market Regulator shall administer these Rules and perform the market regulation function in respect of the CNQ System for and on behalf of CNQ.

(2) The Market Regulator may, in governing trading in quoted securities on the CNQ System:

(a) refuse to allow any bid price or ask price to be recorded at any time if, in the opinion of the Market Regulator, such quotation is unreasonable;

(b) settle any dispute arising from trading in quoted securities where such authority is not otherwise provided for in any CNQ Requirement;

(c) disallow any trade which, in the opinion of the Market Regulator, is unreasonable;

(d) alter or cancel any CNQ Contract upon application of the buyer and seller provided such application has been made not later than the Business Day following the day on which the trade was made;

(e) provide to any person an interpretation of any CNQ Requirement in accordance with the purpose and intent of such CNQ Requirement and shall ensure that any such interpretation is observed by such person;

(f) exercise such powers as are specifically granted to the Market Regulator pursuant to these Rules; and

(g) exercise such other powers as may be delegated from time to time by the Board of CNQ.

(3) In determining whether any quotation or trade in a security is unreasonable, the Market Regulator shall consider:

(a) prevailing market conditions;

(b) the last sale price of the security;

(c) patterns of trading in the security on the CNQ System including volatility, volume and number of transactions; and

(d) whether material information concerning the security is in the process of being disseminated to the public.

3-104 General Exemptive Relief

(1) CNQ may exempt any class of persons or class of transactions from the application of a CNQ Requirement if, in the opinion of CNQ, the provision of such exemption:

(a) would not be contrary to the provisions of the *Securities Act* (Ontario) or UMIR and the rules and regulations thereunder;

(b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and

(c) is warranted after due consideration of the circumstances of such class of persons or class of transactions.

(2) CNQ or the Market Regulator may exempt any particular person or particular transaction from the application of a CNQ Requirement if, in the opinion of CNQ or the Market Regulator, the provision of such exemption:

(a) would not be contrary to the provisions of the *Securities Act* (Ontario) and the rules and regulations thereunder;

(b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and

(c) is warranted after due consideration of the circumstances of the particular person or transaction

provided that only the Market Regulator may exempt a person or transaction from the application of UMIR.

3-105 General Prescriptive Power

CNQ may prescribe such other terms and conditions, as CNQ considers appropriate in the circumstances, related to:

(a) trading in quoted securities; and

(b) settlement of trades in quoted securities.

3-106 General Anti-Avoidance Provision

If, in the opinion of CNQ, a CNQ Dealer has organized its business and affairs for the purpose of avoiding the application of any CNQ Requirement, CNQ may apply such CNQ Requirement to the CNQ Dealer in the same manner as if such provision had directly applied to such CNQ Dealer.

3-107 Changes in CNQ Requirements

(1) Each CNQ Dealer shall designate an employee to receive CNQ bulletins or other electronic notices from CNQ and shall ensure that the information contained in such notices is disseminated as required throughout the firm.

(2) Upon sending of the bulletin or notice to the person designated in subsection (1), the firm shall be deemed to be in receipt of such notice and shall immediately comply with any change, suspension, withdrawal or revocation of a CNQ Requirement contained in such bulletin or notice.

RULE 4

TRADING OF QUOTED SECURITIES

TRADING ON THE CNQ SYSTEM

4-101 Access to CNQ System

(1) A CNQ dealer shall not permit any person to trade on the CNQ System unless such person is an Ontario registrant and

(a) is an Approved Trader in good standing on the Toronto Stock Exchange or the TSX Venture Exchange;

(b) has successfully completed the Trader Training Course of the Canadian Securities Institute; or

(c) has completed such other courses to ensure proficiency in the CNQ Rules as CNQ may determine from time to time.

(2) A CNQ dealer shall ensure that each person entering orders on the CNQ System is trained in and understands these Rules.

(3) A CNQ Dealer's trade supervision procedures adopted pursuant to Part 7.1 of UMIR shall include provisions to monitor trading on the CNQ System in compliance with these Rules.

4-102 General Rules Applicable to Order Entry

(1) Each order entered on the CNQ System shall be subject to any special rule or direction issued by CNQ or the Market Regulator with respect to:

(a) clearing and settlement; and

(b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.

(2) Each order entered on the CNQ System shall contain in addition to the UMIR required identifiers and designations a designation acceptable to the Market Regulator, if the order is:

(a) a Market Maker short sale exempt order; or

(b) of a type for which CNQ or the Market Regulator may from time to time require a specific or particular designation.

(3) A CNQ Dealer entering a client order on CNQ System which is a distribution of a security of a CNQ Issuer being made in reliance on section 2.8 of Multilateral Instrument 45-102 Resale of Securities shall not enter the client order until the Form 45-102F3 Notice of Intention to Distribute Securities and Accompanying Declaration has been filed with the Commission and posted concurrently by the CNQ Issuer on behalf of the seller on the CNQ.ca website within the time frame prescribed in section 2.8 of Multilateral Instrument 45-102 Resale of Securities.

4-103 Minimum Price Variation

The minimum quotation increment for securities of CNQ Issuers shall be as follows:

Price per security	Increment
less than $0.50	$0.005
$0.50 and higher	$0.01

4-104 Advantage Goes with Securities Sold

(1) In all trades of securities of CNQ Issuers, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNQ, the Market Regulator or the parties to the trade by mutual agreement.

(2) Claims for dividends, rights or any other benefits to be distributed to holders of record of securities of CNQ Issuers on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.

(3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNQ System, a CNQ Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNQ Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

4-105 Foreign Currency Trading

(1) A report of a cross trade agreed to in a foreign currency shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent.

(2) The CNQ Dealer making the cross shall keep a record of the exchange rate used.

TYPES OF ORDERS THAT MAY BE ENTERED

4-106 Entry of Orders for Issues with No Market Maker

(1) Any CNQ Dealer may enter

(a) orders and

(b) crosses at any price between the bid and offer

into the CNQ System for a security for which no CNQ Dealer is acting as Market Maker.

(2) Orders (other than special terms orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.

(3) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size.

4-107 Entry of Orders for Market Maker Securities

(1) Subject to Rule 4-107(2), only a designated Market Maker may enter

(a) orders and

(b) crosses at any price between the bid and offer

into the CNQ System for a Market Maker security.

(2) A CNQ Dealer other than a designated Market Maker may enter into the CNQ System

(a) a Client Matching Order or

(b) a cross at any price between the bid and ask

for such securities after the opening of trading.

(3) Orders (other than special terms orders, Client Matching Orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.

(4) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size.

(5) CNQ Dealers other than a designated Market Maker shall, subject to Rules 4-107(2) and (6), direct orders to one or more designated Market Makers.

(6) A CNQ Dealer may direct part or all of a Client Matching Order to a Market Maker for execution or entry into the CNQ System, including any unfilled portion of the order previously directly entered into the CNQ System by the CNQ Dealer pursuant to Rule 4-107(2).

MARKET INTEGRITY RULES

4-108 Fair Prices

A CNQ Dealer dealing in a CNQ security for its own account with a customer shall buy or sell at a fair price, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that it is entitled to a profit; and if the Dealer acts as agent in any such transaction, it shall not charge the customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service it may have rendered by reason of its experience in and knowledge of such security and the market.

Commentary: Rule 4-108 — Mark-Up Policy

It is a violation of Rule 4-108 for a CNQ Dealer to enter into any transaction with a customer in any CNQ security at any price not reasonably related to the current market price of the security or to charge a commission that is not reasonable. The Ontario Securities Commission has also held that excessive mark-ups are contrary to public policy in several enforcement actions against securities dealers operating in the over-the-counter market.

The following guidelines, which are adapted from the NASD Regulation Inc. IM-2440, apply to dealings with customers in CNQ securities.

(1) General Considerations

(a) A dealer shall not excessively charge a customer on a transaction in a CNQ security. “Charges,” which are referred to as “mark-ups” in this Policy, may take the form of premiums or discounts from the prevailing market price, commissions, or profit from the difference between acquisition and disposition price in a riskless or near-riskless trade. Generally speaking, mark-ups should not be more than 5% of the purchase price, but this is a guideline and not a limit. Depending on the circumstances, a mark-up pattern of 5% or even less may be considered unfair or unreasonable while, in other circumstances, mark-ups above 5% may be justified.

(b) A Dealer may not justify mark-ups on the basis of expenses that are excessive.

(c) The mark-up over the prevailing market price is the significant spread from the point of view of fairness of dealings with

customers in principal transactions. *In the absence of other bona fide evidence of the prevailing market, a Dealer's own contemporaneous cost is the best indication of the prevailing market price of a security.*

(d) Determination of the fairness of mark-ups must be based on a consideration of all the relevant factors, of which the percentage of mark-up is only one.

(2) Relevant Factors

Some of the factors which CNQ Dealers should take into consideration in determining the fairness of a mark-up are as follows:

(a) *The Availability of the Security in the Market.* In the case of an inactive security the effort and cost of buying or selling the security, or any other unusual circumstances connected with its acquisition or sale, may have a bearing on the amount of mark-up justified.

(b) *The Price of the Security*. While there is no direct correlation, the percentage of mark-up or rate of commission generally increases as the price of the security decreases. Even where the amount of money is substantial, transactions in lower priced securities may require more handling and expense and may warrant a wider spread.

(c) *The Amount of Money Involved in a Transaction*. A transaction which involves a small amount of money may warrant a higher percentage of mark-up to cover the expenses of handling.

(d) *Disclosure*. Any disclosure to the customer, before the transaction is effected, of information that would indicate (i) the amount of commission charged in an agency transaction or (ii) mark-up made in a principal transaction is a factor to be considered. Disclosure itself, however, does not justify a commission or mark-up which is unfair or excessive in light of all other relevant circumstances.

(e) *The Pattern of Mark-Ups*. While each transaction must meet the test of fairness, CNQ believes that particular attention should be given to the pattern of a Dealer's mark-ups.

(f) *The Nature of the Dealer's Business*. Different services and facilities are needed by, and provided for, customers of Dealers. If not excessive, the cost of providing such services and facilities, particularly when they are of a continuing nature, may properly be considered in determining the fairness of a Dealer's mark-ups.

(3) Transactions to Which the Policy is Applicable

The Policy applies to trading on the CNQ system, and particular, in the following transactions:

(a) A transaction in which a Dealer buys a security to fill an order for the same security previously received from a customer. This transaction would include the so-called "riskless" or "simultaneous" transaction.

(b) A transaction in which the Dealer sells a security to a customer from inventory. In such a case the amount of the mark-up would be determined on the basis of the mark-up over the bona fide representative current market. The amount of profit or loss to the Dealer from market appreciation or depreciation before, or after, the date of the transaction with the customer would not ordinarily enter into the determination of the amount or fairness of the mark-up. If however, the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-up is to be calculated, and not the prevailing market at the time of the trade.

(c) A transaction in which a Dealer purchases a security from a customer. The price paid to the customer or the mark-down applied by the Dealer must be reasonably related to the prevailing market price of the security. Again, if the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-down is to be calculated, and not the prevailing market at the time of the trade.

(d) A transaction in which the Dealer acts as agent. In such a case, the commission charged the customer must be fair in light of all relevant circumstances.

(e) Transactions wherein a customer sells securities to, or through, a Dealer, the proceeds of which are utilized to pay for

other securities purchased from, or through, the Dealer at or about the same time. In such instances, the mark-up shall be computed in the same way as if the customer had purchased for cash and in computing the mark-up there shall be included any profit or commission realized by the Dealer on the securities being liquidated, the proceeds of which are used to pay for securities being purchased.

TRADING IN THE SYSTEM

4-109 Trading at the Opening

(1) Subject to Rules 4-106, 4-107 and 4-114, the following orders may be entered after 8:00 a.m:

(a) limit orders;

(b) unpriced orders; and

(c) hit and take orders.

(2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.

(3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.

(4) Any quotations and orders that remain unfilled after the opening remain entered on the CNQ System and have time priority based on the actual time of entry.

4-110 Special Terms Orders

(1) Special Terms Orders are queued in a special terms book, separate from the regular book orders.

(2) Multiple Special Term Orders at a single limit price are queued by time priority amongst themselves.

(3) Special fill term orders are eligible for matching with orders from the regular book.

(4) Special delivery term orders are not eligible for matching with orders from the regular book. Special delivery term orders must trade with orders from the special terms book.

4-111 Trading After the Opening

(1) A tradeable order, including a Client Matching Order, entered into the CNQ System shall be allocated among offsetting orders on the bid or offer (as the case may be) individually by time priority.

(2) The undisclosed portion of a partially-disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNQ System at that price.

MARKET MAKERS

4-112 Appointment of Market Makers

(1) A CNQ Dealer wishing to make a market in a CNQ security shall file notice thereof with CNQ on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by CNQ.

(2) Subject to Rule 4-101, a CNQ Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.

(3) A CNQ Dealer approved as a Market Maker must maintain a two-sided quotation for a period of not less than three consecutive calendar months.

(4) A CNQ Dealer which ceases to act as a Market Maker in respect of the securities of a CNQ Issuer may not become a Market Maker in the securities of that CNQ Issuer for a period of 30 days.

(5) CNQ may in its sole discretion designate a CNQ Dealer as a Market Maker in respect of a CNQ security where the CNQ Dealer's trading activities suggest the market will be better served by the CNQ Dealer assuming the responsibilities of a Market Maker.

4-113 Quotations

(1) *Two-Sided Quotations*. A designated Market Maker shall

(a) buy and sell such security for its own account on a continuous basis, and

(b) enter and maintain two sided quotations in the CNQ System.

(2) *Minimum Size.* A designated Market Maker's displayed quotation size shall be for at least one Board Lot on each side of the market and may be for larger multiples thereof.

(3) *Firm Quotations.* A designated Market Maker that receives a tradeable client order to buy or sell from another CNQ Dealer shall execute the order to at least to the size displayed on the bid or offer (as the case may be).

(4) *Quotations Reasonably Related to the Market*. A Market Maker shall enter and maintain quotations that are reasonably related to the prevailing market.

(5) *Reasonably Competitive Quotations*. A Market Maker must enter reasonably competitive quotations for a security into the CNQ System, in the context of the market and over time, that generally do not exceed the average of all Market Maker spreads in that security over time.

(6) *Autoquote Restrictions*. A Market Maker may not use automatic quotation update techniques or systems that track changes to best ask price and best bid price quotations and automatically generate quotations.

4-114 Limit Order Protection

(1) A designated Market Maker shall accept and provide best execution of a client order of a CNQ Dealer (other than another designated Market Maker in the same security) if the CNQ Dealer declares to the Market Maker that the order is a client order.

(2) Subject to Rule 4-108, a Market Maker shall be entitled to a commercially reasonable commission or transaction fee for handling a client order, to be negotiated between the Market Maker and the CNQ Dealer.

(3) A Market Maker is under no obligation to accept or handle a non-client or principal order.

4-115 Additional Requirements

(1) A Market Maker shall immediately notify CNQ or the Market Regulator of any unusual trading or order-entry patterns in a quoted security that suggests that the security may be subject to manipulative trading practices or unusual volatility.

(2) A Market Maker shall comply with such additional requirement as may be prescribed from time to time by CNQ or the Market Regulator.

(3) A Market Maker shall make such reports to the CNQ or Market Regulator as may be prescribed or requested from time to time by CNQ or the Market Regulator.

RULE 5

CLEARING AND SETTLEMENT OF TRADES

5-101 Ability to Clear and Settle

(1) Each CNQ Dealer shall:

(a) at the time of the entry to the CNQ System of an order for the purchase or sale of a security:

(i) be a participant of a Clearing Corporation, or

(ii) have entered into an arrangement for the clearing and settlement of trades with a person who is a participant of a Clearing Corporation and such arrangement shall be in a form which is satisfactory to a Clearing Corporation.

5-102 Clearing and Settlement

All trades in securities of CNQ Issuers shall be reported, confirmed and settled through the Clearing Corporation pursuant to the Clearing Corporation's rules and procedures, unless otherwise authorized or directed by CNQ.

5-103 Settlement of CNQ Trades

(1) Trades in securities of CNQ Issuers shall settle on the third settlement day after the trade date, unless otherwise provided by CNQ or the parties to the trade by mutual agreement.

(2) Notwithstanding Rule 5-103(1), unless otherwise provided by CNQ or the parties to the trade by mutual agreement:

(a) trades on a when issued basis made:

(i) prior to the second Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and

(ii) on or after the second Trading Day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date,

provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;

(b) trades for rights, warrants and installment receipts made:

(i) on the third Trading Day before the expiry or payment date shall be for special settlement on the Settlement Day before the expiry or payment date;

(ii) on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and

(iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment),

provided selling CNQ Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;

(c) cash trades in quoted securities for next day delivery shall be settled through the facilities of the Clearing Corporation on the first settlement cycle following the date of the trade or, if applicable, over-the-counter, by noon of the first settlement day following the trade; and

(d) cash trades in quoted securities that have been designated by CNQ for same day settlement shall be settled by over-the-counter delivery no later than 2:00 p.m. on the trade day.

(3) Notwithstanding Rule 5-103(1), a CNQ Contract may specify delayed delivery which shall provide the seller with the option to deliver at any time within the period specified in the contract, and, if no time is specified, delivery shall take place at the option of the seller within thirty days from the date of the trade unless the parties by mutual agreement specify a delivery date more than thirty days from the date of the trade.

5-104 Disputes Regarding Trade Reports

(1) Where there is a dispute between CNQ Dealers regarding a daily trade report prepared by the Clearing Corporation, or any correction to a trade report, it shall be resolved by CNQ if the parties are unable to resolve the dispute.

(2) The electronic report of a trade as maintained by CNQ shall be taken as definitive evidence of a trade, and any dispute concerning the transaction record shall be resolved by a Decision of CNQ.

(3) Unless otherwise directed by CNQ, any trade recorded on the trade report shall stand if CNQ has not been informed of a dispute by the end of the Trading Day following the trade.

5-105 Unreasonable Delay in Settlement

CNQ may take such action as CNQ considers appropriate if, in the opinion of CNQ, settlement of a trade appears to be unreasonably or improperly delayed.

5-106 Compulsory Arbitration

(1) In the event of any dispute arising between CNQ Dealers regarding a CNQ Contract which has not been settled, such dispute shall be submitted to the decision of three arbitrators, who shall be employees of CNQ Dealers not employed by or affiliated with either Dealer involved in the dispute, selected as hereinafter provided, and the decision of the majority of such arbitrators shall be final and binding on all parties.

(2) The procedure for the nomination of arbitrators shall be as follows:

(a) The CNQ Dealer believing it to be the injured party shall deliver to the CNQ a written memorandum, stating in a summary way the matter in dispute and the redress the CNQ Dealer claims, and naming its arbitrator;

(b) CNQ shall forward a copy of such memorandum to the opposite party, who shall within two clear Business Days after receipt thereof file with CNQ a written memorandum containing its statement of the matter in dispute, and naming its arbitrator and CNQ shall forward a copy thereof to the opposite party and copies of both memoranda so filed to the arbitrators named, and they shall proceed within twenty-four hours after receipt of such memoranda to nominate a third arbitrator;

(c) If a party fails to name its arbitrator, CNQ may name one for the CNQ Dealer, and in the event of the two arbitrators named failing to nominate the third arbitrator within the time aforesaid the third arbitrator shall be appointed by CNQ.

(3) The three arbitrators so named shall forthwith give written notice to the parties of the time and place of their first sitting, which shall be held within two days after the appointment of the third arbitrator

and shall require them to be present and to produce any books, documents or papers respecting the matter at issue, and at such time and place, or at any other time and place to which they shall give written notice to the parties, the arbitrators shall hear the parties, shall make such inquiries and receive such evidences as they may deem necessary, and shall decide the subject matter in dispute and fix the cost of the reference and shall make their award and forward the same in writing to CNQ which shall give notice of the same to all the parties concerned.

(4) The award of such arbitration shall be final and not subject to review or appeal, and shall be binding upon all parties concerned and the *Arbitration Act* (Ontario) shall not apply to any such arbitration.

No CNQ Dealer shall commence legal proceedings against another CNQ Dealer upon any contract or breach of contract with reference to a CNQ Contract unless and until the CNQ Dealer has given due notice thereof to CNQ and has received notice that CNQ has authorized the commencement of such proceedings.

5-107 Corners

(1) If CNQ is of the opinion that a single interest or group has acquired such control of a quoted security that the quoted security cannot be obtained for delivery on existing CNQ Contracts except at prices and on terms arbitrarily dictated by such interest or group, CNQ may postpone the time for delivery on CNQ Contracts and provide that any CNQ Contract calling for delivery prior to the time established by CNQ shall be settled by the payment to the party entitled to receive such security of a fair settlement price.

(2) If the parties to any CNQ Contract that is to be settled by payment of a fair settlement price cannot agree on the amount, CNQ shall fix the fair settlement price and the date of the payment after providing each party with an opportunity to be heard.

5-108 When Security Disqualified, Suspended or No Fair Market

(1) CNQ may postpone the time for delivery on CNQ Contracts if:

(a) the security is disqualified from quotation;

(b) trading is suspended in the security of a CNQ Issuer; or

(c) CNQ is of the opinion that there is not a fair market in the quoted security.

(2) If CNQ is of the opinion that a fair market in the quoted security is not likely to exist CNQ may provide that CNQ Contracts be settled by payment of a fair settlement price and if the parties to a CNQ Contract can not agree on the amount, CNQ shall fix the fair settlement price after providing each party with an opportunity to be heard.

5-109 Failed Trades in Rights, Warrants and Installment Receipts

(1) Should fail positions in rights, warrants or installment receipts exist on the expiry or payment date, purchasing CNQ Dealers have the option of demanding delivery of the securities into which the rights, warrants or installment receipts are exercisable, any additional subscription privilege, and any subscription fee payable to a CNQ Dealer, that may be available, such demand shall be made before 4:00 p.m. on the expiry date.

(2) Where a demand has been made in accordance with Rule 5-109(1), payment by purchasing CNQ Dealers for:

(a) the rights, warrants or installment receipts shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required; and

(b) the securities into which the rights, warrants or installment receipts are exercisable and payment for any additional subscription privilege shall be made upon delivery of the securities.

(3) Where a demand has not been made in accordance with Rule 5-109(1), settlement shall be in accordance with normal settlement procedures, but delivery of the rights, warrants or installment receipts, as the case may be, is not required.

5-110 Restrictions on CNQ Dealers' Involvement in Buy-ins

(1) No CNQ Dealer shall knowingly permit any person on whose behalf a Buy-In Notice has been issued to fill all or any part of such order by selling the securities for the account of that person or an associated account and prior to selling to a buy-in, the CNQ Dealer, shall receive written or verbal confirmation that the order to sell is not being placed on behalf of the account of the person on whose behalf the Buy-In Notice was issued or an associated account.

(2) A CNQ Dealer that issued a Buy-In Notice and the CNQ Dealer against whom a Buy-In Notice has been issued may supply all or a part of the quoted securities provided that the principal supplying the quoted securities is not:

(a) the CNQ Dealer;

(b) a Related Person; or

(c) an associate of any person described in Rules 5-110(2)(a) or (b).

(3) If quoted securities are supplied by the CNQ Dealer that issued the Buy-In Notice, delivery shall be made in accordance with the terms of the contract thus created, and the CNQ Dealer shall not, by consent or otherwise, fail to make such delivery.

5-111 Defaulters

(1) If a CNQ Dealer against which a CNQ Contract is closed out under this Rule 5 fails to make payment of the money difference between the contract price and the buy-in price within the time specified or fails to conform to an award of arbitrators under Rule 2-114, the CNQ Dealer concerned shall become a defaulter, and notice of such default shall be provided by CNQ to each CNQ Dealer.

(2) If a CNQ Dealer makes default in, or fails to meet, or admits or discloses an inability to meet, its liabilities or engagements to the Investment Dealers Association of Canada, the Canadian Investor Protection Fund or to the Clearing Corporation or to another CNQ Dealer or to the public, the CNQ Dealer concerned may be adjudged a defaulter and notice of such default shall be provided to each CNQ Dealer.

(3) A CNQ Dealer failing to make delivery to the Clearing Corporation of securities and/or a certified cheque within the time limited by the rules governing the Clearing Corporation may be adjudged a defaulter.

5-112 Verified Statement of Outstanding CNQ Contracts

Where in connection with an audit of a CNQ Dealer, another CNQ Dealer has verified in writing a statement of outstanding CNQ Contracts with the CNQ Dealer, such verification shall be binding and any outstanding CNQ Contracts not disclosed on such statement shall be unenforceable between the CNQ Dealers.

5-113 Delivering CNQ Dealer Responsible for Good Delivery Form

(1) **Delivering CNQ Dealer Responsible for Form of Certificate** – The delivering CNQ Dealer is responsible for the genuineness and complete regularity of the quoted security, and a certificate that is not in proper negotiable form shall be replaced forthwith by one which is valid and in prior negotiable form, or by a certified cheque in lieu thereof, if a replacement certificate is not available.

(2) **Where Certificates Delivered Not Acceptable to Transfer Agents** – A CNQ Dealer that has received delivery of a certificate that is not acceptable as good transfer by the transfer agent shall return it to the delivering CNQ Dealer, which shall make delivery of a certificate that is good delivery or of a certified cheque in lieu thereof.

RULE 6

REPORTS

6-101 Confirmation

In addition to the requirements under the *Securities Act* and the rules of the Investment Dealers Association of Canada, a confirmation to a client of a purchase or sale of a quoted security on the CNQ System shall indicate that the trade occurred on the CNQ System.

6-102 Records of Security Positions

A CNQ Dealer shall keep a record showing its security position from day to day and such record shall be kept in a manner as to enable the CNQ Dealer within a reasonable period to show the position on any prescribed date in all securities bought, sold or carried for or in any and all accounts, as well as the long and short position of each account in each security, the number of securities owing to or from the Clearing Corporation, the number of securities hypothecated, the number of securities in transfer and the number of securities on hand. The CNQ Dealer shall make such record available to CNQ or the Market Regulator upon request.

RULE 7

INVESTIGATIONS AND ENFORCEMENT

7-101 Investigations

CNQ may at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct, business or affairs of any person under the jurisdiction of CNQ and CNQ may authorize any committee or person to conduct or to assist in the conduct of the investigation.

7-102 Obligations to Provide Information, Books, Records and Papers

Upon the request of CNQ, a CNQ Dealer or any person subject to the jurisdiction of CNQ shall forthwith:

(a) provide any information, books, records and papers in the possession or control of the CNQ Dealer or the person that CNQ determines may be relevant to a matter under review or investigation and such information, books, records and papers shall be provided in such manner and form, including electronically, as may be required by CNQ;

(b) allow the inspection of, and permit copies to be taken of, any books, records and papers in the possession or control of the CNQ Dealer or the person that CNQ determines may be relevant to a matter under review or investigation; and

(c) provide a verbal, recorded statement or testimony at a time and place specified by CNQ or the Market Regulator on any issues that CNQ determines may be relevant to a matter under review or investigation in the following manner:

(i) in the case of a person other than an individual, by the statement or testimony of any appropriate officer, director or employee, or

(ii) in the case of an individual, by a statement or testimony in person.

7-103 Exchange and Provision of Information

CNQ may provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes to:

(a) a recognized self-regulatory organization;

(b) a self regulatory organization in a foreign jurisdiction;

(c) a securities regulatory authority;

(d) a securities regulatory authority in a foreign jurisdiction;

(e) another market regulator; and

(f) such other body or organization as may be prescribed.

7-104 Powers and Remedies

(1) Where a person under the jurisdiction of CNQ has:

(a) contravened any CNQ Requirement; or

(b) engaged in any conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of CNQ or the public; or

(c) is not in compliance with any CNQ Requirement,

CNQ may impose any one or more of the following penalties or remedies against the person:

(d) a reprimand;

(e) a fine not to exceed the greater of:

(i) $1,000,000, and

(ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the violation;

(f) the suspension as a CNQ Dealer for the period and upon the terms and conditions, if any, determined by CNQ or the Market Regulator;

(g) the revocation, suspension or amendment of the terms and conditions of a previously granted access as a CNQ Dealer;

(h) the termination of the person's status as a CNQ Dealer; and

(i) any other penalty or remedy determined to be appropriate under the circumstances.

(2) Fines shall be paid to CNQ.

7-105 Interim Orders

(1) Where CNQ

(a) determines that a person under the jurisdiction of CNQ has engaged in or may engage in any course of conduct, has carried on or otherwise acted in a manner that is detrimental to the interests of CNQ or the public; and

(b) considers it necessary for the protection of the public interest,

CNQ may without notice of a hearing impose one or more of the following interim orders against the person:

(c) the suspension as a CNQ Dealer or any of the rights and privileges of a CNQ Dealer for the period and upon the terms and conditions, if any, determined by CNQ;

(d) the imposition of any terms and conditions determined by CNQ that must be satisfied by a CNQ Dealer to continue as a CNQ Dealer;

(e) the imposition of any terms and conditions on other persons under the jurisdiction of CNQ relating to the continuance of any business relationships by them with the person against which the interim order is made; or

(f) the imposition of any other terms or conditions that CNQ determines to be appropriate.

(2) An interim order issued by CNQ pursuant to Rule 7-105(1) expires 15 days after the date on which the interim order was made unless:

(a) a hearing is commenced within that period of time to confirm or set aside the interim order; or

(b) any party against which the interim order is made consents to an extension of the interim order until a hearing of the matter is held.

7-106 Responsibility of CNQ Dealers and of Partners or Directors of CNQ Dealers

(1) A CNQ Dealer may be found liable by CNQ for the conduct, business or affairs of Related Person and subject to any penalties as if it had engaged in that conduct, business or affairs.

(2) Notwithstanding Rule 7-106(1), the imposition of any penalties against a CNQ Dealer does not prevent the imposition by CNQ of any penalties against the Related Person.

7-107 Responsibility of Partners and Directors of CNQ Dealers

(1) Any partner or director of a CNQ Dealer may be found liable by CNQ for the conduct, business or affairs of the CNQ Dealer if such person had responsibility for same and subject to any penalties as if such person had engaged in that conduct, business or affairs.

(2) Notwithstanding Rule 7-107(1), the imposition of any penalties against any partner or director of a CNQ Dealer does not prevent the imposition by CNQ of any penalties against the CNQ Dealer.

7-108 Responsibility of Supervisors

(1) A Related Person who has authority over, supervises or is responsible to the CNQ Dealer for any Related Person may be found liable by CNQ for the conduct, business or affairs of the supervised Related Person or employee and subject to any penalties as if such person had engaged in that conduct, business or affairs.

(2) Notwithstanding Rule 7-108(1), the imposition of any penalties against a supervising Related Person does not prevent the imposition by CNQ of any penalties against the supervised Related Person.

7-109 Assessment of Expenses

(1) Upon the conclusion of any proceedings commenced pursuant to the Rules Governing the Practice and Procedure of Hearings, CNQ or the Hearing Committee shall assess against a person under the jurisdiction of CNQ any one or more of the following expenses incurred by CNQ as a result of the proceedings:

(a) recording or transcription fees;

(b) expenses of preparing transcripts;

(c) witness fees and reasonable expenses of witnesses;

(d) professional fees for services rendered by expert witnesses, legal counsel or accountants other than full-time CNQ staff;

(e) expenses of staff time incurred by CNQ or its agents;

(f) travel costs;

(g) disbursements; or

(h) any other expenses determined to be appropriate under the circumstances.

(2) Where CNQ conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a person under the jurisdiction of CNQ and determines that the complaint or other communication in the nature of a complaint was unfounded and made in bad faith, CNQ may assess the expenses incurred by CNQ or its agent as a result of the investigation against that person.

7-110 Exercise of Powers by Market Regulator

(1) The Market Regulator has all of the rights and may exercise all of the powers of CNQ set out in this section, except as otherwise agreed between CNQ and the Market Regulator.

(2) Any investigation, examination and disciplinary hearing (both interim and final) by the Market Regulator shall be conducted in accordance with the procedures established by the Market Regulator.

RULE 8

APPLICATION OF UMIR

8-101 The provisions of UMIR and any MR Policies, as amended from time to time, apply to trading on the CNQ System and form part of CNQ Requirements.

RULE 9

REPORTING TRADES

9-101 Secondary Market Options

(1) A CNQ Dealer receiving an option to purchase or sell a quoted security shall report the following details of the option to CNQ

(a) the trading symbol of the security;

(b) the number of units of the security underlying the option;

(c) whether the option is a put or call option;

(d) the identification of the party granting the option;

(e) the exercise price; and

(f) such other information as may be prescribed from time to time.

in the format prescribed from time to time by the end of the Business Day on which the option is received.

(2) If the option is granted after the close of trading, the Dealer shall report prior to the opening of trading on the following Business Day.

(3) A CNQ Dealer shall immediately report an exercise of all or part of the option to CNQ providing the following information required in Rule 9-101.

(a) the trading symbol of the security;

(b) the number of units of the security purchased or sold:

(c) the purchase or sale price; and

(d) such other information as may be prescribed from time to time.

(4) The CNQ Dealer shall pay the reporting fee prescribed from time to time.

RULE 10

SALES PRACTICES

10-101 A CNQ Dealer shall not conduct nor permit a Related Person of the CNQ Dealer to conduct sales practices which would be contrary to the public interest or the best interests of its, his or her clients.

10-102 Without limiting the foregoing, no CNQ Dealer or Related Person of a CNQ Dealer shall

(a) use high pressure sales tactics in order to induce a person to buy, sell or hold a security of a CNQ Issuer;

(b) take advantage of a person's inability or incapacity to reasonably protect his or her own interest because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to buy, sell, or hold a security of a CNQ Issuer;

(c) impose terms or conditions that make a transaction in a CNQ Issuer inequitable;

(d) make any statement which the CNQ Dealer or Related Person knows or reasonably ought to know is false or misleading to induce a client to buy sell or hold a security of a CNQ Issuer; or

(e) employ a tiered or other sales force structure that purports to relieve a person recommending an order directly or indirectly from a client from the obligation to ensure that the trade is suitable for that client.

10-103 A CNQ Dealer shall not reduce or retract all or any portion of the sales commission paid or payable to a registered representative in connection with a trade in a security of a CNQ Issuer in the event the client to whom the securities were traded resells those securities.

10-104 When recommending any trade with a client in a security of a CNQ Issuer, a CNQ Dealer or the registered representative shall disclose to the client, orally or in writing, the following:

(a) if the CNQ Dealer is acting as principal (or as agent for another CNQ Dealer acting as principal);

(b) if the CNQ Dealer will concurrently acquire the securities to supply to the customer in a riskless principal transaction, the CNQ Dealer's cost of acquisition; and

(c) if the security being traded does not have a market maker or the CNQ Dealer is the sole market maker.

10-105 When recommending the first trade with a client in a security of a CNQ Issuer, a CNQ Dealer or the registered representative shall provide a written risk disclosure statement to the client, addressing the following:

(a) the potential difficulty of reselling the securities of CNQ Issuers;

(b) the potential price volatility inherent in the securities of CNQ Issuers;

(c) the potential susceptibility of securities of CNQ Issuers to manipulation; and

and the client shall acknowledge receipt of the risk disclosure statement in writing prior to the execution of the first order.

10-106 In this rule, whether a trade is recommended shall be determined with reference to By-law 1300 of the Investment Dealers Association of Canada and its related policy and guidelines.

13.1.5 Canadian Trading and Quotation System Inc. Order

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

AND

IN THE MATTER OF
CANADIAN TRADING AND QUOTATION INC.
RECOGNITION ORDER

(Section 21.2.1)

WHEREAS the Canadian Trading and Quotation System Inc. (CNQ) has applied for recognition as a quotation and trade reporting system pursuant to section 21.2.1 of the Act;

AND WHEREAS CNQ will operate a screen-based, automated electronic marketplace.

AND WHEREAS CNQ has agreed to the terms and conditions set out in Schedule A;

AND WHEREAS the Commission has received certain representations and undertakings from CNQ in connection with CNQ's application for recognition as a quotation and trade reporting system;

AND WHEREAS the Commission has determined that the recognition of CNQ would not be prejudicial to the public interest;

THE COMMISSION hereby recognizes CNQ as a quotation and trade reporting system pursuant to section 21.2.1 of the Act, subject to the terms and conditions attached at Schedule A.

DATED *

SCHEDULE A

TERMS AND CONDITIONS

1. CORPORATE GOVERNANCE

(a) CNQ's arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the Rules of CNQ, namely, the governing body, are such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of CNQ (CNQ Dealer) and companies seeking to be quoted on CNQ (CNQ Issuer), and a reasonable number and proportion of directors will be "independent" in order to ensure diversity of representation on the Board. An independent director is a director that is not:

(i) an associate, director, officer or employee of a CNQ Dealer;

(ii) an associate, director, officer or employee of a CNQ Issuer;

(iii) an officer or employee of CNQ or its affiliates;

(iv) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of CNQ; or

(v) a person who owns or controls, directly or indirectly, over 10% of CNQ.

In particular, CNQ will ensure that at least fifty per cent (50%) of its directors will be independent. In the event that at any time CNQ fails to meet such requirement, it will promptly remedy such situation.

(b) Without limiting the generality of the foregoing, CNQ's governance structure provides for:

(i) fair and meaningful representation on its governing body, in the context of the nature and structure of CNQ, and any governance committee thereto and in the approval of Rules;

(ii) appropriate representation of independent directors or persons not associated with any CNQ Dealer, CNQ Issuer or control person on any CNQ committees; and

(iii) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of CNQ generally.

2. FITNESS

In order to ensure that CNQ operates with integrity and in the public interest, each person or company that owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ is a fit and proper person and the past conduct of each person or company that owns or controls, directly or indirectly, more than 10% of CNQ and each officer or director of CNQ affords reasonable grounds for belief that the business of CNQ will be conducted with integrity.

3. FAIR AND APPROPRIATE FEES

(a) Any and all fees imposed by CNQ will be equitably allocated. Fees will not have the effect of creating barriers to access and must be balanced with the criteria that CNQ will have sufficient revenues to satisfy its responsibilities.

(b) CNQ's process for setting fees will be fair, appropriate and transparent.

4. ACCESS

(a) CNQ's requirements permit all properly registered dealers that are members of a recognized SRO and satisfy access requirements established by CNQ to access the facilities of CNQ.

(b) Without limiting the generality of the foregoing, CNQ will:

(i) establish written standards for granting access to CNQ Dealers trading on CNQ;

(ii) not unreasonably prohibit or limit access by a person or company to services offered by it; and

(iii) keep records of

(A) each grant of access including, for each CNQ Dealer, the reasons for granting such access, and

(B) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

5. FINANCIAL VIABILITY

(a) CNQ will maintain sufficient financial resources for the proper performance of its functions.

(b) CNQ will calculate and report those financial ratios described below to permit trend analysis and provide an early warning signal with respect to the financial health of the company.

(c) CNQ will maintain: (i) a liquidity measure greater than or equal to zero; (ii) a debt to cash flow ratio less than or equal to 4.0/1; and (iii) a leverage ratio less than or equal to 4.0/1. For this purpose:

(i) liquidity measure is:

(working capital + borrowing capacity)
- 2 (adjusted budgeted expenses + adjusted capital expenditures – adjusted revenues)

where:

(A) working capital is current assets minus current liabilities,

(B) borrowing capacity is the principal amount of long term debt available to be borrowed under loan or credit agreements that are in force,

(C) adjusted budgeted expenses are 95% of the expenses (other than depreciation and other non-cash items) provided for in the budget for the current fiscal year,

(D) adjusted capital expenditures are 50% of average capital expenditures for the previous three fiscal years, (except that in each of the first three years, adjusted capital expenditures shall be determined as follows:

- in the first year after recognition (Year 1), 50% of $1/3^{rd}$ of Start Up Capital Expenditures;
- in the second year after recognition (Year 2), 50% of [$1/3^{rd}$ ($2/3^{rd}$ Start-up Capital Expenditures plus Year 1 Capital Expenditures)]; and,
- in the second year after recognition (Year 3), 50%[$1/3^{rd}$($1/3^{rd}$ Start-up Capital Expenditures plus Year 1 Capital Expenditures plus Year 2 Capital Expenditures)]

where Start-up Capital Expenditures are the total Capital Expenditures prior to the commencement of quotation and trading on CNQ and

(note: start-up period needs to be defined)

(E) adjusted revenues are 80% of revenues plus 80% of investment income for the previous fiscal year,

(ii) debt to cash flow ratio is the ratio of total debt (including any line of credit drawdowns, term loans (current and long-term portions) and debentures, but excluding accounts payables, accrued expenses and other liabilities) to EBITDA (or earnings before interest, taxes depreciation and amortization) for the previous month multiplied by 12, and

(iii) financial leverage ratio is the ratio of total assets to shareholders' equity,

in each case following the same accounting principles as those used for the audited financial statements of CNQ.

(d) On a quarterly basis (along with the quarterly financial statements required to be filed pursuant to paragraph 10), CNQ will report to the Commission the monthly calculation of the liquidity measure and

debt to cash flow and financial leverage ratios, the appropriateness of the calculations and whether any alternative calculations should be considered.

(e) Except as provided in "g" below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio in any month, it shall immediately report to the Commission or its staff.

(f) Except as provided in "g" below, if CNQ fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its President will immediately deliver a letter advising the Commission or its staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem, and CNQ will not, without the prior approval of the Director, make any capital expenditures not already reflected in the financial statements, or make any loans, bonuses, dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for at least six months.

(g) Recognizing that CNQ is a start-up operation expecting to incur losses during the first year of operations, , paragraphs "e" and "f" above shall not apply during the first year of operations if the debt to cash flow ratio is negative or greater than 4.0/1, but CNQ will not, without the permission of the Director, make any loans or dividends to any director, officer, related company or shareholder until the deficiencies have been eliminated for six months.

6. REGULATION

(a) CNQ will maintain its ability to perform its regulation functions including setting requirements governing the conduct of CNQ Dealers and CNQ Issuers and disciplining CNQ Dealers and CNQ Issuers.

(b) CNQ will retain Market Regulation Services Inc. (RS Inc.) as a regulation services provider to provide, as agent for CNQ, certain regulation services which have been approved by the Commission. CNQ will provide to the Commission, on an annual basis, a list outlining the regulation services performed by RS Inc. and the regulation services performed by CNQ.

(c) CNQ will provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report will be in such form as may be specified by the Commission from time to time.

(d) CNQ will perform all other regulation functions not performed by RS Inc.

(e) Management of CNQ (including the President and CEO) will at least annually assess the performance by RS Inc. of its regulation functions and report to the Board, together with any recommendations for improvements. CNQ will provide the Commission with copies of such reports and shall advise the Commission of any proposed actions arising therefrom.

(f) CNQ shall provide the Commission with the information set out in Appendix A, as amended from time to time.

7. CAPACITY AND INTEGRITY OF SYSTEMS

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, CNQ will:

(a) on a reasonably frequent basis, and in any event, at least annually,

(i) make reasonable current and future capacity estimates;

(ii) conduct capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

(iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;

(iv) review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards, and natural disasters;

(v) establish reasonable contingency and business continuity plans;

(b) annually, cause to be performed an independent review and written report, in

accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (a) and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review; and

(c) promptly notify the Commission of material systems failures and changes.

8. PURPOSE OF RULES

(a) CNQ will establish rules, policies and other similar instruments (Rules) that are necessary or appropriate to govern and regulate all aspects of its business and affairs.

(b) More specifically, CNQ will ensure that:

(i) the Rules are designed to:

(A) ensure compliance with securities legislation;

(B) prevent fraudulent and manipulative acts and practices;

(C) promote just and equitable principles of trade;

(D) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and

(E) provide for appropriate discipline.

(ii) the Rules do not:

(A) permit unreasonable discrimination among CNQ Issuers and CNQ Dealers; or

(B) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.

(iii) the Rules are designed to ensure that its business is conducted in a manner so as to afford protection to investors.

9. RULES AND RULE-MAKING

CNQ will comply with the rule review process set out in Appendix B, as amended from time to time, concerning Commission approval of changes in its Rules.

10. FINANCIAL STATEMENTS

CNQ will file unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of each year end, prepared in accordance with generally accepted accounting principles.

11. DISCIPLINE RULES

(a) CNQ will ensure through Market Regulation Services Inc. and otherwise that any person or company subject to its regulation is appropriately disciplined for violations of securities legislation and the Rules.

(b) CNQ will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation.

12. DUE PROCESS

CNQ will ensure that:

(a) its requirements relating to access to the facilities of CNQ, the imposition of limitations or conditions on access and denial of access are fair and reasonable;

(b) parties are given an opportunity to be heard or make representations; and

(c) it keeps a record, gives reasons and provides for appeals of its decisions.

13. INFORMATION SHARING

CNQ will share information and otherwise co-operate with the Commission and its staff, the Canadian Investor Protection Fund, other Canadian exchanges and recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions.

14. ISSUER REGULATION

(a) CNQ has sufficient authority over its issuers.

(b) CNQ carries out appropriate review procedures to monitor and enforce issuer compliance with the Rules.

15. CLEARING AND SETTLEMENT

CNQ has appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission for the purposes of the *Securities Act* (Ontario).

16. TRANSPARENCY REQUIREMENTS

CNQ will comply with the pre-trade and post-trade transparency requirements set out in National Instrument 21-101 Marketplace Operation.

17. ADDITIONAL INFORMATION

(a) CNQ has completed and submitted Form 21-101F1 (including the exhibits) to the Commission.

(b) CNQ will provide the Commission any additional information the Commission may require from time to time.

APPENDIX A

INFORMATION TO BE FILED

1. Quarterly Reporting on Exemptions or Waivers Granted

On a quarterly basis, CNQ will submit to the Commission a report summarizing all exemptions or waivers granted pursuant to the rules, policies or other similar instruments (Rules) to any CNQ Dealer or CNQ Issuer during the period. This summary should include the following information:

(a) The name of the CNQ Dealer or CNQ Issuer;

(b) The type of exemption or waiver granted during the period

(c) Date of the exemption or waiver, and

(d) A description of CNQ staff's reason for the decision to grant the exemption or waiver.

2. Quarterly Reporting on Quotation Applications

On a quarterly basis, CNQ will submit to the Commission a report containing the following information:

(a) The number of quotation applications filed;

(b) The number of quotation applications that were accepted;

(c) The number of quotation applications that were rejected and the reasons for rejection, by category;

(d) The number of quotation applications that were withdrawn or abandoned and if known the reasons why the application was withdrawn or abandoned, by category;

(e) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change;

(f) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change that were accepted;

(g) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change that were that were rejected and the reasons for rejection, by category;

(h) The number of quotation applications filed by CNQ Issuers as a result of a Fundamental Change that were withdrawn or abandoned and if known the reasons why the application was withdrawn or abandoned, by category.

In each of the foregoing cases, the numbers shall be broken down by industry category and in any other manner that the Commission requests.

APPENDIX B

RULE REVIEW PROCESS

1. CNQ will file with the Commission each new or amended rule, policy and other similar instrument (Rules) adopted by its Board.

2. More specifically, CNQ will file the following information:

(a) the proposed Rule;

(b) a notice of publication including:

(i) a description of the proposed Rule and its impact;

(ii) a concise statement, together with supporting analysis, of the nature, purpose and effect of the Rule;

(iii) the possible effects of the Rule on marketplace participants, competition and the costs of compliance;

(iv) a description of the rule-making process, including a description of the context in which the proposed Rule was developed, the process followed, the issues considered, the consultation process undertaken, the alternative approaches considered and the reasons for rejecting the alternatives;

(v) where the proposed Rule requires technological changes to be made by CNQ, CNQ Dealers or CNQ Issuers, CNQ will provide a description of the implications of the Rule and, where possible, an implementation plan, including a description of how the Rule will be implemented and the timing of the implementation; and

(vi) a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the proposed Rule to the rule of the other jurisdiction.

3. The Commission will publish for a 30 day comment period in its bulletin or on its website the notice filed by CNQ and the proposed Rule. If amendments to the Rule are necessary as a result of comments received, the Commission shall have discretion to determine whether the Rule should be re-published for comment.

4. A Rule will be effective as of the date of Commission approval or on a date determined by CNQ, whichever is later.

5. If CNQ is of the view that there is an urgent need to implement a Rule, CNQ may make a Rule effective immediately upon approval by CNQ's board of directors provided that CNQ:

   (a) provides the Commission with written notice of the urgent need to implement the Rule prior to the submission of the Rule to CNQ's board of directors; and

   (b) includes in the notice referenced in 8(b)(ii) an analysis in support of the need for immediate implementation of the Rule.

6. If the Commission does not agree that immediate implementation is necessary, the Commission will advise CNQ that is disagrees and provide the reasons for its disagreement. If no notice is received by CNQ within 5 business days of the Commission receiving CNQ's notification, CNQ shall assume that the Commission agrees with its assessment.

7. A Rule that is implemented immediately shall be published, reviewed and approved in accordance with the procedure set out above. Where the Commission subsequently disapproves a Rule that was implemented immediately, CNQ shall repeal the Rule and publish a notice informing its marketplace participants.

8. The terms, conditions and procedures set out in this section may be varied or waived by the Commission. A waiver or variation may be specific or general and may be made for a time or for all time.

13.1.6 Notice and Request for Comment - TSX Inc. (Formerly The Toronto Stock Exchange Inc.) – Reorganization and Initial Public Offering

NOTICE AND REQUEST FOR COMMENT
TSX INC.
(FORMERLY THE TORONTO STOCK EXCHANGE INC.)
REORGANIZATION AND
INITIAL PUBLIC OFFERING

A. BACKGROUND

TSX Inc. (formerly The Toronto Stock Exchange Inc.) has applied to the Commission for an amended recognition order granting the continued recognition of TSX Inc. as a stock exchange and the recognition of TSX Group Inc. (TSX Group) as a stock exchange to reflect a reorganization prior to the initial public offering (IPO) of TSX Group, a new holding company for TSX Inc., and the name change of The Toronto Stock Exchange Inc. to TSX Inc. In addition, the Canadian Venture Exchange Inc. (CDNX) has applied to amend its exemption from recognition order to reflect the reorganization of TSX Inc. and the name change of CDNX to TSX Venture Exchange Inc.

The Commission is publishing for comment the application of TSX Inc. and CDNX and related documents. We are seeking comments on all aspects of the application and related documents. We also request specific comment on certain matters identified below and have highlighted certain other important aspects of the application.

B. NAME CHANGES

Effective July 10, 2002, The Toronto Stock Exchange Inc. changed its name to TSX Inc. The shareholders approved the TSX Inc. name change at The Toronto Stock Exchange Inc. annual and special shareholders' meeting held on July 9, 2002. It is intended that CDNX will change its name to TSX Venture Exchange Inc. shortly.

C. TSX INC.

1. Reorganization

It is proposed that a reorganization of TSX Inc. will take place whereby a newly created company, TSX Group, will become the sole shareholder of TSX Inc. TSX Inc. will continue to own all of the shares of TSX Venture Exchange Inc. Immediately after the completion of the reorganization, TSX Inc. will be wholly-owned by TSX Group, and TSX Venture Exchange Inc. will be wholly-owned by TSX Inc.

2. Share Ownership Restrictions

In connection with the IPO, TSX Inc. is proposing that there be a change to the permitted limit on ownership of TSX Group shares from the existing ownership limits applied to TSX Inc. shares. Currently, under section 21.11 of the *Securities Act* (the Act), share ownership of TSX Inc. is limited to 5 per cent of outstanding shares unless the prior consent of the Commission is obtained. TSX Inc. proposes

that the restriction be increased from 5 per cent to 10 per cent. To effect this change, it is proposed that the Commission make a regulation as contemplated under subsection 21.11(5) of the Act. A copy of the draft regulation is attached to the application of TSX Inc.

3. Listing of TSX Group Shares

In connection with the IPO, it is contemplated that TSX Group will list its shares on the Toronto Stock Exchange. To address issues that may arise due to the listing of TSX Group on the Toronto Stock Exchange, TSX Inc. will establish a reporting structure whereby it notifies the Commission of conflicts of interest or potential conflicts of interest that arise or may arise. The Commission will have the opportunity to monitor TSX Inc. in this respect and may make decisions with respect to conflicts issues where it sees fit. Listing-related conditions are set out in an appendix to TSX Inc.'s recognition order.

TSX Inc. proposes that the conflicts committee be comprised of:

- the chief executive officer of TSX Inc.;
- the general counsel of TSX Inc.;
- the senior financial officer of TSX Inc.;
- the president or general counsel of Market Regulation Services Inc. (RS Inc.);
- a second senior management representative of RS Inc.;
- the senior officer responsible for listings for each of TSX Inc. and TSX Venture Exchange Inc.; and
- the senior officer responsible for trading operations of TSX Inc.

TSX Inc. submits that the conflicts committee, as proposed, has the highest degree of independence of any conflicts committee of any publicly-traded stock exchange, to the best of its knowledge. Staff request comment on the composition of the conflicts committee.

Question 1: Please comment on the proposed composition of the conflicts committee.

4. Recognition Order

The Toronto Stock Exchange Inc.'s original recognition order dated April 3, 2000 was obtained in the context of the demutualization of the Toronto Stock Exchange and was amended and restated on January 29, 2002 to reflect that it was retaining RS Inc. to perform its market regulation functions. Changes have been made to the recognition order to reflect the reorganization and IPO. One key change is the recognition of TSX Group, the newly incorporated holding company of TSX Inc. The amended recognition order is now divided into Part I, terms and conditions relating to TSX Group, and Part II, terms and conditions relating to TSX Inc.

Set out below is a summary of changes to the recognition order applicable to TSX Group and TSX Inc.

(a) Recognition of TSX Group – Part I of Schedule "A" to the amended recognition order

TSX Group will be recognized as a stock exchange, in addition to TSX Inc., and certain terms and conditions in the recognition order will apply directly to TSX Group. One of the terms and conditions, set out in paragraph 5 of Part I, is that TSX Group will carry out its activities as a stock exchange recognized under section 21 of the Act and that it will do everything within its control to cause TSX Inc. to carry out is activities as a stock exchange recognized under section 21 of the Act and to comply with the terms and conditions applicable to TSX Inc. set out in Part II of the recognition order.

Other terms and conditions applicable to TSX Group include corporate governance, fitness of officers and directors, sufficient allocation of resources to TSX Inc., access to information by the Commission and provisions to reflect that the share ownership restrictions in section 21.11 of the Act apply to TSX Group.

(b) Recognition of TSX Inc. – Part II of Schedule "A" to the amended recognition order

Some changes, discussed below, have been made to the terms and conditions applicable to TSX Inc. In addition, terms and conditions relating to the listing of TSX Group and its competitors on TSX Inc. will be set out in a new Appendix I to the recognition order.

(i) Corporate Governance

The definition of independent director has been expanded to include shareholders over 10%.

(ii) Fitness

A new paragraph has been added regarding the fitness of officers and directors.

(iii) Financial Viability

The financial ratios have been revised in order to make them more meaningful measurements of financial viability. In addition, a new provision has been added prohibiting TSX Inc. from entering into transactions either outside the ordinary course of business or with related parties where, after giving effect to the transaction, it would not comply with the financial tests.

(iv) Regulation

RS Inc. will be required to monitor TSX Group as an additional listed issuer. The supervisory function of RS Inc. will not change with the

addition of TSX Group as a listed issuer; however, RS Inc. will be required to follow procedures set out in Appendix I to TSX Group and TSX Inc.'s recognition order. This will be set out in the regulation services agreement. RS Inc. will also be required to co-operate with the Commission in setting up alert parameters specific to TSX Group.

(v) Sanction Rules

The provision regarding disciplinary actions has been expanded to include sanctions for issuer-related violations of TSX Inc. rules, policies and other similar instruments (Rules). Similarly, a new provision was added to require that TSX Inc. will have appropriate procedures to monitor and enforce issuer compliance with the Rules.

(vi) Self-listing conditions

This new paragraph has been added to the recognition order which requires that TSX Inc. shall be subject to the terms and conditions relating to the listing of TSX Group on TSX Inc. as set out in Appendix I.

(vii) Outsourcing

A paragraph relating to material outsourcing of business functions by TSX Inc. has been added. TSX Inc. is required to proceed in accordance with industry best practices and ensure that the Commission be permitted to have access and inspect information necessary to perform oversight of TSX Inc.

(viii) Related Party Transactions

A new provision regarding related party transactions has been added. The term and condition requires any material agreement or transaction entered into between TSX Inc. and TSX Group or any subsidiary or associate to be on terms and conditions that are at least as favourable to TSX Inc. as market terms.

D. TSX VENTURE EXCHANGE INC.

CDNX has also applied for an order amending and restating the Commission's amended exemption order of the Canadian Venture Exchange dated July 31, 2001. First, it is intended that the Canadian Venture Exchange Inc. will change its name to TSX Venture Exchange Inc. In addition, the Alberta Securities Commission and the British Columbia Securities Commission will be granting new recognition orders for TSX Venture Exchange Inc. As the ASC and BCSC recognition orders are attached as appendices, it is necessary to grant a revised amended exemption from recognition order. Other than the revised ASC and BCSC orders, there are no other changes to the exemption from recognition order.

E. COMMENT PROCESS

You are asked to provide your comments in writing and delivered on or before **August 23, 2002** addressed to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

We request that you submit a diskette containing an electronic copy of your submission. The confidentiality of submissions cannot be maintained as a summary of written comments received during the comment period will be published.

Following the comment period, staff will consider the comments received. Subject to comments received, staff will recommend that an amended and restated recognition order be granted to TSX Group and TSX Inc. and an amended and restated exemption from recognition order be granted to TSX Venture Exchange Inc. generally in the same form set out in the materials.

Questions may be referred to:

Cindy Petlock
Manager, Market Regulation
(416) 593-2351
email: cpetlock@osc.gov.on.ca

Susan Greenglass
Senior Legal Counsel, Market Regulation
(416) 593-8140
email: sgreenglass@osc.gov.on.ca

July 26, 2002.

13.1.7 TSX Inc. (Formerly The Toronto Stock Exchange Inc.) Reorganization and Initial Public Offering

VIA EMAIL, FACSIMILE & DELIVERED

Ontario Securities Commission
20 Queen Street West, Suite 800
Toronto, Ontario
M5H 3S8

Attention: Cindy Petlock, Manager, Market Regulation

Dear Ms. Petlock:

Re: TSX Inc. (formerly The Toronto Stock Exchange Inc.) Reorganization and Initial Public Offering

We are counsel to TSX Inc. (formerly The Toronto Stock Exchange Inc.) ("TSX Inc.") in connection with the reorganization of TSX Inc. and initial public offering of TSX Group Inc. ("TSX Group"). In connection therewith, we hereby make application, on behalf of TSX Inc. and TSX Group, for the following: (i) an order of the Ontario Securities Commission (the "Commission") approving the ownership by TSX Group of all of the shares of TSX Inc.; (ii) a regulation made by the Commission pursuant to section 21.11(5) of the *Securities Act* (Ontario) (the "Act") changing the prescribed ownership percentage in section 21.11(1) of the Act from 5 per cent to 10 per cent, and (iii) an amended recognition order granting the continued recognition of TSX Inc. as a stock exchange and the recognition of TSX Group as a stock exchange, reflecting, among other things: (a) the reorganization of TSX Inc.; (b) the name change of The Toronto Stock Exchange Inc. to TSX Inc.; and (c) the terms and conditions to be followed by each of TSX Inc. and TSX Group as a result of the reorganization and in connection with the proposed listing of TSX Group shares and the listing of shares of its competitors on the Toronto Stock Exchange (a division of TSX Inc.).

We also make application hereby, on behalf of TSX Venture Exchange Inc. (formerly Canadian Venture Exchange Inc.), for an order amending and restating the Commission's amended exemption order of Canadian Venture Exchange Inc. dated July 31, 2001 (the "Existing Exemption Order") to reflect, among other things: (i) the reorganization of TSX Inc. and (ii) the name change of Canadian Venture Exchange Inc. to TSX Venture Exchange Inc. ("TSX Venture Exchange").

A. BACKGROUND

Name Changes

Effective July 10, 2002, "The Toronto Stock Exchange Inc./Bourse de Toronto Inc." changed its name to "TSX Inc.". The shareholders of The Toronto Stock Exchange Inc. approved the name change at the annual and special shareholders' meeting held on July 9, 2002. It is intended that Canadian Venture Exchange Inc. will change its name to "TSX Venture Exchange Inc./Bourse de croissance TSX Inc." in the next few days. Canadian Venture Exchange Inc. has received approval of the name change from its sole shareholder, TSX Inc.

Reorganization and Share Ownership Restrictions

It is proposed that a reorganization of TSX Inc. will take place whereby a newly created company, TSX Group, will become the sole shareholder of TSX Inc. TSX Inc. will continue to own all of the shares of TSX Venture Exchange. Thus, immediately after the completion of the reorganization, TSX Inc. will be wholly-owned by TSX Group, and TSX Venture Exchange will continue to be wholly-owned by TSX Inc. As in the existing structure, the legal entity (TSX Inc.) that operates the Toronto Stock Exchange will continue to own the legal entity (TSX Venture Exchange) that operates the TSX Venture Exchange.

A pre-initial public offering reorganization of TSX Inc. is required to achieve this holding company structure. The reorganization will be accomplished by way of a court approved plan of arrangement. TSX Group will be initially incorporated as a subsidiary of TSX Inc. The plan of arrangement will involve: (i) shareholders of TSX Inc. exchanging their common shares of TSX Inc. for shares of TSX Group, with TSX Group thereby becoming the holding company for all shares of TSX Inc.; and (ii) the cancellation of the shares of TSX Group held by TSX Inc. As a result of the exchange, TSX Group will own 100% of TSX Inc. and the former shareholders of TSX Inc. become shareholders in TSX Group.

In connection with the reorganization of TSX Inc., it is necessary that any ownership restrictions applicable to TSX Inc. be applied instead to TSX Group. We propose that the Commission will grant an order under section 21.11(4) of the Act specifying that TSX Group own TSX Inc. subject to certain conditions. See "C. TSX Inc.: Submission/Legal Analysis: Section 21.11(4) Order".

In connection with the initial public offering, TSX Inc. is proposing that there be a change to the permitted limit on ownership of TSX Group shares from the existing ownership limits applied to TSX Inc. shares, whereby the restriction is increased from 5 per cent to 10 per cent. To effect this change, it is proposed that the Commission make a regulation as contemplated by section 21.11(5) of the Act. See "C. TSX Inc.: Submissions/Legal Analysis: Regulation".

Listing of TSX Group Shares

In connection with the initial public offering, it is contemplated that TSX Group will list its shares on the Toronto Stock Exchange. To address issues that may arise due to the listing of TSX Group on the Toronto Stock Exchange, TSX Inc. will establish a reporting structure whereby it notifies the Commission of conflicts of interest or potential conflicts of interest that arise or may arise. The Commission will have the opportunity to monitor TSX Inc. in

this respect and may make decisions with respect to conflict issues where it sees fit. The terms of this reporting and monitoring relationship are provided in Appendix I to the recognition order of TSX Inc. and TSX Group. Section 21(5) of the Act provides the Commission with overriding powers that allow it to make a decision, if it appears to be in the public interest, with respect to the manner in which the Toronto Stock Exchange carries on business, the trading of securities through the Toronto Stock Exchange's facilities, any security listed on the Toronto Stock Exchange, issuers whose securities are listed on the Toronto Stock Exchange, and any policy, procedure or practice of the Toronto Stock Exchange.

Under the terms of Appendix I to the recognition order, TSX Inc. will establish a conflicts committee that will review any matters brought before it and will provide to the Commission immediate notice of all such matters. These matters will include ongoing listing matters related to TSX Group, and initial or ongoing listing matters related to a competitor of TSX Group. The Commission, in accordance with the terms of Appendix I to the recognition order, will be in a position to approve or disapprove of the initial listing and of matters related to the continued listing of TSX Group on the Toronto Stock Exchange. See "C. TSX Inc.: Submissions/Legal Analysis: Recognition Order" for further details of the reporting procedures.

B. TSX VENTURE EXCHANGE: SUBMISSIONS

Corporate Structure, Recognition and Services in Ontario

TSX Venture Exchange was incorporated on October 29, 1999 pursuant to the Business Corporations Act (Alberta). By order made on November 26, 1999, as amended on July 31, 2001, TSX Venture Exchange was recognized by the Alberta Securities Commission (the "ASC") as an exchange in Alberta under subsection 52(2) of the Securities Act (S.A. 1981, c. S-6.1, as amended) and by the British Columbia Securities Commission (the "BCSC") as an exchange in British Columbia under subsection 24(2) of the Securities Act (British Columbia). TSX Venture Exchange has made application to the ASC and BCSC on July 5, 2002 to amend and restate these recognition orders to reflect the reorganization, the name changes and the provision of certain regulatory functions to TSX Venture Exchange by Market Regulation Services Inc. ("RS Inc.").

TSX Venture Exchange operates a national exchange for junior issuers which is separate from the Toronto Stock Exchange and which has a separate TSX Venture Exchange brand identity. TSX Venture Exchange presently maintains offices in Calgary, Vancouver, Winnipeg, Montreal and Toronto and receives applications from issuers for listings and performs continuous listing services for issuers through all of its offices.

Regulatory Oversight

TSX Venture Exchange is subject to joint regulatory oversight by both the ASC and the BCSC. TSX Venture Exchange is advised that the Commission, ASC and BCSC have entered into a memorandum of understanding ("MOU") respecting the continued oversight of TSX Venture Exchange by the ASC and BCSC and that the existing MOU or any successor agreements, as amended from time to time, will continue to apply in respect of the regulatory oversight of TSX Venture Exchange. Under the terms of the MOU, the ASC and BCSC will continue to be responsible for conducting the regulatory oversight of TSX Venture Exchange and for conducting an oversight program of TSX Venture Exchange for the purpose of ensuring that TSX Venture Exchange meets appropriate standards for market operation and regulation.

TSX Venture Exchange provides any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the review and approval procedures established by the ASC and BCSC from time to time. TSX Venture Exchange will concurrently provide the Commission with copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. Copies of all final by-laws, rules, policies and other regulatory instruments will also be provided to the Commission. TSX Venture Exchange will be subject to the terms and conditions of the ASC and BCSC recognition orders.

CDN Business

Effective September 29, 2000, TSX Venture Exchange entered into an agreement with TSX Inc. and the Canadian Dealing Network ("CDN"), a wholly-owned subsidiary of TSX Inc., pursuant to which TSX Inc. and CDN agreed to cease operating the quoted market and the reported market by CDN.

Effective September 29, 2000 Canadian Unlisted Board, Inc. ("CUB"), a wholly-owned subsidiary of TSX Venture Exchange, TSX Venture Exchange and the Commission entered into an agreement, pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario.

Reporting Issuer Status and Incorporation of OSC Rule 61-501

TSX Venture Exchange has adopted certain amendments to its Corporate Finance Policies, as may be amended from time to time, which require that TSX Venture Exchange issuers that are not otherwise reporting issuers in Ontario and have a "significant connection to Ontario" make application to the Commission and become reporting issuers in Ontario. TSX Venture Exchange has adopted Corporate Finance Policy 5.9, entitled "Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions".

C. TSX INC.: SUBMISSIONS/LEGAL ANALYSIS

Section 21.11(4) Order

In conjunction with the proposed reorganization, we submit that the Commission should make an order under subsection 21.11(4) of the Act granting approval for TSX Group to own all of the voting shares of TSX Inc. Subsection 21.11(4) of the Act permits the Commission to impose terms and conditions on this approval. We propose that one of those terms and conditions provide for the application of the ownership restrictions to TSX Group. This is the logical consequence of permitting TSX Group to own all of the voting shares of TSX Inc. and it is required by the legislative policy underlying section 21.11 of the Act. We attach at Schedule "A" hereto, the draft order.

Regulation

We submit that the current share ownership restrictions provided under section 21.11(1) of the Act be increased from 5 per cent to 10 per cent. This increase is consistent with ownership restrictions on large financial institutions in Canada.

As the Toronto Stock Exchange is the primary stock exchange in Canada for senior issuers, and TSX Venture Exchange is the primary stock exchange for junior issuers, TSX Inc. believes that it is in the public interest that it not become controlled by any one person or company, whether domestic or foreign. It is our understanding, based on the fact that section 21.11(1) of the Act currently contains ownership limits on TSX Inc., that the Commission took a similar view regarding the merits of maintaining a widely-held Toronto Stock Exchange when, in 1999, it included in the Act the language provided in section 21.11(1). Continuing ownership restrictions, albeit at an increased limit, effectively maintain the widely-held status of the Toronto Stock Exchange, a cornerstone of the Canadian capital markets.

The Commission may change the permitted share ownership by way of a regulation. Under section 21.11(5) of the Act, the Commission may, by regulation, prescribe percentage ownership for the purposes of section 21.11(1) for different classes of persons or companies. A draft form of regulation is attached hereto as Schedule "B".

Recognition Order

The Toronto Stock Exchange Inc.'s original recognition order was obtained in the context of the demutualization of the Toronto Stock Exchange and has been amended and restated to reflect various subsequent events. In order to ensure that the Toronto Stock Exchange would continue to act in the public interest after its continuance under the *Business Corporations Act* (Ontario), the recognition order contained a number of terms and conditions. TSX Inc. has reviewed the terms and conditions of the recognition order to consider any changes to be made to reflect the reorganization and the initial public offering of TSX Group, and has determined that several changes to the existing terms and conditions of the recognition order should be made to accurately reflect TSX Inc. post-reorganization and post-initial public offering. As well, terms and conditions relating to the listing of TSX Group and its competitors on TSX Inc. will be set out in the new Appendix I to the recognition order.

TSX Group will be recognized as a stock exchange, and certain terms and conditions in the recognition order will apply directly to TSX Group. The draft recognition order (with Appendix I) is attached at Schedule "C", hereto. The following is a discussion of the terms and conditions of the recognition order, which are set out in Schedule "A" to the recognition order.

PART I - TSX GROUP

The terms and conditions that have been added as being directly applicable to TSX Group are set out in the new Part I of Schedule "A" to the recognition order. One of the conditions, set out in paragraph 5 of Part I, is that TSX Group will carry out its activities as a stock exchange recognized under section 21 of the Act and that it will do everything within its control to cause TSX Inc. to carry out its activities as a stock exchange recognized under section 21 of the Act and to comply with the terms and conditions applicable to TSX Inc. set out in Part II of Schedule "A" to the recognition order.

1. Corporate Governance

TSX Group has inserted a new paragraph 1 of Part I of Schedule "A" to the recognition order that provides, among other things, a requirement that at least fifty per cent of its directors shall be independent. The definition of independent director is set out in this paragraph. Paragraph 1 also requires that TSX Group's corporate governance structure shall provide for, among other things, fair and meaningful representation on its board of directors and any governance committee thereof, having regard to, among other things, TSX Group's ownership of TSX Inc.

2. Fitness

TSX Group has inserted a new paragraph 2 in Part I of Schedule "A" to the recognition order that sets out a requirement regarding the fitness of officers and directors of TSX Group.

3. Allocation of Resources

TSX Group has inserted a new paragraph 3 in Part I of Schedule "A" to the recognition order that sets out the obligation of TSX Group to allocate sufficient resources to TSX Inc., so long as TSX Inc. carries on business as a stock exchange, to ensure that TSX Inc. can carry out its functions in a manner that is consistent with the public interest and the terms and conditions applicable to TSX Inc. in Part II of Schedule "A" to the recognition order.

4. Financial Information

Annual audited consolidated financial statements of TSX Group will be provided to the Commission within 90 days of

each year end and quarterly unaudited consolidated financial statements of TSX Group will be provided to the Commission within 60 days of each quarter end, or such shorter periods that may apply to reporting issuers.

5. Access to Information

TSX Group will, and will cause its subsidiaries to, permit the Commission to have access to all data and information in its or their possession that is required for the assessment by the Commission of the performance of TSX Inc. of its regulation functions and the compliance of TSX Inc. with the terms and conditions in Part II of Schedule "A" to the recognition order and it will permit the Commission to have the access required for the assessment by the Commission of the compliance of TSX Group with the terms and conditions in Part I of Schedule "A".

6. Share Ownership Restrictions

A new paragraph 7 of Part I of Schedule "A" to the recognition order has been added which requires that the restrictions on share ownership set out in section 21.11(1) of the Act apply to the voting shares of TSX Group, and that the articles of TSX Group contain the share ownership restrictions and provisions respecting the enforcement of such restrictions.

PART II - TSX INC.

7. Corporate Governance

Holding Company Structure

TSX Inc. is proposing a corporate structure creating a parent company which is well accepted and frequently utilized, and which includes housing head office functions in the parent company. The ability to consolidate certain corporate operations in TSX Group will allow for the cost-effective provision of those services within the TSX Group family of companies. TSX Inc. management has determined upon due consideration that the holding company structure, including the provision of certain corporate services to the TSX Group family of companies by TSX Group, is sensible in business terms. We submit that the provision of corporate services by TSX Group to other companies within the TSX Group family of companies will allow certain functional areas to be consolidated and streamlined, which should make provision of these services more cost-effective generally.

Dealings with Unregulated Entities

The holding company structure is used by many issuers (both regulated and unregulated). The ability of the Commission to regulate the appropriate entities in the TSX Group of companies is not circumscribed by the holding company structure. As provided in paragraph 13 of Part II of Schedule "A" to the recognition order, the regulation functions of TSX Inc. will be carried out only within TSX Inc. TSX Inc. and TSX Group will also cross-appoint the senior officers responsible for Corporate IT so that they are officers of TSX Inc. as well as TSX Group, and TSX Inc. and TSX Group will cross-appoint the General Counsel and all lawyers who participate in the policymaking function for TSX Inc.

TSX Inc. is prepared to incorporate an industry best practices approach towards material outsourcing of its business functions to parties other than TSX Group or an affiliate or associate of TSX Group. The terms of this industry best practices approach will be set out in a new paragraph 23 of Part II of Schedule "A" to the recognition order, which terms include the requirement that any contract implementing a material outsourcing of TSX Inc.'s business functions to a party other than TSX Group or an affiliate or associate of TSX Group that impacts on TSX Inc.'s regulation functions shall provide for the Commission to have access to all data and information maintained by the service provider that TSX Inc. is required to share under the terms of the recognition order or that is required for the assessment by the Commission of the performance of TSX Inc. of its regulation functions.

Board of Directors

Each of TSX Inc., TSX Group and TSX Venture Exchange will have its own board of directors. Immediately following the initial public offering of TSX Group, the board of directors of each of TSX Group, TSX Inc. and TSX Venture Exchange will consist of the same individuals. This will not necessarily continue to be the case in the future.

To further provide for the independence of TSX Inc.'s board of directors, TSX Inc. has expanded the definition of an independent director in paragraph 8 of Part II of Schedule "A" to the recognition order. Paragraph 8 also requires that TSX Inc.'s corporate governance structure shall provide for, among other things, fair and meaningful representation of its board of directors and any governance committee thereof, in the context of the nature and structure of TSX Inc. Paragraph 8 also states that TSX Inc. will ensure that the composition of its board of directors provides a proper balance between the interests of the different entities using its services and facilities.

The reorganization and initial public offering will not give rise to any changes to the committee structure of the TSX Inc. board of directors or the mandate of any committee of the TSX Inc. board of directors.

8. Access and Fees

It is proposed that no change be made to these paragraphs in Schedule "A" to the recognition order. The process for setting fees is fair and appropriate. The right to access the trading facilities of the Toronto Stock Exchange will continue to be governed by a contractual relationship, and entities must continue to satisfy existing criteria in order to become and remain a Participating Organization.

9. Fitness

TSX Inc. has inserted a new paragraph 11 in Part II of Schedule "A" to the recognition order that sets out a

requirement regarding the fitness of officers and directors of TSX Inc.

10. Financial Viability and Financial Statements

Financial Viability

TSX Inc. has reviewed the financial tests set out in the existing recognition order and has revised the liquidity measurement, solvency test and financial leverage ratio upon such review in order to make them more meaningful measurements of financial viability. In addition, it is proposed that paragraph 12 of Part II of Schedule "A" to the recognition order be further revised with the insertion of a new sub-paragraph (f) that prohibits TSX Inc. from entering into transactions either outside the ordinary course of business or with related parties where, after giving effect to the transaction, it would not comply with the financial tests. This revised paragraph is augmented by other proposed changes to Schedule "A" to the recognition order, including provisions relating to outsourcing and related party transactions. The related party transactions terms and conditions set out as a new paragraph 24 in Part II of Schedule "A" to the recognition order provide that any material agreement or transaction entered into between TSX Inc. and TSX Group or any subsidiary or associate of TSX Group shall be on terms and conditions that are at least as favourable to TSX Inc. as market terms and conditions.

Financial Statements

Annual audited consolidated and unconsolidated financial statements of TSX Inc. will be provided to the Commission within 90 days of each year end. Quarterly unaudited consolidated and unconsolidated financial statements of TSX Inc. will be provided to the Commission within 60 days of each quarter end. Paragraph 17 in Part II of Schedule "A" to the recognition order will so provide. To the extent that periods for reporting issuers are shorter than 90 days or 60 days, respectively, the shorter periods will apply.

11. Regulation

As a result of the initial public offering, RS Inc. will be required to monitor TSX Group as an additional listed issuer. The supervisory function of RS Inc. will not change with the addition of TSX Group as a listed issuer; however, RS Inc. will be required to follow any procedures specific to TSX Group and its competitors, which procedures will be set out in the agreement between RS Inc. and TSX Inc. whereby RS Inc. provides certain market regulation services to TSX Inc. as a regulation services provider under the ATS rules (the "Regulation Services Agreement"). In connection with monitoring TSX Group, RS Inc. will also be required to co-operate with the Commission in setting up alert parameters specific to TSX Group, which requirement will also be set out in the Regulation Services Agreement. No changes are necessary to this paragraph 13 in Part II of Schedule "A" to the recognition order.

12. Systems

The terms and conditions in the recognition order regarding systems capacity and integrity will continue to be applied at the TSX Inc. level. As the current terms and conditions respecting the capacity and integrity of the TSX Inc. systems continue to adequately address concerns regarding potential trading stoppages, only minor changes are being made to this paragraph.

13. Rules and Rule-Making

TSX Inc. will continue to establish rules, policies and other similar instruments ("Rules") necessary to effectively govern and regulate all aspects of TSX Inc.'s businesses and will ensure that any such Rule is designed to, among other things, ensure compliance with securities legislation, prevent fraudulent and manipulative acts and practices, provide for appropriate discipline, and ensure that TSX Inc.'s business is conducted in a manner so as to afford protection to investors. This rule-making function of TSX Inc. will continue to be subject to the jurisdiction and oversight of the Commission.

14. Sanction Rules

TSX Inc. will ensure, through RS Inc. and otherwise, that Participating Organizations and listed issuers are appropriately sanctioned for violations of the Rules. This paragraph 18 in Part II of Schedule "A" to the recognition order has been expanded to confirm that TSX Inc. will sanction issuers for violations of the Rules. In addition, a related paragraph 21 in Part II of Schedule "A" to the recognition order has been inserted to deal with monitoring and enforcement of issuer compliance with the Rules.

15. Due Process

TSX Inc. has agreed that the due process provision in the recognition order will be revised to include access to the listing facilities of TSX Inc. See revised paragraph 19 in Part II of Schedule "A" to the recognition order.

16. Outsourcing

Provisions relating to material outsourcing of business functions by TSX Inc. to third parties have been inserted as paragraph 23 in Part II of Schedule "A" to the recognition order. TSX Inc. is required to proceed in accordance with industry best practices.

17. Related Party Transactions

TSX Inc. has agreed that Schedule "A" to the recognition order contain a new provision regarding related party transactions, to further ensure the ongoing financial soundness of TSX Inc. Such new paragraph (paragraph 24 in Part II of Schedule "A" to the recognition order) will require that any material agreement or transaction entered into between TSX Inc. and TSX Group or any subsidiary or associate of TSX Group is on terms and conditions that are at least as favourable to TSX Inc. as market terms and conditions. Through these terms and

conditions, TSX Inc. has effectively adopted the core principle of the *Bank Act* with respect to related party rules.

18. Self-Listing Conditions

A new paragraph 22 in Part II of Schedule "A" will be added to the recognition order, which requires that TSX Inc. shall be subject to the terms and conditions relating to the listing on TSX Inc. of TSX Group, as set out in Appendix I attached thereto.

The proposal has been established in order to set out the terms of the reporting and monitoring process for TSX Inc. in connection with the initial and continued listing of TSX Group and its competitors on the Toronto Stock Exchange. Appendix I to the recognition order outlines the reporting process for TSX Inc. in connection with the initial and continued listing of TSX Group and its competitors on the Toronto Stock Exchange in order that such processes are transparent for the Toronto Stock Exchange, TSX Group and the Commission, as well as to TSX Group competitors listed, or applying to be listed, on the Toronto Stock Exchange. Appendix I outlines the functions that will be undertaken by TSX Inc. with respect to certain listing matters, and confirms that, with respect to any issues brought before the TSX Inc. conflicts committee, the Commission's Manager of Market Regulation will be notified immediately of such matter and will have the ability to approve or disapprove of any recommendation made to it by the conflicts committee.

Competitors of TSX Group will be made aware of any applicable procedures addressed in Appendix I because these procedures will be set out in TSX Inc.'s website and in the TSX Company Manual. Appendix I provides that a competitor may request that TSX Inc. refers a matter to the Director for review by the Director of specific issues where the competitor believes that the information to be provided in connection with the consideration of the matter is competitively sensitive and the disclosure of the information to TSX Inc. would, in the competitor's reasonable view, put it at a competitive disadvantage with respect to TSX Group. Appendix I also provides that a competitor may elect to waive the application of the terms of Appendix I and have TSX Inc. deal with the matter in the ordinary course as if no conflict of interest exists.

With respect to the conflicts committee, we submit that it is necessary first and foremost that the members of the committee have a requisite level of expertise in, and understanding of, TSX Inc.'s business and that the members are able to respond in an expedited manner to any time-sensitive conflicts or potential conflicts. In practice, the conflicts committee must act promptly and it is not practical to recruit members who cannot participate in the formulation of a quick response. These factors are important for TSX Group as well as for any of its competitors who may need to have an issue considered by the conflicts committee. The conflicts committee shall be composed of: the chief executive officer of TSX Inc., the general counsel of TSX Inc., the senior financial officer of TSX Inc., the president of RS Inc., a second senior management representative of RS Inc., and the senior officer responsible for listings of each of TSX Inc., TSX Venture Exchange Inc. and the senior officer responsible for trading operations of TSX Inc. In order for the conflicts committee to have quorum, at least one RS representative will participate in the meeting.

The composition of the conflicts committee as proposed by TSX Inc. has the highest degree of independence of any conflicts committee of any publicly-traded stock exchange, to the best of our knowledge. The inclusion of two members on the conflicts committee who are external to, and independent from, TSX Inc., and the requirement that at least one such individual must attend a meeting in order to achieve quorum, provides independent representation on this committee in both fact and appearance. In addition, the Commission oversees and may make a decision on any conflict matter at any time on its own initiative or on application by a competitor, which also ensures that independence is provided.

Appendix I sets out that the conflicts committee will report to the Manager of Market Regulation as soon as a matter is brought before it. After this initial notice, there will be a regular flow of information to the Commission by the conflicts committee that will allow the Commission to review the matter and any recommendations of the conflicts committee on an independent and fully informed basis. The Commission will have final, independent, decision-making power over every matter that is brought before it by the conflicts committee, and will have the ability to intervene in TSX Inc.'s disposition of a matter at any time during the process.

D. RELIEF REQUESTED

For the foregoing reasons, it is submitted that it would not be prejudicial to the public interest for the Commission to:

(i) grant an order under section 21.11(4) of the Act permitting TSX Group to own 100% of TSX Inc.;

(ii) make a regulation under section 21.11(5) of the Act changing the ownership restriction in section 21.11(1) of the Act from 5 per cent to 10 per cent;

(iii) grant an amended recognition order that continues the recognition of TSX Inc. as a stock exchange and recognizes TSX Group as a stock exchange and reflects, among other things: (a) the reorganization of TSX Inc.; (b) the name change of The Toronto Stock Exchange Inc. to TSX Inc.; and (c) the terms and conditions to be followed by each of TSX Inc. and TSX Group as a result of the reorganization and in connection with the listing of TSX Group shares and the shares of its competitors on the Toronto Stock Exchange; and

(iv) amend the Existing Exemption Order to reflect, among other things,: (a) the reorganization of TSX Inc.; and (b) the name change of Canadian Venture Exchange Inc. to TSX Venture Exchange.

E. ENCLOSURES

In support of this application, we are enclosing the following:

1. a verification from each of TSX Inc. and TSX Venture Exchange Inc. confirming our authority to prepare and file this application and confirming the truth of the facts contained herein;

2. a draft order of the Commission to be made under section 21.11(4) of the Act confirming the ownership of TSX Inc. by TSX Group, attached as Schedule "A";

3. a draft regulation to be made by the Commission under section 21.11(5) of the Act changing the percentage ownership restriction in section 21.11(1) from 5 to 10 per cent, attached as Schedule "B";

4. a draft amended recognition order of TSX Inc. and TSX Group, including Appendix I thereto, attached as Schedule "C"; and

5. a draft amended and restated exemption order of TSX Venture Exchange, attached as Schedule "D".

If you have any questions regarding this matter, please contact the undersigned at 416.865.7516 or Richard Balfour at 416.865.7339.

Yours very truly,

Sharon C. Pel

SCP/sb/hc
Enclosures

cc: Leonard Petrillo, *TSX*
Michael Ptasznik, *TSX*
Kathleen Traynor, *TSX*
David Brown, *OSC*
Stephen Sibold, *ASC*
Douglas Hyndman, *BCSC*
Don Murray, *MSC*
Carmen Crepin, *CVMQ*
Randee Pavalow, *OSC*
David Linder, *ASC*
Margo Paul, *OSC*
Rick Whiler, *OSC*
Joan Beck, *OSC*
John Hughes, *OSC*
Susan Greenglass, *OSC*
George Gunn, *OSC*
Patricia Johnston, *ASC*
Denise Hendrickson, *ASC*
Louyse Gauvin, *BCSC*
Richard Balfour, *Torys*
Deanna Dobrowsky, *Torys*

SCHEDULE "A"

Draft Order Pursuant to Section 21.11(4)

DRAFT FORM OF ORDER

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

AND

IN THE MATTER OF
TSX INC. AND TSX GROUP INC.

ORDER
(Section 21)

WHEREAS The Toronto Stock Exchange Inc. (the "TSE") proposes to effect a reorganization whereby a newly incorporated company, TSX Group Inc. ("TSX Group"), will own all of the issued and outstanding voting shares of the TSE, being the entity which currently operates the Toronto Stock Exchange;

AND WHEREAS the TSE has changed its name to TSX Inc. ("TSX");

AND WHEREAS the Commission's approval is required, pursuant to section 21.11(1) of the Act, as amended by regulation pursuant to section 21.11(5) of the Act, in order for any person, company or combination of persons or companies acting jointly or in concert to beneficially own or exercise control or direction over more than 10 per cent of any class or series of voting shares of TSX;

AND WHEREAS the Commission may by order, pursuant to section 21.11(4) of the Act, grant the required approval on such terms and conditions as the Commission considers appropriate;

AND UPON considering the submissions of TSX and TSX Group and based upon the representations and undertakings made and given by TSX and TSX Group to the Commission;

AND UPON the Commission being satisfied that the ownership by TSX Group of the entity which operates the Toronto Stock Exchange would not be contrary to the public interest;

THE COMMISSION orders that the acquisition by TSX Group of all of the issued and outstanding voting shares of TSX is approved, subject to the following terms and conditions:

1. TSX Group shall continue to own, directly or indirectly, all of the issued and outstanding voting shares of TSX; and

2. the restrictions on share ownership set out in section 21.11(1) of the Act, as amended from time to time by regulation, shall apply to the voting shares of TSX Group, and the articles of TSX Group shall contain the share ownership restrictions and provisions respecting the enforcement of such restrictions which, without limiting the foregoing, may provide for the filing of declarations, the suspension of voting rights, the forfeiture of dividends, the refusal of the issue or registration of voting shares and the sale or redemption of voting shares held contrary to the restrictions and payment of the net proceeds of the sale or redemption to the person entitled thereto.

DATED ■, 2002.

SCHEDULE "B"

Regulation

ONTARIO REGULATION

made under the

SECURITIES ACT

THE TORONTO STOCK EXCHANGE INC.

Restriction on shareholdings

1. Ten per cent is prescribed, for the purposes of subsection 21.11 (1) of the Act, as the maximum percentage of any class or series of voting shares of The Toronto Stock Exchange Inc. that any person or company or combination of persons or companies acting jointly or in concert is permitted to beneficially own or exercise control or direction over, without the prior approval of the Commission.

SCHEDULE "C"

RECOGNITION ORDER OF TSX GROUP INC. AND TSX INC.

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

AND

IN THE MATTER OF
TSX GROUP INC. AND TSX INC.

AMENDMENT TO RECOGNITION ORDER
(Section 144)

WHEREAS the Commission issued an order dated April 3, 2000 granting and continuing the recognition of The Toronto Stock Exchange Inc. ("TSE") as a stock exchange pursuant to section 21 of the Act;

AND WHEREAS the Commission issued an amended and restated order dated January 29, 2002 to reflect that the TSE retained Market Regulation Services Inc. ("RS Inc.") to perform its market regulation functions ("Previous Order");

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue an order that amends and restates the Previous Order to reflect the name change of TSE to TSX Inc. ("TSX") and a reorganization under which TSX will become a wholly-owned subsidiary of TSX Group Inc., a newly-formed holding company ("TSX Group");

IT IS ORDERED, pursuant to section 144 of the Act that the Previous Order be amended and restated as follows:

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

AND

IN THE MATTER OF
TSX GROUP INC. AND TSX INC.

RECOGNITION ORDER
(Section 21)

WHEREAS the Commission granted and continued the recognition of The Toronto Stock Exchange Inc. ("TSE") as a stock exchange on April 3, 2000 following the continuance of the TSE under the Business Corporations Act (Ontario);

AND WHEREAS the Commission granted the TSE an amended and restated recognition order dated January 29, 2002 to reflect that the TSE retained Market Regulation Services Inc. ("RS Inc.") as a regulation services provider ("RSP") under National Instrument 21-101

Marketplace Operation and National Instrument 23-101 Trading Rules ("ATS Rules");

AND WHEREAS the TSE has changed its name to TSX Inc. ("TSX");

AND WHEREAS TSX will complete a reorganization under which TSX will become a wholly-owned subsidiary of TSX Group Inc., a newly-formed holding company ("TSX Group");

AND WHEREAS following the reorganization, TSX Group intends to conduct an initial public offering;

AND WHEREAS the Commission has received certain representations and acknowledgements from TSX and TSX Group in connection with TSX's application for continued recognition as a stock exchange and TSX Group's application for recognition as a stock exchange;

AND WHEREAS the Commission considers it appropriate to set out in an order the terms and conditions of TSX's continued recognition as a stock exchange and TSX Group's recognition as a stock exchange, which terms and conditions are set out in Schedule "A" attached;

AND WHEREAS TSX and TSX Group have agreed to the terms and conditions applicable to each of them set out in Schedule "A";

AND WHEREAS the Commission has determined that continuing to recognize TSX and recognizing TSX Group are not prejudicial to the public interest;

THE COMMISSION hereby amends the TSE's recognition as a stock exchange so that the recognition pursuant to section 21 of the Act continues with respect to TSX and grants TSX Group recognition as a stock exchange pursuant to section 21 of the Act, in each case effective on the closing of the reorganization, subject to the terms and conditions attached as Schedule "A".

DATED April 3, 2000, as amended on January 29, 2002 and on ■ 2002.

SCHEDULE "A"

TERMS AND CONDITIONS

PART I--TSX GROUP

1. CORPORATE GOVERNANCE

(a) TSX Group's governance structure shall provide for:

(i) Fair and meaningful representation on its board of directors and any governance committee thereof, having regard to, among other things, TSX Group's ownership of TSX;

(ii) Appropriate representation of independent directors on TSX Group's committees; and

(iii) Appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of TSX Group generally.

(b) TSX Group shall ensure that at least fifty per cent (50%) of its directors shall be independent. An independent director is a director that is not:

(i) associated with an entity desiring access to the trading facilities of TSX whose application is accepted by TSX ("Participating Organization") within the meaning of TSX Group's by-laws;

(ii) an officer or employee of TSX Group or its affiliates or an associate of such officer or employee;

(iii) a person who owns or controls, directly or indirectly, over 10% of TSX Group; or

(iv) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of TSX Group.

In the event that at any time TSX Group fails to meet such requirement, it shall promptly remedy such situation.

2. FITNESS

TSX Group will take reasonable steps to ensure that each officer or director of TSX Group is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

3. ALLOCATION OF RESOURCES

(a) TSX Group will, subject to paragraph 3(b) hereof and for so long as TSX carries on business as a stock exchange, allocate sufficient financial and other resources to TSX to ensure that TSX can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of Part II of this Schedule "A".

(b) TSX Group will notify the Commission immediately upon becoming aware that it is or will be unable to allocate sufficient financial and other resources to TSX to ensure that it can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of Part II of this Schedule "A".

4. FINANCIAL INFORMATION

TSX Group will file with the Commission unaudited quarterly consolidated financial statements of TSX Group within 60 days of each quarter end and audited annual consolidated financial statements of TSX Group within 90 days of each year, or such shorter periods as are mandated for reporting issuers to file such financial statements under the Act.

5. COMPLIANCE

TSX Group will carry out its activities as a stock exchange recognized under section 21 of the Act. TSX Group will do everything within its control to cause TSX to carry out its activities as a stock exchange recognized under section 21 of the Act and to comply with the terms and conditions in Part II of this Schedule "A".

6. ACCESS TO INFORMATION

(a) TSX Group will and will cause its subsidiaries to permit the Commission to have access to and to inspect all data and information in its or their possession that is required for the assessment by the Commission of the performance of TSX of its regulation functions and the compliance of TSX with the terms and conditions in Part II of this Schedule "A".

(b) TSX Group will permit the Commission to have access to and to inspect all data and information in its possession that is required for the assessment by the Commission of the compliance of TSX Group with the terms and conditions in Part I of this Schedule "A".

7. SHARE OWNERSHIP RESTRICTIONS

The restrictions on share ownership set out in section 21.11(1) of the Act, as amended from time to time by regulation, shall apply to the voting shares of TSX Group, and the articles of TSX Group shall contain the share ownership restrictions and provisions respecting the enforcement of such restrictions which, without limiting the foregoing, may provide for the filing of declarations, the suspension of voting rights, the forfeiture of dividends, the refusal of the issue or registration of voting shares and the sale or redemption of voting shares held contrary to the restrictions and payment of the net proceeds of the sale or redemption to the person entitled thereto.

PART II--TSX

8. CORPORATE GOVERNANCE

(a) To ensure diversity of representation, TSX will ensure that the composition of its board of directors provides a proper balance between the interests of the different entities using its services and facilities.

(b) TSX's governance structure shall provide for:

(i) Fair and meaningful representation on its board of directors and any governance committee thereof, in the context of the nature and structure of TSX;

(ii) Appropriate representation of independent directors on TSX's committees; and

(iii) Appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of TSX generally.

(c) In recognition that the protection of the public interest is a primary goal of TSX, TSX shall ensure that at least fifty per cent (50%) of its directors shall be independent. An independent director is a director that is not:

(i) associated with a Participating Organization within the meaning of TSX's by-laws;

(ii) an officer or employee of TSX or its affiliates or an associate of such officer or employee;

(iii) a person who owns or controls, directly or indirectly, over 10% of TSX; or

(iv) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of TSX (other than a director of TSX Group).

In the event that at any time TSX fails to meet such requirement, it shall promptly remedy such situation.

9. FEES

(a) Any and all fees imposed by TSX on its Participating Organizations shall be equitably allocated. Fees shall not have the effect of creating barriers to access and shall be balanced with the criteria that TSX have sufficient revenues to satisfy its responsibilities.

(b) TSX's process for setting fees shall be fair and appropriate.

10. ACCESS

(a) The requirements of TSX shall permit all properly registered dealers that are members of a recognized self-regulatory organization and that satisfy TSX's criteria to access the trading facilities of TSX.

(b) Without limiting the generality of the foregoing, TSX shall:

(i) establish written standards for granting access to trading on its facilities;

(ii) not unreasonably prohibit or limit access by a person or company to services offered by it; and

(iii) keep records of:

(A) each grant of access including, for each entity granted access to its trading facilities, the reasons for granting such access; and

(B) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

11. FITNESS

TSX will take reasonable steps to ensure that each officer or director of TSX is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

12. FINANCIAL VIABILITY

(a) TSX shall maintain sufficient financial resources for the proper performance of its functions.

(b) TSX shall maintain: (i) a liquidity measure greater than or equal to zero; (ii) a debt to cash flow ratio less than or equal to 4.0/1; and (iii) a financial leverage ratio less than or equal to 4.0/1. For this purpose:

(i) liquidity measure is:

(working capital + borrowing capacity)

- 2 (adjusted budgeted expenses + adjusted capital expenditures – adjusted revenues)

where:

(A) working capital is current assets minus current liabilities,

(B) borrowing capacity is the principal amount of long term debt available to be borrowed under loan or credit agreements that are in force,

(C) adjusted budgeted expenses are 95% of the expenses (other than depreciation and other non-cash items) provided for in the budget for the current fiscal year,

(D) adjusted capital expenditures are 50%

of average capital expenditures for the previous three fiscal years, and

(E) adjusted revenues are 80% of revenues plus 80% of investment income for the previous fiscal year,

(ii) debt to cash flow ratio is the ratio of total debt to EBITDA (or earnings before interest, taxes, depreciation and amortization) for the most recent 12 months, and

(iii) financial leverage ratio is the ratio of total assets to shareholders' equity,

in each case as calculated on a consolidated basis and consistently with the consolidated financial statements of TSX.

(c) On a quarterly basis (along with the financial statements required to be filed pursuant to paragraph 17), TSX shall report to the Commission the monthly calculation of the liquidity measure and debt to cash flow and financial leverage ratios, the appropriateness of the calculations and whether any alternative calculations should be considered.

(d) If TSX fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio in any month, it shall immediately report to the Commission or its staff.

(e) If TSX fails to maintain any of the liquidity measure, the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its Chief Executive Officer will immediately deliver a letter advising the Commission or its staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem, and TSX will not, without the prior approval of the Director, make any capital expenditures not already reflected in the financial statements, or make any loans, bonuses, dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for at least six months.

(f) TSX shall not enter into any agreement or transaction either (i) outside the ordinary course of business or (ii) with TSX Group or any subsidiary or associate of TSX Group if it expects that, after giving effect to the agreement or transaction, TSX is likely to fail to maintain the liquidity measure, the debt to cash flow ratio or the financial leverage ratio.

13. REGULATION

(a) TSX shall continue to retain RS Inc. as an RSP to provide, as agent for TSX, certain regulation services which have been approved by the Commission. TSX shall provide to the Commission, on an annual basis, a list outlining the regulation services provided by RS Inc. and the regulation services performed by TSX. All amendments to those listed services are subject to the prior approval of the Commission.

(b) In providing the regulation services, as set out in the agreement between RS Inc. and TSX (Regulation Services Agreement), RS Inc. provides certain regulation services to TSX as the agent of TSX pursuant to a delegation of TSX's authority in accordance with Section 13.0.8(4) of the Toronto Stock Exchange Act and will be entitled to exercise all the authority of TSX with respect to the administration and enforcement of certain market integrity rules and other related rules, policies and by-laws.

(c) TSX shall provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report shall be in such form as may be specified by the Commission from time to time.

(d) TSX shall continue to perform all other regulation functions not performed by RS Inc. TSX shall not perform such regulation functions through any other party, including its affiliates or associates. For greater certainty, any outsourcing of a business function that is done in accordance with paragraph 23 does not contravene this paragraph.

(e) Management of TSX (including the Chief Executive Officer) shall at least annually assess the performance by RS Inc. of its regulation functions and report thereon to the Board of TSX, together with any recommendations for improvements. TSX shall provide the Commission with copies of such reports and shall advise the Commission of any proposed actions

arising therefrom.

14. SYSTEMS

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, TSX shall:

(a) on a reasonably frequent basis, and in any event, at least annually,

(i) make reasonable current and future capacity estimates;

(ii) conduct capacity stress tests of critical systems on a reasonably frequent basis to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

(iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;

(iv) review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards and natural disasters;

(v) establish reasonable contingency and business continuity plans;

(b) annually, cause to be performed an independent review and written report, in accordance with established audit procedures and standards, of its current systems technology plans and whether there are appropriate processes in place to manage the impact of changes in technology on the exchange and parties interfacing with exchange systems. This will include an assessment of TSX's controls for ensuring that each of its systems that support order entry, order routing, execution, data fees, trade reporting and trade comparisons, capacity and integrity requirements is in compliance with paragraph (a) above. Senior management will conduct a review of a report containing the recommendations and conclusions of the independent review; and

(c) promptly notify the Commission of material systems failures and changes.

15. PURPOSE OF RULES

(a) TSX shall, subject to the terms and conditions of this Recognition Order and the jurisdiction and oversight of the Commission in accordance with Ontario securities laws, through RS Inc. and otherwise, establish such rules, policies and other similar instruments ("Rules") that are necessary or appropriate to govern and regulate all aspects of its business and affairs.

(b) In particular, TSX shall ensure that:

(i) the Rules are designed to:

(A) ensure compliance with securities legislation;

(B) prevent fraudulent and manipulative acts and practices;

(C) promote just and equitable principles of trade;

(D) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and

(E) provide for appropriate discipline;

(ii) the Rules do not:

(A) permit unreasonable discrimination among clients, issuers and Participating Organizations; or

(B) impose any burden on competition that is not reasonably necessary or appropriate; and

(iii) the Rules are designed to ensure that TSX's business is conducted in a manner so as to afford protection to investors.

16. RULES AND RULE-MAKING

(a) TSX shall comply with the existing protocol between TSX and the Commission, as it may be amended from time to time, concerning Commission approval of changes in its Rules.

(b) All Rules of general application, and amendments thereto, adopted by TSX must be filed with the Commission.

17. FINANCIAL STATEMENTS

TSX shall file unaudited quarterly financial statements (consolidated and unconsolidated) within 60 days of each quarter end and audited annual financial statements (consolidated and unconsolidated) within 90 days of each year end or such shorter period as is mandated for reporting issuers to file such financial statements under the Act.

18. SANCTION RULES

TSX shall ensure, through RS Inc. and otherwise, that its Participating Organizations and its listed issuers are appropriately sanctioned for violations of the Rules. In addition, TSX will provide notice to the Commission of any violations of securities legislation of which it becomes aware in the ordinary course operation of its business.

19. DUE PROCESS

TSX shall ensure that the requirements of TSX relating to access to the trading and listing facilities of TSX, the imposition of limitations or conditions on access and denial of access are fair and reasonable, including in respect of notice, an opportunity to be heard or make representations, the keeping of a record, the giving of reasons and the provisions for appeals.

20. INFORMATION SHARING

TSX shall co-operate by the sharing of information and otherwise, with the Commission and its staff, the Canadian Investor Protection Fund and other Canadian exchanges, recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions, subject to the applicable privacy or other laws about the sharing of information and the protection of personal information.

21. LISTED COMPANY RULES

TSX shall ensure, through RS Inc. and otherwise, that it has appropriate review procedures in place to monitor and enforce issuer compliance with the Rules.

22. SELF-LISTING CONDITIONS

TSX shall be subject to the terms and conditions relating to the listing on TSX of TSX Group as are set out in the attached Appendix I, as amended from time to time.

23. OUTSOURCING

In any material outsourcing of any of its business functions with parties other than TSX Group or an affiliate or associate of TSX Group, TSX shall proceed in accordance with industry best practices. Without limiting the generality of the foregoing, TSX shall:

(a) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of such material outsourcing arrangements;

(b) in entering into any such material outsourcing arrangement:

(i) assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by TSX; and

(ii) execute a contract with the service provider addressing all significant elements of such arrangement, including service levels and performance standards;

(c) ensure that any contract implementing such material outsourcing arrangement that is likely to impact on TSX's regulation functions provide in effect for TSX, its agents and the Commission to be permitted to have access to and to inspect all data and information maintained by the service provider that TSX is required to share under paragraph 20 or that is required for the assessment by the Commission of the performance of TSX of its regulation functions and the compliance of TSX with the terms and conditions in Part II of this Schedule "A"; and

(d) monitor the performance of the service provided under any such material outsourcing arrangement.

24. RELATED PARTY TRANSACTIONS

Any material agreement or transaction entered into between TSX and TSX Group or any subsidiary or associate of TSX Group shall be on terms and conditions that are at least as favourable to TSX as market terms and conditions.

25. CLEARING AND SETTLEMENT

The Rules impose a requirement on Participating Organizations to have appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission.

APPENDIX I

Listing-Related Conditions

1. UNDERLYING PRINCIPLES

1.1. TSX carries on the business of the Toronto Stock Exchange.

1.2. TSX Group proposes to become a listed company on TSX, which will be wholly-owned by TSX Group.

1.3. TSX will report to the Director (the "Director") of the Ontario Securities Commission ("OSC") or other members of the staff of the OSC certain matters provided for in this Appendix I (the "Listing-Related Procedures") with respect to TSX Group or certain other TSX-listed issuers that raise issues of conflict of interest or potential conflict of interest for TSX.

1.4. The purpose of this reporting process is to ensure that TSX follows appropriate standards and procedures with respect to the initial and continued listing of TSX Group and Competitors, to ensure that TSX Group is dealt with appropriately in relation to, and Competitors are treated fairly and not disadvantaged by, TSX Group's listing on TSX. For purposes of these Listing-Related Procedures, "Competitor" means any person, the consolidated business and operations or the disclosed business plans of which are in competition, to a significant extent, with the listing functions, trading functions, market data services or other material line of business of TSX Group or its affiliates.

2. INITIAL LISTING ARRANGEMENTS

2.1. TSX will review, in accordance with its procedures, the TSX Group initial listing application. A copy of the application will be provided by TSX to the OSC's Director, Corporate Finance at the same time that the application is filed with TSX.

2.2. Upon completing its review of the application and after allowing TSX Group to address any deficiencies noted by TSX, TSX will provide a summary report to the OSC's Director, Corporate Finance, with its recommendation for listing approval, if made. The summary report will provide details of any aspects of the application that were atypical as well as any issues raised in the process that required the exercise of discretion by TSX. Any related staff memoranda, analysis, recommendations and decisions not included in the summary report will be attached for review by the OSC's Director, Corporate Finance. A copy of TSX's current listing manual will also be provided to the OSC's Director, Corporate Finance.

2.3. The OSC's Director, Corporate Finance will have the right to approve or disapprove the listing of the TSX Group shares. In the event of disapproval, TSX Group will have the opportunity to address the concerns of the OSC's Director, Corporate Finance and may resubmit an amended application for listing, or amended parts thereof, to TSX, which will provide a revised summary report and any new materials to the OSC's Director, Corporate Finance in accordance with section 2.2, along with a copy of the amended application.

3. CONFLICTS COMMITTEE

3.1. TSX will establish a committee (the "Conflicts Committee") that will review any matters brought before it regarding a conflict of interest or potential conflict of interest relating to the continued listing on TSX of TSX Group or the initial listing or continued listing of Competitors (each, a "Conflict of Interest"). Without limiting the generality of the above sentence, continued listing matters include the following:

(a) matters relating to the continued listing of TSX Group or a Competitor or of a listing of a different class or series of securities of TSX Group or a Competitor than a class or series already listed;

(b) any exemptive relief applications of, or approvals applied for by, TSX Group or a Competitor;

(c) any other requests made by TSX Group or a Competitor that require discretionary involvement by TSX; and

(d) any listings matter related to a TSX-listed issuer or listing applicant that asserts that it is a Competitor.

3.2. Notwithstanding section 3.1, where a Competitor certifies to TSX that information required to be disclosed to the Conflicts Committee or TSX in connection with an initial listing or continued listing matter of the Competitor is competitively sensitive and the disclosure of that information would in its reasonable view put it at a competitive disadvantage with respect to TSX Group, TSX will refer the matter to the Director, requesting that the Director review issues relating to the competitively sensitive information. The Conflicts Committee shall consider all other aspects of the matter in accordance with the procedures set out in section 3.8. In addition, at any time that a Competitor believes that it is not being treated fairly by TSX as a result of TSX being in a conflict of interest position, TSX will refer the matter to the Director.

3.3. In any initial listing or continued listing matter of a Competitor, the Competitor may waive the application of these Listing-Related Procedures by providing a written waiver to TSX and the Director. Where a waiver is provided, TSX will deal with the initial listing or continued listing matter in the ordinary course as if no Conflict of Interest exists.

3.4. The Conflicts Committee will be composed of: the Chief Executive Officer of TSX, the general counsel of TSX (the "Committee Secretary"), the senior financial officer of TSX, the president or general counsel of Market Regulation Services Inc. ("RS"), a second senior management representative of RS, the senior officer responsible for listings of each of TSX and TSX Venture Exchange Inc. and the senior officer responsible for trading operations of TSX. At least one representative of RS must participate in meetings of the Conflicts Committee, in order for there to be a quorum.

3.5. TSX shall use its best efforts to instruct senior management and relevant staff at TSX, and relevant senior management and staff at RS, in order that they are alerted to, and are able to identify, Conflicts of Interest which may exist or arise in the course of the performance of their functions. Without limiting the generality of the foregoing:

3.5.1. TSX shall provide instruction that any matter concerning TSX Group that is brought to the attention of staff at TSX must be immediately brought to the attention of the Committee Secretary.

3.5.2. TSX shall maintain a list in an electronic format, to be updated regularly and in any event at least monthly and reviewed and approved by the Conflicts Committee at least monthly, of all Competitors that are TSX-listed issuers, and shall promptly after the above-noted approval by the Conflicts Committee provide the current list to managers at TSX and RS who supervise departments that (i) review continuous disclosure; (ii) review requests/applications for exemptive relief; (iii) perform timely disclosure and monitoring functions relating to TSX-listed issuers; and (iv) otherwise perform tasks and/or make decisions of a discretionary nature. In maintaining this list, TSX shall ensure that senior executives in the issuer services division of TSX regularly prepare and review and update the list and provide it promptly to the Conflicts Committee.

3.5.3. TSX shall provide instruction to staff at TSX that any initial listing or continued listing matter or a complaint of a Competitor or of any TSX-listed issuer or listing applicant that asserts that it is a Competitor must be immediately brought

to the attention of the Committee Secretary.

3.5.4. TSX shall provide to staff who review initial listing applications and to senior executives in the issuer services division of TSX a summary of the types of businesses undertaken to a significant degree by TSX Group or its affiliates and shall update the list as these businesses change, in order that initial listings staff and senior executives in the issuer services division of TSX may recognize a Competitor.

3.6. The Committee Secretary shall convene a meeting of the Conflicts Committee to be held no later than one business day after a Conflict of Interest has been brought to his or her attention. The Committee Secretary or any member of the Conflicts Committee may also convene a meeting of the Conflicts Committee whenever he or she sees fit, in order to address any conflict issues that may not be related to any one specific matter or issuer.

3.7. TSX shall, at the time a Conflicts Committee meeting is called in response to a Conflict of Interest, immediately notify the OSC's Manager of Market Regulation that it has received notice of a Conflict of Interest and shall provide with such notice: (i) a written summary of the relevant facts; and (ii) an indication of the required timing for dealing with the matter.

3.8. The Conflicts Committee will consider the facts and form an initial determination with respect to the matter. The Conflicts Committee will then proceed as follows depending on the circumstances:

3.8.1. If the Conflicts Committee determines that a conflict of interest relating to the continued listing on TSX of TSX Group or the initial or continued listing of a Competitor on TSX does not exist and is unlikely to arise, it will notify the OSC's Manager of Market Regulation of this determination. If the OSC's Manager of Market Regulation approves such determination, TSX will deal with the matter in its usual course. When it has dealt with the matter, a brief written record of such determination with details of the analysis undertaken, and the manner in which the matter was disposed of, will be made by TSX and provided to the OSC's Manager of Market Regulation. If the OSC's Manager of Market Regulation does not approve the determination and provides notice of such non-approval to TSX, TSX will follow the procedures set out in section

3.8.2. If the Conflicts Committee determines that a conflict of interest relating to the continued listing on TSX of TSX Group or the initial or continued listing of a Competitor on TSX does exist or is likely to arise or if TSX is provided non-approval notice from the OSC's Manager of Market Regulation under section 3.8.1, TSX shall: (i) formulate a written recommendation of how to deal with the matter; and (ii) provide its recommendation to the OSC's Manager of Market Regulation for his or her approval, together with a summary of the issues raised and details of any analysis undertaken. If the OSC's Manager of Market Regulation approves the recommendation, TSX will take steps to implement the terms of its recommendation.

3.9. Where the OSC's Manager of Market Regulation has considered the circumstances of an issue based on the information provided to him or her by the Conflicts Committee under section 3.8.2, and has determined that he or she does not agree with TSX's recommendation (i) and has requested that TSX reformulate its recommendation, TSX shall do so; or (ii) the OSC's Manager of Market Regulation may direct TSX to take such other action as he or she considers appropriate in the circumstances.

3.10. Where the OSC's Manager of Market Regulation or the Director is requested to review a matter pursuant to section 3.9 or 3.2, respectively, TSX shall provide to the OSC's Manager of Market Regulation or the Director any relevant information in its possession and, if requested by the OSC's Manager of Market Regulation or the Director, any other information in its possession, in order for the OSC's Manager of Market Regulation or the Director to review or, if appropriate, make a determination regarding the matter, including any notes, reports or information of TSX regarding the issue, any materials filed by the issuer or issuers involved, any precedent materials of TSX, and any internal guidelines of TSX. TSX shall provide its services to assist the matter, if so requested by the OSC's Manager of Market Regulation or by the Director.

3.11. TSX will provide to the OSC's Manager of Continuous Disclosure a copy of TSX Group's annual questionnaire and any other TSX Group disclosure documents that are filed with TSX but not with the OSC's Continuous Disclosure department. TSX will conduct its usual review process in connection with TSX Group's annual questionnaire and all prescribed periodic filings of TSX Group. Any deficiencies or irregularities in TSX Group's annual questionnaire or other TSX-issuer prescribed filings will be communicated to

the OSC's Manager of Continuous Disclosure and brought to the attention of the Conflicts Committee which shall follow the procedures outlined in this section 3.

4. TIMELY DISCLOSURE AND MONITORING OF TRADING

4.1. TSX shall use its best efforts to ensure that RS at all times is provided with the current list of the TSX-listed issuers that are Competitors.

5. MISCELLANEOUS

5.1. Information provided by a Competitor in connection with an initial listing or continued listing matter to the Conflicts Committee will not be used by TSX for any purpose other than addressing Conflicts of Interest. TSX will not disclose any confidential information obtained under these Listing-Related Procedures to a third party other than the OSC unless:

(a) prior written consent of the other parties is obtained;

(b) it is required or authorized by law to disclose the information; or

(c) the information has come into the public domain otherwise than as a result of its breach of this clause.

5.2. TSX will provide disclosure on its website and in the TSX Company Manual to the effect that an issuer can assert that it is a Competitor and will outline the procedures for making such an assertion, including appeal procedures.

SCHEDULE "D"

Exemption Order of TSX Venture Exchange Inc.

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

AND

IN THE MATTER OF
TSX VENTURE EXCHANGE INC.

AMENDED EXEMPTION ORDER
(Section 144)

WHEREAS Canadian Venture Exchange Inc. ("CDNX Inc.") applied to the Ontario Securities Commission (the "Commission") for and was granted on December 5, 2000 an order pursuant to section 147 of the Act (the "Initial Order") exempting CDNX Inc. from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario;

AND WHEREAS, pursuant to section 144 of the Act, the Initial Order was revoked and another order (the "Existing Order") was substituted therefore on July 31, 2001, pursuant to section 147 of the Act in connection with the transaction whereby CDNX Inc. became a wholly-owned subsidiary of The Toronto Stock Exchange Inc. ("TSE Inc.") and CDNX Inc. became a for-profit corporation;

AND WHEREAS TSE Inc. intends to reorganize to insert a company above it to own 100% of its shares (the "Reorganization");

AND WHEREAS TSE Inc. has changed its name to TSX Inc. and CDNX Inc. has changed its name to TSX Venture Exchange Inc. ("TSX Venture Exchange");

AND WHEREAS the Commission considers it appropriate to amend the Existing Order to reflect the continued recognition of TSX Venture Exchange as an exchange by the Alberta Securities Commission and the British Columbia Securities Commission following the Reorganization and the name changes of the exchanges.

IT IS ORDERED, pursuant to section 144 of the Act that the Existing Order be revoked and it is ordered, pursuant to section 147 of the Act, that the following be substituted therefor:

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

AND

IN THE MATTER OF
TSX VENTURE EXCHANGE INC.

AMENDED EXEMPTION ORDER
(Section 147)

WHEREAS TSX Venture Exchange Inc. ("TSX Venture Exchange") applied to the Ontario Securities Commission (the "Commission") for an order pursuant to section 147 of the Act exempting TSX Venture Exchange from recognition under section 21 of the Act for the purposes of carrying on business as a stock exchange in Ontario.

AND WHEREAS TSX Venture Exchange has represented to the Commission that:

Corporate Structure, Recognition and Services in Ontario

2.1. TSX Venture Exchange was incorporated on October 29, 1999 pursuant to the Business Corporations Act (Alberta).

2.2. On November 26, 1999, as amended on July 31, 2001, TSX Venture Exchange, formerly named Canadian Venture Exchange Inc., was recognized by the Alberta Securities Commission (the "ASC") as an exchange in Alberta under subsection 52(2) of the Securities Act (S.A. 1981, c. S-6.1, as amended) and by the British Columbia Securities Commission (the "BCSC") as an exchange in British Columbia under subsection 24(2) of the Securities Act (British Columbia) and the ASC and BCSC will continue the recognition of TSX Venture Exchange effective on the closing of the Reorganization (together, the "Recognition Orders", which are attached as Schedules "A" and "B").

2.3. TSX Venture Exchange will operate a national exchange for junior issuers which is separate from the Toronto Stock Exchange, a division of TSX Inc. (formerly called The Toronto Stock Exchange Inc.) and which has a separate TSX Venture Exchange brand identity. TSX Venture Exchange presently maintains offices in Calgary, Vancouver, Winnipeg, Montreal and Toronto and receives applications from issuers for listings and performs continuous listing services for issuers through all of its offices.

Regulatory Oversight

2.4. TSX Venture Exchange is subject to joint regulatory oversight by both the ASC and the BCSC.

2.5. TSX Venture Exchange is advised that the Commission, ASC and BCSC have entered into a memorandum of understanding ("MOU") respecting the continued oversight of TSX Venture Exchange by the ASC and BCSC and that the existing MOU or any successor agreements, as amended from time to time, will continue to apply in respect of the regulatory oversight of TSX Venture Exchange. Under the terms of the MOU, the ASC and BCSC will continue to be responsible for conducting the regulatory oversight of TSX Venture Exchange and for conducting an oversight program of TSX Venture Exchange for the purpose of ensuring that TSX Venture Exchange meets appropriate standards for market operation and regulation.

2.6. TSX Venture Exchange provides any proposed changes to its by-laws, rules, policies, and other regulatory instruments to the ASC and BCSC for review and approval in accordance with the review and approval procedures established by the ASC and BCSC from time to time. TSX Venture Exchange will concurrently provide the Commission with copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. Copies of all final by-laws, rules, policies and other regulatory instruments will also be provided to the Commission.

2.7. TSX Venture Exchange has represented to the ASC and BCSC that it will operate its exchange in accordance with the representations set forth in Schedules "A" and "B".

CDN Business

2.8. Effective September 29, 2000, TSX Venture Exchange entered into an agreement (the "Agreement") with TSX Inc. and the Canadian Dealing Network Inc. ("CDN"), a wholly- owned subsidiary of TSX Inc., pursuant to which TSX Inc. and CDN agreed to cease operating the quoted market and the reported market operated by CDN.

2.9. CDN ceased to operate the CDN quoted market in Ontario at the close of business on September 29, 2000 and TSX Venture Exchange commenced operating CDNX Tier 3 on October 2, 2000. Issuers that were quoted on CDN on September 1, 2000 or that had made a complete application to be quoted on CDN by September 1, 2000, which was subsequently approved, were eligible to be listed CDNX Tier 3.

2.10. Effective September 29, 2000 Canadian Unlisted Board, Inc. ("CUB"), a wholly-owned subsidiary of TSX Venture Exchange, TSX Venture Exchange and the Commission entered into an agreement which is attached as Schedule "D", pursuant to which CUB will operate an internet web-based reporting system for the reporting by dealers of trading in unlisted and unquoted equity securities in Ontario.

Reporting Issuer Status and Incorporation of OSC Rule 61-501

2.11. TSX Venture Exchange has adopted certain amendments to its Corporate Finance Policies in the form attached as Schedule "E", as may be amended from time to time, which require that TSX Venture Exchange issuers that are not

otherwise reporting issuers in Ontario and have a "significant connection to Ontario" make application to the Commission and become reporting issuers in Ontario.

2.12. TSX Venture Exchange has adopted Corporate Finance Policy 5.9, entitled “Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions” in the form attached as Schedule “F”.

AND UPON the Commission being satisfied that the amendment of the order granting an exemption from recognition to TSX Venture Exchange would not be contrary to the public interest.

IT IS HEREBY ORDERED that pursuant to section 147 of the Act, TSX Venture Exchange is exempt from recognition under section 21 of the Act provided that:

4.1. TSX Venture Exchange continues to be recognized as an exchange by the ASC and the BCSC in accordance with the terms and conditions set out in the Recognition Orders attached as Schedules “A” and “B”.

4.2. TSX Venture Exchange continues to be subject to such joint regulatory oversight as may be established and prescribed by the ASC and BCSC from time to time;

4.3. The MOU referred to in clause 2.5 above, as may be amended from time to time, has not been terminated;

4.4. TSX Venture Exchange will not make any changes to the amendments to its Corporate Finance Policies referred to in clause 2.11 or to the Corporate Finance Policy referred to in clause 2.12 above without the prior consent of the Commission;

4.5. CUB will continue to be in compliance with the agreement referred to in clause 2.10 above until the Commission implements a local rule relating to Ontario over-the-counter trading;

4.6. TSX Venture Exchange concurrently provides to the Commission copies of all by-laws, rules, policies and other regulatory instruments that it files for review and approval with the ASC and BCSC. TSX Venture Exchange also provides to the Commission copies of all final by-laws, rules, policies and other regulatory instruments; and

4.7. TSX Venture Exchange provides to the Commission, where requested by the Commission through the ASC and the BCSC, any information in the possession of TSX Venture Exchange relating to members, shareholders and the market operations of TSX Venture Exchange, including, but not limited to, shareholder and participating organization lists, products, trading information and disciplinary decisions.

IT IS HEREBY FURTHER ORDERED that:

5.1. CUB is deemed to be in compliance with the agreement referred to in clause 4.5 above unless CUB has been provided with written notice of non-compliance and has failed to remedy the alleged non- compliance in accordance with the terms of the agreement; and

5.2. TSX Venture Exchange is deemed to be in compliance with clause 4.6 and 4.7 unless TSX Venture Exchange has been provided with written notice of non-compliance and failed to provide the documents or information within 10 business days of receipt of such written notice.

SCHEDULE "A"

Alberta Recognition Order of TSX Venture Exchange

Please refer to the Alberta Securities Commission website at: www.albertasecurities.com

SCHEDULE "B"

BC Recognition Order of TSX Venture Exchange

Please refer to the British Columbia Securities Commission website at: www.bcsc.bc.ca

SCHEDULE "C"

MEMORANDUM OF UNDERSTANDING

Please refer to August 10, 2001 OSC Bulletin at: (2001) 24 OSCB 4834

SCHEDULE "D"

OTC AGREEMENT

Please refer to August 10, 2001 OSC Bulletin at: (2001) 24 OSCB 4838

SCHEDULE "E"

REVISIONS TO CORPORATE FINANCE MANUAL RE: REPORTING ISSUER STATUS OF EXCHANGE LISTED ISSUERS

Please refer to August 10, 2001 OSC Bulletin at: (2001) 24 OSCB 4851

SCHEDULE F

POLICY 5.9

INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Please refer to August 10, 2001 OSC Bulletin at: (2001) 24 OSCB 4852

13.1.8 IDA Discipline Penalties Imposed on Henry George Cole – Violation of Regulations 1300.1, 1300.2 and Policy No. 2

Contact:
Sharon Lane
Enforcement Council
(416) 865-3039

BULLETIN # 3019
July 23, 2002

DISCIPLINE

**DISCIPLINE PENALTIES IMPOSED ON HENRY GEORGE COLE
VIOLATION OF REGULATIONS 1300.1, 1300.2 AND POLICY NO. 2**

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada ("the Association") has imposed discipline penalties on Henry George Cole ("Mr. Cole"), at the relevant times, President, Alternate Designated Person and a director of Rampart Securities Inc. ("Rampart").

By-laws, Regulations, Policies Violated

On July 23, 2002, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Cole and Association Staff.

Pursuant to the Settlement Agreement, Mr. Cole admitted that that he failed to :

- Carry out his responsibilities to implement and enforce policies that would ensure that Rampart's Ultimate Designated Person, compliance staff and salespeople would pursue an effective sales compliance program to ensure proper compliance with regulatory requirements, opening of accounts and supervision of account activity.
- Ensure that Rampart was in compliance with Association Requirements pursuant to Association Regulation 1300.1, 1300.2 and Policy No. 2.

Penalty Assessed

Mr. Cole has agreed to the following penalties:

- Payment of a monetary fine in the amount of $125,000.00;
- Suspension from employment by a Member of the Investment Dealers Association in the capacities of a President, Chief Financial Officer, Chief Operating Officer, UDP, ADP, DROP, AROP, Branch Manager, Assistant Branch Manager, Compliance Officer or any positions with equivalent compliance or supervisory responsibilities for a period of ten years.

Summary of Facts

At all relevant times, Mr. Cole was employed at Rampart Securities Inc. He served as President and a director of Rampart from approximately September 22, 1997 – April 11, 2001. He was Alternate Designated Person ("ADP") from November 23, 1999 through April 11, 2001.

On October 8, 1997, Mr. Cole was named as a member of the Executive Committee of the Rampart Board of Directors. The Executive Committee was mandated to deal with matters concerning Recruiting and Compensation and Rampart's Policies and Procedures with a view to regulatory compliance as well as other matters dealing with compliance. The Executive Committee was mandated to meet on a formal basis and Minutes of such meetings were to be distributed to the Board of Directors. This did not occur.

Mr. Cole, as President and a director of Rampart from September 22, 1997 through April 11, 2001 and as a member of the Executive Committee, had a responsibility along with other senior officers and directors of Rampart, to establish policies that met Association requirements and to take reasonable steps to ensure that Rampart compliance staff and salespeople implemented such policies.

In 1998, 1999 and 2000, the Association conducted Sales Compliance Reviews of Rampart. In each of these reviews the Association found repeated failures in Rampart's sales compliance systems. These deficiencies were reported to the firm and the Association provided a written report after each review.

In particular, in 1998, 1999 and 2000, the Association determined that Rampart failed to design, establish, oversee and implement an effective sales compliance program, failed to establish and maintain a supervisory environment in accordance with Association Policy No. 2, failed to use due diligence to learn the essential facts relative to every customer and every order or account accepted, to ensure that such

orders or accounts accepted were within the bounds of good business practice and to ensure that recommendations made for any account were appropriate for clients.

At a disciplinary hearing on January 21, 2002, the Ontario District Council found that Rampart Securities Inc. committed the following sales compliance violations for the time periods from 1997 through 2001:

- Rampart engaged in conduct unbecoming a Member, contrary to Association By-Law 29.1 by failing to design, establish, oversee and implement an effective sales compliance program;

- Rampart contravened Association Regulation 1300.2 by:

  a) failing to establish and maintain a supervisory environment in accordance with Association Policy No. 2, contrary to Association Regulation 1300.2; and

  b) failing to ensure that accounts were properly opened and supervised;

- Rampart contravened Association Regulation 1300.1 by failing to use due diligence to learn the essential facts relative to every customer and every order or account accepted, to ensure that such orders or accounts accepted were within the bounds of good business practice; and to ensure that recommendations made for any account were appropriate for clients;

- Rampart contravened Association Regulation 1800.5 by failing to ensure that futures accounts were properly supervised and reviewed; and

- Rampart contravened Association Regulation 1900.4 by failing to ensure that options accounts were properly supervised and reviewed.

Mr. Cole, as President and a director of Rampart and as the ADP from November 23, 1999 to April 11, 2001 ought to have been aware of the sales compliance problems for which discipline penalties were assessed against Rampart by the Ontario District Council on January 21, 2002.

Acting within the scope of his authority as a Rampart officer and director, Mr. Cole:

- failed to ensure that the Executive Committee fulfill its mandate by meeting regularly and to review the Association's findings respecting sales compliance and to review Rampart's responses to these findings;

- relied on representations made by other Rampart senior officers and/or directors as well as staff in the Sales and Sales Compliance area that the concerns of the Association (as described in this Section III) were being addressed; and

- failed to exercise the necessary due diligence to ensure that all relevant reports and information were brought to the attention of the Board of Directors.

Kenneth A. Nason
Association Secretary

13.1.9 IDA Discipline Penalties Imposed on BMO Nesbitt Burns Inc. – Violations of Regulation 1300.2, Policy No. 2 and Policy No. 3

Contact:
Kenneth Kelertas
Enforcement Counsel
(416) 943-5781
kkelertas@ida.ca

BULLETIN #3020
July 23, 2002

DISCIPLINE

**DISCIPLINE PENALTIES IMPOSED ON BMO NESBITT BURNS INC.
VIOLATIONS OF REGULATION 1300.2, POLICY NO. 2 AND POLICY NO. 3**

Person Disciplined

The Ontario District Council of the Investment Dealers Association ("the Association") has imposed discipline penalties on BMO Nesbitt Burns Inc. ("Nesbitt"), a Member of the Association.

By-laws, Regulations, Policies Violated

On July 23, 2002, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Nesbitt and Association Staff.

Pursuant to the Settlement Agreement, Nesbitt admitted that :

1. it failed to ensure that its Risk-Management Department followed internal procedures for verifying prices of certain U.S. convertible debentures, in contravention of Association Regulation 1300.2, Policy No. 2, section 1, and Policy No. 3, Statement 1;

2. it failed to verify that its Registered Representative Zona Armstrong complied with firm procedures regarding the pricing of certain U.S. convertible debentures, in contravention of Association Regulation 1300.2, Policy No. 2, section 1, and Policy No. 3, Statement 1;

3. it gave permission to its Registered Representative Zona Armstrong to place orders for certain securities directly with other dealers, instead of through the Respondent's Bond Desk, as ordinarily required by firm procedures, without ensuring that closer supervision of Zona Armstrong's trading activities occurred, in contravention of Association Regulation 1300.2, Policy 2, section 1, and Policy 3, Statement 1;

4. it failed to ensure that Zona Armstrong's Branch Manager and Assistant Branch Manager were aware that Zona Armstrong was providing month-end prices for certain convertible debentures that were not being verified with the trading desk, in violation of Association Policy No. 2, Section 1; and

5. by permitting the above violations of Association By-laws, Policies and Regulations, it failed to maintain a supervisory environment which both fosters the business objectives of the Member and maintains the self-regulatory process, in violation of Association Policy No. 2, Section 1.

Penalty Assessed

Nesbitt has agreed to pay to the Association a fine in the amount of $450,000. In addition, within 30 days Nesbitt must submit to the Association for review and approval its internal policies and procedures relative to the pricing of corporate securities for sale to its clients.

Nesbitt will also pay the Association's costs of the investigation and prosecution of this matter in the amount of $50,000.

Summary of Facts

From June 29, 1990 until April 29, 1999, Burns Fry Limited (subsequently BMO Nesbitt Burns Inc.) employed Zona Paulette Armstrong (Zona Armstrong) as a registered representative. While employed by Nesbitt, Zona Armstrong was particularly active in the trading of U.S. corporate securities. In 1998 and 1999, the Association received 10 complaints against Zona Armstrong in respect of the period of time that she was employed by Nesbitt at its sub branches in Camrose and Olds, Alberta. Association staff investigated the 10 complaints and determined that Zona Armstrong had recommended to these clients certain high-risk investments in US corporate convertible debentures. Staff concluded that the investments were generally inappropriate or inappropriate in the amounts held given the investment objectives and the risk tolerance of the particular complainants.

Association staff also discovered that sometime between 1996 and 1998, Zona Armstrong began to provide to Nesbitt's Risk Management Department a list of what she claimed were fair market values of certain convertible debentures at month end for purposes of her clients' month end statements. At the time, Nesbitt had no written policies dealing with the verification of prices for the purpose of month end statements. However, Nesbitt's general policy was that all prices for month end statements had to be obtained through or verified by an external source, either electronically or by the Respondent's trading desk with sources in New York. This policy was not followed with respect to the pricing by Zona Armstrong of certain convertible debentures. In addition, Nesbitt permitted Zona Armstrong to place orders directly with bond desks at firms in the United States in contravention of Nesbitt's internal policies that required that all convertible bond trades must be processed through Nesbitt's trading desk in Toronto. To compound matters, Zona Armstrong's branch manager and assistant branch manager in Alberta were not aware that Zona Armstrong was being permitted by head office to circumvent firm policy.

Consequently, pursuant to the terms of the Settlement Agreement, Nesbitt has admitted and acknowledged that:

- its Risk Management Department was aware of, and acquiesced in, the circumvention of internal policies by Zona Armstrong;
- it failed in its obligation to establish and maintain an adequate supervisory environment at the head office level; and
- it failed in its obligation to establish and maintain an adequate supervisory environment at the branch level.

In April 1999, without notice, Zona Armstrong left the employ of Nesbitt and disappeared. As of May 1, 2002, Nesbitt had received 157 complaints from clients of Zona Armstrong, each of which it investigated. Given the concerns raised by the clients and Zona Armstrong's unexplained disappearance, Nesbitt paid compensation to 131 of the clients in the amount of $10,077,209.81 CDN and $213,463.04 U.S. In the remaining cases, Nesbitt concluded that no compensation was warranted.

The prosecution of Zona Armstrong for her own contraventions of the Association's Rules, Regulations, By-laws and Policies (which at this time are allegations only and remain to be proven before the Alberta District Council) is pending.

Kenneth A. Nason
Association Secretary

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Chapter 25

Other Information

25.1 Exemptions

25.1.1 Peak Investment Services Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
PEAK INVESTMENT SERVICES INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Peak Investment Services Inc. ("Peak") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Peak from the application of section 2.1 of the Rule, which would require Peak to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Peak is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Peak from the requirement to pay an application fee in respect of the Application;

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

AND UPON Peak having represented to the Director that:

1. Peak is registered under the Act as a mutual fund dealer and has its head office in Quebec. Peak is also registered in Quebec, British Columbia, Manitoba and Alberta;

2. Peak filed a membership application (the "MFDA Application") with the MFDA;

3. Peak has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Peak is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. Peak is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Peak will not be a member of the MFDA by July 2, 2002.

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 Peak is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Peak is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Peak is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.2 Ontario Financial Services Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
ONTARIO FINANCIAL SERVICES INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Ontario Financial Services Inc. ("OFS") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt OFS from the application of section 2.1 of the Rule, which would require OFS to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that OFS is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt OFS from the requirement to pay an application fee in respect of the Application;

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

AND UPON OFS having represented to the Director that:

1. OFS is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. OFS filed a membership application (the "MFDA Application") with the MFDA;

3. OFS has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. OFS is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. OFS is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. OFS will not be a member of the MFDA by July 2, 2002.

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 OFS is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as OFS is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that OFS is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.3 Wealth Map Financial Limited - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
WEALTH MAP FINANCIAL LIMITED

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Wealth Map Financial Limited ("Wealth Map") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Wealth Map from the application of section 2.1 of the Rule, which would require Wealth Map to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Wealth Map is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Wealth Map from the requirement to pay an application fee in respect of the Application;

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

AND UPON Wealth Map having represented to the Director that:

1. Wealth Map is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Wealth Map filed a membership application (the "MFDA Application") with the MFDA in 2001;

3. Wealth Map has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Wealth Map is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. Wealth Map is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Wealth Map will not be a member of the MFDA by July 2, 2002.

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 Wealth Map is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Wealth Map is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Wealth Map is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.4 Wealthworks Financial Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
WEALTHWORKS FINANCIAL INC.

EXEMPTION
(Section 59(2) of Schedule 1 to
Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Wealthworks Financial Inc. ("Wealthworks") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Wealthworks from the application of section 2.1 of the Rule, which would require Wealthworks to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Wealthworks is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Wealthworks from the requirement to pay an application fee in respect of such application;

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

AND UPON Wealthworks having represented to the Director that:

1. Wealthworks is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Wealthworks filed a membership application (the "MFDA Application") with the MFDA;

3. Wealthworks has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Wealthworks is working through the issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. Wealthworks is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 Wealthworks is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Wealthworks is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.5 Kingsgate Financial Group Limited - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
KINGSGATE FINANCIAL GROUP LIMITED

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Kingsgate Financial Group Limited. ("Kingsgate") seeking a decision pursuant to section 5.1 of the Rule, to exempt Kingsgate from the application of section 2.1 of the Rule, which would require Kingsgate to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Kingsgate is a member of the MFDA by December 1, 2002;

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

AND UPON Kingsgate having represented to the Director that:

1. Kingsgate is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Kingsgate filed a membership application (the "MFDA Application") with the MFDA;

3. Kingsgate has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Kingsgate's risk adjusted capital was deficient as at April 30, 2002 according to the MFDA's rules. Kingsgate anticipates that its capital deficiency can be eliminated through a combination of earned revenues and the repayment of an existing receivable from its parent;

5. other than risk adjusted capital, Kingsgate is not aware of any issues which remain outstanding between it and the MFDA in respect of the MFDA Application;

6. Kingsgate is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. Kingsgate will not be a member of the MFDA by July 2, 2002.

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 Kingsgate is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Kingsgate is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.6 All-Canadian Management Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
ALL-CANADIAN MANAGEMENT INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from All-Canadian Management Inc. ("All-Canadian") seeking a decision pursuant to section 5.1 of the Rule, to exempt All-Canadian from the application of section 2.1 of the Rule, which would require All-Canadian to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that All-Canadian or its subsidiary, as applicable, is a member of the MFDA by December 1, 2002;

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

AND UPON All-Canadian having represented to the Director that:

1. All-Canadian is registered under the Act as a mutual fund dealer and investment counsel/portfolio manager and has its head office in Ontario;

2. All-Canadian filed a membership application (the "MFDA Application") with the MFDA in 2001;

3. the MFDA advised All-Canadian that a MFDA member may not engage in portfolio management activities, as discretionary trading is prohibited under MFDA Rule 2.3.4;

4. All-Canadian is in the process of establishing a subsidiary that will assume the mutual fund distribution activities and apply for membership in the MFDA;

5. All-Canadian and its subsidiary will work diligently to obtain membership for the subsidiary in the MFDA;

6. All-Canadian is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. neither All-Canadian nor its subsidiary will be a member of the MFDA by July 2, 2002.

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 All-Canadian is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as All-Canadian or its subsidiary is registered as a mutual fund dealer under the Act, it or its subsidiary, as applicable, is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.7 Triglobal Capital Management Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
TRIGLOBAL CAPITAL MANAGEMENT INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Triglobal Capital Management Inc. ("Triglobal") seeking a decision pursuant to section 5.1 of the Rule, to exempt Triglobal from the application of section 2.1 of the Rule, which would require Triglobal to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Triglobal is a member of the MFDA by December 1, 2002;

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

AND UPON Triglobal having represented to the Director that:

1. Triglobal is registered under the Act as a mutual fund dealer and has its head office in Quebec;

2. Triglobal was formed by the amalgamation (the "Amalgamation") of Triglobal Capital Management Inc. and its subsidiary, Triglobal Capital Management (Ontario) Inc., on June 1, 2002;

3. prior to the Amalgamation, Triglobal Capital Management Inc. (the parent) filed a membership application (the "MFDA Application") with the MFDA;

4. a number of items in the MFDA Application need to be amended to reflect the Amalgamation. Triglobal expects to have the MFDA Application amended by the end of July, 2002;

5. Triglobal is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Triglobal will not be a member of the MFDA by July 2, 2002.

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 Triglobal is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Triglobal is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

July 2, 2002.

"David M. Gilkes"

25.1.8 Lincluden Management Limited - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
LINCLUDEN MANAGEMENT LIMITED

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Lincluden Management Limited ("Lincluden") seeking a decision pursuant to section 5.1 of the Rule, to exempt Lincluden from the application of section 2.1 of the Rule, which would require Lincluden to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Lincluden or its subsidiary, as applicable, is a member of the MFDA by December 1, 2002;

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

AND UPON Lincluden having represented to the Director that:

1. Lincluden is registered under the Act as a mutual fund dealer, limited market dealer and nvestment counsel/portfolio manager and has its head office in Ontario;

2. Lincluden filed a membership application (the "MFDA Application") with the MFDA;

3. Lincluden is in the process of reorganizing its mutual fund dealer operation to comply with the requirements of the MFDA. Lincluden has established a wholly-owned subsidiary, Lincluden Mutual Fund Dealer Inc. ("LMFDI"), which has applied to become registered as a mutual fund dealer and to become a member of the MFDA. Once it has obtained registration and membership in the MFDA, LMFDI will take over Lincluden's activities as a mutual fund dealer and Lincluden will surrender its mutual fund dealer registration;

4. Lincluden and LMFDI will work diligently to obtain a mutual fund dealer registration and membership in the MFDA for LMFDI;

5. Lincluden nor LMFDI is, to their knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. neither Lincluden nor LMFDI will be a member of the MFDA by July 2, 2002.

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 Lincluden is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as either Lincluden or LMFDI is registered as a mutual fund dealer under the Act, Lincluden or LMFDI, as applicable, will be a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.9 McGee Capital Management Limited - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
MCGEE CAPITAL MANAGEMENT LIMITED

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from McGee Capital Management Limited ("McGee") seeking a decision pursuant to section 5.1 of the Rule, to exempt McGee from the application of section 2.1 of the Rule, which would require McGee to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that McGee or an affiliated entity is a member of the MFDA by December 1, 2002;

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

AND UPON McGee having represented to the Director that:

1. McGee is registered under the Act as a mutual fund dealer and investment counsel/portfolio manager and has its head office in Ontario;

2. McGee filed a membership application (the "MFDA Application") with the MFDA in 2001;

3. the MFDA advised McGee that a MFDA member may not engage in portfolio management activities, as discretionary trading is prohibited under MFDA Rule 2.3.4;

4. McGee is in the process of establishing an affiliated entity that will assume the mutual fund distribution activities and apply for membership in the MFDA;

5. McGee and its affiliated entity will work diligently to obtain membership for the subsidiary in the MFDA;

6. McGee is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. neither McGee nor its affiliated entity will be a member of the MFDA by July 2, 2002.

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 McGee is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as McGee or an affiliated entity is registered as a mutual fund dealer under the Act, it or its affiliated entity, as applicable, is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.10 Palomar Financial Group Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
PALOMAR FINANCIAL GROUP INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Palomar Financial Group Inc. ("Palomar") seeking a decision pursuant to section 5.1 of the Rule, to exempt Palomar from the application of section 2.1 of the Rule, which would require Palomar to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Palomar is a member of the MFDA by December 1, 2002;

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

AND UPON Palomar having represented to the Director that:

1. Palomar is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Palomar filed a membership application (the "MFDA Application") with the MFDA;

3. Palomar has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Palomar is in the process of completing the financial questionnaire and report as at March 31, 2002, with the assistance of external accountants, which is required to complete the MFDA Application. Other than the completion of the financial questionnaire and report, Palomar is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. Palomar is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Palomar will not be a member of the MFDA by July 2, 2002.

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 Palomar is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Palomar is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.11 Keybase Investments Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
KEYBASE INVESTMENTS INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Keybase Investments Inc. ("Keybase") seeking a decision pursuant to section 5.1 of the Rule, to exempt Keybase from the application of section 2.1 of the Rule, which would require Keybase to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Keybase is a member of the MFDA by February 1, 2003;

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

AND UPON Keybase having represented to the Director that:

1. Keybase is registered under the Act as a mutual fund dealer and limited market dealers and has its head office in Ontario;

2. Keybase filed a membership application (the "MFDA Application") with the MFDA in May 2001;

3. the MFDA advised Keybase that Keybase's affiliate, which administers self directed plans on behalf of Keybase, does not meet the MFDA's definition of an acceptable securities location;

4. Keybase is in the process of making structural changes to its business to comply with MFDA rules and provided the MFDA, on April 10, 2002, with details of the proposed reorganization. Keybase will be taking the following steps to complete the reorganization:

   (1) administrative procedures to be developed and finalized by June 30, 2002;

   (2) final financial statements for T.W. Austin (the entity which Keybase recently amalgamated with) to be filed on June 30, 2002;

   (3) administrative procedures tested and staff trained by July 15, 2002;

   (4) transfer of securities to Argosy Securities Inc. by November 30, 2002;

   (5) revisions of the declaration of trust for self directed plans by September 30, 2002;

   (6) communication of declaration of trust changes to self directed clients by October 30, 2002; and

   (7) reorganization of Keybase and its affiliate effective December 31, 2002;

5. Keybase will work diligently to ensure that immediately upon the completion of the reorganization on December 31, 2002 Keybase will have resolved all its issues with the MFDA in respect of its MFDA Application;

6. Keybase is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. Keybase will not be a member of the MFDA by July 2, 2002.

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 Keybase is exempt from the requirement of section 2.1 of the Rule on the condition that from and after February 1, 2003, so long as Keybase is registered as a mutual fund dealer under the Act, Keybase will be a member of the MFDA.

July 2, 2002.

"David M. Gilkes"

25.1.12 JM Investment Services - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
JM INVESTMENT SERVICES

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from JM Investment Services ("JDM") seeking a decision pursuant to section 5.1 of the Rule, to exempt JDM from the application of section 2.1 of the Rule, which would require JDM to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that JDM or its subsidiary, as applicable, is a member of the MFDA by December 1, 2002;

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

AND UPON JDM having represented to the Director that:

1. JDM is registered under the Act as a mutual fund dealer, limited market dealer and investment counsel/portfolio manager and has its head office in Ontario. JDM has changed its name to JDM Financial Limited and is in the process of changing its registration to reflect the change in name;

2. JDM filed a membership application (the "MFDA Application") with the MFDA;

3. the MFDA advised JDM that JDM's risk adjusted capital was deficient according to MFDA rules. JDM is discussing the issue with the MFDA and is working diligently to resolve the issue;

4. other than the issue relating to risk adjusted capital, JDM is not aware of any unresolved issues between JDM and the MFDA with respect to its MFDA Application;

5. JDM is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. JDM will not be a member of the MFDA by July 2, 2002.

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 JDM is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as JDM is registered as a mutual fund dealer under the Act, JDM will be a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.13 Hill & Crawford Investment Management Group Ltd - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
HILL & CRAWFORD INVESTMENT MANAGEMENT GROUP LTD.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Hill & Crawford Investment Management Group Ltd. ("Hill & Crawford") seeking a decision pursuant to section 5.1 of the Rule, to exempt Hill & Crawford from the application of section 2.1 of the Rule, which would require Hill & Crawford to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Hill & Crawford is a member of the MFDA by December 1, 2002;

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

AND UPON Hill & Crawford having represented to the Director that:

1. Hill & Crawford is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Hill & Crawford filed a membership application (the "MFDA Application") with the MFDA;

3. Hill & Crawford has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Hill & Crawford was risk adjusted capital deficient but is in the process of resolving this issue with the MFDA;

5. other than the risk adjusted capital issue, Hill & Crawford is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

6. Hill & Crawford is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. Hill & Crawford will not be a member of the MFDA by July 2, 2002.

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 Hill & Crawford is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Hill & Crawford is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

July 2, 2002.

"David M. Gilkes"

25.1.14 Integra Capital Corporation - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
INTEGRA CAPITAL CORPORATION

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Integra Capital Corporation ("ICC") seeking a decision pursuant to section 5.1 of the Rule, to exempt ICC from the application of section 2.1 of the Rule, which would require ICC to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that ICC is a member of the MFDA by December 1, 2002;

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

AND UPON ICC having represented to the Director that:

1. ICC is registered under the Act as a mutual fund dealer, limited market dealer and investment counsel/portfolio manager and has its head office in Ontario. ICC also has offices in Alberta and Quebec. ICC is registered as a mutual dealer with all the provincial securities commissions and as an advisor (unrestricted) in Quebec;

2. ICC filed a membership application (the "MFDA Application") with the MFDA in May, 2001;

3. the MFDA raised certain issues with ICC in connection with its investment counsel/portfolio management business;

4. Integra Capital Management Corporation, the parent company of ICC, incorporated a subsidiary which will assume the investment counsel/portfolio management and limited market dealer business and which is in the process of obtaining the appropriate registration under the Act;

5. the MFDA has requested additional financial information from ICC in connection with the MFDA Application;

6. ICC is of the view that the outstanding issues with the MFDA in connection with the MFDA Application are of a minor nature;

7. ICC is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

8. ICC will not be a member of the MFDA by July 2, 2002.

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 ICC is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as ICC is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.15 Fidelity Intermediary Services Company Limited - s. 59(2) of Sched. 1 to Regulation 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FIDELITY INTERMEDIARY SERVICES COMPANY LIMITED

EXEMPTION

(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Fidelity Intermediary Services Company Limited ("Fidelity") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Fidelity from the application of section 2.1 of the Rule, which would require Fidelity to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Fidelity is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 105 to exempt Fidelity from the requirement to pay an application fee in respect of the Application;

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

AND UPON Fidelity having represented to the Director that:

1. Fidelity is registered under the Act as a mutual fund dealer and as a limited market dealer and has its head office in Ontario. Fidelity is also registered as a mutual fund dealer in every other Canadian jurisdiction except Alberta where it has made an application to be registered as a mutual fund dealer;

2. Fidelity filed a membership application (the "AMFDA Application") with the MFDA on May 23, 2001;

3. Fidelity has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Fidelity will be entering into introducing-carrying dealer arrangements with other mutual fund dealers;

5. the MFDA is in the process of reviewing the introducing-carrying dealer arrangements for all mutual fund dealers;

6. other than the introducing-carrying dealer issue, Fidelity is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

7. Fidelity is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

8. Fidelity will not be a member of the MFDA by July 2, 2002.

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 Fidelity is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Fidelity is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Fidelity is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.16 Blue Heron Wealth Management Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
BLUE HERON WEALTH MANAGEMENT INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Blue Heron Wealth Management Inc. ("Blue Heron") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Blue Heron from the application of section 2.1 of the Rule, which would require Blue Heron to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Blue Heron is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Blue Heron from the requirement to pay an application fee in respect of such application;

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

AND UPON Blue Heron having represented to the Director that:

1. Blue Heron is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Blue Heron filed a membership application (the "MFDA Application") with the MFDA;

3. Blue Heron has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Blue Heron is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. Blue Heron is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 Blue Heron is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Blue Heron is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.17 Family Investment Planning Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FAMILY INVESTMENT PLANNING INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Family Investment Planning Inc. ("FIP") seeking a decision pursuant to section 5.1 of the Rule, to exempt FIP from the application of section 2.1 of the Rule, which would require FIP to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that FIP is a member of the MFDA by December 1, 2002;

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

AND UPON FIP having represented to the Director that:

1. FIP is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. FIP filed a membership application (the "MFDA Application") with the MFDA;

3. FIP's risk adjusted capital was deficient as at April 30, 2002. FIP adjusted its capital to meet the MFDA's risk adjusted capital requirements and is int the process of completing its financial questionnaire for May 31, 2002;

4. other than the adjustment to its risk adjusted capital, FIP is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. FIP is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. FIP will not be a member of the MFDA by July 2, 2002.

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 FIP is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as FIP is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.18 First Leaside Financial Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FIRST LEASIDE FINANCE INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from First Leaside Financial Inc. ("Leaside") seeking a decision pursuant to section 5.1 of the Rule, to exempt Leaside from the application of section 2.1 of the Rule, which would require Leaside to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Leaside is a member of the MFDA by December 1, 2002;

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

AND UPON Leaside having represented to the Director that:

1. Leaside is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Leaside filed a membership application (the "MFDA Application") with the MFDA;

3. the MFDA has raised certain issues with Leaside in respect of the MFDA Application which Leaside is addressing;

4. Leaside is not aware of any material issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. Leaside is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Leaside will not be a member of the MFDA by July 2, 2002.

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 Leaside is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Leaside is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

June 28, 2002.

"David M. Gilkes"

25.1.19 Financial Architects Investments Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FINANCIAL ARCHITECTS INVESTMENTS INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Financial Architects Investments Inc. ("FAII") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt FAII from the application of section 2.1 of the Rule, which would require FAII to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that FAII is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt FAII from the requirement to pay an application fee in respect of such application;

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

AND UPON FAII having represented to the Director that:

1. FAII is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. FAII filed a membership application (the "MFDA Application") with the MFDA;

3. FAII has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. FAII is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. FAII is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 FAII is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as FAII is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that FAII is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.20 Foresters Securities (Canada) Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FORESTERS SECURITIES (CANADA) INC.

EXEMPTION
(Section 59(2) of Schedule 1 to
Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Foresters Securities (Canada) Inc. ("Foresters") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Foresters from the application of section 2.1 of the Rule, which would require Foresters to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Foresters is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Foresters from the requirement to pay an application fee in respect of such application;

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

AND UPON Foresters having represented to the Director that:

1. Foresters is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Foresters filed a membership application (the "MFDA Application") with the MFDA;

3. Foresters has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Foresters is not aware of any issues which remain unresolved between it and the MFDA in respect of it becoming a member of the MFDA.

5. Foresters is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 Foresters is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Foresters is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Foresters is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.21 Family Wealth Advisors Ltd. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
FAMILY WEALTH ADVISORS LTD.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Family Wealth Advisors Ltd. ("FWA") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt FWA from the application of section 2.1 of the Rule, which would require FWA to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that FWA is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt FWA from the requirement to pay an application fee in respect of such application;

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

AND UPON FWA having represented to the Director that:

1. FWA is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. FWA filed a membership application (the "MFDA Application") with the MFDA;

3. FWA has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. FWA is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. FWA is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 FWA is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as FWA is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that FWA is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.22 Evangeline Securities Limited - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
EVANGELINE SECURITIES LIMITED

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Evangeline Securities Limited ("Evangeline") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Evangeline from the application of section 2.1 of the Rule, which would require Evangeline to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Evangeline is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Evangeline from the requirement to pay an application fee in respect of the Application;

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

AND UPON Evangeline having represented to the Director that:

1. Evangeline is registered under the Act as a mutual fund dealer and has its head office in Nova Scotia;

2. Evangeline filed a membership application (the "MFDA Application") with the MFDA;

3. Evangeline has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Evangeline is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. Evangeline is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Evangeline will not be a member of the MFDA by July 2, 2002.

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 Evangeline is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Evangeline is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Evangeline is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.23 EFunds.ca Securities Limited - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
EFUNDS.CA SECURITIES LIMITED

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from EFunds.ca Securities Limited ("ESL") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt ESL from the application of section 2.1 of the Rule, which would require ESL to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that ESL is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt ESL from the requirement to pay an application fee in respect of such application;

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

AND UPON ESL having represented to the Director that:

1. ESL is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. ESL filed a membership application (the "MFDA Application") with the MFDA;

3. ESL has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. ESL is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. ESL is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 ESL is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as ESL is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that ESL is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.24 Desjardins Trust Investment Services Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
DESJARDINS TRUST INVESTMENT SERVICES INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Desjardins Trust Investment Services Inc. ("DTISI") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt DTISI from the application of section 2.1 of the Rule, which would require DTISI to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that DTISI is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt DTISI from the requirement to pay an application fee in respect of such application;

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

AND UPON DTISI having represented to the Director that:

1. DTISI is registered under the Act as a mutual fund dealer and has its head office in Quebec;

2. DTISI filed a membership application (the "MFDA Application") with the MFDA;

3. DTISI has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. DTISI is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. DTISI is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 DTISI is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as DTISI is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that DTISI is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.25 Norshield Fund Managment Ltd. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
NORSHIELD FUND MANAGEMENT LTD.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Norshield Fund Managment Ltd. ("Norshield") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Norshield from the application of section 2.1 of the Rule, which would require Norshield to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Norshield is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Norshield from the requirement to pay an application fee in respect of the Application;

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

AND UPON Norshield having represented to the Director that:

1. Norshield is registered under the Act as a mutual fund dealer and has its head office in Quebec;

2. Norshield filed a membership application (the "MFDA Application") with the MFDA in 2001;

3. Norshield has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Norshield is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application and has been advised by staff at the MFDA that the MFDA Application will be presented to the MFDA Board of Directors on July 5, 2002;

5. Norshield is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. Norshield will not be a member of the MFDA by July 2, 2002.

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 Norshield is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Norshield is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Norshield is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.26 McLean Budden Funds Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
MCLEAN BUDDEN FUNDS INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from McLean Budden Funds Inc. ("McLean Budden") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt McLean Budden from the application of section 2.1 of the Rule, which would require McLean Budden to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that McLean Budden is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt McLean Budden from the requirement to pay an application fee in respect of the Application;

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

AND UPON McLean Budden having represented to the Director that:

1. McLean Budden is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. McLean Budden filed a membership application (the "MFDA Application") with the MFDA in 2001;

3. McLean Budden has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. McLean Budden is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

5. McLean Budden is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

6. McLean Budden will not be a member of the MFDA by July 2, 2002.

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 McLean Budden is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as McLean Budden is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that McLean Budden is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.27 Morneau D.C. Services Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
MORNEAU D.C. SERVICES INC.

EXEMPTION
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Morneau D.C. Services Inc. ("Morneau") seeking a decision pursuant to section 5.1 of the Rule, to exempt Morneau from the application of section 2.1 of the Rule, which would require Morneau to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Morneau is a member of the MFDA by December 1, 2002;

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

AND UPON Morneau having represented to the Director that:

1. Morneau is registered under the Act as a mutual fund dealer, limited market dealer, investment counsel and portfolio manager and has its head office in Ontario;

2. Morneau has not filed a membership application (the "MFDA Application") with the MFDA;

3. Morneau is in the process of preparing an application to the Ontario Securities Commission for a permanent exemption from the Rule on the basis that it does not sell mutual funds to the general public and that it obtained a mutual fund dealer registration in order to provide record-keeping services for defined contribution pension and savings plans;

4. Morneau is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

5. Morneau will not be a member of the MFDA by July 2, 2002.

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 Morneau is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Morneau is registered as a mutual fund dealer under the Act, it is a member of the MFDA or has obtained an exemption from the requirement of the Rule to be a member of the MFDA from and after December 1, 2002.

July 2, 2002.

"David M. Gilkes"

25.1.28 Peakvest Planning Associates Limited - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
PEAKVEST PLANNING ASSOCIATES LIMITED

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Peakvest Planning Associates Limited ("Peakvest") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Peakvest from the application of section 2.1 of the Rule, which would require Peakvest to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Peakvest is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Peakvest from the requirement to pay an application fee in respect of the Application;

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

AND UPON Peakvest having represented to the Director that:

1. Peakvest is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. Peakvest filed a membership application (the "MFDA Application") with the MFDA;

3. Peakvest has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. Peakvest was under the impression that there were no outstanding issues with respect to its MFDA Application but was advised today by the MFDA that additional information was required about the terms and conditions of a loan payable to the National Bank of Canada;

5. other than the National Bank of Canada issue, Peakvest is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

6. Peakvest is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

7. Peakvest will not be a member of the MFDA by July 2, 2002.

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 Peakvest is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Peakvest is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Peakvest is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

25.1.29 AXA Financial Services Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
AXA FINANCIAL SERVICES INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from AXA Financial Services Inc. ("AXA") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt AXA from the application of section 2.1 of the Rule, which would require AXA to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that AXA is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt AXA from the requirement to pay an application fee in respect of such application;

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

AND UPON AXA having represented to the Director that:

1. AXA is registered under the Act as a mutual fund dealer and has its head office in Quebec;

2. AXA filed a membership application (the "MFDA Application") with the MFDA;

3. AXA has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. AXA is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. AXA is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 AXA is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as AXA is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that AXA is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.30 Aldersley Securities Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
ALDERSLEY SECURITIES INC.

EXEMPTION
(Section 59(2) of Schedule 1 to
Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from Aldersley Securities Inc. ("Aldersley") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt Aldersley from the application of section 2.1 of the Rule, which would require Aldersley to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that Aldersley is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt Aldersley from the requirement to pay an application fee in respect of the Application;

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

AND UPON Aldersley having represented to the Director that:

1. Aldersley is registered under the Act as a mutual fund dealer and investment counsel and has its head office in Ontario;

2. Aldersley filed a membership application (the "MFDA Application") with the MFDA;

3. Aldersley has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. the MFDA has advised Aldersley that, in its view, registration as an investment counsel is inconsistent with MFDA rules;

5. Aldersley has diligently tried to discuss the investment counsel issue with the MFDA but to date, vacation and other timing exigencies of MFDA staff members has not permitted discussions to go forward;

6. other than the investment counsel issue, Aldersley is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application;

7. Aldersley is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder; and

8. Aldersley will not be a member of the MFDA by July 2, 2002.

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 Aldersley is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as Aldersley is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that Aldersley is exempt from the requirement to pay the application fee required by section 53(1) of Schedule 1 to Ontario Regulation 1015 in respect of the MFDA Application.

June 28, 2002.

"David M. Gilkes"

25.1.31 ASL Direct Inc. - s. 59(2) of Sched. 1 to Reg. 1015 and s. 5.1 of Rule 31-506

Headnote

Section 5.1 – OSC Rule 31-506 – exemption to mutual fund dealer from the requirement to be a member of the Mutual Fund Dealers Association of Canada – exemption for a limited period of time.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
ASL DIRECT INC.

EXEMPTION
(Section 59(2) of Schedule 1 to Ontario Regulation 1015)
(Section 5.1 of the Rule)

UPON the Director having received an application (the "Application") from ASL Direct Inc. ("ASL") seeking a decision (i) pursuant to section 5.1 of the Rule, to exempt ASL from the application of section 2.1 of the Rule, which would require ASL to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") by July 2, 2002 on the condition that ASL is a member of the MFDA by December 1, 2002, and (ii) pursuant to section 59(2) of Schedule I to Ontario Regulation 1015 to exempt ASL from the requirement to pay an application fee in respect of the Application;

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

AND UPON ASL having represented to the Director that:

1. ASL is registered under the Act as a mutual fund dealer and has its head office in Ontario;

2. ASL filed a membership application (the "MFDA Application") with the MFDA;

3. ASL has complied, on a timely basis, with all requests by the MFDA for information and/or documents pertaining to its MFDA Application;

4. ASL is not aware of any issues which remain unresolved between it and the MFDA in respect of its MFDA Application; and

5. ASL is not, to its knowledge, in breach of any requirements of the Act or the regulations or rules made thereunder.

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 ASL is exempt from the requirement of section 2.1 of the Rule on the condition that from and after December 1, 2002, so long as ASL is registered as a mutual fund dealer under the Act, it is a member of the MFDA.

IT IS THE FURTHER DECISION of the Director, pursuant to section 59(2) of Schedule I to Ontario Regulation 1015, that ASL is exempt from the requirement to pay the application fee required by section 5391) of section 53(1) of Schedule I to Ontario Regulation 1015 in respect of the MFDA Application.

July 2, 2002.

"David M. Gilkes"

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