The Ontario Securities Commission

OSC Bulletin

November 29, 2002

Volume 25, Issue 48

(2002), 25 OSCB

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

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

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

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

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $20.00 per copy as long as supplies are available.

ISSN 0226-9325

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

NOVEMBER 29, 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
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20 Queen Street West
Toronto, Ontario
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Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

DATE: TBA	**Patrick Fraser Kenyon Pierrepont Lett, Milehouse Investment Management Limited, Pierrepont Trading Inc., BMO Nesbitt Burns Inc.*, John Steven Hawkyard and John Craig Dunn** s. 127 K. Manarin in attendance for Staff Panel: TBA * BMO settled Sept. 23/02
November 20 to December 4, 2002 10:00 a.m. Alcohol and Gaming Commission, 20 Dundas St. W., 7th Floor	**Michael Goselin, Irvine Dyck, Donald Mccrory and Roger Chiasson** s. 127 T. Pratt in attendance for Staff Panel: HLM / MTM
November 27 - 29, 2002 9:30 a.m. - 4:30 p.m.	**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths McBurney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)** s.127 K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff. Panel: HIW / DB / RWD
November 29 and December 2, 2002 10:00 a.m. 22nd Floor, Training Room	**Brian Costello** s. 127 H. Corbett in attendance for Staff Panel: PMM / KDA/MTM

December 05, 2002 10:00 a.m. Small Hearing Room	**Meridian Resources Inc. and Steven Baran** s. 127 K. Manarin in attendance for Staff Panel: TBA
January 8, 9 & 10, 2003 Time: 10:00 a.m.	**Jack Banks A.K.A. Jacques Benquesus and Larry Weltman** s. 127 K. Manarin in attendance for Staff Panel: TBA
January 15 & 16, 2003	**Offshore Marketing Alliance and Warren English** s. 127 A. Clark in attendance for Staff Panel: TBA
February 17 to 21, 2003 and February 25 to 28, 2003. All days10:00 a.m. Except, February 18, 2003 at 2:30 p.m.	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
March 24, 25, 26 & 27, 2003 10:00 a.m.	**Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock** s. 127 A. Clark in attendance for Staff Panel: PMM

ADJOURNED SINE DIE

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

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

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

1.1.2 CSA Notice 51-305 Canadian Capital Markets Association - Corporate Actions and Other Entitlements White Paper - October 2002

CSA NOTICE 51-305

CANADIAN CAPITAL MARKETS ASSOCIATION

CORPORATE ACTIONS AND OTHER ENTITLEMENTS
WHITE PAPER - OCTOBER 2002

The Canadian Capital Markets Association (CCMA) is an organization founded in 2000 by participants in the Canadian financial services industries to identify and recommend ways to meet the challenges and opportunities faced by our capital markets. The current priority facing the CCMA is to promote straight-through processing (STP) strategies among Canadian capital market participants. For information on the work of the CCMA, refer to www.ccma-acmc.ca.

To promote general improvements in the area of post-trade processing, including greater STP among Canadian capital market participants, the CCMA Board of Directors formed a number of working committees, including the Corporate Actions Working Group (CAWG). For information on all of the CCMA working committees, refer to the CCMA's web-site.

On October 22, 2002, the CAWG published its Corporate Actions and Other Entitlements White Paper (CAWG White Paper). Attached as Schedule "A" to this notice is a copy of the CCMA press release in connection with the release of the CAWG White Paper. The CAWG White Paper is available on the CCMA's web site. The CAWG is seeking public comments from all interested parties by December 31, 2002. The CCMA press release describes how comments should be submitted.

The CAWG White Paper:

- **analyzes current practices and standards for processing entitlements**, including corporate actions, and identifies related inefficiencies and risks
- **sets out views on what must change to allow the straight-through processing (STP) of entitlements** – the processing of entitlements related to securities from beginning to end of the processing chain without manual intervention
- **seeks comments from all stakeholders in Canadian securities markets** on the perceived benefits and challenges of, and proposed solutions for, more efficient entitlement processing

The CAWG White Paper sets forth a number of recommendations including the following recommendations (Recommendations) that may have important implications for reporting issuers:

> **Recommendation #4.a.i – Mandate entitlement reporting to central hub:** Mandate issuers or their agents to report preliminary, final and amended current and ongoing entitlement information in electronic STP format on the announcement date within specified time parameters to a central repository paid for by users.
>
> **Recommendation #4.c.i – Mandate entitlement payment by LVTS to recognized depositories:** Mandate the payment of corporate entitlements to recognized depositories using the Large Value Transfer System (LVTS) by a legally enforceable standard payment time to ensure that, among other things, all payments within the securities clearing and settlement system remain final and irrevocable and the costs involved in these irrevocable entitlement payments are borne by those responsible for the payments. (The LVTS is an electronic wire system introduced by the Canadian Payments Association in February 1999 to facilitate the transfer of irrevocable payments in Canadian dollars across the country in real time.)

Prior to the release of the CAWG White Paper, the CCMA made submissions to the Canadian Securities Administrators (CSA) similar to the Recommendations. These submissions dated March 23, 2001 and July 17, 2002 are available on the CCMA's web site. The March 23, 2001 submission suggests that the CSA consider mandating reporting issuers to report entitlement events to a central repository, and that one possible site for such a centralized repository could be the System for Document Analysis and Retrieval (SEDAR). The July 17, 2002 submission requests that the CSA require payment of corporate entitlements by reporting issuers to recognized depositories be made using final and irrevocable LVTS funds.

Market participants, including reporting issuers, are encouraged to comment on the CAWG White Paper. The CSA are particularly interested in the views and concerns of market participants on the Recommendations in the CAWG White Paper and on the CCMA's submissions to the CSA.

For further information contact:

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November 29, 2002

Schedule A

NEWS RELEASE

For Immediate Distribution
October 22, 2002

CCMA Issues for Public Comment Corporate Actions White Paper to Reduce Risk, Errors and Costs for Intermediaries and Investors

Toronto - The Canadian Capital Markets Association (CCMA) today issued a white paper recommending ways to improve corporate actions and other entitlements processing. Industry stakeholders are encouraged to comment on the paper during the next 60 days.

"Currently, corporate actions processing is one of the most manual, error-prone, riskiest and expensive elements of entitlement processing," said Thomas C. MacMillan, chair of the CCMA. "The best solution to this problem is straight-through processing (STP) – the electronic handling of securities end-to-end through the processing chain without manual intervention."

Entitlements involve the calculation of payments of cash and/or securities to investors and range from simple dividend and interest payments to complex corporate actions that may affect the share or debt structure of a company, e.g., stock splits and takeovers. An international benchmarking study suggests that Canada's undisciplined entitlement management process contributes to lowering our country's standing in world custody service rankings.

Last year, there were trillions of dollars in entitlements processed in Canada to millions of investors. Not receiving notice of entitlements can result in late payment, investment and market risks, loss of interest and lost investment opportunities.

Problems associated with today's entitlement processing include:

- extensive use of manual and paper-based processes that lead to errors and delays
- lack of industry processing standards and best practices
- delays and/or uncertainty in the issuer payment process
- lack of, inconsistent or insufficient legislative, regulatory or rules-based frameworks with supporting incentive and compliance mechanisms
- challenges in communicating with the numerous, diverse and dispersed stakeholders in the entitlement processing chain from issuer through intermediary to investor and back.

"A key STP white paper recommendation is to mandate issuers, offerors and their agents to report entitlement information to a central hub on a timely basis," says Anita Mehta, chair of the CCMA's Corporate Actions Working Group and contributor to the white paper. "The hub must meet the tests of transparency, ease of access, accuracy, comprehensiveness, timeliness, efficiency/usability, security and reliability. No longer will the delivery of hundreds of millions of dollars to Canadian investors depend on someone spotting a small notice in an obscure publication."

In total, the white paper makes 18 recommendations. Highlights include:

- legislative, regulatory and rule changes in two areas – entitlement reporting and payment – where the greatest benefit can only be ensured by broad participation of all issuers, offerors and their agents
- new standards and best practices where concerted joint action among intermediaries can achieve straight-through processing
- additional analysis in a small number of technical areas
- effective stakeholder communication.

"The potential for STP to improve entitlement processing in Canada and globally is huge," concluded MacMillan. "In a world of increasingly complex corporate actions, STP and the proposed central entitlement information hub will provide investors with faster and reliable access to critical information they need to make investment decisions."

The white paper is available on the CCMA's Web site at www.ccma-acmc.ca. Written comments should be submitted via e-mail to info@ccma-acmc.ca no later than **December 31, 2002.**

To find out more about the white paper and recommendations, come to the CCMA's November 19 conference and investment manager workshop in Toronto.

The Canadian Capital Markets Association (CCMA) is a federally incorporated, not-for-profit organization launched to identify, analyze and recommend ways to meet the challenges and opportunities facing Canadian and international capital markets. Its mission is to enhance the competitiveness of Canada's capital markets through a forum of industry experts who provide leadership and direction to the investment community. Its core purpose is to promote straight-through processing strategies to reduce ongoing errors and processing costs; lower operational, market, settlement and systemic risks; and maintain the competitiveness of Canadian capital markets. Made up of representatives from all parts of Canada's capital markets, the CCMA will promote Canada's evolution to straight-through processing across all industry segments. CCMA volunteers have already contributed over 45,000 hours to cross-industry STP efforts.

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1.1.3 Notice of Amendments to the Securities Act and Commodity Futures Act

NOTICE OF AMENDMENTS TO THE SECURITIES ACT AND COMMODITY FUTURES ACT

The Commission is publishing in Chapter 9 of today's Bulletin parts of the *Government Efficiency Act, 2002* which includes amendments to the *Securities Act* and the *Commodity Futures Act*.

1.1.4 Notice of Amendments to OSC Rule 31-501 – Registrant Relationships, OSC Rule 31-504 – Applications for Registration and OSC Rule 35-502 – Non-resident Advisers

NOTICE OF AMENDMENTS TO OSC RULE 31-501 – REGISTRANT RELATIONSHIPS – OSC RULE 31-504 – APPLICATIONS FOR REGISTRATION – OSC RULE 35-502 – NON-RESIDENT ADVISERS

The Commission is publishing in today's Bulletin amendments to OSC Rule 31-501: Registrant Relationships; OSC Rule 31-504: Applications for Registration; and OSC Rule 35-502: Non-resident Advisers.

The Notices and Amendments are published in Chapter 5 of the Bulletin and at http://www.osc.gov.on.ca/en/Regulation/Rulemaking/rule.html.

1.1.5 Notice and Request for Comment – Application for Approval of MFDA Investor Protection Corporation/Corporation de Protection des Investisseurs de l'ACFM, Pursuant to s. 110 of Reg. 1015 and MFDA Proposed Amendments to Rule 2.7 – Advertising and Sales Communications and Proposed MFDA Policy Number 4 ("Advertising Relating to MFDA IPC Participation")

NOTICE AND REQUEST FOR COMMENT – APPLICATION FOR APPROVAL OF MFDA INVESTOR PROTECTION CORPORATION/CORPORATION DE PROTECTION DES INVESTISSEURS DE l'ACFM, PURSUANT TO SECTION 110 OF REGULATION 1015 MADE UNDER THE SECURITIES ACT

AND

NOTICE AND REQUEST FOR COMMENT – MFDA PROPOSED AMENDMENTS TO RULE 2.7 – ADVERTISING AND SALES COMMUNICATIONS AND PROPOSED MFDA POLICY NUMBER 4 ("ADVERTISING RELATING TO MFDA IPC PARTICIPATION")

The Ontario Securities Commission is publishing for comment the Application of the Mutual Fund Dealers Association of Canada (the "MFDA") and the MFDA Investor Protection Corporation/Corporation de Protection des investisseurs de l'ACFM (the "MFDA IPC") for the approval by the Ontario Securities Commission of the MFDA IPC as a compensation fund, pursuant to subsection 110(1) of Regulation 1015, as amended, made under the Securities Act. The Commission is also publishing for comment the proposed form of approval order.

The Application, together with certain supporting documents, is set out in Chapter 13 of the Bulletin.

Exhibit D to the Application contains a notice of the MFDA which also requests comments on Proposed Amendments to Rule 2.7 of the MFDA and a related Proposed Policy Number 4 of the MFDA.

The comment period for each of the Application, Rule and related Policy expires on January 24, 2003.

1.2 Notices of Hearing

1.2.1 Roger Chiasson - s. 127

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

AND

IN THE MATTER OF
MICHAEL GOSELIN, IRVINE DYCK,
DONALD McCRORY and ROGER CHIASSON

NOTICE OF HEARING
(SECTION 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to subsection 127(1) of the *Securities Act,* R.S.O. 1990, c. S.5, as amended at the offices of the Commission, Small Hearing Room, 20 Queen Street West, 17th floor, Toronto on Wednesday, November 27, 2002 at 10:00 a.m., or as soon thereafter as the hearing can be held;

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

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

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

November 21, 2002.

"John Stevenson"

1.3 News Releases

1.3.1 OSC to Consider a Settlement Between Staff and Roger Chiasson

FOR IMMEDIATE RELEASE
November 25, 2002

ONTARIO SECURITIES COMMISSION TO CONSIDER A SETTLEMENT BETWEEN STAFF AND ROGER CHIASSON

TORONTO – On November 27, 2002 commencing at 10:00 a.m., the Ontario Securities Commission will convene a hearing in the Small Hearing Room, 17th Floor, 20 Queen Street West, Toronto, Ontario, to consider a settlement reached by Staff of the Commission and the respondent Roger Chiasson. Staff's settlements with the other respondents, Michael Goselin, Irvine Dyck and Donald McCrory, were approved recently by the Commission.

Mr. Chiasson has never been registered with the Commission. Staff alleges that he engaged in unregistered trading, participated in illegal distributions of the North George Capital Limited Partnerships and Lionaird Capital Corp. securities and engaged in other conduct contrary to the public interest.

The terms of the settlement agreement between Staff and Mr. Chiasson are confidential until approved by the Commission. The hearing is open to the public except as may be required for the discussion of confidential matters.

Copies of the Notice of Hearing and Statement of Allegations of Staff of the Commission are available on the Commission's website, **www.osc.gov.on.ca**, or from the Commission offices at 20 Queen Street West, 19th Floor, Toronto.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Adobe Systems Incorporated - MRRS Decision

Headnote

MRRS - registration relief for trades by Participants, Former Participants and Permitted Transferees of securities acquired under employee incentive plans - issuer bid relief for foreign issuer in connection with acquisition of shares under employee incentive plans.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Rule

OSC Rule 45-503 - Trades to Employees, Executives and Consultants.

Applicable Instrument

Multilateral Instrument 45-102 - Resale of Securities.

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

AND

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

AND

IN THE MATTER OF
ADOBE SYSTEMS INCORPORATED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in Ontario and British Columbia (the "Jurisdictions") has received an application from Adobe Systems Incorporated ("Adobe" or the "Company") for a decision pursuant to 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 Requirements") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") will not apply to first trades of shares of Adobe common stock (the "Shares") acquired under the Adobe 1999 Non-Statutory Stock Option Plan (the "1999 Plan"), the Adobe 1997 Employee Stock Purchase Plan (the "ESPP), and the Adobe 1994 Stock Option Plan (the "1994 Plan") (the 1999 Plan, the ESPP and the 1994 Plan are collectively, the "Plans") in each of the Jurisdictions;

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

AND WHEREAS Adobe has represented to the Decision Makers as follows:

1. Adobe is presently a corporation in good standing incorporated under the laws of the State of Delaware.

2. The Company is registered with the Securities Exchange Commission (the "SEC") in the U.S. under the U.S. Securities Exchange Act of 1934 and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2.

3. On or about February 1, 2002, Adobe and Accelio Corporation ("Accelio") entered into an agreement under the terms of which approximately 1.81 million Shares of Adobe were exchanged for Accelio securities on April 12, 2002. The acquisition of Accelio by Adobe (the "Accelio Transaction") was structured as a plan of arrangement involving Adobe, Accelio and an affiliate of Adobe that is a Cayman Islands limited partnership. An application for discretionary relief was submitted by Adobe to certain regulatory authorities in Canada in connection with the Accelio Transaction and an MRRS Decision document dated April 7, 2002 was rendered by such regulators.

4. Adobe was not a reporting issuer in either of the Jurisdictions but, as a result of the Accelio Transaction, Adobe became a reporting issuer in Alberta, Quebec and Saskatchewan. Adobe is not a reporting issuer in Ontario and has no present intention of becoming a reporting issuer in Ontario. The majority of directors and the majority of senior officers of Adobe reside outside of Canada.

5. The authorized share capital of Adobe consists of: 900,000,000 Shares with a par value of U.S.$.0001; and 2,000,000 shares of preferred stock ("Preferred Shares") with a par value of U.S.$.0001. As of October 7, 2002 there were 240,019,082 Shares, and no Preferred Shares issued and outstanding.

6. The Shares are quoted on Nasdaq under the ticker symbol "ADBE" but are not listed or quoted on any Canadian stock exchange or market.

7. Adobe uses the services of agents/brokers in connection with the operation of the Plans (each an "Agent"). E*Trade Canada Securities Corporation ("E*Trade Canada") and E*Trade Securities, Inc. ("E*Trade U.S.") has each been appointed as an Agent under the Plans. E*Trade Canada is registered to conduct retail trades in securities in both of the Jurisdictions; however, E*Trade U.S. is not so registered. E*Trade U.S. is registered to conduct retail trades under applicable U.S. securities or banking legislation and any other Agent appointed in addition to, or in replacement of, E*Trade Canada or E*Trade U.S. will be a registrant to conduct retail trades in the Jurisdictions or a corporation registered to conduct retail trades under applicable U.S. securities or banking legislation and will be authorized by Adobe to provide services as an Agent under the Plans.

8. The role of the Agent may include: (a) disseminating information and materials to Participants (as defined below) in connection with the Plans; (b) assisting with the administration of and general record keeping for the Plans; (c) holding Shares on behalf of Participants, Former Participants (as defined below) and Permitted Transferees (as defined below) in limited purpose brokerage accounts; (d) facilitating Option (as defined below) exercises (including cashless exercises) under the Plans; (e) facilitating the payment of withholding taxes, if any, by cash or withholding of Shares; (f) facilitating the reacquisition of Shares and options for Shares ("Options") (Options and Shares are together "Awards") under the terms of the Plans; and (g) facilitating the resale of Shares issued in connection with the Plans.

9. The purpose of the 1994 Plan and the 1999 Plan (collectively, the "SOPs") is to advance the interests of Adobe and its affiliates (the "Adobe Affiliates") (Adobe and the Adobe Affiliates are, collectively, the "Adobe Companies") and its stockholders by providing an incentive to attract, retain and reward employees ("Employees") and consultants ("Consultants") (Employees and Consultants are, collectively, "Participants") of the Adobe Companies and by motivating the Participants to contribute to the growth and profitability of the Adobe Companies. The purpose of the ESPP is to provide Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Shares.

10. Subject to adjustment from time to time, the maximum number of Shares that may currently be issued pursuant to the Plans are: 29,200,000 Shares under the 1994 Plan; 40,700,000 Shares under the 1999 Plan and 38,000,000 Shares under the ESPP. From time to time Adobe may increase the maximum number of Shares issuable under the Plans.

11. The SOPs permit grants of Options to Participants including prospective Employees and prospective Consultants resident in the Jurisdictions. Unless a Participant is promoted to a position that makes such Participant eligible to receive an Option grant under the 1994 Plan, no new grants will be made to Participants under the 1994 Plan.

12. Under the ESPP, Employees are offered an opportunity to purchase Shares by means of applying accumulated payroll deductions to the purchase of Shares at a discounted price determined in accordance with the terms of the ESPP.

13. Employees of the Adobe Companies eligible to participate in the Plans will not be induced to purchase Shares or exercise Options by expectation of employment or continued employment.

14. Consultants of the Adobe Companies eligible to participate in the Plans who participate in the Plans will not be induced to purchase Shares or exercise Options by expectation of the individual Consultant, the Consultant's company or the Consultant's partnership being engaged or continuing to be engaged as a Consultant.

15. Officers of the Adobe Companies who participate in the Plans will not be induced to purchase Shares or exercise Options by expectation of appointment or employment or continued appointment or employment as an officer.

16. It is anticipated that Consultants who have been or will be granted Options under the 1999 Plan, to the extent permitted, will: (a) provide technical, business, management or other services to the Adobe Companies (other than services relating to the sale of securities or promotional/investor relations services); (b) provide consulting services to the Adobe Companies under a written contract; (c) have a relationship with the Adobe Companies that will permit them to be knowledgeable about the business and affairs of the Adobe Companies; and (d) will spend a significant amount of time and attention on the affairs and business of the Adobe Companies.

17. As of October 7, 2002, there were 299 Participants in Canada eligible to receive Awards under the Plans: 273 Participants resident in Ontario; 2 Participants resident in British Columbia and 24 Participants resident in Quebec.

18. The SOPs are administered by a committee appointed by the board of directors of Adobe (the "Committee").

19. Generally, in order to exercise an Option granted under the SOPs, an optionee must submit a written notice of exercise to Adobe or to the Agent identifying the Option, the number of Shares being purchased, and the method of payment.

20. The SOPs provide that on exercise of Options, the payment of the exercise price in order to acquire the Shares of the Company may be made (a) in cash, (b) a cashless exercise, (c) by a combination of the foregoing, or (d) such other consideration and method of payment permitted by the Committee at an exercise price determined in accordance with the terms of the SOPs.

21. Adobe shall have the right to deduct applicable taxes from any Award payment and withholding, at the time of delivery of cash or Shares under the Plans, an appropriate amount of cash or Shares or a combination thereof for a payment of taxes required by law or to take such other action as may be necessary in the opinion of Adobe or the Committee to satisfy all obligations for the withholding of such taxes.

22. During the lifetime of a Participant, Awards shall be exercisable only by the Participant or the Participant's guardians or legal representatives. Generally, no Award shall be assignable or transferable by the Participant, except by will or by the laws of intestacy (the recipient of an Award under a will or the laws of intestacy is a "Beneficiary") (Beneficiaries, guardians and legal representatives are, collectively, "Permitted Transferees").

23. Generally, following the termination of a Participant's relationship with the Adobe Companies for reasons of death, disability, retirement or any other reason, a former Participant ("Former Participant") and, on the death of a Participant, a Permitted Transferee, may continue to have rights in respect of the SOPs ("Post-Termination Rights").

24. Post-Termination Rights are only available if the Awards to which they relate were granted to the Participant while the Participant was an Employee or Consultant and no new Awards will be granted to Former Participants.

25. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plans will be effected through Nasdaq.

26. The sale ("First Trade") of Shares acquired under the Plan may be made by Participants, Former Participants or Permitted Transferees through the Agent.

27. As of October 1, 2002, residents of Canada did not own, directly or indirectly, more than 10% of the outstanding Shares and did not represent in number more than 10% of the total number of owners, directly or indirectly, of the Shares.

28. All necessary securities filings have been made in the U.S. in order to offer the Plans to Participants resident in the U.S.

29. A prospectus prepared according to U.S. securities laws describing the terms and conditions of each of the Plans will be electronically available (or available in hard copy upon request) to each Participant in the SOPs who is granted an Award and to each Participant who is eligible to participate in the ESPP. The annual reports, proxy materials and other materials that Adobe provides to its U.S. stockholders will be provided or made available upon request to Participants resident in the Jurisdictions who acquire and retain Shares under the Plans at substantially the same time and in substantially the same manner as such documents would be provided to U.S. stockholders.

30. An order of the British Columbia Securities Commission dated December 18, 1998 (the "Prior B.C. Order") provided exemptive relief from the Prospectus Requirement and the Registration Requirement required in connection with First Trades in Shares acquired under the 1994 Plan and the ESPP. The Prior B.C. Order did not provide the relief requested in this Application with respect to trades involving beneficiaries or First Trades.

31. When the Agents sell Shares on behalf of Participants, Former Participants and Permitted Transferees, the Agents, Participants, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration Requirements and Prospectus Requirements contained in the Legislation of the Jurisdictions.

32. The exemption contained in section 2.14 of Multilateral Instrument 45-102 ("MI 45-102) is not available in connection with First Trades because Adobe is a reporting issuer in certain Canadian jurisdictions.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Prospectus Requirement and the Registration Requirement will not apply to first trades by Participants, Former Participants or Permitted Transferees in Shares acquired pursuant to the Plans, including first trades effected through the Agents, provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 – *Resale of Securities*, other than the requirements of paragraph 2.14(1)(a), are satisfied.

November 15, 2002.

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

2.1.2 Glyko Biomedical Ltd. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

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

AND

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

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, Alberta, Nova Scotia and Saskatchewan (the "**Jurisdictions**") has received an application from Glyko Biomedical Ltd. ("**Glyko**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") deeming Glyko to have ceased to be a reporting issuer or the equivalent in each of the Jurisdictions;

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

AND WHEREAS Glyko has represented to the Decision Makers that:

1. Glyko, an indirect wholly-owned subsidiary of BioMarin Pharmaceutical Inc. ("**BioMarin**"), was incorporated pursuant to the *Canada Business Corporation Act* (the "**CBCA**") on June 26, 1992, and continued under the *Company Act* (British Columbia) on August 20, 2002. The registered office of Glyko is 199 Bay Street, Toronto, Ontario, M5L 1A9.

2. Glyko does not have any operating activities or operational employees. The principal asset of Glyko is an equity position in BioMarin. As of August 21, 2002 (the "**Closing Date**"), Glyko held 11,367,617 shares of BioMarin common stock, representing approximately 21.3% of the outstanding shares of BioMarin common stock.

3. The shares of BioMarin common stock 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.

4. Glyko's authorized capital consists of an unlimited number of Glyko common shares. As of the Closing Date, 34,352,823 Glyko common shares were issued and outstanding.

5. Other than its common shares, Glyko has no other securities, including debt securities, outstanding.

6. Prior to completion of the indirect acquisition by BioMarin of all of the issued and outstanding securities of Glyko by way of plan of arrangement (the "**Arrangement**") under section 192 of the CBCA, Glyko's common shares were listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "GBL".

7. Other than on the TSX, the Glyko common shares are not listed or quoted on any other exchange or market.

8. Prior to completion of the Arrangement, Glyko was a reporting issuer or the equivalent in Ontario and each of the other Jurisdictions and, to the best of the knowledge of Glyko, Glyko is not in default of any of the requirements of the Legislation.

9. At a special meeting of the Glyko shareholders held on August 15, 2002, Glyko obtained the requisite shareholder approval for the Arrangement.

10. After obtaining the requisite approval for the Arrangement from the Glyko shareholders, all other required consents and regulatory approvals were obtained. In this respect, a final order of the Ontario Superior Court of Justice approving the Arrangement was granted on August 16, 2002.

11. On August 20, 2002, the Arrangement was effected by filing Articles of Arrangement with the Director under the CBCA. Pursuant to the Arrangement, each Glyko common share issued and outstanding immediately prior to the completion of the Arrangement was automatically exchanged for 0.3309 shares of BioMarin common stock. This exchange was effected on the Closing Date through the transfer of Glyko common shares to BioMarin Acquisition (Nova Scotia) Company ("**BioMarin Nova Scotia**") in exchange for the delivery by BioMarin Nova Scotia to the former holders of Glyko common shares of the appropriate number of shares of BioMarin common stock. Upon the completion of the Arrangement, the only remaining Glyko common shareholder is BioMarin Nova Scotia.

12. On August 22, 2002, the Glyko common shares were voluntarily de-listed from the TSX.

13. Glyko does not intend to seek public financing by way of an offering of its securities.

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

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

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

November 19, 2002.

"John Hughes"

2.1.3 TSX Group Inc. and TSX Inc. - MRRS Decision

Headnote

Subsection 59(1) of Schedule 1 – issuers exempt from payment of fees calculated pursuant to section 23(3) of the Schedule subject to certain conditions, which fees would otherwise be payable as a result of an arrangement for restructuring purposes – no change in beneficial ownership of securities and issuer did not receive any proceeds from the distribution of securities in connection with the arrangement.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 23(3), 59(1) of Schedule 1.

Rules Cited

Rule 45-501 Exempt Distributions – ss 7.5(6).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
TSX GROUP INC. AND TSX INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Ontario and Quebec (the "Jurisdictions") has received an application from TSX Group Inc. ("TSX Group") and TSX Inc. ("TSX Inc.") for a decision pursuant to the securities legislation (the "Legislation") of the Jurisdictions that TSX Group and TSX Inc. be exempt from fees payable in connection with the plan of arrangement (the "Arrangement") between TSX Group and TSX Inc;

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 TSX Group and TSX Inc. have represented to the Decision Makers that:

1. The Toronto Stock Exchange was demutualized and continued as the Toronto Stock Exchange Inc. under the *Business Corporations Act* (Ontario) on April 3, 2000. The Toronto Stock Exchange Inc. subsequently changed its name to TSX Inc. on July 10, 2002.

2. The authorized capital of TSX Inc. consists of an unlimited number of common shares, of which 2,660 common shares are issued and outstanding.

3. TSX Group is a newly formed holding company, incorporated under the *Business Corporations Act* (Ontario) on August 23, 2002.

4. The authorized capital of TSX Group currently consists of an unlimited number of common shares, of which one common share is issued and outstanding. Immediately prior to completion of the reorganization described below, the authorized capital of TSX Group will consist of an unlimited number of common shares, an unlimited number of voting preference shares classified as "choice shares" and an unlimited number of preference shares issuable in series.

5. Prior to the completion of an initial public offering (the "Offering") by TSX Inc., TSX Group will become the holding company for TSX Inc. and related companies, and existing shareholders of TSX Inc. will become shareholders of TSX Group.

6. TSX Group will then issue and sell its common shares to the public in each of the provinces and territories of Canada under a prospectus, and on a private placement basis outside of Canada, including in the United States.

7. The reorganization, effected by way of a court-approved statutory Arrangement under the *Business Corporations Act* (Ontario), received shareholder approval on October 2, 2002 and was approved by the court on October 7, 2002. It is expected that the Arrangement will be completed immediately prior to the closing of the offering.

8. Pursuant to the reorganization, each shareholder of TSX Inc. will receive a fixed number of shares of TSX Group. Those shares will either be common shares or choice shares of TSX Group, or a combination thereof. Choice shares will be issued where the TSX Inc. shareholder has chosen to sell shares of TSX Group to a wholly-owned subsidiary of TSX Group ("TSX Purchaseco"). The choice shares will be subject to purchase rights under which they will be acquired by TSX Purchaseco on completion of the Offering at the price of the common shares in the Offering less the amount of underwriters' commissions and allocated expenses applicable to the Offering. Those acquired shares will subsequently be cancelled.

9. If the Offering is not completed, the reorganization will still be implemented subject to the right of the Board of Directors of TSX Inc. to determine to not proceed with the reorganization if that would be in the best interests of TSX Inc.

10. The distribution of shares of TSX Group under the Arrangement will be exempt from the registration and prospectus requirements contained in the Legislation.

11. Since each TSX Inc. shareholder will receive a fixed number of shares of TSX Group under the Arrangement and TSX Group will in turn hold all of the shares of TSX Inc., shareholders will continue to hold indirectly after the Arrangement the identical proportionate interest in TSX Inc. that they held directly prior to the Arrangement.

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 to do so would not be prejudicial to the public interest;

THE DECISION of the Decision Makers pursuant to the Legislation is that TSX Group and TSX Inc. are exempt from the fee otherwise payable in respect of the distribution of securities of TSX Group pursuant to the Arrangement, provided that the minimum fee prescribed in each Jurisdiction is paid.

November 20, 2002.

"Howard I. Wetston" "Harold P. Hands"

2.1.4 Dunhaven Energy Inc. and Tango Energy Inc. - MRRS Decision

Headnote

Exemption granted from take-over bid requirements in connection with acquisition of shares of non-reporting issuer. Authority to negotiate acquisition in accordance with specific terms granted to management of issuer in shareholders agreement. Any acquisition must be made in accordance with terms of shareholders agreement.

Applicable Ontario Statute

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

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

AND

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

AND

IN THE MATTER OF
DUNHAVEN ENERGY INC.
AND TANGO ENERGY INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Ontario and Alberta (the "Jurisdictions") has received an application from Dunhaven Energy Inc. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements in the Legislation relating to take over bids (the "Take Over Bid Requirements") shall not apply to the acquisition of all of the Shares (as defined below) of the Filer (a "Take Over Bid Transaction") by either Tango Energy Inc. ("Tango") or any other buyer identified by the Filer's board of directors (an "Alternative Offeror");

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

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

1. the Filer was incorporated under the Canada *Business Corporations Act* on September 1, 1995

and is registered as an extra-provincial corporation in British Columbia and Alberta;

2. the Filer's head office and records office is in British Columbia;

3. the Filer is not currently and has never been a reporting issuer in any jurisdiction, nor are any of its securities listed or posted for trading on any stock exchange;

4. the Filer's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, issuable in series, of which 10,000 preferred shares have been designated as Series " A " preferred shares;

5. the Filer has 24,748 common shares (the "Shares") and no preferred shares outstanding;

6. the Filer had 104 shareholders of record as of September 1, 2002, all of whom are residents of British Columbia, Alberta or Ontario (the "Shareholders");

7. the Filer distributed the Shares to persons resident in the Jurisdictions under an Offering Memorandum dated September 1, 1995 (the "Offering");

8. all of the Shareholders are the original subscribers under the Offering except for three Shareholders who acquired their Shares under estates on the death of the subscriber;

9. each subscriber under the Offering, and each transferee of Shares from a deceased subscriber, has entered into a shareholders' agreement dated November 30, 1995 (the "Shareholders' Agreement");

10. under the Shareholders' Agreement, the board of directors (the "Board") of the Filer was authorized after March 1, 1998, to negotiate and complete on behalf of the Shareholders a sale of all the outstanding Shares to an arm's length third party under certain terms and conditions;

11. each Shareholder has also given a power of attorney to the Filer to act on behalf of the Shareholder to transfer the Shareholder's Shares to effect such a sale;

12. the Board has determined that it is in the best interests of the Shareholders to sell the Shares, and has complied with all the terms and conditions of the Shareholders' Agreement with respect to the sale of the Shares, including having determined an acceptable sale price of the Shares in accordance with the formula set out in the Shareholders' Agreement;

13. the Filer has received an offer to acquire all of the Shares (the "Offer") in accordance with the Shareholders' Agreement from Tango, an arm's length Alberta corporation;

14. if Tango does not complete the Offer, the Filer will seek an Alternative Offeror for the Shares and will comply with all the terms and conditions of the Shareholders' Agreement; and

15. there are no exemptions from the Take Over Bid Requirements for a Take Over Bid Transaction by Tango or an Alternative Offeror;

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

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

THE DECISION of the Decision Makers under the Legislation is that Tango and any Alternative Offeror are exempt from the Take Over Bid Requirements provided that the Take Over Bid Transaction is done in compliance with the Shareholders' Agreement.

November 8, 2002.

"Brenda Leong"

2.1.5 Tembec Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – trades in rights, options and shares to employees and directors of certain 50% affiliates exempt from registration and prospectus requirements – first trade in rights, options and shares subject to conditions in section 2.6 of Multilateral Instrument 45-102.

Applicable Statutory Provisions

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

Applicable Rules

Multilateral Instrument 45-102 Resale of Securities (2001) 24 OSCB 7029.
Commission Rule 45-503 Trades to Employees, Executives and Consultants (1998) 22 OSCB 117.

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

AND

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

AND

IN THE MATTER OF
TEMBEC INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Ontario and New Brunswick (the "Jurisdictions") has received an application from Tembec Inc. ("Tembec") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the dealer registration requirements and the prospectus requirements contained in the Legislation shall not apply to trades to employees or directors of certain 50% Affiliates (as defined below) of Tembec or its subsidiaries under Tembec's Long-Term Incentive Plan, as amended from time to time (the "Plan");

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 unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS Tembec has represented to the Decision Makers as follows:

1. Tembec is incorporated under the laws of the Province of Québec and is an integrated Canadian forest products company principally involved in the production of wood products, market pulp and papers. Its head office is located in Montreal, Québec.

2. Tembec's authorized share capital consists of: an unlimited number of common voting shares (the "Shares"); an unlimited number of non-voting Class B preferred shares, issuable in series; an unlimited number of Series 2 Class B shares; 1,250,000 Series 3 Class B shares; 9,103,710 Series 4 Class B shares; and 250,000 non-voting Class C shares.

   As of June 30, 2002, 86,410,732 common shares, 16,627,500 Series 2 Class B shares, 1,250,000 Series 3 Class B shares, 9,103,710 Series 4 Class B shares and no Class C shares were outstanding. The Shares are listed on the Toronto Stock Exchange.

3. Tembec is a reporting issuer in every jurisdiction in Canada. It is not in default of any requirement of the securities legislation of any jurisdiction in Canada.

4. Tembec owns 100% of the shares of Tembec Investments Inc. which, in turn, owns 100% of the shares of Tembec Industries Inc. ("Industries"). Industries own securities of certain other entities, including the 50% Affiliates (defined below).

5. Industries own 50% of the issued and outstanding voting shares of each of 791615 Ontario Limited (o/a Excel Forest Products Limited) ("Excel"), AV Cell Inc. ("AV Cell"), Marathon Pulp Inc. ("Marathon") and Temlam Inc. ("Temlam"). Temlam owns 100% of Jager Building Systems Inc. ("Jager") (Temlam, Jager, Excel, AV Cell and Marathon are hereinafter collectively referred to as the "50% Affiliates").

6. Excel is a producer of softwood lumber and is part of Tembec's forest product group. The majority of the wood processed in Excel's operations originates from the allocations of Spruce Falls Inc., a wholly-owned subsidiary of Industries. Excel's operations are geographically proximate to Kapuskasing and Timmins, locations at which Industries has operations and considerable wood supply. Industries currently owns 50% of the outstanding voting shares of Excel. In addition, it has an option to purchase the remaining 50% interest of Excel. Pursuant to a unanimous shareholders' agreement dated March 16, 2001, until March 15, 2006, the board of directors of Excel is to be composed of one director only, designated by Industries. Industries also has the

right to appoint two members of the four-person management committee responsible for the day-to-day operations of Excel. The senior management of Excel are supervised by and report to a member of the senior management of Industries.

7. Temlam, a joint venture between Industries and SGF Rexfor Inc. ("SGF Rexfor"), is a manufacturer of engineered wood products and is part of Tembec's forest products group. The operating assets of Temlam were transferred to Temlam by Industries. In its operations, Temlam uses wood from the allocations of Industries. In return, Temlam supplies Industries with wood chips. Pursuant to a unanimous shareholders' agreement entered into on July 27, 2001, Industries was granted the right to appoint three directors to the six-person board of directors of Temlam. In addition, Industries has an option to purchase the interest of SGF Rexfor in Temlam. Moreover, SGF Rexfor may require Industries to purchase its shares in Temlam. All individuals working at Temlam are currently employees of Industries, although it is contemplated that they will be transferred to Temlam. Jager, a wholly-owned subsidiary of Temlam, purchases 85-90% of the jointed wood produced by Industries, which it processes into wood beams and sells to third parties. Jager also purchases approximately 75% of the laminated veneer lumber produced by Temlam which it then sells to third parties.

8. AV Cell was created as a strategic alliance between Industries and certain members of the Aditya Birla group of companies (customers of Industries). AV Cell produces dissolving pulp and is a part of Tembec's pulp group. Pursuant to a shareholders' agreement entered into as of January 7, 1998, Industries has the right to appoint four directors to the eight-person board of directors of AV Cell. The Chairman of AV Cell is nominated on a rotating annual basis by Industries and Aditya. Industries also has the right to select the Chief Operating Officer of AV Cell. Three members of the management of AV Cell were formerly employees of Industries. Pursuant to a Technical and Support Services Agreement dated as of January 7, 1998, Industries provides technical and support services to AV Cell including: (i) the conversion of the Atholville, New Brunswick mill to produce suitable dissolving pulp; (ii) support relating to technical aspects including process, engineering and environment in order to maximize the quality as per customer needs and minimize costs; (iii) cost efficient procurement of wood supply; and (iv) cost effective transportation and shipping. The Aditya Birla group of companies purchase the entire output of AV Cell.

9. Marathon is a 50% joint venture between Industries and Kruger which produces north bleached softwood kraft. Marathon is also part of Tembec's pulp group. Industries provides expertise in operation and technical support services to Marathon. Tembec International Sales Corporation has sole responsibility for marketing all output of Marathon which Kruger does not purchase. One member of the management of Marathon was formerly employed by Industries. Two former members of the management of Marathon are presently members of the management of Industries. A shareholders' agreement entered into as of February 2, 2000 between Industries and Kruger grants Tembec the right to appoint three directors to the six-person board of directors. The shareholders' agreement also contains a shotgun clause.

10. As part of the operations of the Tembec group, Tembec and Industries intend to transfer some of their employees to the 50% Affiliates. Employees may also be transferred from the 50% Affiliates to Tembec or Industries. Transferred employees would become employees of the transferee company.

11. The Plan currently provides for the grant of either rights ("Rights") or options ("Options") to directors and employees of Tembec and its subsidiaries. Each Right entitles a Participant to purchase Shares with or without financial assistance from Tembec or its subsidiaries within a period of 60 days from the date of the grant. Each Option entitles the Participant to purchase Shares without financial assistance from Tembec or its subsidiaries for a period of up to ten years.

12. The definition of "Company" in the current Plan includes Tembec and its subsidiaries. In consequence, Options granted under the Plan to an employee of Tembec or a subsidiary who is subsequently transferred to a 50% Affiliate would terminate ninety (90) days after such employee was transferred. Any unpaid subscription for shares by a transferred employee pursuant to the exercise of Rights would be cancelled automatically upon such transfer and the balance of any outstanding loans (including interest thereon) to such employee pursuant to the Plan would have to be repaid within thirty (30) days. In addition, the definition of "Company" in the Plan means that neither Rights nor Options can be granted under the Plan to directors and employees of the 50% Affiliates.

13. Proposed modifications to the Plan would expand the definition of the "Company" to include 50% Affiliates so as to permit employees transferred by Tembec or Industries to a 50% Affiliate to retain their Rights and/or Options, and also to permit the grant of Rights and Options under the Plan to directors and employees of 50% Affiliates. A copy of the modified Plan has been provided with the application for this relief.

14. The modification of the Plan to include 50% Affiliates was approved by the board of directors of Tembec, subject to receipt of regulatory approval. It was also accepted by the Toronto Stock Exchange by letters dated May 23, 2002 and June 11, 2002, and approved by the Commission des valeurs mobilières du Québec on August 8, 2002.

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

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that trades in Rights, Options and the underlying Shares made pursuant to the Plan to employees and directors of a 50% Affiliate who are resident in the Jurisdictions are not subject to the dealer registration requirements or the prospectus requirements contained in the Legislation, provided that the first trades of such shares is deemed to be a distribution or a primary distribution to the public unless the requirements of subsection 2.6(3), (4) or (5) of *Multilateral Instrument 45-102* have been satisfied.

November 20, 2002.

"Robert L. Shirriff" "Harold P. Hands"

2.1.6 A.L.I. Technologies Inc. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND ALBERTA

AND

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

AND

IN THE MATTER OF
A.L.I. TECHNOLOGIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of the provinces of Ontario and Alberta (the "Jurisdictions") has received an application from A.L.I. Technologies Inc. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer under the Legislation;

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

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - *Definitions* or in Quebec, Commission Notice 14-101;

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

1. The Filer is a corporation amalgamated under the *Company Act* (British Columbia) (the "BCCA"). The principal office of the Filer is located in Richmond, British Columbia;

2. The authorized capital of the Filer consists of 200,000,000 common shares (the "Shares") and 100,000,000 preference shares. As of the date hereof, 11,883,836 Shares and no preference shares are issued and outstanding;

3. The Filer is a reporting issuer in each of the Jurisdictions and in British Columbia and

Manitoba, and is not in default of its reporting issuer obligations under the Legislation or the securities legislation of British Columbia and Manitoba, with the exception that the Filer has not filed Management's Discussion and Analysis for the financial period ended June 30, 2002;

4. 646543 B.C. Ltd. ("Bidco") is a private company that was incorporated pursuant to the BCCA on April 26, 2002;

5. On May 30, 2002, Bidco made an offer (the "Offer") to acquire all of the issued and outstanding Shares of the Filer for a purchase price of $43.50 per Share. The Offer expired on July 5, 2002, and approximately 98.4% of the outstanding Shares were tendered into the Offer. On July 5, 2002, Bidco took up all of the Shares tendered under the Offer, and on July 10, 2002, Bidco paid for all of those Shares;

6. On July 12, 2002, pursuant to the provisions of the statutory right of compulsory acquisition provided by section 255 of the BCCA, Bidco mailed a Notice of Compulsory Acquisition to all shareholders of the Filer who had not tendered their Shares to the Offer. Bidco funded Computershare Trust Company of Canada, as agent for the Filer, for each Share not tendered in the Offer with the identical consideration per Share as offered under the Offer. Pursuant to the compulsory acquisition, Bidco acquired all of the remaining Shares of the Filer not already owned by Bidco and became the sole shareholder of the Filer on September 12, 2002;

7. As a result of the Offer and the subsequent compulsory acquisition, Bidco owns all of the Filer's outstanding securities;

8. At the time of the Offer, the Shares were listed and posted for trading on The Toronto Stock Exchange ("TSX") under the stock symbol "ALT". At the request of the Filer, the TSX delisted the Shares at the close of business on September 12, 2002;

9. No securities of the Filer are listed or quoted on any exchange or market;

10. The Filer has no intention of distributing securities to the public;

11. Other than the Shares, the Filer has no securities, including debt securities, outstanding;

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

November 25, 2002.

"Margo Paul"

2.1.7 Marshall-Barwick Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer has only one holder of equity securities and has no outstanding debt securities other than those issued to its bankers – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF
MARSHALL-BARWICK INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Saskatchewan, Ontario and Quebec (the "Jurisdictions") has received an application from Marshall-Barwick Inc. (the "Filer") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer in each of the Jurisdictions;

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, unless otherwise defined the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Quebec Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decision Makers as follows:

1. The Filer is the corporation continuing under the *Canada Business Corporations Act* following the amalgamation (the "Amalgamation") on September 19, 2002 of Marshall-Barwick ("Marshall-Barwick") and Marshares Inc. ("Marshares").

2. The head office of the Filer is located in Toronto, Ontario.

3. Marshall-Barwick was a reporting issuer in each of the Jurisdictions at the time of the Amalgamation and, as a result of the Amalgamation, the Filer became a reporting issuer in each of the Jurisdictions.

4. The Filer is not in default of any of the requirements of the Legislation.

5. Upon the Amalgamation:

   (a) the issued common shares of Marshares were converted into common shares of the Filer; and

   (b) each issued common share of Marshall-Barwick was converted into one redeemable preferred share of the Filer.

   Effective September 23, 2002, all of the outstanding redeemable preferred shares of the Filer were redeemed for $4.40 per share.

6. As a result of the Amalgamation, all of the issued common shares of the Filer are owned by Canerectors Inc.

7. Except for the common shares referred to above and for debt securities issued by the Filer to its bankers in connection with an operating line of credit and term loan facility, the Filer has no securities outstanding.

8. The common shares of the Filer have been delisted from the TSX Venture Exchange and no securities of the Filer are listed or quoted on any stock exchange or market.

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

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

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

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

November 25, 2002.

"John Hughes"

2.2 Orders

2.2.1 Canbras Communications Corp. - ss. 104(2)(c)

Headnote

Relief from issuer bid requirements in connection with the acquisition by the applicant of certain of the common shares held by a former chairman of the applicant – common shares originally purchased by the former chairman within escrow from a resigning director as a favour to the applicant pending the contemplated, but never completed, resale within escrow of such common shares to an eligible party – transfer resolutions effectively prevent former director from ever profiting from the sale of the common shares – common shares to be acquired by the applicant at current market price.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Regulatory Provisions

R.R.O. 1990, Regulation 1015, as am., s. 203.1(1).

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

AND

IN THE MATTER OF
GENERAL REGULATION MADE UNDER THE ACT
R.R.O. 1990, Reg. 1015,
AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
CANBRAS COMMUNICATIONS CORP.

ORDER
(104(2)(c))

UPON the application (the "Application") of Canbras Communications Corp. (the "Corporation") to the Ontario Securities Commission (the "OSC") for an order pursuant to subsection 104(2)(c) of the Act exempting the Corporation from sections 95, 96, 97, 98 and 100 of the Act and subsection 203.1(1) of the Regulation (the "Issuer Bid Requirements") with respect to the acquisition by the Corporation of 12,500 of the common shares (the "Shares") of the Corporation presently held by a former chairman and former director of the Corporation;

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

AND UPON the Corporation having represented to the OSC as follows:

1. The Corporation, together with its subsidiaries and investee companies, have been engaged in the business of developing and managing broadband communications systems and services in Brazil.

2. The Corporation was incorporated under the *Company Act* (British Columbia) on August 7, 1986 and was continued under the *Canada Business Corporations Act* on June 22, 1998.

3. The authorized capital stock of the Corporation consists of an unlimited number of Shares. As of September 13, 2002, a total number of 55,098,071 Shares were issued and outstanding.

4. The Corporation is a reporting issuer or the equivalent in each of the provinces of Canada and is not in default of any of the requirements of the securities legislation of each province of Canada.

5. The Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "CBC".

6. In 1991 and 1995, certain directors and officers of the Corporation were compensated for their services to the Corporation by the issuance to them at nominal cost of certain Shares (the "Performance Shares") in lieu of cash compensation, as permitted by applicable rules promulgated under the securities legislation of British Columbia (the "BCSC Rules").

7. By February 1995, an aggregate of 750,000 Performance Shares had been issued by the Corporation to certain directors and officers, including 150,000 Performance Shares to Mr. Jerry S. Grafstein ("Grafstein") and 22,500 Performance Shares to Mr. Roberto Ugolini ("Ugolini").

8. When the 150,000 Performance Shares were issued to Grafstein, he was the Chairman of the Corporation and continued to be a director of the Corporation until April 2002.

9. When the 22,500 Performance Shares were issued to Ugolini, he was a director of the Corporation and continued to be a director of the Corporation until his resignation in September 1996.

10. Under the BCSC Rules, all 750,000 Performance Shares were required to be placed into escrow by their owners on such terms as set out in the BCSC Rules. Specifically, the Performance Shares could not be transferred or sold, except within escrow, unless certain financial results were achieved by the Corporation. On February 3, 1995, an escrow agreement was entered into by the Corporation, its transfer agent and each of the individuals to whom Performance Shares were issued (the "Escrow Agreement").

11. In September 1996, Ugolini decided to resign from the board of directors of the Corporation (the "Board") and to sell his 22,500 Performance Shares at a price of $2.50 per Share.

12. Under both the BCSC Rules and the terms of the Escrow Agreement, Ugolini was not permitted to sell his 22,500 Performance Shares on the market nor to any person other than an "Eligible Person" (as defined in the Escrow Agreement). Eligible Persons include only directors, officers or employees of the Corporation.

13. As an accommodation to the Corporation and to the departing director Ugolini, Grafstein agreed to purchase 12,500 of Ugolini's 22,500 Performance Shares at a price of $2.50 per Share. The remaining 10,000 Performance Shares held by Ugolini were purchased on the same financial terms by another Eligible Person.

14. On September 11, 1996, the Board authorized the sale by Ugolini of 12,500 Performance Shares to Grafstein (the "Grafstein Shares") at a purchase price of $2.50 per Share. The Board also placed certain conditions on the resale of the Grafstein Shares, including that (i) Grafstein would not be permitted to resell the Grafstein Shares without the prior consent of the Board; and (ii) at the direction of the Corporation, and upon receipt of all regulatory approvals, Grafstein would be required to transfer the Grafstein Shares to other Eligible Persons at a cost not to exceed $2.50 plus interest at a rate equal to the rate charged by the Corporation's bank and accrued from the date of the acquisition of the Performance Shares from Ugolini to the date of their resale to an Eligible Person.

15. The Grafstein Shares were acquired by Grafstein from Ugolini pursuant to a purchase agreement dated September 25, 1996.

16. At the time these arrangements were entered into, it was contemplated by the Corporation and Grafstein that the Grafstein Shares would eventually be transferred to another director, officer or employee of the Corporation and used as a compensation alternative for such person.

17. The Grafstein Shares were never transferred to another employee, officer or director of the Corporation and continue to be held by Grafstein.

18. Grafstein presently owns a total of 162,500 Performance Shares, including the Grafstein Shares.

19. All of the 162,500 Performance Shares held by Grafstein were released from escrow on September 19, 2002.

20. In acknowledgement of the accommodation made by Grafstein for the benefit of the Corporation and Ugolini in September 1996, the Corporation intends to redeem the Grafstein Shares from Grafstein. The Grafstein Shares will be redeemed at their current "market price" (as such term is defined in subsection 183(1) of the Regulation) and not at a price of $2.50 per Share plus interest.

21. As Grafstein is neither a current nor a former employee of the Corporation, but is rather a former chairman and former director of the Corporation, the proposed redemption of the Grafstein Shares by the Corporation does not fall within any of the exemptions from the Issuer Bid Requirements provided in subsection 93(3) of the Act.

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

IT IS ORDERED, pursuant to subsection 104(2)(c) of the Act, that the acquisition by the Corporation of the Grafstein Shares is exempt from the Issuer Bid Requirements.

November 12, 2002.

"Howard I. Wetston" "Harold P. Hands"

2.2.2 Michael Goselin et al. - s. 127

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

AND

**IN THE MATTER OF
MICHAEL GOSELIN, IRVINE DYCK,
DONALD McCRORY
and ROGER CHIASSON**

**ORDER
(Section 127)**

WHEREAS on November 9, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");

AND WHEREAS the hearing was scheduled to commence on November 18, 2002 at 10:00 a.m.;

AND WHEREAS the hearing was adjourned to November 20, 2002 to accommodate a settlement hearing;

AND WHEREAS Staff's settlements with Messrs. McCrory, Goselin and Dyck were approved by the Commission on November 15 and 18, 2002;

AND WHEREAS Staff and counsel for Mr. Chiasson consent to an adjournment;

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 the hearing is adjourned to November 27, 2002 commencing at 10:00 a.m.

November 21, 2002.

"Howard Wetston"

2.2.3 Axis Investment Fund Inc. - s. 144

Headnote

A variation order granted to labour sponsored investment fund corporation to permit it to pay certain distribution costs out of fund assets contrary to section 2.1 of National Instrument 81-105 Mutual Fund Sales Practices.

Statutes Cited

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

Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices.

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

AND

**IN THE MATTER OF
NATIONAL INSTRUMENT 81-105
MUTUAL FUND SALES PRACTICES
("NI 81-105")**

AND

**IN THE MATTER OF
AXIS INVESTMENT FUND INC. (the "Fund")
(FORMERLY,
STARTINGSTARTUPS INVESTMENT FUND INC.)**

**ORDER
(Section 144 of the Act)**

WHEREAS on December 21, 2001, the Ontario Securities Commission (the "Commission") granted the Fund relief from section 2.1 of NI 81-105 to make certain payments to participating dealers in connection with the distribution on Class A Shares of the Fund (the "Prior Decision");

AND WHEREAS the Commission has received an application from the Fund for an order under section 144 of the Act to vary the Prior Decision to allow the Fund to make certain additional payments to participating dealers in connection with the distribution on the new Series 2 Shares (defined herein) of the Fund;

AND WHEREAS the Fund has represented to the Commission as follows:

1. The Fund is a corporation incorporated under the *Canada Business Corporations Act* by articles of incorporation dated October 29, 2001.

2. The Fund is registered as a labour sponsored investment fund corporation under the *Community Small Business Investments Fund Act* (Ontario) and as a result of such registration is prescribed

as a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada).

3. The Fund is a mutual fund as defined in subsection 1(1) of the Act. The Fund has filed a preliminary and pro forma prospectus dated November 5, 2002 (the "Prospectus") with the Decision Maker and intends to distribute Series 2 Class A Shares ("Series 2 Shares") once a receipt for a final prospectus has been issued by the Decision Maker.

4. The authorized capital of the Fund consists of an unlimited number of Class A Shares issuable in series, of which Series 1 Shares ("Series 1 Shares"), and the Series 2 Shares have been designated, an unlimited number of Class B Shares, and an unlimited number of Class C Shares issuable in series. As of the date of the application, there are 96,179.3148 Series 1 Shares, no Series 2 Shares, 10 Class B Shares, and no Class C Shares issued and outstanding.

5. Axis Capital Corporation (the "Manager") and the Independent Union of Defence Contractors formed and organized the Fund.

6. The Fund proposes to pay directly to participating dealers certain costs associated with the distribution of its Series 2 Shares. These costs are:

   (a) a sales commission of 6% to registered dealers selling Series 2 Shares (the "6% Commission) plus an additional commission of 5% in lieu of any service fees being payable before the eighth anniversary of the date of issue (the "5% Sales Commission"), and

   (b) after the eighth anniversary of the date of issue of the Series 2 Shares, an annual service fee of 0.5% of the net asset value of the Series 2 Shares held by customers of the sales representatives of the dealers (the "Service Fee").

7. The Fund may also pay for the reimbursement of co-operative marketing expenses (the "Co-op Expenses") incurred by certain dealers in promoting sales of Series 2 Shares pursuant to co-operative marketing agreements the Fund may enter into with such dealers.

8. All of the costs associated with the distribution of Series 2 Shares, including the 6% Sales Commission, the 5% Sales Commission, the Service Fee and the Co-op Expenses (collectively, the "Distribution Costs") are fully disclosed in the Prospectus. The fact that the Fund intends to pay the Distribution Costs out of the assets of the Fund is also disclosed in the Prospectus.

9. For accounting purposes, the Fund will

   (a) defer and amortize the amount paid or payable in respect of the 6% Sales Commission to retained earnings on a straight line basis over eight years;

   (b) defer and amortize the amount paid or payable in respect of the 5% Sales Commission to income on a straight line basis over eight years; and

   (c) expense the Service Fee and the Co-op Expenses in the fiscal period when incurred.

10. Gross investment amounts will be contributed to the Fund in respect of each subscription. This is to ensure that the entire subscription amount contributed by the investor is counted for the purpose of the applicable federal and provincial tax credits in connection with the purchase of Series 2 Shares.

11. Due to the structure of the Fund, the most tax efficient way for the Distribution Costs to be financed is for the Fund to pay them directly.

12. The Manager, or an affiliate, is the only member of the organization of the Fund, other than the Fund, available to pay the Distribution Costs. The Manager does not have sufficient resources to pay the Distribution Costs, and unless the requested discretionary relief is granted, would be obliged to finance these costs through borrowing.

13. Any loans obtained by the Manager to finance the Distribution Costs would result in the Manager increasing the management fee chargeable to the Fund, by an amount equal to the borrowing costs incurred by the Manager plus an amount required to compensate the Manager for any risks associated with fluctuations in the net asset value of the Fund and, therefore, fluctuations in the manager's fee. Requiring compliance with section 2.1 of NI 81-105 would cause the expenses of the Fund to increase above those contemplated in the Prospectus.

14. Requiring the Manager to pay the Distribution Costs while granting an exemption to other labour funds permitting such funds to pay similar Distribution Costs directly, would put the Fund at a permanent and serious competitive disadvantage with its competitors.

15. The Fund undertakes to comply with all other provisions of NI 81-105. In particular, the Fund undertakes that all Distribution Costs paid by it will be compensation permitted to be paid to participating dealers under NI 81-105.

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

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

IT IS ORDERED pursuant to section 144 of the Act, the Commission hereby varies the Prior Decision by replacing representation 6 of the Prior Decision with the following representation:

> "The Fund proposes to pay directly to participating dealers certain costs associated with the distribution of its Class A Shares which consists of two series, Series 1 and Series 2.
>
> These costs are:
>
> a) with respect to Class A Shares, Series 1 (the "Series 1 Shares"),
>
> i) a sales commissions of 6% of the selling price for each Series 1 Shares subscribed for (the "Series 1 Sales Commission"), and
>
> ii) an annual service fee of 0.5% of the net asset value of the Series 1 Shares held by customers of the sales representatives of the dealers (the "Series 1 Service Fee");
>
> b) with respect to Class A Shares, Series 2 (the "Series 2 Shares"),
>
> i) a sales commission of 6% of the selling price for each Series 2 Shares subscribed for (the "Series 2 6% Commission"),
>
> ii) plus an additional commission of 5% of the selling price in lieu of any service fees being payable before the eighth anniversary of the date of issue (the "5% Sales Commission"), and
>
> ii) after the eighth anniversary of the date of issue of the Series 2 Shares, an annual service fee of 0.5% of the net asset value of the Series 2 Shares held by customers of the sales representatives of the dealers (the "Series 2 Service Fee").
>
> Series 1 Sales Commission and the Series 2 6% Sales Commission are collectively referred as the "Sales Commission". Series 1 Service Fee and Series 2 Service Fee are collectively referred as the "Service Fee". Distribution Costs (defined herein) also includes the 5% Sales Commission."

THIS ORDER is subject to the following conditions:

(a) the Distribution Costs are otherwise permitted by, and paid in accordance with, NI 81-105;

(b) the Distribution Costs are accounted for in the Fund's financial statements in the manner described in paragraph 9 above;

(c) the summary section (the "Summary Section") of the final prospectus has full, true and plain disclosure explaining to investors that

(i) they pay the 6% Sales Commission and the 5% Sales Commission indirectly, as the Fund pays these commissions using assets of the Fund, and

(ii) a portion of the net asset value of the Fund is comprised of a deferred commission, rather than an investment asset, and

this Summary Section must be placed within the first 10 pages of the final prospectus; and

(d) the Summary Section has full, true and plain disclosure describing the commission structure of Series 2 Shares as a 11% initial sales commission, plus the Service Fee after eight years.

November 26, 2002.

"H. Lorne Morphy" "Robert W. Korthals"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 Cara Operations Limited and The Second Cup Ltd.

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

AND

IN THE MATTER OF
CARA OPERATIONS LIMITED AND THE SECOND CUP LIMITED

Hearing:	January 8, 2002		
Panel:	Paul M. Moore, Q.C.	-	Vice-Chair
	H. Lorne Morphy, Q.C.	-	Commissioner
	R. Stephen Paddon, Q.C.	-	Commissioner
Counsel:	Ralph Shay Yvonne Chisholm Terry Moore	-	For the Staff of the Ontario Securities Commission
	Mark A. Gelowitz Allan D. Coleman	-	For Cara Operations Limited
	Benjamin Zarnett Jessica Kimmel Nando Deluca	-	For The Second Cup Limited

REASONS FOR DECISION

I. Introduction

[1] On December 5, 2001, Cara Operations Limited (Cara) applied to the Commission for an order under clauses 2 and 3 of section 127(1) of the Securities Act (the Act) that trading cease and exemptions not apply in respect of any securities to be issued under the shareholder rights plan adopted on November 29, 2001 (the Rights Plan) by The Second Cup Ltd. (Second Cup).

[2] On January 8, 2002, the Commission considered at a hearing evidence and submissions from Commission staff and counsel for Cara and Second Cup. Mr. Dominic Paradis of the Capital Markets branch of the Quebec Securities Commission listened to the hearing through telephone hook-up but, otherwise, the Quebec Securities Commission did not participate.

[3] The evidence before us included affidavits by Ian Wilkie, senior vice-president, general counsel and corporate secretary of Cara; William Gula, managing director and head of mergers and acquisitions at Scotia Capital, Cara's financial advisor; Robert Haft, chair of Second Cup's special committee; Ronald Mayers, president of Genoa Capital; and Bradley Cameron, managing director of mergers and acquisitions at RBC Capital Markets. At the hearing, we heard oral testimony from Wilkie, Gula, Haft, Mayers and Cameron, and received submissions from counsel for Cara, counsel for Second Cup and Commission staff.

[4] On January 9, 2002, the Commission ordered that trading cease and exemptions not apply in respect of any securities issued under the Rights Plan, and stated that reasons for its decision would follow in due course. Commissioner Paddon, who recently passed away, participated in that decision, and in preparing these reasons, we have had the benefit of his notes.

II. Facts

[5] Cara is incorporated under the laws of Ontario and is a reporting issuer in Ontario. It is one of Canada's leading food services companies. Cara-owned businesses prepare, serve and distribute food in restaurant, airline and healthcare settings, among others.

[6] Second Cup is incorporated under the laws of Ontario and is a reporting issuer in Ontario. It is the largest specialty coffee retailer in Canada. All of its operations are in Canada. It has a single line of business and a limited range of products, offered through approximately 400 owner-operated cafés and marketing partners.

[7] In May of 1998, Second Cup retained CIBC World Markets Inc. to assist it in identifying and assessing opportunities to deploy its excess capital and maximize shareholder value. Following a review of various alternatives, Second Cup's board of directors implemented certain measures and returned capital to shareholders.

[8] On October 29, 1999, CIBC World Markets was engaged to solicit offers for the purchase of Second Cup. Discussions were held with a number of interested parties over the following year.

[9] On July 10, 2001, Cara, Michael Bregman, his father Louis Bregman, and Second Cup, entered into a standstill agreement. Under the agreement, Cara and the Bregmans agreed not to acquire control except by a formal take-over bid.

[10] On August 13, 2001, Cara announced that it intended to make a pro-rata, all-cash offer to purchase up to 3,000,000 Second Cup common shares at $7.00 per share, a premium of 16.7% over the $6.00 closing price for the shares on the Toronto Stock Exchange on the previous trading day, and that it intended to hold approximately 71% of the shares upon completion of the offer.

[11] Later that day, Second Cup's directors met, a special committee of independent directors was formed to make recommendations on the offer to shareholders, and Dale Lastman was appointed as counsel to the special committee. Gabe Tsampalieros, the president and chief executive officer of Cara and a director of Second Cup, consented to Lastman's acting as counsel to the special committee even though Lastman was a director and longstanding legal advisor to Second Cup.

[12] Haft was appointed chair of the special committee. Haft and Michael Bregman attended graduate school together. Haft had known Bregman for over 20 years. Haft was directly involved in attempts to sell Second Cup in 1998 and 1999, attempts which did not result in a bid being presented to Second Cup shareholders.

[13] On September 7, the special committee announced that it had engaged TD Securities Inc. (TDSI) to prepare a formal valuation of Second Cup and that it had engaged RBC Dominion Securities (RBC DS) to act as financial advisor to the special committee.

[14] On October 22, TDSI advised the special committee that the fair market value of Second Cup's common shares was in the range of $8.25 to $9.75 per common share.

[15] On October 26, Second Cup's board of directors called an annual general meeting of shareholders for December 17.

[16] On November 9, Second Cup sent its shareholders notice of the December 17 meeting along with management's information circular regarding the meeting. Approval of a rights plan was not on the agenda.

[17] On November 16 – 95 days after it had announced its intention to acquire control of Second Cup – Cara sent Second Cup shareholders the circular containing its offer. The expiry date of the offer was December 22. The circular stated that if Cara took up and paid for 3,000,000 shares deposited under the offer, Cara intended to consider whether or not to pursue other means of acquiring any remaining common shares not owned by it.

[18] On November 27, TDSI advised the special committee that from a financial viewpoint, Cara's offer was inadequate to the other Second Cup shareholders.

[19] On November 29 – 108 days after Cara's offer was announced and 13 days after it was officially made – the Second Cup board of directors, on the recommendation of the special committee, voted to recommend that shareholders reject Cara's offer, and adopted the Rights Plan. If the shareholders approved the Rights Plan, it would remain in force until November 29, 2004, and until November 29, 2007 if renewed by the shareholders.

[20] The Rights Plan was not applicable to a bid (a permitted bid) for all common shares and subject to an irrevocable and unqualified condition that no shares would be taken up or paid for unless at least 50% of the shares held by shareholders other than the bidder were deposited and not withdrawn.

[21] The board of directors set January 31, 2002, a date over a month after the scheduled expiry of Cara's offer, as the date for a special meeting of Second Cup shareholders to approve the adoption of the Rights Plan.

[22] On the evening of November 29, Cara announced that it would apply to the Commission for an order cease trading the Rights Plan.

[23] Between November 30 and December 6, the following Second Cup shareholders sent letters to the Commission requesting that the Commission not terminate the Rights Plan before the January 31 special meeting, and that shareholders be given the opportunity to vote on the Rights Plan: I.G. Investment Management Ltd.; Michael Bregman; his mother, Yetta Bregman, who controlled the shares of her now-deceased husband Louis; Genoa Capital Inc.; Robert Grundleger; Hugh Segal, a member of the special committee; Alton McEwen, the chief executive officer of Second Cup and a director; Roy Sugden, a member of the special committee; and Dale Lastman.

[24] On December 5 – 114 days after Cara's offer was announced and 19 days after it was officially made – Cara applied to the Commission to have the Rights Plan cease traded and stated that unless the Rights Plan was cease traded, it did not intend to take up and pay for shares tendered to its offer.

[25] On December 7, a hearing date was set for December 18.

[26] On December 14, Cara announced that it was amending its offer by (i) increasing the offer price from $7.00 to $7.50, a premium of 25% over the closing price on the last trading day before the original offer was announced; (ii) making its bid for all shares not owned by it; and (iii) amending the expiry date to January 10, 2002.

[27] Based on this news, the Commission hearing scheduled for December 18 was postponed to January 8, 2002.

[28] On December 17, the annual general meeting of Second Cup shareholders was held. The incumbent directors, including the members of the special committee, were re-elected.

[29] On December 20, Cara mailed its notice of extension and variation, which contained the terms of the amended offer announced on December 14. One of the new conditions of the amended offer was the prior issuance of a cease trading order from the applicable regulatory authorities, or an injunction from a court of competent jurisdiction, prohibiting or preventing the exercise of the Rights Plan. In the notice, Cara stated its intent, if it acquired 90% or more of the shares subject to the amended offer, to compulsorily acquire the remaining shares pursuant to the relevant provisions of Ontario corporate law.

[30] When Cara mailed its notice of extension and variation, relevant shareholders of Second Cup, on an undiluted basis, were as follows:

Shareholder	**Relevant Identity**	**% of shares overall**	**% of shares subject to the bid**
Cara	bidder	39.12%	N/A
I.G. Investment Management Ltd.	independent	17.66%	29.02%
Michael Bregman	chair of Second Cup's board	14.43%	23.70%
Yetta Bregman	mother of Michael Bregman	9.51%	15.63%
Genoa Capital Inc.	independent	4.75%	7.80%
Robert Grundleger	independent	1.07%	1.76%
Hugh Segal	director of Second Cup and a member of the special committee	0.29%	0.48%
Alton McEwen	chief executive officer of Second Cup, and a director	0.21%	0.34%
Roy Sugden	a director, and a member of the special committee	0.13%	0.22%
Dale Lastman	a director, a partner of the law firm representing Second Cup, and counsel to the special committee	0.12%	0.19%

[31] Between December 31, 2001 and January 3, 2002, the shareholders indicated above, other than Cara, each wrote a letter to Commission staff regarding Cara's amended offer. The letters repeated the substance of letters written between November 30 and December 6 regarding Cara's original offer.

[32] On January 2, 2002, RBC Capital Markets (formerly RBC DS) advised the special committee that: (i) it was not aware of any material adverse change in the business of Second Cup after October 22, 2001, the date of TDSI's valuation; (ii) it was not aware of a circumstance where independent directors of a public Canadian company recommended that shareholders

accept an insider bid at a price "materially below" the range established by an independent valuer; (iii) it had been informed by holders of approximately 82% of the shares subject to the amended offer that they intended not to tender their shares to the amended offer; and (iv) it expressed no opinion as to the fairness or adequacy of the amended offer.

[33] On January 2, 2002, the board of Second Cup met to consider its response to the amended offer, and to consider a draft proxy circular and notice to be sent to shareholders regarding the January 31 shareholder meeting. During the meeting, Bregman confirmed to the board that he continued to be interested in, and was himself working on, a rival bid. The board approved reimbursing Bregman for up to $100,000 of expenses incurred in his efforts to develop a superior offer, as recommended by the special committee. The board also recommended that shareholders reject the amended offer.

[34] Haft acknowledged that the potential bid by Bregman was a bid that would not be a permitted bid under the terms of the Rights Plan, as it would be a partial bid and not one for all the outstanding shares. However, the special committee recommended and the board approved that Bregman be reimbursed for it.

[35] The hearing into the continued existence of the Rights Plan was held on January 8 – 148 days after Cara announced its original offer, 53 days after Cara mailed its original offer, 25 days after Cara announced its amended offer, and 19 days after Cara mailed its amended offer.

[36] Very early in the process, Michael Bregman expressed his interest in trying to work with the board to come up with something. In early to mid-October, RBC DS first heard from Bregman's financial advisors, and throughout the process, according to Cameron, Bregman was "our most consistent and steady competing bidder for the company." "He came out of the guns very quickly and said that he thought this bid was inadequate and he was going to do whatever he could to try and help us bring forward a fair bid or launch his own fair bid to all the shareholders . . . . [H]e has been our most consistent potential white knight . . . . Michael was in my face from day one and he wanted to work with us."

[37] Over approximately two weeks in late October, with the assistance of some of the work CIBC World Markets had done in 1999, RBC DS contacted approximately 80 parties. Four of them signed confidentiality agreements. None of the four were among the ten parties who had signed confidentiality agreements in 1999 when CIBC World Markets was involved. The four parties all conducted due diligence but "decided to stand aside and watch how this played out." In contrast, "Michael stayed the course and worked with us." It was decided that Bregman would not have to sign a confidentiality agreement because he did not need access to confidential information.

[38] In an affidavit dated December 13, the day before Cara announced its improved offer and four days before the originally-scheduled date for the Commission's hearing into the Rights Plan, Cameron stated:

> "RBC continues to consider all available alternatives to maximize Second Cup shareholder value and has been soliciting offers from other parties to see if competing offers or alternative proposals are available. A bidder has confidentially indicated an intention and willingness to negotiate an alternative transaction. RBC is now working on that alternative transaction which would involve a bid and recapitalization of the company which, if completed, would result in more value to shareholders than the Cara Offer. I have communicated with this prospective bidder and the bidder's financial and legal advisors more than once a day over the past week and I have met with the bidder's bankers, and our discussions and negotiations are continuing. Confidentiality restrictions prevent me from disclosing the name of the bidder. I believe there is a real possibility that there will be an alternative transaction for shareholders to consider and, if there is, I expect it will be announced before January 31, 2002, and possibly before the end of this year."

[39] At the hearing, Cameron admitted that after Cara announced the improvements to its offer on December 14, he could have contacted people who might be interested in that information, including the four parties who had chosen to sit on the sidelines. Cameron stated that he did not do so because of "the logistics . . . . [T]he holiday season was the huge issue because the – somebody said it before – the commercial banks all shut down on the 15th of December and every entrepreneur in North America flies to Florida."

[40] Cameron stated that when Cara announced the improvements, Bregman was "our most real bidder," and because Cara's offer was now for all of the outstanding shares, "Michael had to basically restart the whole process starting in the middle of December."

[41] In late December, Bregman went away for two weeks on a cruise holiday that he had booked some time ago. Upon learning of Cara's improved offer, Bregman said to Cameron, "Gee, I don't know what I am going to do. I'm going to go back and think about it." However, before leaving for his cruise, Bregman went back to Cameron and said, "I'm going to come back and pull together a bid that can beat this bid but I am where I am. I have got to go on this cruise and all the banks go on holidays anyways."

[42] On January 4, counsel for the special committee sent Commission staff and counsel for Cara a supplementary affidavit by Cameron that was prepared on or after January 2 but was not yet sworn. In it, Cameron stated:

> "As indicated in my affidavit of December 13, 2001, as financial advisor to the Special Committee, I have been directly engaged in negotiations with an alternative bidder. Discussions with this bidder and the legal and financial advisors to this bidder continued even after my affidavit of December 13, 2001, although the nature of our discussions changed dramatically after the Amended Offer was made and our discussions were affected by the two weeks of holidays that have intervened. In order to improve upon the Amended Offer for the Second Cup shareholders, this bidder will have to come up with more financing than was required to improve upon the original Cara Offer and I have been advised that this is being considered by this bidder's financial advisors and I still believe that there is a reasonable prospect that continued negotiations with this bidder could result in an offer to the Second Cup shareholders that is financially superior to the Amended Offer."

Later in the document, Cameron stated:

> "Mr. Gula, on behalf of Cara, and I had discussed the possibility of Cara amending the Cara Offer even before the Amended Offer was announced. While he has indicated to me that Cara is reluctant to 'bid against itself' (which is not unexpected), the Cara Offer was clearly not Cara's final and best offer. I still believe there is a reasonable prospect that Cara would consider further amending the Amended Offer. . . . Discussions about a further amended Cara offer are ongoing."

Further down, Cameron confirmed that he advised Haft as follows:

> "Mr. Bregman, the alternative prospective bidder who RBC and the Special Committee have been in discussions with, and his financial advisor, have confirmed to me since the Amended Offer was made that he continues to be interested in and is working towards an alternative financially superior transaction to Cara's Amended Offer. However, because the Amended Offer is for a greater total consideration than the original Cara Offer, further time will be required to arrange for financing for any superior bid, which could not be secured over the holidays and efforts to secure these arrangements have only been able to resume in earnest this week. Although asked for, Mr. Bregman has not been able to commit to when we might expect to receive any alternative bid."

[43] On January 7, Cameron swore a revised version of the supplementary affidavit. His original statement that discussions about a further amended Cara offer were ongoing was absent and the following was added: "I understand that discussions about a further amended offer took place with Cara, at the initiative of the special committee, last week. In the last discussion on Friday, January 4, 2002, Cara said that there was no reason to pursue the matter any further." Nevertheless, Cameron still stated in that paragraph that he believed that a further amendment to Cara's amended offer was a reasonable prospect.

[44] On January 7, the day before the hearing, in a statement of anticipated additional evidence, Cameron indicated that earlier in the day, he had received two expressions of interest by telephone from new parties. Regarding the first phone call, Cameron stated:

> "I received a telephone call from an individual who indicated that he was interested in exploring the possibility of his company joining with Michael Bregman to make a bid superior to Cara's Amended Offer. This individual is known to me and is the CEO and significant shareholder of a TSE-listed investment company . . . . He indicated to me that he was seriously interested in pursuing a transaction, but only as a partner with Michael Bregman. We discussed providing him with timely access to Second Cup's data room under a suitable form of confidentiality agreement. A form of that agreement was presented to him in the early afternoon on January 7, 2002 for his lawyers to review. This bidder will be given immediate access to the data room, a confidential memorandum and management interviews following the execution of the confidentiality agreement. I then contacted Mr. Bregman, who confirmed that he is working on a joint bid with this bidder."

Regarding the second phone call, Cameron stated:

> "About two hours later, I received another telephone call . . . from another individual who indicated a desire to explore the possibility of making a competing (superior) bid for Second Cup. Our discussions were in confidence and I am not at liberty to disclose his identity at this time. I can say that this individual is already a shareholder of Second Cup. I know this individual to be an investor of substantial net worth. I also know him to have considerable experience in the food service industry. He is also familiar with Second Cup's business operations. This individual has also been given a confidentiality agreement to sign, after which he will be given access to the data room, a confidential memorandum and management interviews."

[45] On January 8, during his testimony at the hearing, Cameron indicated that Bregman's equity partner in an intended joint bid "just got back to town yesterday. . . . So Michael is back in the saddle now and we're going to try to pull together a bid here in the next few weeks that beats [Cara's] bid."

[46] Cameron also indicated that after negotiating through the day on January 7, RBC DS now had a signed confidentiality agreement from Bregman's potential partner, and that that individual would be receiving due diligence materials first thing in the morning on January 9. Cameron stated that the bidder's interest was conditional on being able to work with Bregman to mount some form of joint bid. Cameron was told that the bidder "would require at least two weeks of rapid due diligence and working with lenders and Michael to be able to put something, hopefully formal but possibly not formal, in front of the Board." Later in his testimony, Cameron stated that the joint bid involving Bregman was the most definitive bid that RBC DS was looking at that moment, and that after two to six weeks, a deal might happen.

[47] Cameron stated at the hearing that confidentiality agreements had been entered into by the four parties who had chosen to stay on the sidelines, with another one involving Bregman's would-be partner entered into the day before, plus one more being negotiated with the second person who had called him on January 7. When asked if it was uncommon for a party to sign a confidentiality agreement but not proceed further, Cameron replied, "Sure, it happens all the time." He also stated, however, that "you can often be surprised at the end of the process by someone who went quiet early in the process."

[48] Haft stated that, generally, people who are interested in purchasing a company sign a confidentiality agreement, go and look at a data room and have discussions with the company, and that it would be unusual for anyone to ask to come before the Commission at a hearing to state its desire to make a bid. He was aware that two parties contacted Cameron on the day before the hearing. His understanding was that one of them had executed a confidentiality agreement and both of them may have, but he only knew that one of them had done so because he had been so advised. The two most recent parties were going through the typical procedure.

[49] Haft stated that the special committee now had two "substantive people" before it. Haft said, "I would think it might take them two weeks, three weeks to decide whether they want to make a bid." One of the interested parties was "an entity of more than a billion dollars who has expressed an interest in the company; another is a rival to Cara who, again, a sophisticated party who has the financial resources to complete an offer; and we understand that one of the parties would like to enhance the Bregman offer and could very well help Mr. Bregman, or in some way the two of them might go together to conclude an offer; and one of the parties may be bidding separately on their own."

[50] On numerous occasions before November 29, the board considered whether to adopt a rights plan and decided not to do so for the time being. When asked whether the Rights Plan was brought about as a result of Cara's offer, Haft answered, "the Cara offer in August started the process, so if you're saying [the Rights Plan] is in response to a Cara action, I would say yes." In addition, in his affidavit dated December 12, 2001, Haft stated that adoption of a rights plan was considered at the board meeting on October 26, 2001, but Second Cup's directors considered it premature to adopt one and ask shareholders to vote on it.

IV. Authorities Cited

[51] Counsel for Cara, counsel for Second Cup and staff all referred us to National Policy 62-202: Take-Over Bids – Defensive Tactics. We were also referred to *Re Chapters Inc. and Trilogy Retail Enterprises L.P.* (2001), 24 O.S.C.B. 1657; *Re Consolidated Properties Ltd.* (2000), 23 O.S.C.B. 7981; *Re Royal Host Real Estate Investment Trust* (1999), 22 O.S.C.B. 7819 (*Royal Host*); *Re BGC Acquisition Inc. and Argentina Gold Corp.*, [1999] 25 B.C.S.C.W.S. 44; *Re Samson Canada, Ltd.* (1999), 8 A.S.C.S. 1791; *Re Ivanhoe III Inc. and Cambridge Shopping Centres Limited* (1999), 22 O.S.C.B. 1327 (*Ivanhoe*); *Re CW Shareholdings Inc. and WIC Western International Communications Ltd.* (1998), 21 O.S.C.B. 2899; *Re MDC Corporation and Regal Greetings & Gifts Inc.* (1994), 17 O.S.C.B. 4971; *Re Lac Minerals Ltd. and Royal Oak Mines Inc.* (1994), 17 O.S.C.B. 4963; and *Re Canadian Jorex Limited and Mannville Oil & Gas Ltd.* (1992), 15 O.S.C.B. 257.

V. Analysis

A. Guiding Considerations

[52] Rights plans may perform a useful function in limited cases, but are rightly scrutinized with suspicion.

[53] While it may be important for shareholders to receive advice and recommendations from the directors of the target company as to the wisdom of accepting or rejecting a bid, and for directors to be satisfied that a particular bid is the best likely bid under the circumstances, in the last analysis the decision to accept or reject a bid should be made by the shareholders, and not by the directors or others.

[54] The Commission's role in determining whether a rights plan is in the best interest of shareholders is to be an impartial referee in the take-over bid process, not to be drawn into the game tactically to the advantage of one or more of the interest groups involved in a struggle for control.

[55] The paramount consideration in deciding whether a rights plan should be allowed to stand in the way of a take-over bid is the best interest of the shareholders generally.

[56] What is in the best interests of the shareholders cannot be determined in the abstract, but must be ascertained in the context of our existing legal and business environment as reflected in the rules and policies for take-over bids under the Act and as reflected in the various cases.

[57] At least two underlying principles emerge from the rules, policies and cases.

[58] First, there is the principle of procedural fairness for all: bidders, potential bidders, existing shareholders, management, and those whose business fortune is tied to any one of these groups. The rules of the game should be clear and consistently applied to encourage bidders to come forward. And the game must be played in an acceptable timeframe.

[59] A fair process with clear rules and timelines for take-over bids is in the best interest of shareholders generally: it encourages bidders to come forward and gives shareholders opportunities to realize upon their investment at optimum values.

[60] The longest period following the announcement of a bid that a rights plan was permitted to operate in the cases referred to us was the period of 108 days in *Ivanhoe*. That would have been an inordinate period of time, except for the special circumstances of that case. While absolute numbers of days, on their own, should not be the deciding factor in determining whether a rights plan no longer serves the interest of shareholders, the longer the period the higher the onus is on those alleging that the rights plan still serves the interest of shareholders.

[61] Secondly, there is the principle of the fiduciary duty of directors, members of a special committee of directors, and their advisors. Adherence to this principle should be reflected in conduct and recommendations that are based upon the best interest of the shareholders generally and not those of any group of shareholders, bidders, potential bidders or others.

[62] Certain guideposts or indicia have been outlined in *Royal Host* and other cases to help determine whether a rights plan in a given case is in the best interest of the shareholders.

[63] Tactical rights plans generally will not be found to be in the best interest of the shareholders.

[64] If a plan is not put in place before a particular bid becomes evident, it very likely will be that the plan is tactical and directed at the particular bid.

[65] If a plan does not have shareholder approval, it generally will be suspect as not being in the best interest of the shareholders; however, shareholder approval of itself will not establish that a plan is in the best interest of the shareholders.

[66] If, in the face of a take-over bid, a director, a special committee member, or an advisor acts in a manner that raises serious questions as to whether such person is acting solely in the best interest of the shareholders, then the onus of establishing that the rights plan is in the best interest of the shareholders may be significantly increased.

[67] Where a rights plan has delayed significantly a take-over bid and no competing bid obviously superior to the bid has actually emerged, the rights plan will almost certainly be considered to no longer be in the best interest of the shareholders, even if it once had been in their interest.

B. Application of Guiding Considerations to the Facts

[68] In the case before us, the Rights Plan was tactical. It was adopted by the directors of Second Cup well after Cara announced its intention to make a bid, and after the bid was made.

[69] Even if we were prepared to view the Rights Plan as not being tactical just because it was introduced after the Cara bid was made, we still would have regarded it as tactical because, although the concept of a rights plan was considered by the directors after the announcement of Cara's intention to make a bid, the Rights Plan was not developed expeditiously and presented to the shareholders at the earliest practical time. Rather, the directors waited and acted tactically in introducing the plan and in finally preparing to seek shareholder approval 30 days after the bid would expire.

[70] The Rights Plan had not been approved by the shareholders.

[71] We were not convinced that it was even supported by a significant number of shareholders. In the absence of a shareholder vote, we were asked to ascertain whether the shareholders were in favour of the Rights Plan by considering the letters referred to earlier in these reasons. However, we believe it is inappropriate for us to consider the views of those shareholders that may be motivated by interests other than those relevant to shareholders generally. Accordingly, we discounted the views of Haft, Lastman, Bergman and his family members, the members of the special committee, and the directors, as well as Cara's.

[72] Michael Bregman was the chairman of the board of directors of Second Cup and a large shareholder. He and Cara were for some time contending over control of the direction that Second Cup was going. He was keen to defeat the Cara bid, and to make a bid of his own. He wanted to keep the current management of Second Cup in place. He had a special interest in Second Cup, different from the interest of the other shareholders. His interests were adverse to Cara's and its bid.

[73] Haft, the chair of the special committee of directors of Second Cup, was a former classmate, long-time friend, and business associate of Michael Bregman, and a director. While these facts raised a suspicion whether Haft was acting on the special committee solely in the best interest of the shareholders, without favouritism to Bregman, his support of the reimbursement of Bregman by Second Cup of expenses of $100,000 for Bregman's efforts to advance a bid that would not be a permitted bid under the Rights Plan convinced us that he was not acting solely out of consideration for the best interest of the shareholders.

[74] Lastman was counsel to Second Cup for a long time. He was a director. If Cara's bid succeeded his retainer with Second Cup would very likely cease. Notwithstanding the consent of the president of Cara to Lastman's acting as counsel to the special committee, we were concerned that his role as a longstanding advisor to Second Cup raised the possibility of a compromise in his role as an independent advisor to the special committee. It is of utmost importance that any advisor to a special committee be independent.

[75] The decision of the special committee to recommend, and the decision of the full board of directors to approve, the reimbursement of $100,000 of Bregman's expenses for a potential bid that would not be a permitted bid under the Rights Plan, showed conduct that caused us to believe that the special committee and the directors who approved the reimbursement were not motivated solely by the best interest of the shareholders.

[76] Finally, in our case, 148 days had elapsed since Cara announced its intention to make a bid. Without the emergence of an actual competitive bid, it was no longer appropriate for us to assume that there was a real and substantial possibility that a better offer was imminent. In fact, the evidence convinced us that there was no imminent bid.

[77] For these reasons, we determined that the Rights Plan was not in the best interest of the shareholders and made the order requested by Cara: that trading cease in respect of any securities issued, or to be issued, under or in connection with the Rights Plan, and that the exemptions from the prospectus and registration requirements shall not apply to any trade in securities of Second Cup pursuant to or in connection with the Rights Plan.

November 19, 2002.

"Paul M. Moore" "H. Lorne Morphy"

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
Asia Media Group Corporation	25 Nov 02	06 Dec 02		
Aurelian Developers Ltd.	25 Nov 02	06 Dec 02		
Bridgepoint International Inc.	26 Nov 02	06 Dec 02		
Capture.Net Technologies Inc.	25 Nov 02	06 Dec 02		
Medical Services International Inc.	22 Nov 02	04 Dec 02		
Nucontex Corporation	21 Nov 02	03 Dec 02		
Tenango Exploration Inc.	22 Nov 02	04 Dec 02		
Zlin Aerospace Inc.	26 Nov 02	06 Dec 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
AADCO Automotive Inc.	19 Nov 02	02 Dec 02			
Diadem Resources Ltd.	22 Oct 02	04 Nov 02	04 Nov 02		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Zamora Gold Corp.	15 Nov 02

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Chapter 5

Rules and Policies

5.1.1 Notice of Amendment to OSC Rule 31-501 Registrant Relationships Under the Securities Act

NOTICE OF AMENDMENT TO
RULE 31-501 REGISTRANT RELATIONSHIPS
UNDER THE SECURITIES ACT

Introduction

The Commission has, under section 143 of the *Securities Act* (the "Act"), amended Rule 31-501 Registrant Relationships.

The amendments and the material required by the Act to be delivered to the Minister of Finance were delivered on November 27, 2002. If the Minister approves the amendments, does not reject the amendments or return them to the Commission for further consideration, they will come into force on March 31, 2003.

Purpose

The purpose of the amendments are to ensure that registration applications and amendments submitted by individuals through the National Registration Database (NRD) are dealt with expeditiously when they are accompanied by disclosure under this rule.

Background

On November 15, 2002, the Commission made Multilateral Instrument 31-102 National Registration Database and Multilateral Instrument 33-109 Registration Information. When these instruments come into force and NRD is operational, individuals will submit registration applications and amendments through NRD. Under section 2.2 of Rule 31-501 applicants who are related to another registrant are required to disclose the details of that relationship.

Summary of Changes

Section 1.1 of the amendments provides that if an individual has submitted an application or amendment through NRD and is required to make the disclosure required under section 2.2 of the rule, the disclosure shall be delivered to the Commission by electronic mail on the same day as the NRD submission.

Section 2.1 of the amendments provides that the amendments come into force on March 31, 2003, the date on which NRD will launch.

Questions

Please refer your questions to:

Dirk de Lint
Legal Counsel
Ontario Securities Commission
(416) 593-8090
ddelint@osc.gov.on.ca

The text of the amendments follow.

DATED: November 29, 2002

5.1.2 Amendment to OSC Rule 31-501 Registrant Relationships

AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 31-501
REGISTRANT RELATIONSHIPS

PART 1 AMENDMENTS

1.1 **Amendments –** Rule 31-501 Registrant Relationships is amended by

(a) deleting the portion of subsection 2.2(1) before clause (a) and substituting for it

"Except as provided in subsections (2) and (3), an individual who";

(b) adding the following subsection to section 2.2

"(3) Despite subsection (1), if the application or amendment is submitted electronically through the National Registration Database pursuant to Multilateral Instrument 31-102, the individual shall

(a) send the disclosure by electronic mail to registration@osc.gov.on.ca,

(b) send the disclosure on the same day as the application or amendment is submitted, and

(c) include in the disclosure the unique submission number generated by the National Registration Database to identify the application or amendment."

PART 2 EFFECTIVE DATE

2.1 **Effective Date** – These amendments come into force on March 31, 2003.

5.1.3 Notice of Amendment to OSC Rule 31-504 Applications for Registration Under the Securities Act

NOTICE OF AMENDMENT TO
RULE 31-504 APPLICATIONS FOR REGISTRATION
UNDER THE SECURITIES ACT

Introduction

The Commission has, under section 143 of the *Securities Act* (the "Act"), amended Rule 31-504 Applications for Registration.

The amendments and the material required by the Act to be delivered to the Minister of Finance were delivered on November 27, 2002. If the Minister approves the amendments, does not reject the amendments or return them to the Commission for further consideration, they will come into force on February 21, 2003.

Purpose

The purpose of the amendments are to make the rule consistent with Multilateral Instrument 33-109 Registration Information and the objectives of the National Registration Database (NRD).

Background

On November 15, 2002, the Commission made Multilateral Instrument 33-109. This instrument is scheduled to come into force on February 21, 2003.

NRD is scheduled to be operational by March 31, 2003.

Summary of Changes

With the amendments, sections 1.1 and 1.2 of the rule are deleted. These sections required that certain applications be accompanied by a proof of proficiency. An objective of NRD is to streamline the application process by eliminating paper filings where possible.

Section 2.2 and Appendix B of the rule are also deleted. This section and appendix will be replaced by the notice and consent to the collection of personal information on Form 33-109F4 Registration Information for an Individual.

The amendments also change the name of the rule to Dealer and Adviser Applications for Registration to recognize the rule's reduced scope.

Section 2.1 of the amendments provides that the amendments come into force on February 21, 2003.

Questions

Please refer your questions to:

Dirk de Lint
Legal Counsel
Ontario Securities Commission
(416) 593-8090
ddelint@osc.gov.on.ca

The text of the amendments follow.

DATED: November 29, 2002

5.1.4 Amendment to OSC Rule 31-504 Applications for Registration

AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 31-504
APPLICATIONS FOR REGISTRATION

PART 1 AMENDMENTS

1.1 **Amendments –** Rule 31-504 Applications for Registration is amended by

(a) changing the name of the rule to “Dealer and Adviser Applications for Registration”;

(b) deleting Part 1 and section 2.2 of Part 2;

(c) deleting the heading of section 2.1 and substituting for it

“Dealer and Adviser Applications for Registration”;

(d) renumbering Part 2 as Part 1 and section 2.1 as section 1.1; and

(e) deleting Appendix B.

PART 2 EFFECTIVE DATE

2.1 **Effective Date –** These amendments come into force on February 21, 2003.

5.1.5 Notice of Amendment to OSC Rule 35-502 Non-resident Advisers Under the Securities Act

NOTICE OF AMENDMENT TO
RULE 35-502 NON-RESIDENT ADVISERS
UNDER THE SECURITIES ACT

Introduction

The Commission has, under section 143 of the *Securities Act* (the "Act"), amended Rule 35-502 Non-resident Advisers.

The amendments and the material required by the Act to be delivered to the Minister of Finance were delivered on November 27, 2002. If the Minister approves the amendments, does not reject the amendments or return them to the Commission for further consideration, they will come into force on February 21, 2003.

Purpose

The purpose of the amendments are to make the rule consistent with Multilateral Instrument 33-109 Registration Information ("MI 33-109").

Background

On November 15, 2002, the Commission made MI 33-109. This instrument is scheduled to come into force on February 21, 2003.

Summary of Changes

With the amendments, the rule refers to Form 33-109F4 in sections 1.1 and 2.2 instead of Form 4.

The reference to item 10 of Form 3 in subsection 2.1(4) of the rule has been deleted. This item will be removed from Form 3 with the implementation of MI 33-109.

Subsection 2.1(5) has been added to the rule to exempt international adviser applicants from the application requirements under section 2.1 of MI 33-109. The reason for this amendment is that the application requirements under the rule and the instrument conflict.

Section 3.2 has been amended by removing the reference to proposed OSC Rule 33-503 Change of Registration Information. As a result of the Commission making MI 33-109, this proposed rule has been withdrawn.

Section 3.10 has been amended by removing the reference to section 136 of the Regulation. With the implementation of MI 33-109 section 136 will be revoked.

Sections 5.1, 5.2, and 5.3 have been deleted. Those sections are replaced by a section that is substantively the same but provides for an exemption from MI 33-109.

Section 2.1 of the amendments provides that the amendments come into force on February 21, 2003.

Questions

Please refer your questions to:

Dirk de Lint
Legal Counsel
Ontario Securities Commission
(416) 593-8090
ddelint@osc.gov.on.ca

The text of the amendments follow.

DATED: November 29, 2002

5.1.6 Amendment to OSC Rule 35-502 Non-resident Advisers

AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 35-502
NON-RESIDENT ADVISERS

PART 1 AMENDMENTS

1.1 Amendments – Rule 35-502 Non-resident Advisers is amended by

(a) deleting the definitions of "Form 3" and "Form 4" in section 1.1 and substituting for those definitions

""Form 3" means Form 3 to the Regulation;

"Form 33-109F4" means Form 33-109F4 to Multilateral Instrument 33-109;";

(b) deleting subsection 2.1(4) and substituting for that subsection

"(4) An international adviser applicant, in responding to item 9 of Form 3, need only list and provide information about its partners, officers or representatives who will be acting on its behalf in respect of the business of the international adviser applicant in Ontario."

(c) adding the following subsection to section 2.1

"(5) An international adviser applicant is exempt from section 2.1 of Multilateral Instrument 33-109."

(d) deleting section 2.2 and substituting for that subsection

"2.2 Completion of Form 33-109F4

(1) A person who seeks approval as a partner, officer, or representative and is listed in item 9 of the international adviser's Form 3 shall complete and execute a Form 33-109F4, but, despite Multilateral Instrument 33-109, is not required to complete items 8, 10 and 11 of Form 33-109F4 and may answer "no" to item 17 of Form 33-109F4.

(2) Despite subsection 2.1(1) of Multilateral Instrument 33-109, a person who applies for registration as a partner, officer or representative of an international adviser is not required to complete items 8, 10 and 11 of Form 33-109F4 and may answer "no" to item 17 of Form 33-109F4."

(e) deleting section 3.2 and substituting for that section

"3.2 Acquisition of an Interest in Another Registrant - An international adviser is subject to the requirements of section 104 of the Regulation."

(f) deleting section 3.10 and substituting for that section

"3.10 Amendments to Registration - Section 135 of the Regulation applies to an international adviser and each of its registered partners, officers and representatives."

(g) deleting sections 5.1, 5.2, and 5.3 and substituting for those sections

"5.1 Exemption from Multilateral Instrument 33-109 - Despite Multilateral Instrument 33-109, an international adviser that is not also registered in another category of registration is not required to notify the Director of a change relating to information that was not required to be furnished to the Director upon the filing of the adviser's application for registration."

PART 2 EFFECTIVE DATE

2.1 Effective Date – These amendments come into force on February 21, 2003.

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
01-Nov-2002	Ken and Debbie Sparfel;Stella Kontozis	ADB Systems International Ltd. - Notes	36,000.00	2.00
31-Aug-2002	47 Purchasers	Alliance Exploration Limited - Common Shares	100,000.00	100,000.00
15-Nov-2002	Elliot Page;Marret Asset Management	Allied Waste North America, Inc. - Notes	11,042,500.00	19.00
15-Nov-2002	4 Purchasers	Amerisource Bergen Corporation - Notes	10,253,750.00	29.00
18-Nov-2002	Argosy Partners Ltd.	Argosy Bridge Fund L.P. I - Limited Partnership Units	300,000.00	300.00
14-Nov-2002	N/A	Avery Resources Inc. - Common Shares	20,000.00	200,000.00
26-Aug-2002	N/A	Bissett Institutional Balanced Trust - Units	8,000,000.00	593,472.00
25-Oct-2002	Joseph Schwarzinger	BPI American Opportunities Fund - Units	25,898.00	243.00
18-Oct-2002	Howard Bigham	BPI Canadian Opportunities RSP Fund - Units	110,033.88	1,234.00
25-Oct-2002	Carl Turner	BPI Canadian Opportunities RSP Fund - Units	5,254.54	59.00
25-Oct-2002	David Handley;Gordon and Wendy Mclean	BPI Global Opportunites III Fund - Units	125,000.00	1,510.00
25-Oct-2002	Joseph Schwarzinger	BPI Global Opportunites III Fund - Units	46,461.09	561.00
01-Nov-2002	Brian Simmons	BPI Global Opportunites III RSP Fund - Units	25,000.00	282.00
01-Nov-2002	Primaxis Technology Ventures Inc.	BTI Photonics Inc. - Notes	215,384.00	1.00

08-Nov-2002	Sempra Energy Trading International B.V.	Canadian Choice Energy Corp. - Common Shares	4,875,000.00	4,875,000.00
06-Nov-2002	3 Purchasers	Canadian Golden Dragon Resources Ltd. - Common Shares	80,000.00	400,000.00
08-Nov-2002	A.J. Mascarin;ASDA Holdings Ltd	Cobra Venture Corporation - Units	13,000.00	8,125.00
01-Oct-2002 10/31/02	7 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	61,556.96	5,539.00
01-Oct-2002 10/31/02	19 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	190,215.21	16,140.00
01-Oct-2002 10/31/02	9 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Units	774,151.96	67,827.00
01-Oct-2002 10/31/02	Nancy Williams	Cranston, Gaskin, O'Reilly & Vernon - Units	2,254.70	705.00
08-Nov-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	282,000.00	94.00
08-Nov-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	846,000.00	94.00
11-Oct-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	282,000.00	94.00
25-Sep-2002	3 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	725,625.00	97.00
21-Mar-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	940,000.00	94.00
22-May-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	670,250.00	96.00
05-Apr-2002	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	565,500.00	94.00
01-Dec-2001	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	10,395.00	95.00
01-Dec-2001	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	189,000.00	95.00
01-Dec-2001	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	170,100.00	95.00

01-Dec-2001	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	95.00	95.00
01-Dec-2001	4 Purchasers	Daniels Management Limited Partnership - Limited Partnership Units	579,600.00	92.00
06-Nov-2002	EdgeStone Capital Venture Fund	Datawire Communication Networks Inc. - Convertible Debentures	4,666,500.00	3,000,000.00
28-Oct-2002	Scotia Cassels Investment Counsel Limited	Dentsu Inc. - Shares	40,763.25	5,095.00
22-Oct-2002	Harris Capital Management Inc.	Distributionco Inc. - Units	23,462.40	117,312.00
12-Nov-2002	Silvercreek Management Inc.	Durban Roodepoort Deep, Limited - Notes	3,147,800.00	2,000.00
07-Nov-2002	Mark Wellings	EAGC Ventures Corp. - Special Warrants	73,768.00	54,643.00
07-Nov-2002	New Generation Biotech (Equity) Fund Inc.	Epocal Inc. - Notes	3,106,000.00	1.00
05-Nov-2002 11/12/02	Peter J. Warrian;Jamscor Inc.	Eventi - Preferred Shares	125,000.00	833,340.00
01-Nov-2002	4 Purchasers	Executive Manufacturing Technologies Inc. - Preferred Shares	3,000,000.00	1,250,000.00
14-Nov-2002	W.A. Walker;Ian F. McBain	Fall River Resources Ltd - Common Shares	160,000.00	800,000.00
14-Nov-2002	W.A. Walker;Ian F. McBain	Fall River Resources Ltd - Common Shares	80,000.00	400,000.00
15-Nov-2002	Ridge Trust;BNY Trust Company of Canada	Gloucester Credit Card Trust - Notes	250,000,000.00	2.00
12-Sep-2002	Harmony Americas Small Cap AGF Management Ltd.	Gulf International Minerals Ltd. - Units	150,000.00	312,500.00
14-Nov-2002	3 Purchasers	Hanoun Medical Inc. - Preferred Shares	4,724,100.00	3,318,245.00
12-Nov-2002	Export Development Canada	Heat Wave Technologies Inc. - Units	571,428.84	477,251.00
30-Oct-2002	Dinram International Inc.	HSBC Short Term Investment Fund - Shares	73,592.57	7,354.00
01-Nov-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,918.00
05-Nov-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,882.00
07-Nov-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,859.00

08-Oct-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	10,000,000.00	999,221.00
15-Oct-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	10,000,000.00	998,911.00
21-Oct-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	10,000,000.00	998,253.00
27-Sep-2002	Cinram International	HSBC Short Term Investment Fund - Shares	9,761.36	976.00
25-Oct-2002	Cinram International inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,778.00
06-Sep-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,882.00
19-Nov-2002	N/A	Jonpol Explorations Limited - Flow-Through Shares	60,000.00	400,000.00
30-Oct-2002	Alla Levine	KBSH Private - Global Leading Companies Fund - Units	80,000.00	10,145.00
14-Nov-2002	Donna Jones	KBSH Private - Money Market - Units	180,200.00	18,020.00
13-Nov-2002	N/A	Kick Energy Corporation - Common Shares	1,217,000.30	936,231.00
20-Nov-2002	34 Purchasers	Killam Properties Inc. - Common Shares	5,245,000.00	10,490,000.00
18-Oct-2002	MRS Trust	Landmark Global Opportunities Fund - Units	6,048.86	55.00
25-Oct-2002	Konrad Warkus	Landmark Global Opportunities Fund - Units	153,861.95	1,416.00
25-Oct-2002	MRS Trust ITF IPP#5;Jerry Lenders	Landmark Global Opportunities RSP Fund - Units	47,219.15	468.00
18-Nov-2002	Mike Copeland	Legal Services Plan Inc. - Common Shares	6,000.00	6,000.00
08-Nov-2002	Inderpaul Dhami	Legal Services Plan Inc. - Common Shares	16,000.00	16,000.00
30-Oct-2002	Dave Blackmore	Legal Services Plan Inc. - Common Shares	10,000.00	10,000.00
20-Nov-2002	Vadim Kirichenko	Legal Services Plan Inc. - Common Shares	25,000.00	25,000.00
06-Nov-2002	4 Purchasers	Lydia Diamond Explorations of Canada Ltd. - Common Shares	105,000.00	105,000.00
24-Dec-2001 6/13/02	9 Purchasers	Medcan Health Management Inc. - Preferred Shares	2,100,000.00	2,100.00
04-Nov-2002	Aird & Berlis LLP	MedcomSoft Inc. - Common Shares	95,000.00	500,000.00

04-Nov-2002	3 Purchasers	Medexus Inc. - Notes	117,000.00	30.00
31-Oct-2002	Angelo Comi	Natural Data Inc. - Common Shares	17.50	175,000.00
18-Nov-2002	3 Purchasers	NDC Health Corporation - Notes	7,953,000.00	3.00
28-Oct-2002	10 Purchasers	Platinum Underwriters Holdings, Inc. - Common Shares	1,577,250.00	70,100.00
29-Oct-2002	3 Purchasers	Platinum Underwriters Holdings, Inc. - Common Shares	3,165,277.50	90,000.00
19-Nov-2002	4 Purchasers	Rexnord Corporation - Notes	3,168,600.00	40.00
12-Nov-2002	1179785 Ontario Limited	Rio Fortuna Exploration Corp. - Common Shares	7,500.00	50,000.00
06-Nov-2002	3 Purchasers	Rosetta Exploration Inc. - Common Shares	1,459,000.00	1,459,000.00
21-Nov-2002	Paul Perkins	Second World Trader Inc. - N/A	1,450.00	5.00
25-Oct-2002	N/A	SiteBrand.Com Inc. - Shares	50,000.00	366,667.00
03-Oct-2002	18 Purchasers	Southern Star Resources Inc. - Units	110,000.00	2,000,000.00
14-Nov-2002	4 Purchasers	SpaceBridge Semiconductor Corporation - Common Shares	9,000,000.00	9,489,795.00
15-Nov-2002	Newmont Canada Limited;Newmont Canada Limited	Sparton Resources Inc. - Common Shares	0.00	350,000.00
01-Nov-2002	Kitchener Rangers Jr. "A"	Stacey Investment Limited Partnership - Limited Partnership Units	150,011.40	6,545.00
07-Nov-2002	Elliott & Page	The Bottling Group - Notes	3,110,841.89	4.00
13-Nov-2002	CIBC Mellon Trust Company	The Canada Trust Company - Notes	191,676,826.00	1.00
31-Oct-2002	3 Purchasers	The McElvaine Investment Trust - Units	75,000.00	4,550.00
12-Nov-2002	Canadian Medical Discoveries Fund Inc.	Tm Bioscience Corporation - Warrants	0.00	3,743,891.00
04-Nov-2002	Gerald D. Sutton & Margaret L. Sutton	Toro Energy Inc. - Common Shares	60,000.00	100,000.00
06-Nov-2002	General Electric Capital Canada;Snow Powder Ridge Ltd.	Torquest Partners Value Fund, L.P. - Limited Partnership Units	5,100,000.00	51.00
31-Mar-2002	Offering Memorandum	Torquest Partners Value Fund, L.P. - N/A	0.00	0.00
08-Nov-2002	Perry English	Tribute Minerals Inc. - Common Shares	35,000.00	175,000.00

18-Oct-2002	John Weinseis	Trident Global Opportunities Fund - Units	25,000.00	235.00
25-Oct-2002	M Mario Bernardi Enter	Trident Global Opportunities Fund - Units	39,185.00	370.00
04-Nov-2002	National Bank Financial Ltd.	TSX Inc. - Common Shares	25,376,000.00	100.00
08-Nov-2002	Lamont Gordon	Vigil Health Management Incorporated - Units	150,000.00	250,000.00
31-May-2002	20 Purchasers	Village Landing Limited Partnership - Units	2,650,000.00	53.00
22-Nov-2002	CMP 2002 Resources Limited Partnership;Dundee Precious Metals Inc.	Western Canadian Coal Corp. - Flow-Through Shares	990,000.00	18,000,000.00
08-Nov-2002	8 Purchasers	Western Quebec Mines Inc. - Notes	786,000.00	786,000.00
31-Oct-2002	Dana Shirran	WH Investments Ltd. - Preferred Shares	49,999.84	28,409.00
14-Nov-2002	4 Purchasers	Xplore Technologies Corp. - Debentures	500,000.00	5,000,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
17-Oct-2002	Loewen, Ondaatje, McCucheon Limi	VSM MedTech Ltd. - Common Shares	75,000.00	
17-Oct-2002	Garrett Herman	VSM MedTech Ltd. - Common Shares	25000.00	

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
Avery Resources Inc.	Avery Resources Inc. - Common Shares	275,000.00
John Buhler	Buhler Industries Inc. - Common Shares	635,700.00
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	307,800.00
Larry Melnick	Champion Natural Health.com Inc. - Shares	119,765.00
James M. Brady	Crowflight Minerals Inc. - Common Shares	2,000,000.00
Glen R. Estill	EMJ Data Systems Ltd. - Common Shares	9,334.00
James A. Estill	EMJ Data Systems Ltd. - Common Shares	59,200.00
Taronga Holdings Limited	Extendicare Inc. - Shares	42,900.00
Kingfield Investments Limited	Extendicare Inc. - Shares	42,900.00

Kingfield Holdings Limited	Extendicare Inc. - Shares	42,900.00
ONCAN Canadian Holdings Ltd.	Onex Corporation - Shares	1,000,000.00
The Catherine and Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	126,800.00
Stanley Mourin	Western Troy Capital Resources Inc. - Common Shares	70,000.00

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Chapter 9

Legislation

9.1.1 Notice of Amendments to the Securities Act and Commodity Futures Act

NOTICE OF AMENDMENTS TO THE SECURITIES ACT AND COMMODITY FUTURES ACT

On November 26, 2002 amendments to the *Securities Act* and the *Commodity Futures Act* contained in the *Government Efficiency Act, 2002* (previously Bill 179), received Royal Assent and became effective.

The amendments to the *Securities Act* and the *Commodity Futures Act* are administrative or housekeeping in nature. Generally, the amendments seek to simplify regulatory requirements, improve regulatory efficiency and promote harmonization. Among the most significant changes being made are amendments to:

- Facilitate the use of and provide greater flexibility in the operation of the Financial Disclosure Advisory Board and Commodity Futures Advisory Board.
- Provide the Commission with greater flexibility under the *Securities Act* to share information obtained in an investigation or examination with other regulators.
- Delete from the *Securities Act* the requirement that reporting issuers and mutual funds in Ontario must concurrently deliver to security holders a copy of their annual and interim financial statements filed with the Commission to facilitate early filings on SEDAR.[1]
- Clarify that the fines in subsection 122(4) of the *Securities Act* for illegal insider trading are minimum and maximum amounts.
- Clarify the Commission's authority under the *Securities Act* to make rules governing the approval of all documents required under Ontario securities law and documents that are ancillary to them.
- Permit the Commission to disseminate information in electronic form through an electronic medium or through its Web site where the *Securities Act* or *Commodity Futures Act* otherwise require information to be summarized in a "periodical" or published in the Bulletin.
- Establish that the *Freedom of Information and Protection of Privacy Act* does not prevent the exchange of information between the Commission and any person or entity who provides services to the Commission.

The relevant portions of the *Government Efficiency Act, 2002* are reprinted below and may also be viewed on the Ontario Legislative Assembly's web site at www.ontla.on.ca and the Commission's web site at www.osc.gov.on.ca.

Questions may be referred to either of:

Susan Wolburgh Jenah
General Counsel
(416) 593-8245
swolburghjenah@osc.gov.on.ca

Rossana Di Lieto
Senior Legal Counsel
General Counsel's Office
(416) 593-8106
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[1] Annual and interim financial statement must still be delivered to shareholders within the time frame required for their filing with the Commission.

9.1.2 Amendments to the Securities Act and Commodity Futures Act

Amendments to the Securities Act and Commodity Futures Act
Excerpts from the Government Efficiency Act, 2002 (Bill 179)

EXPLANATORY NOTE

SCHEDULE H
AMENDMENTS PROPOSED BY THE MINISTRY OF FINANCE

Commodity Futures Act

Amendments to section 2 of the *Commodity Futures Act* authorize the Minister of Finance to appoint the members of the Commodity Futures Advisory Board, and the Ontario Securities Commission to designate the chair of the Board. Currently, Board members are appointed by the Lieutenant Governor in Council and the chair is designated by the Lieutenant Governor in Council.

The new section 77.1 of the Act specifies that, if the Ontario Securities Commission posts notices, rules or information on its web site or provides them in electronic form, the Commission has complied with any requirement under Ontario commodity futures law that the notices, rules or information be published or made available.

Securities Act

Amendments to section 4 of the *Securities Act* authorize the Minister of Finance to appoint the members of the Financial Disclosure Advisory Board, and the Ontario Securities Commission to designate the chair of the Board. Currently, Board members are appointed by the Lieutenant Governor in Council and the chair is designated by the Lieutenant Governor in Council.

Subsection 16 (2) of the Act is amended to authorize the Ontario Securities Commission to give to other regulators information obtained in an investigation or examination under the Act.

Subsection 33 (2) of the Act is amended to delete a reference to underwriters as a separate category of registration.

Technical amendments are made to section 77 of the Act, to replace references to “reporting issuer” with “mutual fund in Ontario”.

Section 79 of the Act concerning the delivery of financial statements by reporting issuers and mutual funds in Ontario to security holders is amended. The amendment deletes the requirement that reporting issuers and mutual funds in Ontario must concurrently deliver to security holders a copy of the annual and interim financial statements that are filed under the Act.

A technical amendment to subsection 122 (4) of the Act specifies the minimum and maximum fines for insider trading.

An amendment to subsection 143 (1) of the Act authorizes the Commission to make rules governing the approval of all documents that are required under Ontario securities law and all documents that are ancillary to them.

The new section 143.14 of the Act specifies that, if the Commission posts notices, rules or information on its web site or provides them in electronic form, the Commission has complied with any requirement under Ontario securities law that the notices, rules or information be published or made available.

Section 153 of the Act is amended to authorize the Commission to exchange information with persons and entities who provide services to the Commission, despite the *Freedom of Information and Protection of Privacy Act*. The information received by the Commission is exempt from disclosure under that Act.

SCHEDULE H
AMENDMENTS PROPOSED BY THE MINISTRY OF FINANCE

COMMODITY FUTURES ACT

1. (1) Subsections 2 (2) and (3) of the *Commodity Futures Act* are repealed and the following substituted:

Composition of the Board

(2) The Board shall be composed of not more than five members, all of whom are appointed by the Minister.

Chair

(3) The Commission may designate a member of the Board to be its chair.

(2) Subsection 2 (6) of the Act is repealed.

2. The Act is amended by adding the following section:

Electronic communication

77.1 The Commission shall be deemed to have complied with a requirement under Ontario commodity futures law to publish or otherwise make available a notice, rule or other information if the Commission provides the notice, rule or information in electronic form through an electronic medium or posts it on its web site.

SECURITIES ACT

6. (1) Subsections 4 (2) and (3) of the *Securities Act* are repealed and the following substituted:

Composition of the Board

(2) The Board shall be composed of not more than five members, all of whom are appointed by the Minister.

Chair

(3) The Commission may designate a member of the Board to be its chair.

(2) Subsection 4 (6) of the Act is repealed.

7. Subsection 16 (2) of the Act, as re-enacted by the Statutes of Ontario, 1994, chapter 11, section 358, is repealed and the following substituted:

Confidentiality

(2) If the Commission issues an order under section 11 or 12, all reports provided under section 15, all testimony given under section 13 and all documents and other things obtained under section 13 relating to the investigation or examination that is the subject of the order are for the exclusive use of the Commission or of such other regulator as the Commission may specify in the order, and shall not be disclosed or produced to any other person or company or in any other proceeding except as permitted under section 17.

8. (1) Subsection 33 (2) of the Act, as amended by the Statutes of Ontario, 1994, chapter 11, section 362, is amended by striking out "and underwriter" in the portion before clause (a).

(2) The English version of clause 33 (2) (b) of the Act is amended by striking out "or underwriter".

(3) Clause 33 (2) (c) of the Act is amended by striking out "or underwriter".

9. (1) Clause 77 (2) (a) of the Act is amended by striking out "reporting issuer" and substituting "mutual fund in Ontario".

(2) Clause 77 (2) (b) of the Act is amended by striking out "reporting issuer" and substituting "mutual fund in Ontario".

10. Section 79 of the Act is repealed and the following substituted:

Delivery of financial statements to security holders

79. (1) Every reporting issuer or mutual fund in Ontario that is required to file a financial statement under section 77 or 78 shall send a true copy of the financial statement to every holder of its securities whose latest address, as shown on its books, is in Ontario.

Deadline

(2) The reporting issuer or mutual fund in Ontario shall send the true copy of the financial statement no later than the end of the period during which it is required to file the financial statement under section 77 or 78.

Exception

(3) Despite subsection (1), a reporting issuer or mutual fund in Ontario is not required to send a copy of the financial statement to a security holder who holds its evidence of indebtedness only.

Deemed compliance

(4) If the laws of a reporting issuer's jurisdiction of incorporation, organization or continuance impose requirements corresponding to the requirements in subsections (1) and (2), compliance with the requirements imposed by that jurisdiction shall be deemed to be compliance with the requirements in subsections (1) and (2).

11. Subsection 122 (4) of the Act, as re-enacted by the Statutes of Ontario, 1994, chapter 11, section 373, is repealed and the following substituted:

Fine for contravention of s. 76

(4) Despite subsection (1) and in addition to any imprisonment imposed under subsection (1), a person or company who is convicted of contravening subsection 76 (1), (2) or (3) is liable to a minimum fine equal to the profit made or the loss avoided by the person or company by reason of the contravention and a maximum fine equal to the greater of,

(a) $1 million; and

(b) the amount equal to triple the amount of the profit made or the loss avoided by the person or company by reason of the contravention.

12. Subsection 143 (1) of the Act, as re-enacted by the Statutes of Ontario, 1994, chapter 33, section 8 and amended by 1997, chapter 19, section 23, 1997, chapter 43, Schedule F, section 13, 1999, chapter 9, section 220 and 2001, chapter 23, section 217, is amended by adding the following paragraph:

39.1 Governing the approval of any document described in paragraph 39.

13. The Act is amended by adding the following section:

Electronic communication

143.14 The Commission shall be deemed to have complied with a requirement under Ontario securities law to publish or otherwise make available a notice, rule or other information if the Commission provides the notice, rule or information in electronic form through an electronic medium or posts it on its web site.

14. Section 153 of the Act, as enacted by the Statutes of Ontario, 1999, chapter 9, section 221, is repealed and the following substituted:

Exchange of information

153. Despite the *Freedom of Information and Protection of Privacy Act*, the Commission may provide information to and receive information from the following entities, both in Canada and elsewhere, and the information received by the Commission is exempt from disclosure under that Act if the Commission determines that the information should be maintained in confidence:

1. Other securities or financial regulatory authorities.

2. Stock exchanges.

3. Self-regulatory bodies or organizations.

4. Law enforcement agencies.

5. Governmental or regulatory authorities not mentioned in paragraphs 1 to 4.

6. Any person or entity, other than an employee of the Commission, who provides services to the Commission.

COMMENCEMENT

Commencement

16. This Schedule comes into force on the day the *Government Efficiency Act, 2002* receives Royal Assent.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Aastra Technologies Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated November 25th 2002
Mutual Reliance Review System Receipt dated November 25th, 2002
Offering Price and Description:
$ *
* Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Promoter(s):
-
Project #495787

Issuer Name:
BC GAS INC.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated November 25th, 2002
Offering Price and Description:
5,300,000 Common Shares @ $38.00 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #496038

Issuer Name:
Canadian Tire Receivables Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
$ * * % Asset-Backed Senior Notes,
Series 2002-1
Expected Repayment Date *
$ * * % Asset-Backed Subordinated Notes,
Series 2002-1
Expected Repayment Date *
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Promoter(s):
Canadian Tire Financial Services Limited
Project #494657

Issuer Name:
Canadian Utilities Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 19th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
$150,000,000 (6,000,000 Shares)
Cumulative Redeemable Second Preferred Shares Series W
@ $25.00 per Share to yield 5.80% per annum
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #494809

Issuer Name:
Dynamic Focus + Balanced Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated November 21st, 2002
Mutual Reliance Review System Receipt dated November 22nd, 2002
Offering Price and Description:
Series F Units
Underwriter(s) or Distributor(s):
Dynamic Mutual Funds Ltd.
Promoter(s):
Dynamic Mutual Funds Ltd.
Project #489652

Issuer Name:
Desjardins Canadian Equity Value Fund
Desjardins Quebec Fund
Desjardins Dividend Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Simplified Prospectus dated November 18th, 2002
Mutual Reliance Review System Receipt dated November 21st, 2002
Offering Price and Description:
A-Class and T-Class Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Desjardins Trust Inc.
Project #494036

Issuer Name:
Gauntlet Energy Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 22nd, 2002
Mutual Reliance Review System Receipt dated November 22nd, 2002
Offering Price and Description:
$20,000,000
2,564,102 Flow-Through Shares
Price: $7.80 per Flow-Through Share
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Peters & Co. Limited
BMO Nesbitt Burns Inc.
CIBC Worlds Markets Inc.
Octagon Capital Corporation
Tristone Capital Inc.
Promoter(s):
-
Project #495592

Issuer Name:
Kinross Gold Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated November 21st, 2002
Mutual Reliance Review System Receipt dated November 21st, 2002
Offering Price and Description:
Cdn$152,500,000 - 50,000,000 Common Shares and 25,000,000 Share Purchase Warrants
@ $3.05 per Unit
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #495164

Issuer Name:
LionOre Mining International Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated November 25th, 2002
Offering Price and Description:
CAD$30,000,000
7,500,000 Common Shares@CAD$4.00 per share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #495886

Issuer Name:
NAL Oil & Gas Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
$35,035,000 - (3,850,000 Trust Units) @ $9.10 per Trust Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Promoter(s):
-
Project #494901

Issuer Name:
Power Corporation of Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
$150,000,000 - (6,000,000 Shares)
5.80% Non-Cumulative First Preferred Shares, Series C @ $25.00 per Share to yield 5.80%
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #494748

Issuer Name:
Power Financial Corporation
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated November 21st, 2002
Mutual Reliance Review System Receipt dated November 21st, 2002
Offering Price and Description:
$150,000,000 - (6,000,000 Shares)
5.75% Non-Cumulative First Preferred Shares, Series H
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #495082

Issuer Name:
Quebecor World Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated November 25th, 2002
Offering Price and Description:
$244,800,000 - 6,800,000 Subordinate Voting Shares @ $36.00 per Subordinate
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Soctia Capital Inc.
Promoter(s):
-
Project #496101

Issuer Name:
The Consumers' Waterheater Operating Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 22nd, 2002
Mutual Reliance Review System Receipt dated November 25th, 2002
Offering Price and Description:
$ * * % Series 2002-1 Secured Notes
$ * * % Series 2002-2 Secured Notes
$ * * % Series 2002-3 Secured Notes
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
Enbridge Services Inc.
Project #495848

Issuer Name:
TheraMed Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated November 19th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
Up to $5,000,000 (* Units). Price $ * per Unit
(each Unit Consisting of one Common Share and one Warrant)
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #494607

Issuer Name:
Versacold Income Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated November 20th, 2002
Offering Price and Description:
$22,500,000 -2,812,500 Units @ $8.00 per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns iNc.
CIBC World Markets Inc.
Promoter(s):
-
Project #494878

Issuer Name:
MultiPartners Balanced Growth RSP Portfolio
Cartier Bond Fund
Principal Regulator - Quebec
Type and Date:
Amendment #2 dated November 11th, 2002 to Simplified Prospectus and Annual Information Form
dated February 25th, 2002
Mutual Reliance Review System Receipt dated 20th day of November, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Desjardins Trust Investment Services Inc.
Promoter(s):
Cartier Mutual Funds Inc.
Project #416746

Issuer Name:
Clarica Money Market Fund
Clarica Conservative Balanced Fund
Clarica High Yield Bond Fund
Clarica Balanced Fund
Clarica Canadian Large Cap Value Fund
Clarica Global Large Cap Value Fund
Clarica Short Term Bond Fund
Clarica Premier Mortgage Fund
Clarica Income Fund
Clarica Premier Bond Fund
Clarica Summit Growth and Income Fund
Clarica Global Bond Fund
Clarica Canadian Growth Equity Fund
Clarica Growth Fund
Clarica Canadian Blue Chip Fund
Clarica Canadian Diversified Fund
Clarica Summit Canadian Equity Fund
Clarica Summit Dividend Growth Fund
Clarica Premier American Fund
Clarica Summit Foreign Equity Fund
Clarica US Growth Equity Fund
Clarica Premier International Fund
Clarica Alpine Growth Equity Fund
Clarica Canadian Small/Mid Cap Fund
Clarica US Small Cap Fund
Clarica European Equity Fund
Clarica Alpine Asian Fund
Clarica Asia and Pacific Rim Equity Fund
Clarica Premier Emerging Markets Fund
Clarica Alpine Canadian Resources Fund
Clarica Bond Index Fund
Clarica Canadian Equity Index Fund
Clarica RSP U.S. Equity Index Fund
Clarica RSP International Index Fund
Clarica RSP European Index Fund
Clarica RSP Japanese Index Fund
Clarica Global Science & Technology Fund
Clarica RSP U.S. Technology Index Fund
Clarica Bond Fund
Clarica Diversifund 40
Clarica Equifund
Clarica Amerifund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated November 15th, 2002 to Simplified Prospectus and Annual Information Form
dated August 28th, 2002
Mutual Reliance Review System Receipt dated 21st day of November, 2002
Offering Price and Description:
DSC Class A Units, Net Asset Value per unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #465930

Issuer Name:
Begama Technologies Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated November 22nd, 2002
Mutual Reliance Review System Receipt dated 25th day of November, 2002
Offering Price and Description:
$3,000,000.00 - A minimum of 4,800,000 units and a maximum of 6,000,000 units at a price of $0.50 per unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
Victhom Corporation
Project #483581

Issuer Name:
Brompton Stable Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated November 21st, 2002
Mutual Reliance Review System Receipt dated 22nd day of November, 2002
Offering Price and Description:
$125,000,000 - 12,500,000 Trust Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Dundee Securities Corporation
Newport Securities Inc.
Research Capital Corporation
Yorkton Securities Inc.
Acadian Securities Incorporated
Promoter(s):
Brompton SI Fund Management Limited
Project #484684

Issuer Name:
Canada Dominion Resources Limited Partnership X
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of November, 2002
Offering Price and Description:
$30,000,000 (Maximum Offering)
(1,200,000 Units)
@ $25.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Dundee Securities Corporation
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Desjardins Securities Inc.
Yorkton Securities Inc.
Promoter(s):
Canada Dominion Resources X Corporation
StrategicNova Alternative Investment Products Inc.
Hutton Capital Corporation
Project #488893

Issuer Name:
Global Educational Trust Plan
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated 26th day of November, 2002
Offering Price and Description:
Education Savings Plan - Continuous Offering
Underwriter(s) or Distributor(s):
Global Education Marketing Corporation
Promoter(s):
-
Project #487434

Issuer Name:
Mega Bloks Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of November, 2002
Offering Price and Description:
CDN$*.** - 5,500,000 Common Shares @ $*.** per Common Share
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #486110

Issuer Name:
MRF 2002 II Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated 25th day of November, 2002
Offering Price and Description:
$5,000,000 to $20,000,000 - 200,000 to 800,000 Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Yorkton Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Middlefield Securities Limited
Raymond James Ltd.
Wellington West Capital Inc.
Desjardins Securities Inc.
Griffiths McBurney & Partners
Promoter(s):
MRF 2002 II Management Limited
Middlefield Group Limited
Project #491906

Issuer Name:
TGS NORTH AMERICAN REAL ESTATE INVESTMENT TRUST
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated 25th day of November, 2002
Offering Price and Description:
Cdn.$141,800,000.00 - 14,180,000 Units @ Cdn $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Raymond James Ltd.
Desjardins Securities Inc.
Promoter(s):
T.G.S. Properties Ltd.
Project #484481

Issuer Name:
Apollo Gold Corporation (formerly International Pursuit Corporation)
Type and Date:
Final Short Form Prospectus dated November 19th, 2002
Receipt dated 21st day of November, 2002
Offering Price and Description:
$10,918,600.00 - 4,963,000 Common Shares to Issued Upon the Exercise of Previously Issued Special Warrants @$2.20 per Special Warrant
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Yorkton Securities Inc.
Promoter(s):
-
Project #487831

Issuer Name:
Emera Incorporated
Principal Regulator - Nova Scotia
Type and Date:
Final Short Form Prospectus dated November 22nd, 2002
Mutual Reliance Review System Receipt dated 22nd day of November, 2002
Offering Price and Description:
$155,800,000.00 - 9,500,000 Common Shares @$16.40 per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion-Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
UBS Bunting Warburg Inc.
Promoter(s):
-
Project #493148

Issuer Name:
Enerplus Resources Fund
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated November 22nd, 2002
Mutual Reliance Review System Receipt dated 25th day of November, 2002
Offering Price and Description:
$*.** - 7,000,000 Trust Units @$*.** per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Salomon Smith Barney Canada Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
UBS Bunting Warburg Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Promoter(s):
-
Project #493341

Issuer Name:
Glamis Gold Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 20th day of November, 2002
Offering Price and Description:
$159,115,000.00 - 12,100,000 Common Shares @$13.15 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Yorkton Securities Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
Research Capital Corporation
Sprott Securities Inc.
Promoter(s):
-
Project #492693

Issuer Name:
Household Financial Corporation Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of November, 2002
Offering Price and Description:
$1,500,000,000.00 - Medium Term Notes
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #491726

Issuer Name:
Keywest Energy Corporation
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated November 20th 2002
Mutual Reliance Review System Receipt dated 20th day of November, 2002
Offering Price and Description:
$29,999,997.50 - 10,909,090 COMMON SHARES ISSUABLE UPON THE EXERCISE OF SPECIAL WARRANTS @$2.75 per Special Warrant
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
CIBC World Markets Inc.
Yorkton Securities Inc.
BMO Nesbitt Burns Inc.
Peters & Co. Limited
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Promoter(s):
-
Project #492386

Issuer Name:
Summit Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated 25th day of November, 2002
Offering Price and Description:
$75,000,006.00 - 5,067,568 Units @$14.80 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Trilion Securities Corporation
Promoter(s):
-
Project #493939

Issuer Name:
TransCanada PipeLines Limited
Principal Regulator - Alberta
Type and Date:
Final Short Form Shelf Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 20th day of November, 2002
Offering Price and Description:
$2,000,000,000.00 - Common Shares; Preferred Shares and Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #492278

Issuer Name:
United Grain Growers Limited
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated November 20th, 2002
Mutual Reliance Review System Receipt dated 20th day of November, 2002
Offering Price and Description:
$100,000,000.00 - 9.00% Convertible Unsecured Subordinated Debentures due 2007
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
HSBC Securities (Canada) Inc.
Wellington West Capital Inc.
Promoter(s):
-
Project #492531

Issuer Name:
DowSM 10 Strategy Trust, 2003 Portfolio (Formerly Dow Jones Target 10 Trust, 2003 Portfolio)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated November 25th, 2002
Mutual Reliance Review System Receipt dated 26th day of November, 2002
Offering Price and Description:
Series A and Series F Units
Underwriter(s) or Distributor(s):
Promoter(s):
-
Project #487141

Issuer Name:
Saxon High Income Fund
Saxon Balanced Fund
Saxon Stock Fund
Saxon Small Cap
Saxon World Growth
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated November 20th, 2002
Mutual Reliance Review System Receipt dated 22nd day of November, 2002
Offering Price and Description:
Class A Units and Class B Units
Underwriter(s) or Distributor(s):
Howson Tattersall Investment Counsel Limited
Promoter(s):
Howson Tattersall Investment Counsel Limited
Project #487487

Issuer Name:
CIBC Euro High Yield Cash Fund
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Simplified Prospectus dated October 11th, 2002
Withdrawn on November 20th, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
CIBC Securities Inc.
Promoter(s):
Canadian Imperial Bank of Commerce
Project #486102

Issuer Name:
DJ 30 Diversification Corp.
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated May 14th, 2002
Withdrawn on November 19th, 2002
Offering Price and Description:
$ * Maximum - * Class A Shares @$25.00 per Class A Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Yorkton Securities Inc.
Promoter(s):
Mulvihill Capital Management Inc.
Project #447278

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	iForum Securities Inc. Attention: Yves Mechaka 1 Place Ville Marie Suite 2305 Montreal QC H3B 3M5	Investment Dealer Equities	Nov 20/02
New Registration	Westminster Research Associates Inc. Attention: Ross F. McKee c/o Blakes Extra-Provincial Services Box 25, Commerce Court West 199 Bay Street, Suite 2800 Toronto ON M5L 1A9	International Dealer	Nov 21/02
Change in Category (Categories)	Sprott Asset Management Inc. Attention: Neal Rossall Nenadovic Chief Compliance Officer Suite 3450, Royal Bank Plaza South Tower Toronto ON M5J 2J2	From: Limited Market Dealer Investment Counsel & Portfolio Manager To: Investment Dealer Equities Managed Accounts	Nov 20/02
Amalgamation	IPC Investment Corporation Attention: Gary Fernand Legault 2680 Skymark Avenue 7th Floor Mississauga ON L4W 5L6	IPC Investment Corporation (BC) Limited, KPLV Financial Planning Inc., and IPC Investment Corporation To form: IPC Investment Corporation	May 01/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Discipline Penalties Imposed on Marie-Claude Filman – Violations of By-Law 29.1

Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

BULLETIN #3076
November 25, 2002

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON MARIE-CLAUDE FILMAN – VIOLATIONS OF BY-LAW 29.1

Person Disciplined

The Ontario District Council of the Investment Dealers Association ("the Association") has imposed discipline penalties on Marie-Claude Filman, at the material times a branch manager at the North York office of Berkshire Securities Inc., a Member of the Association.

By-laws, Regulations, Policies Violated

On November 14, 2002, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Ms Filman and Association Staff.

Pursuant to the Settlement Agreement, Ms. Filman acknowledged that she:

1. Failed to properly supervise a Registered Representative by not taking the appropriate steps to ensure that he (i) obtained the appropriate approval from their Member employer for two off-book distributions; and (ii) complied with prospectus exemptions requirements pursuant to the *Ontario Securities Act* as it related to one of the two distributions, contrary to By-law 29.1; and

2. Solicited participation in an off-book distribution without the knowledge or consent of her Member employer, contrary to By-law 29.1.

Penalty Assessed

The discipline penalties assessed against Ms. Filman are a fine in the amount of $25,000; a prohibition of approval by the Association to act in any supervisory capacity with any Member of the Association for a period of five (5) years; and as a condition of re-approval by the Association in any registered capacity that she successfully re-write the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*.

In addition, Ms Filman is required to pay $3,000.00 towards the Association's costs of this matter.

Summary of Facts

At all material times, Ms Filman was employed as the branch manager at the North York office of Berkshire Securities Inc. ("Berkshire")

During the period from January to May 2000, J.N., a registered representative at Berkshire's North York office, solicited participation in the private placement of Finline Technologies Inc. ("Finline") and North American Detectors Inc. ("NADI") from various individuals including Berkshire clients and other registered representatives working at Berkshire's North York office. Each individual subscriber to the placements was required to sign a disclaimer acknowledging the risks associating with these investments and the fact that Berkshire had no involvement.

All of the individual subscribers made payment to HP Partnership, of which J.N. was 50% owner, which in turn made lump sum payments to Finline and NADI. By portraying this partnership as the principal purchaser, the prospectus exemption as set out in s. 72(1)(d) of the *Ontario Securities Act* was improperly relied upon for the Finline distribution. Both of these distributions were completed without the knowledge or consent of Berkshire and not recorded in Berkshire's books and records.

Ms Filman was aware of J.N.'s solicitation and facilitation of both private placements. She even solicited participation from a family member in respect of the NADI distribution. She was not aware of the securities violation as it related to the prospectus exemption requirements.

Although, Ms Filman made some general inquiries with respect to the regulatory requirements for these off-book distributions, she failed to adequately follow-up with the registered representative to ensure proper authority was obtained from head office. She finally disclosed the details of these distributions to Berkshire's head office on May 30, 2000, well after their completion.

Kenneth A. Nason
Association Secretary

13.1.2 Discipline Pursuant to IDA By-law 20 - Marie-Claude Filman - Settlement Agreement

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20
OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: MARIE-CLAUDE FILMAN

SETTLEMENT AGREEMENT

I. Introduction

1. The staff ("Staff") of the Investment Dealers Association of Canada ("the Association") has conducted an investigation (the "Investigation") into the conduct of Marie-Claude Filman ("the Respondent").

2. The Investigation discloses matters for which the District Council of the Association ("the District Council") may penalize the Respondent by imposing discipline penalties.

II. Joint Settlement Recommendation

3. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25.

4. This Settlement Agreement is subject to its acceptance, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council in accordance with By-law 20.26.

5. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

6. If at any time prior to the acceptance of this Settlement Agreement, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council, there are new facts or issues of substantial concern in the view of Staff regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. Statement of Facts

(i) Acknowledgment

7(a) Subject to paragraph (7b) hereof, Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(b) The Respondent does not have personal knowledge of the facts referred to in paragraphs 13, 14, 16, 17 (except for the last sentence thereof), 18 (first sentence only), 19 (second sentence only), 21, 23, 25 (first sentence only) but does not dispute same and acknowledges and agrees that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

(a) General

8. At all material times, the Respondent was the branch manager at the North York office of Berkshire Securities Inc. ("Berkshire"). She was the branch manager at Berkshire from September 24, 1999 to June 23, 2000 when Berkshire solicited her termination. From September 24, 1999 to February 7, 2000, she was registered as a branch manager and securities dealer with the Ontario Securities Commission. From February 7 to June 23, 2000, she was registered as a branch manager and registered representative with the Association. The Respondent is currently registered with the Ontario Securities Commission as a Mutual Fund Dealer at the Ontario Teachers Group Inc.

9. According to the Uniform Termination Notice ("UTN"), dated June 30, 2000, the Respondent's termination was solicited by Berkshire as a result of her failure to supervise, in her capacity as a branch manager, a registered representative who facilitated and solicited participation in off-book distributions of securities without the knowledge or consent of Berkshire's Head Office.

10. Initially, when the Member employer discovered these off-book transactions, the Respondent was suspended for 60 days effective June 9, 2000. She was ultimately terminated as described in paragraph 9 of this Settlement Agreement.

11. The off-book distributions referred to in paragraph 9 of this Settlement Agreement relate to the distribution of Finline Technologies Ltd. ("Finline") and North American Detectors Inc. ("NADI"). Both companies are traded on the CDNX and are deemed high-risk investments.

(b) Finline Distribution

12. In January and February 2000, J.N., a registered representative with Berkshire, was soliciting participation in a private placement of Finline units from various individuals including family members, Berkshire clients and other registered

representatives working at the North York office. The registered representatives involved personally participated in the private placement and/or solicited investments from clients and non-clients of Berkshire.

13. The Finline private placement was issued pursuant to the prospectus exemption set out in s. 72(1)(d) of the *Ontario Securities Act*. Section 72(1)(d) provided that a prospectus is not required for a distribution where each purchaser, as principal, invests a minimum of $150,000 in the issue.

14. As a result of J.N's facilitation, twenty-five (25) investors including himself participated in this private placement. Of these participants, only two were not Berkshire clients. Their total investment was $325,000.

15. Each individual subscriber was required to sign a disclaimer acknowledging the risks associated with this investment and the fact that Berkshire had no involvement in the distribution.

16. In terms of payment, all of the individual subscribers to the distribution made cheques payable to H.N. Partnership, of which J.N. was 50% owner. In turn, H.N. Partnership provided one lump sum payment to Finline for the total investment collected of $325,000.

17. While the lump sum payment made by H.N. Partnership met the $150,000 threshold requirement of s. 72(1)(d) of the *Ontario Securities Act*, none of the individual subscribers to Finline invested an amount in excess of the $150,000 threshold amount. In order to rely upon the $150,000 *Ontario Securities Act* exemption, J.N. falsely portrayed H.N. Partnership as the principal purchaser and beneficial owner of the Finline units even though he knew this to be false information. The Respondent did not recognize this as a violation of securities law at the relevant time.

18. The Finline private placement was completed on February 23, 2000 without the knowledge or approval of Berkshire. The Finline purchases were not recorded in Berkshire's books and records.

(c) NADI Distribution

19. In March and April 2000, J.N. facilitated the distribution of Rights to purchase special warrants in NADI. This distribution was exempt from any prospectus requirement pursuant to s. 72(1)(h) of the *Ontario Securities Act*.

20. Similar to the Finline distribution, J.N. solicited participation for the NADI Rights Offering from various individuals including family members, Berkshire clients and other registered representatives employed at Berkshire's North York office.

21. As a result of the J.N.'s facilitation, thirty-three (33) investors including himself participated in this private placement. Of these participants, only eight were not Berkshire clients. Their total investment was approximately $228, 000.

22. While the Respondent did not invest in NADI, she did solicit participation from her brother who invested $10,000.

23. In terms of payment, all of the individual subscribers made cheques payable to H.N. Partnership, which in turn provided one lump sum payment to NADI.

24. Similar to the Finline distribution, the individual subscribers were required to sign a disclaimer acknowledging the risks associated with this investment and the fact that Berkshire had no involvement in this distribution.

25. The NADI Rights Offering was completed on May 11, 2000 without the knowledge or approval of Berkshire. The NADI purchases were not recorded in Berkshire's books and records.

(d) Supervision

26. The Respondent became aware of the Finline private placement in January 2000 when she was approached by J.N. to personally participate in the private placement. She asked J.N. whether he had spoken with the compliance or legal department. He replied that he did not because Berkshire was not involved in the distribution. He then proceeded to present her with the disclaimer that the investors would be required to sign to absolve Berkshire of any liability.

27. The Respondent only briefly scanned the disclaimer and once again advised J.N. to speak with either the compliance or legal department for approval. In turn, she undertook to make some inquires herself.

28. On January 24, 2000, the Respondent e-mailed Darrell Bartlett, Vice–President of Regulatory Affairs at Berkshire and made some general inquiries as to the regulatory requirements for an off-book private placement similar to Finline. The Respondent did not mention either J.N.'s name or the company Finline in her correspondence but rather wrote in general terms. Later that evening, Mr. Bartlett responded via e-mail clearly stating that the advisor facilitating the private placement must notify both the President of Berkshire and himself of all the details of the proposed transactions for their review.

29. The Respondent forwarded Mr. Bartlett's e-mail to J.N. the following day on January 25, 2000. When she subsequently asked J.N. whether he had acted upon the e-mail from Mr. Bartlett, he again replied that he didn't need to involve Berkshire since the disclaimer signed by the investors absolved Berkshire from any liability. The Respondent did not pursue this matter any further.

30. Later on, sometime in March 2000, J.N. advised the Respondent of the NADI distribution. J.N. advised her that he intended to rely upon the same disclaimer that he had used in the Finline private placement. She once again accepted the disclaimer and took no additional steps to obtain approval from Head Office.

31. While at no time did the Respondent expressly approve, either verbally or in writing, of these distributions, she also did not expressly disapprove of them. She also made no attempts to ensure that Head Office had knowledge of and consented to these distributions prior to their completion.

32. The Respondent finally disclosed the details of these distributions to Berkshire Head Office on May 30, 2000, well after their completion, during a conversation between herself and Vanessa Gardiner, Vice President of Compliance. At that time, the Respondent advised Ms Gardiner that she believed that J.N. did not obtain Head Office approval for the two private placements he had facilitated.

IV. Contraventions

33. During the period from January to May 2000, inclusive, the Respondent failed to properly supervise a Registered Representative contrary to By-law 29.27(b) by not taking appropriate steps to ensure that the Registered Representative (i) obtained the appropriate approval from their Member employer for the off-book distributions of Finline and NADI; and (ii) complied with the prospectus exemption requirements of the *Ontario Securities Act* as it related to the Finline distribution.

34. During the period from March to April 2000, the Respondent solicited participation in an off-book distribution of North American Detectors Inc, without the knowledge or consent of her Member employer, contrary to By-Law 29.1.

V. Admission of Contraventions and Future Compliance

35. The Respondent admits the contravention of the Statutes or Regulations thereto, By-laws, Regulations, Rulings or Policies of the Association noted in Section IV of this Settlement Agreement. In the future, the Respondent shall comply with these and all By-laws, Regulations, Rulings and Policies of the Association.

VI. Discipline Penalties

36. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

(a) A fine in the amount of $25,000;

(b) A prohibition of approval by the Association to act in any supervisory capacity with any Member of the Association, for a period of (5) five years, commencing on the effective date of the Settlement Agreement; and

(c) As a condition of re-approval by the Association in any registered capacity with any Member of the Association, the Respondent must successfully re-write the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*, administered by the Canadian Securities Institute.

VII. Association Costs

37. The Respondent shall pay the Association's costs of this proceeding in the amount of $3,000, payable to the Association within one (1) month of the effective date of this Settlement Agreement.

VIII. Effective Date

38. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of:

(a) its acceptance; or

(b) the imposition of a lesser penalty or less onerous terms; or

(c) the imposition, with the consent of the Respondent, of a penalty or terms more onerous,

by the District Council.

IX. Waiver

39. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. Staff Commitment

40. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. Public Notice of Discipline Penalty

41. If this Settlement Agreement becomes effective and binding:

(a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

(b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. Effect of Rejection of Settlement Agreement

42. If the District Council rejects this Settlement Agreement:

(a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

(b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by the Respondent at the "City" of "Toronto", in the Province of Ontario, this "25th" day of "September", 2002.

"P. Jacobs"
Witness

"Marie-Claude Filman"
Marie-Claude Filman

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "15th" day of "October", 2002.

"N. Genova"
Witness

"Elsa Renzella"
Elsa Renzella
Enforcement Counsel on behalf of Staff of the Investment Dealers Association of Canada

ACCEPTED by the Ontario District Council of the Investment Dealers Association of Canada, at the City of "Toronto", in the Province of Ontario, this "14th" day of "November", 2002.

Investment Dealers Association of Canada
(Ontario District Council)

Per: Honourable "Alvin B. Ronsenberg"
Per: "Michael D. Sharpe"
Per: "Brad Doney"

13.1.3 Notice and Request for Comment – Application for Approval of MFDA Investor Protection Corporation/Corporation de Protection des Investisseurs de l'ACFM, Pursuant to s. 110 of Reg. 1015

NOTICE AND REQUEST FOR COMMENT – APPLICATION FOR APPROVAL OF MFDA INVESTOR PROTECTION CORPORATION/CORPORATION DE PROTECTION DES INVESTISSEURS DE l'ACFM, PURSUANT TO SECTION 110 OF REGULATION 1015 MADE UNDER THE SECURITIES ACT

A. Application

The Commission is publishing for comment the Application (the "Application") of the Mutual Fund Dealers Association of Canada (the "MFDA") and the MFDA Investor Protection Corporation/Corporation de Protection des investisseurs de l'ACFM (the "MFDA IPC") for the approval by the Ontario Securities Commission (the "Commission") of the MFDA IPC as a compensation fund, pursuant to subsection 110(1) of R.R.O. 1990, Regulation 1015, as amended (the "Regulation"), made under the Securities Act R.S.O. 1990, c. S.5, as amended (the "Act"). The Commission is also publishing for comment the proposed form of approval order (the "Proposed Approval Order").

In a decision (the "Recognition Order") dated February 16, 2001, the Commission recognized the MFDA as a self-regulatory organization for mutual fund dealers, pursuant to section 21.1 of the Act, subject to certain terms and conditions.[1] The Recognition Order contemplated that a compensation fund would be established for customers of Members of the MFDA, which the Recognition Order described as the "Mutual Fund Dealers Investor Protection Plan". The Recognition Order stated that the Commission intended to publish for comment the plan, once received, and would consider it once it had reviewed any comments received. It also stated that Members of the MFDA would continue to participate in the Ontario Contingency Trust Fund as required under section 110 of the Regulation until another compensation fund or contingency trust fund authorized by the Commission commenced its coverage.

The MFDA IPC, which is established by the Mutual Fund Dealers Association of Canada, is the protection plan which the MFDA IPC is proposing be published for comment as contemplated by the Recognition Order.

Submitted with the Application are the following supporting documents, which are also being published:

1. Draft application of the MFDA IPC for Letters Patent Pursuant to Part II of the *Canada Corporations Act* (Exhibit A);

2. Draft By-law No. 1 of the MFDA IPC submitted with the application for Letters Patent (Exhibit B);

3. Draft policy relating to MFDA IPC customer coverage (Exhibit C);

4. Proposed amended MFDA advertising rule with commentary regarding the proposed amendments (Exhibit D);

5. Proposed MFDA advertising policy relating to MFDA IPC (Exhibit E).

We are seeking comments on all aspects of the MFDA IPC application and related documents.

Proposed Amended MFDA Rule and Proposed MFDA Policy Relating to Advertising and Comments on the Amended Rule and Proposed Policy

In connection with the Application, the MFDA proposes to amend MFDA Rule 2.7 – Advertising and Sales Communications and to create related MFDA Policy Number 4. Exhibit D to the Application contains a MFDA notice that requests comments on the Amended Rule and the related Proposed Policy (Exhibit E).

B. Proposed Approval Order

The Proposed Approval Order establishes terms and conditions in the following areas:

1. Corporate Structure and Purpose of MFDA IPC

2. Corporate Governance

3. Funding and Maintenance of MFDA IPC

4. Customer Protection

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[1] (2001) 24 O.S.C.B. (Supp) 7.

5. Financial and Operational Viability (Including Risk Management)

6. Reporting to the Commission

7. Rules

8. Agreement with the MFDA

C. Comment Process

Please deliver your comments on the Application in writing before **January 24, 2003**, 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 comments. 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:

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

Robert F. Kohl
Senior Legal Counsel, Registrant Regulation
416-593-8233
email: rkohl@osc.gov.on.ca

13.1.4 MFDA Investor Protection Corporation Application Letter

MFDA INVESTOR PROTECTION CORPORATION APPLICATION LETTER

MFDA INVESTOR PROTECTION CORPORATION
Suite 1600
121 King Street West
Toronto, Ontario
M5H 3T9

November 14, 2002

Stephen P. Sibold, Chair
Alberta Securities Commission
300 – 5th Avenue S.W.
4th Floor
Calgary, Alberta
T2P 3C4

Robert B. MacLellan, Chair
Nova Scotia Securities Commission
Joseph Howe Building
P.O. Box 458, 2nd Floor
1690 Hollis Street
Halifax, Nova Scotia
B3J 3J9

Executive Director
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, B.C.
V7Y 1L2

The Secretary to the Commission
Ontario Securities Commission
20 Queen Street West
Suite 1900, P.O. Box 55
Toronto, Ontario
M4S 3S8

Donald G. Murray, Chair
Manitoba Securities Commission
1130 - 405 Broadway Avenue
Winnipeg, Manitoba
R3C 3L6

Barbara Shourounis
Executive Director
Saskatchewan Securities Commission
800 – 1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Dear Sirs/Mesdames:

Re: Mutual Fund Dealers Association of Canada and MFDA Investor Protection Corporation

This letter sets out the application of the Mutual Fund Dealers Association of Canada ("MFDA") and the MFDA Investor Protection Corporation\Corporation de protection des investisseurs de l'ACFM (the "IPC" or "MFDA IPC") to the British Columbia Securities Commission, the Alberta Securities Commission, the Saskatchewan Securities Commission, the Manitoba Securities Commission, the Ontario Securities Commission and the Nova Scotia Securities Commission (collectively the "Commissions") for approval, designation or consideration, as the case may be, of the IPC as a protection plan for customers of mutual fund dealers which are members of the MFDA pursuant to the applicable securities legislation (the "Legislation"). Reference is made to (i) Section 110 of the regulation under the *Securities Act* (Ontario), Section 23 of the Rules made under the *Securities Act* (British Columbia) and Section 27 of the Regulation under the *Securities Act* (Nova Scotia), and (ii) to the respective recognition orders relating to the MFDA referred to herein.

The MFDA has been recognized as a self-regulatory organization by order of certain of the Commissions under the Legislation and such orders contemplate that a compensation or contingency trust fund will be established for customers of Members of the MFDA. IPC is to be established for this purpose and is applying for approval as a protection plan. The Commissions have identified seven proposed criteria ("Criteria") to be satisfied by IPC in this regard and draft terms and conditions ("Terms and Conditions") to any order so approving the IPC. For convenience this application is divided into the following sections and sections 2 to 8, inclusive, set out the proposed Criteria together with a description of how IPC satisfies the Criteria as well as the draft Terms and Conditions:

1. Background

2. Corporate Structure and Purpose of IPC

3. Corporate Governance

4. Funding and Maintenance of IPC

5. Client Protection

6. Financial and Operational Viability (Including Risk Management)

7. Reporting to Securities Commissions

8. Rule Making

9. Submissions

Submitted with this application are the following supporting documents:

1. draft application of the IPC for Letters Patent pursuant to Part II of the *Canada Corporations Act* (Exhibit A);

2. draft By-law No. 1 of the IPC submitted with the application for Letters Patent (Exhibit B);

3. draft policy relating to IPC customer coverage (Exhibit C);

4. proposed MFDA advertising Rule with commentary regarding the proposed amendments (Exhibit D);

5. proposed MFDA advertising policy relating to IPC coverage (Exhibit E).

1. BACKGROUND

The establishment of the MFDA was the result of certain industry studies and commentary that were spurred by the explosive growth and popularity of mutual funds in the late 1980s and throughout the 1990s. The concerns of some of the Commissions which were members of the Canadian Securities Administrators (the "CSA") in promoting the establishment of the MFDA included concerns relating to investor protection for mutual fund investors. Some of these concerns were articulated in the report by Ontario Securities Commissioner, Glorianne Stromberg, entitled: "Regulatory Strategies for the Mid-1990's: Recommendations for Regulating Investment Funds in Canada" (the "Stromberg Report"), published in 1995 and that Report, as well as initiatives of the CSA, assumed that an investor protection plan similar to the Canadian Investor Protection Fund ("CIPF") would be established or that CIPF would provide the coverage. CIPF provides investor protection to eligible customers of insolvent securities dealers who are members of self-regulatory organizations such as the IDA and the Canadian stock exchanges.

The Stromberg Report referred to the fact that certain Provinces of Canada (British Columbia, Ontario, Quebec and Nova Scotia) had established protection plans for customers of registrants in those provinces but that the coverage available was limited to amounts of $2,500 to $10,000 depending upon the province. Further, these plans did not provide the amount of protection that reasonably represents the financial risk that consumers of mutual fund securities doing business with mutual fund dealers may be exposed to.

As part of the early development of the MFDA, a number of industry committees were established to accumulate mutual fund industry experience and make recommendations on a number of subjects including an investor protection plan and matters relating to prudential regulation of members. The Board of Directors of the MFDA and its staff reviewed the reports and recommendations of the industry committees referred to above and assessed them in the context of available resources and what were perceived to be the regulatory objectives. A preliminary review of the role and functions of IPC according to the MFDA Board was published for comment in its recognition application to the Commissions. In addition, the MFDA Board has appointed Mr. Donald A. Leslie, FCA as Chair of the first Board of IPC and Professor Martin L. Friedland, QC and Mr. Robert Munroe, CA as first directors. The purpose and operations of IPC have been refined as a result of the work of the committees, the MFDA Board, the first IPC Board and consultations with the Commissions. This application is submitted on the authority of the Board of Directors of both the MFDA and the IPC.

2. CORPORATE STRUCTURE AND PURPOSE OF THE IPC

CSA Criteria

The MFDA IPC has the appropriate legal authority to carry out its objective of providing protection to clients of the members of the MFDA if the client property held by such members becomes unavailable as a result of the insolvency of such members, in accordance with established rules, regulations or policies of the MFDA IPC.

2.1 Corporation

The IPC will be established as a non-share capital corporation under Part II of the *Canada Corporations Act* (the "CCA"). This conclusion is based on an assessment of several considerations including a review of the structure of other financial services investor protection plans such as the Canadian Investor Protection Fund ("CIPF"), Canadian Deposit Insurance Corporation ("CDIC"), The Canadian Life and Health Insurance Compensation Corporation ("Compcorp") and The Property and Casualty Insurance Compensation Corporation ("PACICC"). The MFDA is itself a corporation established under Part II of the CCA.

The implications of adopting a not-for-profit corporation structure relate to the governance of the IPC, requirements to comply with certain statutory requirements, financial and income tax considerations and legal responsibilities. The MFDA and the IPC are of the view that the functions and role of the IPC can be best accommodated with the proposed corporate form.

2.2 Letters Patent

A non-share capital corporation under Part II of the CCA is created by a grant of letters patent by the federal government (Crown) on application to Industry Canada. The letters patent will describe the objects of the IPC, its first directors and other basic characteristics. A copy of the proposed letters patent of IPC is filed with this application as Exhibit A.

2.3 By-Laws

The main procedural documentation by which the affairs of the IPC will be governed are its by-laws. For the most part, the by-laws govern the procedures by which the IPC will conduct its activities including provisions for meetings of directors and members, the appointment of officers, indemnities and insurance, and other administrative matters. The by-laws of the IPC as a Part II CCA corporation, and any amendments, must be approved by Industry Canada before becoming effective. A copy of the proposed by-laws of IPC is filed with this application as Exhibit B. These by-laws are binding on the directors and members of IPC but not directly on members of the MFDA. However, by agreement between MFDA and IPC and the effect of MFDA's by-laws which bind its members, those members will be bound to the extent necessary including the obligation to pay assessments: see MFDA By-law 15.1.3.

2.4 Income Tax Status

The IPC, as a non-share capital corporation under Part II of the CCA, will be structured so that it will qualify as being exempt from income tax under the *Income Tax Act* (Canada) and corresponding provincial income tax legislation. This status will require that the IPC operate exclusively on a not-for-profit basis and that no part of its net income be payable to or available for the benefit of any members.

2.5 Purpose of the IPC

The primary purpose of the IPC is to provide protection to eligible clients of the MFDA members if client property held by such members comprising of mutual funds and related cash is unavailable as a result of the insolvency of the member. The role of the IPC in providing customer protection to clients of MFDA members is in the public interest. This parallels the MFDA's own public interest mandate. In recognition of the IPC's responsibilities to the public, the IPC and its operations have been structured to ensure that it will be responsive to the concerns and needs of the investing public. IPC is not an insurer and IPC coverage is not insurance and, accordingly, provincial insurance regulations do not apply to IPC or its coverage.

2.6 MFDA Member Insolvency

In the event of insolvency of a member of the MFDA, the IPC shall respond quickly and decisively, in accordance with its established rules, regulations or policies for assessing claims. The IPC shall also co-operate and provide reasonable assistance to the MFDA, a trustee in bankruptcy or securities regulators in administering an insolvency.

3. CORPORATE GOVERNANCE

CSA Criteria

(a) The arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules of the MFDA IPC, namely, the governing body, are such as to ensure a proper balance between the differing interests of the MFDA members participating in the MFDA IPC, and in recognition that the protection of the public interest is a primary goal of the MFDA IPC, a reasonable number and proportion of directors are independent of the MFDA and its Members in order to ensure diversity of representation on the Board of Directors.

(b) Without limiting the generality of the foregoing, the MFDA IPC should provide for:

(i) fair and meaningful representation on its governing body, in the context of the nature and structure of the MFDA IPC, and any governance committee thereto, including the audit committee, and in the approval of rules, regulations and policies;

(ii) appropriate representation of persons independent of the MFDA or any of its members or of any affiliated or associated company of such member on any executive committee or similar body; and

(iii) appropriate qualification, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of the MFDA IPC generally.

3.1 General

The manner in which the affairs of IPC are governed is critical to its ability to achieve its objectives and fulfil the purposes and functions expected of it. There are a number of interests that are to be reflected in the activities of IPC and which will require, to a greater or lesser degree, some participation in the governance of IPC. These interests include the members of the MFDA, customers of such members, the MFDA itself, the CSA and the public at large.

3.2 Members

As a non-share capital corporation under the CCA the IPC has members rather than shareholders. It is proposed that the members of the IPC be the same persons who are the directors. This is for ease of administration as it is impractical for a broader membership to be appointed. Accordingly, there will be one class of members, all of whom will be voting members. The primary role of members is to appoint the auditor of the corporation and confirm by-laws. The members must meet at least annually although there are provisions for members to act by instrument in writing if all or a specified majority of members sign a resolution effecting any particular business.

3.3 Board of Directors

The constating documents of the IPC provide that its Board will have a maximum size of 11 directors and a minimum size of 3 directors. The Board of the IPC shall be composed of an odd number of directors, the minority of which would be appointees of the MFDA (industry directors) and the majority would be public directors elected by the Board. Since the IPC is intended to protect customers of the members of the MFDA, the most appropriate representatives of the industry are representatives of the members or the MFDA. Industry directors cannot be removed from office without the consent of the MFDA. The definition of "Industry Directors" and "Public Directors" is set out in By-law 4.1 of the IPC constating documents (Exhibit B). By-law 4.2 sets out the details of the qualifications of the directors (both public and industry) including geographical considerations and the criteria established by the Board in appointing or nominating the directors.

By-law 4.7 lists a series of events giving rise to the automatic termination of office of a director. A retiring director must remain in office until the dissolution or adjournment of the meeting at which such retirement is accepted and a successor is elected.

In addition, there will be a Chair who will be appointed by the directors from one of their number and who could be either an MFDA appointee or a public director. This approach reflects the IPC view that the Chair should be the best person for the position, and is consistent with good industry and corporate governance. This structure would be reflected in whatever size the Board may be, provided that a majority of the Board is always independent or public directors. The initial Board members including the public directors will all be submitted by the MFDA. The term of office for all directors will be limited to two three-year terms which will be staggered to ensure appropriate continuity and experience. The first directors of the IPC are to be Mr. Donald A. Leslie, FCA (public), Professor Martin Friedland, QC (public) and Mr. Robert Munroe, CA (industry). Public Directors will be recommended by a nominating committee of the Board composed of an equal number of MFDA appointees and public directors (initially four in total). The Board of the IPC will appoint the public directors.

The President may be the chief executive officer or chief operating officer of the IPC. The rights and duties of the president are outlined in By-law 11.2 of the attached constating documents.

3.4 Conflicts of Interest

By-law 5.1 establishes procedures in dealing with conflicts of interest of the directors and disclosure requirements.

3.5 Liability and Indemnity of Directors

The By-laws of the IPC stipulate that any director or officer will not be held liable for any act, receipt, neglect or default of any other director, officer or employee for any loss described in 6.1 of the By-laws, while acting as a director or officer for the IPC. Indemnities to directors and others are provided for in By-law s. 7.1

3.6 Remuneration of Directors

Directors of the IPC would receive remuneration in a manner similar to comparable organizations. In addition, board members would benefit from directors and officers insurance.

3.7 MFDA

The MFDA has proposed that the IPC be a separate organization with separate assets and governance. However, there will be close interaction between the MFDA and the IPC and the terms of this relationship will be defined in the by-laws and by way of operating agreements. Of immediate concern during the initial phase of the IPC is the need for funding of the IPC's start-up costs through the MFDA. The IPC and the MFDA are in the course of determining the appropriate terms of this relationship. The interests of the MFDA dealer members will be represented through the MFDA's participation in IPC governance.

3.8 CSA

In several provincial jurisdictions of members of the CSA, it is a requirement of registration of a securities or mutual fund dealer that it be a member of a investor protection plan that has been approved by the applicable securities commission, executive director or delegated authority. The IPC is applying for approval in such jurisdictions for that purpose. The securities commissions in some or all of these jurisdictions will have regulatory oversight over the activities of the IPC.

3.9 Customers (Public)

The primary beneficiaries of the IPC are the customers of insolvent members of the MFDA. Customers, as the investing public, will primarily be represented by the public directors on the Board of Directors of the IPC as well as the oversight of members of the CSA. In addition, the IPC will be expected to be responsive to public comment and enquiries.

3.10 Audit Committee

The IPC will create an audit committee as a committee of the Board. The IPC Board will be responsible for selecting the audit committee members. The audit committee will be composed of three or more directors, the majority of which will be public directors. The audit committee shall be responsible for the review and approval of the Corporation's annual financial statements and such other functions as the Board shall determine by resolution. The IPC will be required to appoint an auditor to prepare a report on annual financial statements. The role and performance of the auditor will be monitored by the audit committee.

3.11 Other Committees

The Board may also appoint an executive committee and shall appoint a nominating committee and any other committee subject to By-law ss. 8.2, 8.4 and 8.5. Both the executive committee and the nominating committee require an equal number of industry and public directors. However, the Board which appoints the other committees (and is always comprised of more public than industry directors) can be expected to ensure that appropriate balance in representation is maintained. When, or if, the Board increases in size, consideration may be given to fixing other committee composition in the by-laws.

4. FUNDING AND MAINTENANCE OF IPC

CSA Criteria

(a) Any and all assessments imposed by the MFDA IPC on the MFDA members to finance the MFDA IPC are equitably allocated. Assessments do not have the effect of creating barriers to becoming members of the MFDA. The assessments must also be balanced with the criteria that the MFDA IPC has sufficient revenues to satisfy claims in the event of insolvency of an MFDA member and has sufficient financial resources to satisfy its operational costs.

(b) The MFDA IPC's process for setting assessments is a fair and reasonable method of establishing equitable assessments for each MFDA member's contribution, including, among other things, rules, regulations or policies that govern the contributions of affiliates and subsidiaries of MFDA members.

(c) The MFDA IPC provides the Commission with a current copy of the method of assessments and notifies the Commission 30 days prior to making any changes to the method of assessing MFDA members.

(d) The Board determines the appropriate level of assets for the MFDA IPC and ensures that the level of assets of the MFDA IPC is adequate. Any material adverse change in the level of MFDA IPC assets, or upon becoming aware of the potential for any material adverse change, is immediately reported to the Commission by the MFDA IPC.

(e) The MFDA IPC implements an appropriate accounting system, including a system of internal controls for maintaining the MFDA IPC. The MFDA IPC appoints an independent auditor for the purpose of conducting an audit of the MFDA IPC's annual financial statements in accordance with generally accepted auditing standards.

(f) Moneys in the MFDA IPC are invested in accordance with rules, regulations and policies approved by the Board. These rules, regulations and policies shall be provided to the Commission and the MFDA IPC shall also inform the Commission of any changes in these rules, regulations or policies.

4.1 Fund Size

The MFDA and IPC have concluded that an initial fund size of $5 million is appropriate to permit IPC commence operations and to provide coverage of up to $100,000 per eligible claim (with no deductible). However, it is proposed that IPC establish a target fund size of approximately $30 million to be attained within five years of the coverage commencement date, i.e. July, 2008. The funding and assessment proposals described in the following section assume these fund size targets. Any increase in the size of the IPC's assets will be subject to the approval of the MFDA. Additional amounts may be required each year depending on losses paid or the IPC's operating expenses to the extent that income from the fund size is not sufficient to cover such expenses (including start-up costs). The first year coverage would commence in July, 2003. The size and appropriate level of assets in the IPC is a function of several considerations including the predicted risk of loss, the amount of coverage to be provided and the financial ability of members to immediately fund the IPC. IPC, MFDA and the various sources they have consulted have not been able to determine any accurate or experience-based formula for initial fund size. The proposed initial size of $5 million with a target of $30 million in five years appears to be reasonable in view of the proposed coverage of $100,000 per customer and the member assessments required.

Where the size of the fund becomes less than its target size at any time or the eligible claims on the fund exceed the IPC's immediately available assets, the IPC will be able to make assessments, subject to an annual maximum amount determined by the MFDA, to replenish the fund to its target size or to satisfy such claims. The MFDA and the IPC will cooperate in seeking funds by assessment, third party borrowings or other appropriate sources. The methodology and amount of assessments and IPC assets would be reviewed annually by the IPC Board to take into account changing industry circumstances including fund size, different risks, availability of credit support and the general regulatory costs of members. The IPC and the MFDA will agree that such assessment methodology will not be changed without the consent of the MFDA, which consent will not be unreasonably withheld.

Any material adverse change in the level of the IPC's assets would be reported immediately to both the MFDA and members of the CSA. In addition, the summarized annual audited financial statements of the IPC will be available to the public and full audited statements will be provided to the MFDA and members of the CSA.

4.2 Funding and Assessments

The overriding principle of the IPC's funding is that the MFDA members collectively are to be responsible for the payments of client losses arising as a result of the insolvency of an MFDA member. The IPC has considered various sources of funding for IPC (member assessments, third party financing, use of interest accumulated in member trust accounts, integration with other industry protection plans, the current provincial protection plans and other risk funding mechanisms) and has concluded that the MFDA member assessments should be the long-term method of funding the IPC. This approach is consistent with similar insolvency protection plans such as CIPF, CDIC, Securities Investor Protection Corporation ("SIPC") and the Deposit Insurance Corporation of Ontario ("DICO") and plans approved by certain CSA members for securities and mutual fund dealers.

The short term method of funding the IPC prior to assessments of MFDA members is by advances from the MFDA which will be required to be repaid. Thereafter funding will be by way of assessments of MFDA members which will be required to contribute to the IPC the amounts assessed. The MFDA must consent to such assessments. See By-laws 2.1 and 2.2 and By-law 15 of the MFDA. Contributions by MFDA members through assessments become the property of the IPC and members will no longer have any proprietary interest in the contributions. If the IPC is terminated, the property held by the IPC after payment of its obligations would be distributed to an organization with like objects in connection with Canadian capital markets and the public interest.

The IPC may impose or prescribe fees, levies, assessments or other charges on or in respect of persons who are members of the MFDA. The IPC may make arrangements for the notification and collection of the fees, levies or assessments either directly or indirectly through the MFDA. The amount, nature and basis of any fee, levy or assessment are determined by the Board in its sole discretion. The IPC may only prescribe fees, levies, assessments or other charges on or in respect of members of the MFDA if the MFDA has consented in writing to such fees, levies or assessments, such consent to be evidenced by a resolution of the MFDA Board or a committee thereof. The liability for such fees, levies and assessments is that of the Members and not the MFDA itself.

The assessment methodology to be adopted by the IPC including the annual assessment amount, maximum permitted annual assessments and any special or penalty assessments will be subject to the approval of the MFDA which consent will not be unreasonably withheld. MFDA member assessments are to be the long-term method of funding the IPC. The initial basis for assessments is to be based on assets under administration (AUA) as determined for MFDA fee purposes. The best judgements of the boards of both the MFDA and the IPC is that the AUA model is the best proxy for the risks to be covered by the IPC. To achieve the initial target of $5 million fund size an assessment of $30 per million of AUA will be made immediately on approval of IPC by the relevant Commissions which will be payable by Members in instalments prior to July, 2003. Thereafter, annual assessments of $30 per million of AUA will be made for a period of five years. This annual assessment will be made and be payable quarterly at the rate of $7.50 per million of AUA to coincide with the payment of MFDA membership fees. The Board of IPC will review annually the foregoing basis of assessments to determine that it is appropriate in accordance with a variety of relevant factors such as Fund size targets, economic and mutual fund industry conditions, interest rates and fund loss experience.

The mechanism for determining and collecting MFDA members' assessments will be refined but the working premise is that the Board would determine an appropriate assessment methodology, annual assessment amount, maximum permitted annual assessments and special penalty assessments. This determination, and any changes, will be subject to the approval of the MFDA and any notice to the relevant members of the CSA. The IPC shall provide the relevant CSA members with a current copy of the method of assessments and notify such members 30 days prior to making any changes to the method of assessing MFDA members. The basis on which the IPC will operate and co-ordinate its affairs with the MFDA will be governed by an agreement(s). This agreement will contemplate a dispute resolution mechanism which will be a formal, non-binding procedure to facilitate a fair and efficient resolution of any issues that may arise.

4.3 Investment of IPC's Funds

The directors of the IPC may invest and re-invest all cash, securities and other property belonging to the IPC that, under their uncontrolled discretion, they consider advisable. The Board will adopt investment policies for the management of the IPC's assets. Professional investment management advice may be retained. The general parameters of the investment policy are expected to include safety of principal and reasonable income while at the same time ensuring that sufficient liquid funds are available at any time to pay claims.

An investment committee to oversee the investment of the IPC assets will be considered if and when the size of the Fund assets warrants, there is a perceived need for the function to be delegated to a special committee or there is an advantage to the IPC by such management. The IPC does not expect any of these circumstances to arise for some time for a number of reasons. The IPC Board will in any event set the investment guidelines and the small size of the Board would likely render a separate committee unnecessary and duplicative. The policies will be conservative and will not likely require active management. For example, a high proportion of the IPC assets will be tiered according to maturity in high grade government debt securities and simply rolled over on maturity.

4.4 Auditors

The IPC will implement an appropriate accounting system, including a system of internal controls for maintaining the IPC. The IPC members will appoint an independent auditor to audit the annual financial statements in accordance with generally accepted auditing standards. The auditor shall hold office until the next annual meeting, provided that the directors may fill any casual vacancy in the office of auditor. The remuneration of the auditor will be fixed by the Board. At every annual meeting of members, the report of the directors, the financial statement and the report of the auditors will be presented and auditors appointed for the ensuing year. The role and performance of the auditor will be monitored by the audit committee.

5. CLIENT PROTECTION

CSA Criteria

(a) The MFDA IPC provides fair and adequate coverage for eligible customers of the MFDA members, and any other eligible customers that are agreed upon by the MFDA IPC and the Commission, regardless of the jurisdictions where they reside;

(b) The MFDA IPC establishes and maintains fair and reasonable rules, regulations or policies for granting claims made under the MFDA IPC and pays eligible customer claims made pursuant to these policies, including, but not limited to :

(i) The MFDA IPC establishes and maintains rules, regulations or policies whereby persons not dealing at arm's length with the insolvent MFDA member, or who the MFDA IPC determines are, in whole or in part, responsible for the insolvency of the MFDA member, will not be covered by the MFDA IPC as eligible customers;

(ii) The MFDA IPC establishes within its rules, regulations or policies a fair and reasonable internal appeals mechanism whereby eligible customer claims that are not accepted for payment by the MFDA IPC staff, or by an appointed committee, are to be reconsidered by the Board of Directors;

(c) The MFDA IPC's rules, regulations or policies described in paragraph (b) above do not prevent an eligible customer from taking legal action against the MFDA IPC, where the eligible customer has exhausted the MFDA IPC's internal claim review process and appeals process.

(d) The MFDA IPC adequately informs customers of MFDA members of the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer.

(e) The MFDA IPC, in cooperation with the MFDA, establishes advertising guidelines within the MFDA's general advertising by-law that clearly establishes the parameters for advertising in order not to mislead the public.

(f) In the event of an insolvency of a member of the MFDA, the MFDA IPC shall respond quickly and decisively, in accordance with its established rules, regulations or policies for assessing claims. The MFDA IPC shall also co-operate and provide reasonable assistance to the MFDA in administering an insolvency.

5.1 Extent of Protection

As indicated in this application, the primary purpose of IPC is to provide protection to eligible customers of MFDA members if their mutual funds and related cash are not available as a result of the Member's insolvency.

The coverage principles in this respect will be similar in kind to that of the CIPF in Canada. Although the protection provided by the IPC is not insurance, many of the underwriting risks associated with insurance products are relevant to the IPC. Accordingly, the nature and extent of coverage must be related to the nature of the operations of MFDA members, the degree and kind of regulation to which they are subject and the financial resources available to pay for losses that may arise. As in the case of CIPF, the risk is insolvency risk. This means that the direct cause of the loss must relate to the insolvency of the MFDA member and not to other causes such as change of market values. In addition, the losses must relate to the customer account activity of the customer and not commercial relationships with the MFDA member that would not be considered normal customer account transactions. For instance, a person who provides financing to the member would not be eligible for IPC coverage. It must also be established that the person claiming coverage has sufficient connection with the member to be considered a customer for regulatory purposes. The reason for this requirement is that the industry regulations primarily relate to customer account relationships and one of the ways in which the IPC will assess and underwrite risks is on the basis of such regulations being in effect and properly enforced. Eligibility criteria have been developed by the IPC and are attached as Exhibit C. The criteria are expected to be similar to those adopted by CIPF and pursuant to the *Bankruptcy and Insolvency Act*. A draft policy setting out the criteria is attached as Exhibit C and the final form and any amendments would be published by IPC from time to time for customer reference.

Coverage under the IPC will be for all eligible customers of an MFDA member regardless of the jurisdiction in which they reside (including whether or not it is a recognizing jurisdiction). The foregoing basis of coverage assumes that the IPC and MFDA will be able to assess risks and regulate the operations of members in every jurisdiction where they carry on business. If such regulatory oversight is not possible, coverage will not be available to customers of those members in the jurisdictions where suitable regulation by the MFDA cannot be assured. Assessments will be collected on the basis of MFDA being able to regulate in the expected jurisdictions where members carry on business. If MFDA is not able to regulate in all such jurisdictions and members withdraw from membership in MFDA or separate their businesses, assessments in respect of coverage prior to commencement of MFDA IPC coverage will be returned to members on an equitable basis.

5.2 Type of Loss Covered

The experience of CIPF and other comparable compensation plans has been that while many losses can readily be determined as eligible for coverage, there are many claims that are less certain. It is important, therefore, for the IPC to state clearly to members and the public the principles and policies on which coverage will be available.

As in the case of the provincial plans that have been referred to above and CIPF, coverage is discretionary in the sense that the directors of the IPC have the ultimate discretion to determine whether a claim should be paid or not according to the circumstances. If the claim is squarely within the criteria proposed, it would be expected that the IPC would readily make payment. However, there may be extenuating circumstances wherein a claim might be technically eligible but it would be unfair or abusive to make payment. The MFDA and IPC are satisfied that an independent board with public representation can be relied upon to make such decisions.

The losses which the IPC will expect to cover are to be restricted initially to mutual fund securities and cash related to the purchase and sale of such products. Other products will be considered and recommended for coverage, as appropriate and discussed below. The securities or property must actually be held by the member in order for the coverage to apply. For instance, in the case of mutual fund securities, the securities are often held directly by the customer and the IPC would not protect that asset even though it may have been sold by the member to the customer. In such case, any loss to the customer of his or her property would not be caused by the insolvency of the MFDA Member because it is not responsible to account to the customer for the property. On the other hand, if the member holds the securities (which usually means that they are registered in its name) and reports to the client that it is holding the investment for the customer, the IPC would be expected to compensate the customer for any loss if the investment were not available on the insolvency of the member.

The IPC recognizes that cash is fungible and it is not always certain for accounting or distribution purposes to attribute cash in a mutual fund dealer's account for a customer to any particular investment. On the other hand, in many cases, it is possible to relate cash holdings to investments. For instance, uninvested redemption proceeds of fund units, cash distributions or other receipts relating to units are able to be related to mutual fund securities. Similarly, most transactions of customers with mutual fund dealers to acquire mutual fund securities are relatively easy to trace. For instance, pre-authorized instalment plans or specific orders followed by receipts of cash should be able to be identified. MFDA members are required to keep records of orders. The experience of contingency plans such as CIPF is that knowledgeable industry or public governors are able to make fair and accurate determinations.

5.3 Extending Coverage to Non-Mutual Fund Securities

One of the main premises of the development of the IPC is the fact that the overwhelming proportion of products sold by MFDA members covered by the IPC will be mutual fund securities. However, there is little experience or empirical evidence as to the extent of non-mutual fund business carried out by such members or risk effects that such business may have on members. Accordingly, the IPC proposes to monitor the business activities, risks and potential losses that may be incurred by members in respect of non-mutual fund securities. If necessary, broader coverage may be considered. The implications to IPC of extending coverage to non-mutual fund securities and related cash include (i) the development of an equitable basis for determining assessments in respect of such products, (ii) identification of the products to which coverage is to be extended, (iii) the risks inherent in such products, and (iv) the size of the IPC assets necessary to cover the potential losses arising from such losses.

5.4 Limits on Compensation

The limits on compensation available to eligible customers will relate to the financial resources of the IPC and other factors such as competitive financial services products. At the outset of the IPC's operations when the size of the fund may only be $5 million, the recommended limit on coverage per customer is $100,000. Each customer's accounts will be aggregated as one general account to the extent the accounts are held in the same capacity and circumstances. Registered plan accounts such as RRSPs, RIFFs, LIRAs, etc. are separate accounts and not aggregated with a customer's general account, but aggregated themselves. Accordingly, the coverage limits per customer would be $100,000 each for the customer's aggregated general and aggregated registered plan accounts: see draft IPC policy attached as Exhibit C for details.

5.5 Exclusions from Coverage

The IPC will establish and maintain policies whereby persons not dealing at arm's length with the insolvent MFDA member, or who the IPC determines are, in whole or in part, responsible for the insolvency of the MFDA member, will not be covered by the IPC as eligible customers: see draft IPC policy attached as Exhibit C for details.

5.6 IPC Adequacy

The target size of the IPC assets has been determined by agreement between the MFDA and the IPC (see section 4 above). Annually the IPC directors will review the adequacy of the IPC assets and recommend to the MFDA Board any changes it

considers necessary or advisable. No change in the size of the IPC assets may be made without the approval of the MFDA. With respect to the amount of coverage of $100,000 being appropriate, the MFDA and the IPC directors have aimed to improve existing mutual fund dealer insolvency protection (ranging from nil to $10,000 according to province) and provide adequate coverage within the industry's means. Eventually, the amount of coverage could rise to the $1 million coverage offered by CIPF if there is a need or industry marketing considerations demand it. The required size of fund assets (including if the target of $30 million is achieved by July, 2008) will be reviewed if coverage is to be increased. In view of the typical size of customers' accounts with MFDA members, the distribution process under federal bankruptcy legislation and the way in which mutual fund assets are held, MFDA and the IPC consider that a very high proportion of the accounts of customers would be adequately covered by a $100,000 limit.

5.7 Publicity

The IPC will be expected to make known to the public the existence and limits of the coverage that it provides. One aspect of this kind of publicity is to ensure that customers are clear as to the kind of coverage available and that they are not under the impression that protection is available when in fact it is not. In particular, advertising requirements and restrictions will be developed and imposed by MFDA Rule on members pursuant to which clear disclosure will be made of the facts that organizations associated with the member or using a similar name may not be covered by the IPC and coverage is restricted to mutual fund securities and related cash. MFDA's proposed Rule in this regard is attached as Exhibit D. This by-law will be supplemented by an MFDA policy describing the basis on which Members may refer to IPC coverage: see Exhibit E. In addition, the fact of the IPC's coverage and dissemination of public information in that regard enhances the mutual fund industry and is generally regarded as being beneficial and in the public interest.

The IPC will be expected to provide brochures describing its coverage to the public as well as publishing any of its coverage policies and criteria and other information available. These publications may be available through members or on a website maintained by the IPC and/or MFDA. The IPC is expected to work with MFDA members to ensure that the existence of the IPC and the scope of its coverage is accurately understood by the public, MFDA members and customers of MFDA members.

5.8 Claims Process

The IPC will establish policies that provide for a fair and reasonable internal appeals mechanism whereby eligible customer claims that are not accepted for payment by the IPC staff, or by an appointed committee, are to be reconsidered by the Board of Directors. An eligible customer is not precluded from taking legal action against the IPC where the eligible customer has exhausted the IPC's internal claim review process and appeals process.

The insolvency of mutual fund dealers is often administered by a trustee in bankruptcy or court appointed receiver and the IPC would expect to have procedures that could be co-ordinated with the statutory or court ordered process. Initial decisions as to coverage for particular claims may be made either by IPC staff, designated agents or by the directors individually or by sub-committee. Customers will be entitled to have initial decisions denying coverage reviewed by directors, individually or in sub-committee, who were not involved in the prior decision. All decisions will be objective and consistent with previous IPC decisions according to the policies and coverage procedures from time to time. The directors may determine that the review is to be on a written record or permit attendance in person by the claimant.

6. FINANCIAL AND OPERATIONAL VIABILITY (INCLUDING RISK MANAGEMENT)

CSA Criteria

(a) The MFDA IPC has sufficient financial resources for the proper performance of its functions.

(b) The MFDA IPC shall ensure that is it satisfied with the process to assess and contain risk of insolvency of MFDA members, taking into account the size of its assets and the level of assessments. Such process may include, but is not limited to, the following:

(i) maintenance of minimum standards in the areas of: capital requirements; customer accounts; audits and questionnaires; field examinations; books and records; internal controls insurance; segregation; early warning system; reportable conditions; and most stringent rules; and

(ii) monitoring and assessing the MFDA's process in ensuring that its members are in compliance with prudential regulations and any established minimum standards, and the MFDA's process in monitoring the on-going financial condition of its members. Such monitoring and assessment may include conducting examinations of the MFDA's process and examinations of members of the MFDA.

6.1 Funding

The funding and assessment plans of IPC as described in Sections 4.1 and 5.6 of this application are designed to ensure that IPC will have sufficient financial resources for the proper performance of its functions.

6.2 Operations and Risk

In conducting its operations and managing insolvency risks of MFDA members, the IPC will rely primarily on the adequacy of the MFDA's prudential regulation and oversight of the CSA members which have recognized it or exert jurisdiction over its activities. The MFDA will agree not to change its prudential standards without prior notice to the IPC and providing the IPC an adequate opportunity to comment. The MFDA will advise the IPC on the MFDA's member review methodology and procedures. In addition, the MFDA will report to the IPC any circumstances involving a member that may be in financial difficulty.

The IPC believes that establishing minimum standards and conducting oversight of the MFDA's review of its members with respect to compliance with such minimum standards is not a necessary risk management tool for IPC because of the oversight role of the CSA. Under the arrangements with the MFDA, IPC will be able to carryout member reviews in certain circumstances.

The IPC will rely both on information provided by the MFDA and knowledge of circumstances otherwise obtained to determine that an MFDA member is in financial difficulty. The circumstances in which a member may be in financial difficulty can vary widely, but both the IPC, the MFDA and their respective staff and advisors have experience in identifying certain conditions or activities that may indicate financial difficulties. In particular, the MFDA has implemented an early warning system which will require members to report information relating to their financial condition that will alert both the MFDA and the IPC. In addition, the IPC will require that the MFDA provide immediate notice to the IPC of any reportable conditions as defined by the CSA in respect of a member.

6.3 Member Reviews

Member reviews by the IPC would be limited to cases where the Board believes a member may be in financial difficulty, the IPC may be subject to a material claim or the MFDA so requests. Although the IPC Board will be entitled to conduct reviews for the purposes described above, efforts will be made not to duplicate the functions of the staff of the MFDA. The IPC Board would request the MFDA staff or independent advisors to perform such reviews according to the criteria of the IPC and to report to the Board. Depending on the circumstance the degree of expertise may vary, but if there is the prospect of member insolvency, it may be necessary to rely on trained professionals or other regulators in order to respond quickly and decisively as necessary. The ability of the IPC to conduct such member reviews will be provided for in an agreement to be made between MFDA and IPC and the By-laws of the MFDA.

6.4 Information Sharing Arrangements

The IPC will require information to assess not only whether the prudential standards and operations of the MFDA are appropriate for the coverage provided and risks incurred by the IPC, but also to deal with particular members which may be in financial difficulty. With respect to the former, the agreement(s) between the MFDA and the IPC will address general risk containment and the directors of the IPC may initiate discussions with the MFDA on any relevant subject. With respect to the latter specific risks to individual members, the IPC will have access to quarterly (or monthly) financial filings by members, information on early warning notices under MFDA Rules, meetings with MFDA staff and notice from the MFDA if any member may be in financial difficulty. This information collectively is expected to enable the IPC to assess whether the risks incurred by the IPC are adequately addressed by the MFDA and its Rules. If changes are necessary as a result of experience in the initial years of the IPC's operations and the MFDA as a self-regulatory organization, discussion can be initiated between the IPC, the MFDA, members of the CSA and other interested parties including MFDA members representatives. The risk assessment by the IPC is based in large part on the standards for members as set out in the by-laws and rules of the MFDA which have been (and will continue to be) reviewed and approved by members of the CSA. The MFDA will agree that any such by-laws or rules that relate to prudential standards for members will not be changed without prior notice to the IPC and the opportunity for the IPC to comment.

Information sharing arrangements between the MFDA and the IPC will be negotiated and entered into on the basis that their terms will ensure that IPC can fulfil its mandate and manage risks to the public and Plan assets on a reasonable basis. There are no legal constraints to the kind and amount of information that can be made available to the IPC by the MFDA. MFDA By-law 24 authorizes the MFDA to enter into information sharing arrangements of the kind contemplated and all relevant information in respect of the operations and business of MFDA members is permitted to be provided to the IPC. Such permission is expected to constitute consent for the purposes of any relevant privacy legislation. The content of information anticipated to be provided will relate primarily to the prudential regulation of MFDA members and risks to the public and the IPC as a result of member insolvency. It is expected that certain core relevant information will be provided as a matter of course by the MFDA to the IPC, but the IPC or its directors and staff will be able to request access to any other relevant information available to the MFDA. Such requests may be made on a "spot" basis or when the IPC is aware of circumstances where the

public and the IPC assets may be at risk because of the activities or financial condition of a member. The MFDA will agree to immediately inform the IPC in the event that a member is in financial difficulty.

6.5 Administration

The adopted roles and functions of the IPC will require administrative support. The intention is to minimize the administrative burden but certain minimum functions will have to be performed and at times, as in the case of a member insolvency or participation in the development of regulatory policy, the administrative demands will be high.

The primary responsibility for the management of the affairs of IPC as a corporation rests with the Board of Directors. The role of the Board, however, is to set policy direction for the IPC and to oversee senior management. The initial establishment of the IPC will likely require that the directors play a more active role in the conduct of the affairs of the IPC than they may do when the IPC is well established with mature operations. It has been proposed that a member of the Board, who may be the Chair, would dedicate more day-to-day management time to the initial operations of the IPC and as a public spokesperson for the IPC.

The IPC, as a corporation under the CCA, may appoint officers including the Chair of the Board, a president and possibly others such as a secretary. However, these roles are not expected to require full time attention. The initial recommendation for the IPC is that it contract the services of the MFDA for certain functions such as secretarial and those of a controller with the intention that within two or three years at least one dedicated staff employee may be hired by the IPC, if needed. The need for further staff will be assessed over time.

The IPC may retain as needed professional advice including legal, actuarial and other consulting services. In addition, the IPC will be required to appoint an auditor to audit and report on annual financial statements which have been prepared by management. The role and performance of the auditor will be monitored by the audit committee. In addition, the auditor may provide staff and administrative services as required.

7. REPORTING TO SECURITIES COMMISSIONS

(a) The MFDA IPC provides the Commission with reports, documents or information, as reasonably requested by the Commission or their staff. The Commission and the MFDA IPC may review and revise such reporting requirements as necessary on an on-going basis.

(b) The MFDA IPC immediately notifies the Commission of:

(i) any Reportable Conditions (as defined below) with respect to a MFDA member of which the MFDA IPC has been notified. Such Reportable Conditions mean any conditions which in the opinion of the official designated by the MFDA to be responsible for prudential regulation could give rise to payments being made out of the MFDA IPC, including any conditions which have contributed substantially to or, if appropriate corrective action is not taken, could reasonable be expected to:

(1) inhibit an MFDA member from promptly completing securities transactions, promptly segregating clients' securities as required or promptly discharging its responsibilities to clients, other MFDA members or other creditors;

(2) result in material financial loss;

(3) result in material misstatements of the MFDA member's financial statements; or

(4) result in violations of the minimum record requirements to an extent that could reasonably be expected to result in the conditions described in paragraphs (1), (2) or (3) above.

(ii) any MFDA member who has withdrawn or has been expelled from participation in the MFDA IPC.

(c) The MFDA IPC files with the Commission, within 90 days after its fiscal year-end, its financial statements for the fiscal year prepared in accordance with Generally Accepted Accounting Principles, and a report by an independent auditor on its financial statements in accordance with generally accepted auditing standards.

(d) The MFDA IPC cooperates with the Commission and the MFDA, as reasonably requested, by sharing information regarding the MFDA IPC and MFDA members.

7.1 General

The IPC will provide the appropriate members of the CSA with the information referred to in the Criteria.

8. Rulemaking

(a) The By-laws, rules, regulations, policies, procedures, practices and other similar instruments (the "Rules") of the MFDA IPC are designed to:

(i) ensure the going concern of MFDA members;

(ii) ensure reasonable funding of the MFDA IPC and assessments to MFDA members, without creating significant barriers to the mutual fund dealer industry and without compromising investor protection;

(iii) ensure the maintenance of a reasonable Plan size to afford protection for clients of MFDA members;

(iv) ensure that its business is conducted in an orderly manner so as to afford protection to investors.

(b) The Rules of the MFDA IPC shall not :

(i) be contrary to securities legislation;

(ii) permit unreasonable discrimination between customers of MFDA members and between MFDA members; or

(iii) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation

(c) The Rules of the MFDA IPC ensure that its business is conducted in an orderly manner so as to afford protection to investors.

8.1 General

The rules, regulations and policies of the IPC will relate to investor protection and the means of raising and maintaining funds to pay losses. They will not govern the affairs of members directly as that function is primarily the responsibility of the MFDA and the members of the CSA. However, the MFDA will not change its rules relating to prudential regulation without giving the IPC the opportunity to comment. The IPC's requirements and criteria relating to such matters as coverage, amounts, eligibility, size of funds, kinds of losses, etc. will all be developed in consultation with, or with the approval of, the MFDA and, where appropriate, the CSA. As a practical matter, the process of making Plan policies will be consultative and involve MFDA Board and staff, MFDA members directly, staff of the CSA, and the IPC Board members. This process is familiar in the development of self-regulatory organization rules in Canada.

9. Submissions

The IPC and MFDA respectfully submit that the proposed structure, policies and operations of IPC satisfy the proposed Criteria and draft Terms and Conditions and request that the IPC be approved as customer protection plan under the applicable securities legislation referred to at the beginning of this letter. The IPC and MFDA consent to the publication of this application for public comment by any of the Commissions.

Yours very truly,

signed "D. A. Leslie"

EXHIBIT A

APPLICATION FOR INCORPORATION OF A CORPORATION WITHOUT SHARE CAPITAL UNDER PART II OF THE CANADA CORPORATIONS ACT

TO THE MINISTER OF INDUSTRY CANADA:

I

The undersigned hereby apply to the Minister of Industry Canada for the grant of a charter by letters patent under the provisions of Part II of the Canada Corporations Act constituting the undersigned, and such others as may become members of the Corporation thereby created, a body corporate and politic under the name of

MFDA Investor Protection Corporation/
Corporation de protection des investisseurs de l'ACFM

The undersigned have satisfied themselves and are assured that the proposed name under which incorporation is sought is not the same or similar to, the name under which any other company, society, association or firm as, in existence is carrying on business in Canada or is incorporated under the laws of Canada or any province thereof or so nearly resembles the same as to be calculated to deceive and that it is not a name which is otherwise on public grounds objectionable.

II

The applicants are individuals of the full age of eighteen years with power under law to contract. The name, the address and the calling of each of the applicants are as follows:

Donald A. Leslie
[Retired]
[address]

Martin L. Friedland
[Professor]
[address]

S. Robert Munroe
[Businessman]
[address]

The said applicants will be the first directors of the Corporation.

III

The purposes of the Corporation are:

1. To provide protection to eligible clients of members ("Members") of the Mutual Fund Dealers Association of Canada ("MFDA") who have incurred losses as a result of the insolvency of an MFDA Member in the absolute discretion of the directors in accordance with the policies and criteria published by the Corporation from time to time.

2. To receive, invest, hold, disburse or expend assets and property of any kind and from any source whatsoever for the objects and purposes of the Corporation.

3. To make assessments, or charge fees, levies, disbursements, costs or other amounts on, MFDA Members directly through MFDA or in any other manner in order to raise sufficient funds to maintain the operations of the Corporation and to provide protection to clients of Members as aforesaid.

4. To participate in or manage the administration of the affairs of insolvent Members with or without other participants or organizations in the capital markets in Canada and elsewhere including, without limitation, entering into such agreements or arrangements as the Corporation may consider necessary or desirable with the MFDA, securities regulatory authorities, self-regulatory organizations, governments and their agencies, or other organizations concerned with the distribution of financial products and services and the operation of capital markets in Canada and elsewhere.

5. To do all such other things as may be necessary or incidental to the furtherance of the foregoing objects and purposes.

IV

The operations of the Corporation may be carried on throughout Canada and elsewhere.

V

The place within Canada where the head office of the Corporation is to be situated is the City of Toronto, in the Province of Ontario.

VI

In accordance with Section 65 of the Canada Corporations Act, it is provided that, when authorized by by-law, duly passed by the directors and sanctioned by at least two-thirds of the votes cast at a special general meeting of the members duly called for considering the by-law, the directors of the Corporation may from time to time:

i. borrow money upon the credit of the Corporation;

ii. limit or increase the amount to be borrowed;

iii. issue debentures or other securities of the Corporation;

iv. pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient; and

v. secure any such debentures, or other securities, or any other present or future borrowing or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Corporation, and the undertaking and rights of the Corporation.

Any such by-law may provide for the delegation of such powers by the directors to such officers or directors of the Corporation to such extent and in such manner as may be set out in the by-law.

Nothing herein limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

VII

The directors of the Corporation may invest and re-invest any and all cash, securities and other property belonging to the Corporation from time to time in investments that in their uncontrolled discretion they consider advisable.

VIII

The by-laws of the Corporation shall be those filed with the application for letters patent until repealed, amended, altered or added to.

IX

The Corporation is to carry on its operations without pecuniary gain to its members and any profits or other accretions to the Corporation are to be used in promoting its objects. No part of any income of the Corporation will be available for the personal benefit of any member of the Corporation. In the event of the dissolution, wind-up, liquidation or other termination of the Corporation or the protection fund maintained by it, the property of the Corporation shall be distributed at such time or times as the directors may determine to any organization which (a) is established or operates for not-for-profit purposes and on a basis which qualifies it as being not subject to tax in accordance with the *Income Tax Act* (Canada), and (b) has as a principal object the furtherance in the public interest of the efficiency, safety and competitiveness of the Canadian capital markets.

DATED at the **City** of **Toronto**, in the Province of **Ontario** as of the _____ day of _____, 2002

_____
Donald A. Leslie

_____
Martin L. Friedland

_____
S. Robert Munroe

EXHIBIT B

MFDA Investor Protection Corporation /
Corporation de protection des investisseurs de l'ACFM

BY-LAW NUMBER 1

BE IT ENACTED as a by-law of **MFDA Investor Protection Corporation / Corporation de protection des investisseurs de l'ACFM** (the "Corporation"), which was incorporated under the *Canada Corporations Act* (the "Act"), as follows:

PART 1 - CONDITIONS OF MEMBERSHIP

1.1 **Membership**. Membership in the Corporation shall consist only of members of the board of directors of the Corporation (the "Board"). Each member of the Corporation shall have equal voting rights.

1.2 **Termination of Membership**. The membership of a member shall terminate upon his or her resignation or removal from office as a director of the Corporation.

PART 2 - FEES AND ASSESSMENTS

2.1 **Imposition of Fees and Assessments**. Subject to Section 2.2, the Corporation may from time to time impose or prescribe such fees, levies, assessments or other charges on or in respect of persons who are members of the Mutual Fund Dealers Association of Canada ("MFDA"). The Corporation may make such arrangements for the notification to, and collection from, such persons of any such fees, levies or assessments imposed either directly or indirectly through the MFDA. The amount, nature and basis of any such fees, levies and assessments may be determined by the Board in its sole discretion in a manner and an amount sufficient to further the objects of the Corporation and maintain its operations.

2.2 **MFDA Consent.** The Corporation may only impose or prescribe fees, levies, assessments or other charges on or in respect of members of the MFDA as referred to in Section 2.1 if the MFDA has consented in writing to such fees, levies or assessments, such consent to be evidenced by a resolution of the board of the MFDA or a committee thereof.

PART 3 - HEAD OFFICE

3.1 **Head Office**. Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto, in the Province of Ontario.

PART 4 - BOARD OF DIRECTORS

4.1 **Composition of Board**. The property and business of the Corporation shall be managed by a board consisting of an odd number of directors of not less than 3 and not more than 11 directors. The Board shall be composed of individuals who are either: (i) directors, officers or employees of the MFDA or of members of the MFDA ("Industry Directors"); or (ii) public directors, who shall be individuals who are not disqualified by the criteria set out below ("Public Directors"); such that the number of Industry Directors shall be equal to the number of Public Directors, less one. A person shall not be eligible for appointment or continuation as a Public Director if he or she is (a) an employee, officer, director or associate of a Member of the MFDA or of any affiliated or associated company of such Member, (b) an employee, officer, director or associate of the MFDA, (c) an employee or appointee of any government or agency thereof, (d) a consultant to, or has an ongoing business relationship with, the MFDA or a Member of the MFDA, or (e) an employee, officer or associate of the Corporation. The Chair shall be eligible as a Public Director as long as he or she (i) holds no other office with the Corporation, (ii) is not an employee of the Corporation, or (iii) performs no management or executive functions on behalf of the Corporation in respect of its operations after the earlier of (A) the third anniversary of the date of approval or recognition of the Corporation as a customer protection plan and (B) the date the Corporation first hires its own executive officers or management employees. The appointment of Industry Directors and nomination of Public Directors shall be made bearing in mind appropriate and timely regional representation and, in the case of Industry Directors, experience with various aspects of the nature of the business carried on by Members of the MFDA. The number of directors shall be determined from time to time by a resolution passed at a meeting of the members of the Corporation. Directors must be individuals who are at least 18 years of age with power under law to contract. A majority of the number of directors in office at any time, provided that there is at least one Industry Director present and one Public Director present, shall constitute a quorum.

4.2 **First Directors**. The applicants for incorporation shall become the first directors of the Corporation whose term as members of the Board shall continue until such time as the MFDA shall designate or appoint the initial Industry Directors and initial Public Directors who may be all or any of such applicants or any other person qualified in accordance with Section 4.1 and who shall then become the only directors of the Corporation until their successors are elected or appointed.

4.3 **Term**. The directors shall serve for a term of three years and, subject to the provisions of this Section 4.3, the terms of each of the Industry Directors and Public Directors shall be staggered. The terms of the initial Industry Director(s) and Public Directors designated or appointed in accordance with Section 4.2, or any other directors elected or appointed or an increase in the number of directors, shall be determined by the MFDA to ensure staggered terms of one, two or three years, as the case may be, of members of the board of directors composed in accordance with Section 4.1. The directors may be re-elected or re-appointed for an additional three-year term following the initial term.

4.4 **Election of Public Directors**. Subject to Section 4.2, Public Directors shall be elected by the Board at any time the office of a Public Director is vacated. At such time as a Public Director's office is vacated, the Board's nominating committee shall, as soon as is reasonably practicable, nominate an individual who satisfies the criteria set out in Section 4.1 for election as a Public Director. The Board shall, at the meeting following the receipt of a nomination for Public Director, vote on the election of such nominee.

4.5 **Appointment of Industry Director**s. At such time as an Industry Director's office is vacated, the MFDA shall appoint an Industry Director to fill such vacancy. Upon the MFDA advising the directors of the Corporation of the selection of an individual as Industry Director, such individual shall become a director of the Corporation effective on the date designated by the MFDA.

4.6 **Chair**. The directors shall elect from among themselves a Chair who may be either a Public Director or Industry Director, provided that the first Chair shall be appointed by the MFDA from among the first directors. The Chair will serve until his or her office is vacated in accordance with Section 4.7.

4.7 **Vacancies**. The office of director shall be automatically vacated:

(a) if a director shall resign such office by delivering a written resignation to the secretary of the Corporation;

(b) if the director is found by a court to be of unsound mind;

(c) if the director becomes bankrupt;

(d) if at a special general meeting of members a resolution is passed by 2/3 of the votes cast by the members present at the meeting that the director be removed from office, provided that an Industry Director may only be removed from office with the written consent of the MFDA;

(e) if the term of a director expires in accordance with Section 4.3;

(f) on death; and

(g) director does not satisfy the applicable qualifications in paragraph 4.1.

4.8 **Retiring Director**. Unless the office of a director has been automatically vacated pursuant to Section 4.7, a director shall remain in office until the dissolution or adjournment of the meeting at which a successor is elected or appointed.

4.9 **Place of Meeting and Notice**. Meetings of the Board may be held at any time and place to be determined by the directors provided that 48 hours written notice of such meeting shall be given, other than by mail, to each director. Notice by mail shall be sent at least 14 days prior to the meeting. There shall be at least four meetings per year of the Board. No error or omission in giving notice of any meeting of the Board or any adjourned meeting of the Board shall invalidate such meeting or make void any proceedings taken thereat and any director may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. Each director is authorized to exercise 1 vote. Notwithstanding the foregoing or anything contained herein, any director may, if in the opinion of the Chair or the President of the Corporation the financial condition of a member of the MFDA is such that immediate action by the directors may be required, call for a meeting of directors to consider the action to be taken. Three hours' prior notice of such meeting by telephone or other electronic communication to each director shall be required to be given, but no notice shall be required where all of the directors are in attendance personally or by telephone or other electronic communication in the manner referred to in this Section 4.9.

4.10 **Meetings by Teleconference**. Directors may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other.

4.10.1 If all or not less than 2/3 of the directors of the Corporation consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the Board or of a committee of the Board by means of such conference telephone or other electronic communications facilities to which all directors have equal access and as permit all persons participating in the meeting to hear and communicate with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting.

4.10.2 At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair will determine whether quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any director present may require all persons present to declare their votes individually. The directors shall take such reasonable precautions as may be necessary to ensure that such communications facilities are secure from unauthorized interception or monitoring.

4.11 **Resolutions**. Resolutions will be passed by a majority of the participating directors by a verbal vote recorded by the secretary, unless the Act or these by-laws otherwise provide.

4.12 **Remuneration of Directors**. Directors may receive remuneration at a level as may be determined by the Board.

4.13 **Agents and Employees**. The Board may appoint such agents and engage such employees as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as may be prescribed by the Board at the time of such appointment.

4.14 **Remuneration of Officers, Agents, Employees and Committee Members**. A reasonable remuneration of all officers, agents and employees and non-industry committee members shall be fixed by the Board by resolution.

4.15 **Mail Ballots**. Where attendance by a director at a meeting of the Board, whether in person or by teleconference or other electronic means, is not possible, a director may vote at such a meeting by way of mail ballot. Any votes received by mail ballot after the time of the meeting shall not be counted for the purposes of the meeting. The mail ballot shall only be counted provided that the motion on the floor at the meeting is identical to that contained in the mail ballot and all background material available to directors at the meeting has been made available in advance to directors exercising their vote by mail ballot. A mail ballot cannot replace a director for the purposes of establishing quorum. Any director voting by mail ballot must comply with Part 5 of the By-law prior to the meeting at which the mail ballot will be counted if such director has not already done so at an earlier meeting of the Board.

PART 5 - INTEREST OF DIRECTORS IN CONTRACTS

5.1 (a) **Conflict of Interest**. Any director of the Corporation who:

(i) is a party to a material contract or proposed material contract with the Corporation, or

(ii) is a director or officer of or has a material interest in any body corporate or business firm, whether direct or indirect, that is a party to a material contract or proposed material contract with the Corporation,

shall disclose in writing or have entered in the minutes, the nature and extent of such director's interest in such material contract or proposed material contract with the Corporation.

(b) The disclosure required by (a) above, shall be made:

(i) at the meeting at which a proposed contract is first considered;

(ii) if the director was not then interested in a proposed contract, at the first meeting after such director becomes so interested; or

(iii) if the director becomes interested after a contract is made, at the first meeting held after the director becomes so interested.

(c) If a contract or a proposed contract is one that, in the ordinary course of carrying on the Corporation's non-pecuniary purpose or purposes, would not require approval by the directors or members, a director shall disclose in writing the nature and extent of the director's interest at the first meeting held after the director becomes aware of the contract or proposed contract.

(d) A director referred to in sub-paragraph (a) above is liable to account for any profit made on the contract by the director or by a corporate entity or business firm in which the director has a material interest, unless

(i) the director disclosed the director's interest in accordance with sub- paragraphs (b) or (c) above or (f) below;

(ii) after such disclosure the contract was approved by the directors or members; and

(iii) the contract was reasonable and fair to the Corporation at the time it was approved.

Notwithstanding the foregoing, director who (1) has made a declaration of the director's interest in a contract or a proposed contract and (2) has not voted in respect of such contract contrary to the prohibition contained in sub-paragraph (e) below, (if such prohibition applies), is not accountable for any profit realized by such contract to the Corporation or any of its members or creditors by reason only of such director holding that office or of the fiduciary relationship thereby established.

(e) A director referred to in sub-paragraph (a) above shall not vote on any resolution to approve the contract, unless the contract is an arrangement by way of security for money lent to or obligations undertaken by the director for the benefit of the Corporation.

(f) For the purposes of this paragraph 5.1, a general notice to the directors by a director declaring that the person is a director or officer of or has a material interest in a body corporate or business firm and is to be regarded as interested in any contract made therewith, is a sufficient declaration of interest in relation to any contract so made.

(g) A contract is not void by reason only of the failure of a director to comply with the provisions of this paragraph 5.1 but the court may upon the application of the Corporation or a member, set aside a contract in respect of which a director has failed to comply with the provisions of this paragraph 5.1, and the court may make any further order it thinks fit.

PART 6 - PROTECTION OF OFFICERS AND DIRECTORS

6.1 **For the Protection of Directors and Officers**. Any director or officer of the Corporation shall not be liable for any act, receipt, neglect or default of any other director, officer or employee or for any loss, damage or expense happening to the Corporation through any deficiency of title to any property acquired by the Corporation or for any deficiency of any security upon which any moneys of the Corporation shall be invested or for any loss or damage arising from bankruptcy, insolvency or tortious act of any person including any person with whom any moneys, securities or effects shall be deposited or for any loss, conversion, or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune which may happen in the execution of the duties of such director's or officer's respective office unless such occurrence is as a result of such director's or officer's own wilful neglect or default.

6.2 **Insurance**. If the Board, in its discretion so determines, the Corporation may purchase and maintain insurance for a director or officer of the Corporation against any liability incurred by the director or officer, in the capacity as a director or officer of the Corporation.

PART 7 - INDEMNITIES TO DIRECTORS AND OTHERS

7.1 **Indemnities to Directors and others**. Every director or officer of the Corporation or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against;

(a) all costs, charges and expenses which such director, officer or other person sustains or incurs in or about any action, suit or proceedings which is brought, commenced or prosecuted against him or her, or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him or her, in or about the execution of the duties of his or her office or in respect of any such liability; and

(b) all other costs, charges and expenses which he or she sustains or incurs in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by his or her own wilful neglect or default.

PART 8 - POWERS OF DIRECTORS

8.1 **Powers**. The directors of the Corporation may administer the affairs of the Corporation in all things and make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its charter or otherwise authorized to exercise and do. Without limiting the generality of the foregoing, the Board may authorize the Corporation to contract with any person, corporation, trust or partnership to manage any or all of the affairs of the Corporation, on such terms as the Board may consider appropriate.

8.2 **Executive Committee**. The Board may appoint an executive committee composed of such even number of directors as the Board may determine, provided that the executive committee shall be composed of an equal number of Industry Directors and Public Directors. The executive committee shall exercise such powers as are authorized by the Board. Any executive committee member may be removed by a majority vote of the Board. Meetings of the executive committee shall be held at any time and place to be determined by the members of such committee provided that 48 hours written notice of such meeting shall be given, other than by mail, to each member of such committee. Notice by mail shall be sent at least 14 days prior to the meeting. A majority of the members of such committee, provided that there is at least one Industry Director present and one Public Director present, shall constitute a quorum. No error or omission in giving notice of any meeting of the executive committee or any adjourned meeting of the executive committee of the Corporation shall invalidate such meeting or make void any proceedings taken thereat and any member of such committee may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

8.3 **Audit Committee**. The Board shall appoint an audit committee composed of three or more directors of which the majority shall be public directors. The audit committee shall be responsible for the review and approval of the Corporation's annual financial statements and such other functions as the Board shall determine by resolution.

8.4 **Nominating Committee**. The Board shall appoint a nominating committee which shall be composed of two Public Directors and two Industry Directors. The Nominating Committee shall be responsible for the nomination of candidates for election as Public Directors and such other functions as the Board shall determine by resolution.

8.5 **Committees**. The Board may appoint other committees whose members will hold their offices at the will of the Board. The members of any other such committee need not be directors of the Corporation. The Board shall determine the duties of such committees.

8.6 **Expenditures**. The directors shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees on behalf of the Corporation.

8.7 **Funding**. The Board shall take such steps as it deems requisite to enable the Corporation to acquire, accept, solicit, collect or receive fees, legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.

PART 9 – BORROWING

9.1 **Borrowing Powers**. The Board may, subject to the provisions of the Letters Patent of the Corporation, from time to time:

(a) borrow money upon the credit of the Corporation;

(b) limit or increase the amount to be borrowed;

(c) issue debentures or other securities of the Corporation;

(d) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient;

(e) secure any such debentures, or other securities, or any other present or future borrowing or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Corporation, and the undertaking and rights of the Corporation; and

(f) delegate to such one or more of the officers and directors of the Corporation as may be designated by the directors all or any of the powers conferred by the foregoing sub-clauses (a), (b), (c), (d) and (e) of this section of this By-law to such extent and in such manner as the Board shall determine at the time of each delegation.

9.2 **Arrangements for Borrowing**. From time to time the Board may authorize any director, officer or employee of the Corporation or any other person to make arrangements with reference to the monies borrowed or to be borrowed as aforesaid and as to the terms and conditions of the loan thereof, and as to the securities to be given therefor, with power to vary or modify such arrangements, terms and conditions and to give such additional securities for any monies borrowed or remaining due by the Corporation as the Board may authorize, and generally to manage, transact and settle the borrowing of money by the Corporation.

PART 10 – OFFICERS

10.1 **Appointment**. The officers of the Corporation, which may include the offices of president, vice-president, secretary and treasurer and any such other officers as the Board may by by-law determine, shall be appointed by resolution of the Board at the first meeting of the Board following the annual meeting of members in which the directors are elected or in any other manner as the Board may determine. A person may hold more than one office.

10.2 **Term and Removal of Officers**. The officers of the Corporation shall hold office for such terms as the Board may determine or until their successors are elected or appointed in their stead. Officers shall be subject to removal by resolution of the Board at any time.

PART 11 - DUTIES OF OFFICERS

11.1 **Chair**. The Chair shall be appointed pursuant to paragraph 4.6, shall preside at all meetings of the Corporation and of the Board, shall oversee the general management of the affairs of the Corporation.

11.2 **President**. The president may be the chief executive officer or chief operating officer of the Corporation, and shall, in the absence of the Chair, preside at all meetings of the Corporation and of the Board, shall have the general and active management of the affairs of the Corporation and shall see that all orders and resolutions of the Board are carried into effect, and shall perform such other duties as may be prescribed from time to time by the Board.

11.3 **Vice-President**. The vice-president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties as shall from time to time be imposed upon the vice-president by the Board.

11.4 **Treasurer**. The treasurer shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements of the Corporation in the books belonging to the Corporation and shall deposit all monies, securities and other valuable effects in the name and to the credit of the Corporation in such chartered bank or trust company, or, in the case of securities, in such registered dealer in securities as may be designated by the Board from time to time. The treasurer shall also perform such other duties as may from time to time be directed by the Board.

11.5 **Secretary**. The secretary may be empowered by the Board, upon resolution of the Board, to carry on the affairs of the Corporation generally under the supervision of the officers thereof and shall attend all meetings and act as clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. The secretary shall give or cause to be given notice of all meetings of the members and of the Board and shall perform such other duties as may be prescribed by the Board or by the president, under whose supervision the secretary shall be. The secretary shall be custodian of the seal of the Corporation, which the secretary shall deliver only when authorized by a resolution of the Board to do so and to such person or persons as may be named in the resolution.

11.6 **Duties of Officers**. The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the Board requires of them. Any officer of the Corporation may delegate their duties to one or more individuals.

PART 12 - EXECUTION OF DOCUMENTS

12.1 **Execution of Documents**. Contracts, documents or any instruments in writing requiring the signature of the Corporation, shall be signed by any two officers or directors or a combination thereof and all contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The directors shall have power from time to time by resolution to appoint persons on behalf of the Corporation to sign specific contracts, documents and instruments in writing. The directors may give the Corporation's power of attorney to any registered dealer in securities for the purposes of the transferring of and dealing with any stocks, bonds, and other securities of the Corporation. The seal of the Corporation when required may be affixed to contracts, documents and instruments in writing signed as aforesaid or by persons appointed by resolution of the Board.

PART 13 - MEMBERS' MEETINGS

13.1 **Time and Place of Meetings**. Meetings of the members shall be held at least once a year or more often if necessary at the head office of the Corporation or at any place in Canada as the Board may determine and on such day as the said directors shall appoint.

13.2 **Annual Meetings.** At every annual meeting, in addition to any other business that may be transacted, the report of the directors, the financial statement and the report of the auditors shall be presented and auditors appointed for the ensuing year. The members may consider and transact any business either special or general at any meeting of the members. The Board or the president shall have power to call, at any time, a general or special meeting of the members of the Corporation. The Board

shall call a special general meeting of members on written requisition of members carrying not less than 20% of the voting rights. A majority of the members entitled to vote will constitute a quorum at any meeting of members. Such majority shall be either present in person or represented by proxy at such meeting.

13.3 **Means of Meetings**. Members may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other and communicate adequately. If all the members of the Corporation consent thereto generally or in respect of a particular meeting, a member may participate in a meeting of the members by means of such conference telephone or other electronic communications to which all members have equal access and as permit all persons participating in the meeting to hear and communicate with each other, and a member participating in such a meeting by such means is deemed to be present at the meeting. At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair will determine whether quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any member present may require all persons present to declare their votes individually. The chair of such meetings shall be satisfied that members have taken such reasonable precautions as may be necessary to ensure that such communications facilities are secure from unauthorized interception or monitoring.

13.4 **Resolutions**. Resolutions will be passed by a majority of the members entitled to vote by a verbal vote recorded by the secretary, unless the Act or these by-laws otherwise provide.

13.5 **Notice**. 14 days' written notice shall be given to each voting member of any meeting of members. Notice of any meeting where special business will be transacted should contain sufficient information to permit the member to form a reasoned judgment on the decision to be taken. Notice of each meeting of members must state that the member has the right to vote by proxy.

13.6 **Voting of Members and Proxies.** Each member entitled to vote and who is present at a meeting shall have the right to exercise one vote. A member may, by means of a written proxy, appoint a proxyholder to attend and act at a specific meeting of members, in the manner and to the extent authorized by the proxy. A proxyholder need not be a member of the Corporation.

13.7 **Errors or Omissions in Giving Notice**. No error or omission in giving notice of any meeting or any adjourned meeting, whether annual or general, of the members of the Corporation shall invalidate such meeting or make void any proceedings taken thereat and any member may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. For purpose of sending notice to any member, director or officer for any meeting or otherwise, the address of the member, director or officer shall be that person's last address recorded on the books of the Corporation.

PART 14 - MINUTES OF BOARD OF DIRECTORS MEETINGS

14.1 **Minutes of Board of Directors Meetings**. The minutes of the meetings of the Board and the minutes of the executive committee shall not be available to the general membership of the Corporation but shall be available to the Board, each of whom shall receive a copy of such minutes.

PART 15 - FINANCIAL YEAR

15.1 **Financial Year**. The fiscal year-end of the Corporation shall be, in each fiscal year, the same day as the fiscal year-end of the MFDA.

PART 16 - AMENDMENT OF BY-LAWS

16.1 **Amendment of By-laws**. The provisions of the by-laws of the Corporation not embodied in the letters patent may be repealed or amended by by-law enacted by a majority of the directors at a meeting of the Board and sanctioned by at least 2/3 of the members entitled to vote and participating at a meeting duly called for the purpose of considering the said by-law, provided that (i) Part 2 of this By-law Number 1 may only be amended with the prior written consent of the MFDA, and (ii) the repeal or amendment of such by-laws shall not be enforced or acted upon until the approval of the Minister of Industry Canada has been obtained.

PART 17 – AUDITOR

17.1 **Auditor**. The members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to the members at the next annual meeting. The auditor shall hold office until the next annual meeting, provided that the directors may fill any casual vacancy in the office of auditor. The remuneration of the auditor shall be fixed by the Board.

PART 18 - BOOKS AND RECORDS

18.1 **Books and Records**. The directors shall ensure that all necessary books and records of the Corporation required by the by-laws of the Corporation or by any applicable statute or law are regularly and properly kept.

PART 19 – RULES, REGULATIONS, POLICIES AND AGREEMENTS

19.1 **Rules, Regulations and Policies.** The Board may prescribe such rules, regulations and policies relating to client protection and determination of eligible claims and prudential regulation not inconsistent with these by-laws relating to the management and operation of the Corporation, as they deem expedient, including, without limiting to the generality of the foregoing, in respect of the:

(a) terms of coverage ("Coverage") in respect of claims ("Claims") by clients of members of the MFDA;

(b) method and details of assessment of members of the MFDA contemplated by Section 2.1;

(c) investment of the Corporation's funds, including the funds required for the Corporation's operations or funds accumulated for the purposes of providing Coverage;

(d) procedure for making Claims and for the payment of Claims; and

(e) any other matter which the Board determines is advisable for the administration of its operations and in furtherance of its objects.

19.2 **Agreements**. The Corporation may enter into in its own name agreements or arrangements with any securities commission or regulatory authority, law enforcement agency, self-regulatory organization (including the MFDA), stock exchange or other trading market or other organization regulating or providing services in connection with mutual funds, securities trading or other financial services located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to its authority or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities or mutual funds, or the provision of financial services in Canada or elsewhere

PART 20 – INTERPRETATION

20.1 **Interpretation**. In these by-laws and in all other by-laws of the Corporation hereafter passed, unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and references to persons shall include firms and corporations.

EXHIBIT C

MFDA INVESTOR PROTECTION CORPORATION

COVERAGE POLICY – [July 2003]

DEFINITION OF CUSTOMERS

A customer considered eligible for protection by MFDA IPC shall be any customer of an MFDA Member having an approved securities account used solely for the purpose of transacting securities business directly with the insolvent Member on account of securities and segregated insurance funds received, acquired, borrowed or held for the customer and cash balances. An approved securities account is any account opened in accordance with the rules governing new accounts prescribed by or under the MFDA or any Canadian securities legislation.

The property in an account in respect of which a customer is entitled to protection under this Policy is restricted to mutual fund securities and cash related to the purchase, sale or redemption of mutual fund securities. Other property held in a customer's account with a Member, or mutual funds and related cash held by a person other than the Member, are not covered.

MFDA IPC maintains on its website at www.• a list of Members whose eligible customers are entitled to protection subject to the terms of this Policy

A customer shall be an individual, a corporation, a partnership, an unincorporated syndicate, an unincorporated organization, a trust, a trustee, an executor, an administrator or other legal representative but shall not include:

i) a domestic or foreign securities or mutual fund dealer registered with a Canadian securities commission or foreign equivalent;

ii) any individual or corporation to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the insolvent Member such that the claim represents five percent or more of any class of equity security of the insolvent Member, or any individual who has a claim which is subordinated to the claims of any or all creditors of the insolvent Member;

iii) A general partner or director of the insolvent Member;

iv) a limited partner with a participation of five percent or more in the net assets or net profits of the insolvent Member;

v) someone with the power to exercise a controlling influence over the management or policies of the insolvent Member;

vi) a clearing corporation;

vii) a customer of an institution, securities dealer or other party dealing with a Member on an omnibus basis; and

viii) a customer who caused or materially contributed to the insolvency of a Member.

LIMITS OF COVERAGE

The determination of the amount of financial loss suffered by a customer of an insolvent Member for the purposes of payment by MFDA IPC and the maximum limits of such payments shall be in accordance with this Policy. In addition, the Board of Directors may exercise its discretion, in respect of determining customers eligible for protection and the amount of financial loss suffered, in a manner that is consistent with the right and extent to which a person may be entitled to claim against the customer pool fund of a Member under the *Bankruptcy and Insolvency Act* (Canada), subject to other restrictions in this Policy and the sole discretion of the Directors to determine protection by MFDA IPC. The Directors may rely on the trustee in bankruptcy or the receiver under applicable law in determining the amount and validity of claims of a customer and for the purpose of calculating financial loss. However, in determining the amount to which a customer shall be entitled under this Policy after the calculation of the loss of such customer under the *Bankruptcy and Insolvency Act* (Canada), the amount shall be restricted to the amount of the loss attributable to mutual fund securities and cash related to the purchase, sale or redemption of mutual fund securities, determined on a pro rata basis or in such other manner as the directors consider appropriate in the circumstances.

Persons who deal with Members through accounts used for business financing purposes are not eligible for coverage in respect of such accounts. The Directors may also determine that persons are not customers entitled to protection if they do not deal at arm's length with (i) an insolvent Member or (ii) with a person who is excluded as a customer.

In the case of any question or dispute as to the amount of the financial loss incurred by a customer for the purposes of payment by MFDA IPC, and the maximum amounts to be paid to a customer, the interpretation of the Board of Directors of this Policy shall be final and conclusive. The Board of Directors reserves the right in the appropriate circumstances to authorize any payments in a manner other than as prescribed in this Policy.

Determination of Customer Losses

The financial loss of a customer in respect of which the Directors may authorize payment by MFDA IPC shall be determined as at the date of the insolvency of the Member (as fixed by the Board of Directors) after taking into account the delivery of any securities or property to which the customer is entitled and the distribution of any assets of the insolvent Member. Accordingly, the maximum amount of securities, cash and other property which MFDA IPC may pay to a customer shall be calculated as the balance of the customer's financial loss as a result of the insolvency of the Member net of such deliveries or payments. The Board of Directors may in its discretion reduce the amount of the financial loss of a customer for the purposes of authorizing payments by the amount of compensation the customer may receive from any other source.

The date at which the financial loss of a customer is determined shall be fixed by the Directors as the date of bankruptcy of the Member, if applicable, or the date on which, in the opinion of the Directors, the Member became insolvent. The amount of securities delivered to a customer in satisfaction of a claim shall be the amount of securities to which the customer was entitled as at the date for determining financial loss without regard to subsequent market fluctuations. In lieu of satisfying a claim by the delivery of securities, cash in an amount equal to the value of the securities as at the date for determining financial loss may be paid to the customer even though the amount of such cash is not equal to the value of such securities as at the date of payment.

Maximum Limits of Payments

The Board of Directors may authorize payments to be made to each customer considered eligible for protection by MFDA IPC who has suffered financial loss to a maximum amount of $100,000 attributable only to mutual fund securities and cash related to the purchase, sale or redemption of mutual fund securities with respect to each of (i) the aggregate of all the customer's General Accounts and (ii) each type of aggregated Separate Account of the customer, as such General and Separate Accounts are determined by the Board of Directors. The amount of a customer's claim for cash will be reduced to the extent that the customer is entitled to deposit insurance in respect of all or any of the cash held for an account or to compensation in respect of other securities or property.

GENERAL ACCOUNTS

Each account of a customer considered eligible for protection by MFDA IPC which is not a Separate Account shall be one of the General Accounts of such customer. All General Accounts of a customer, or any interest the customer may have therein, shall be combined or aggregated so as to constitute a single account of such customer for the purposes of determining the payments to be made to the customer. The interest of a customer in an account which is held on a joint or shared ownership basis shall be treated as if it were a Separate Account and combined with the General Accounts of the customer. An account held by a nominee or agent for another person as a principal or beneficial owner shall, except as otherwise provided in this Policy, be deemed to be the account of the principal or beneficial owner.

SEPARATE ACCOUNTS

Each account of a customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the customer. Unless otherwise indicated below, each Separate Account held by a customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account. The burden shall be on the customer to establish each capacity or circumstance in which the customer claims to hold Separate Accounts. An account of a customer shall not be a Separate Account if it existed on the date of insolvency primarily for the purpose of increasing protection by MFDA IPC.

Registered Retirement Plans*: accounts of registered retirement or deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), life income funds (LIFs), locked-in retirement accounts or plans (LIRAs or LIRSPs) and locked-in retirement income funds (LRIFs) established for the account of a customer (excluding spousal plans) which comply with the requirements under the Income Tax Act (Canada) for such plans and which have been accepted by the Minister under such Act, where the customer is entitled to the benefits of the plan. Accounts established with respect to a customer through the same or different trustees shall be combined and aggregated.*

Registered Education Savings Plans*: accounts of education savings plans which comply with the requirements under the Income Tax Act (Canada) for registered education savings plans and which have been accepted by the Minister under such Act, where the customer is the subscriber of the plan. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*

Joint Accounts*: joint accounts which are owned on a joint or shared basis by the owners and for which each co-owner is authorized to act with respect to the entire account, except to the extent that the proportionate interest of a co-owner is required to be combined with a General Account.*

Testamentary Trusts*: accounts held in the name of a decedent, his or her estate or the executor or administrator of the estate of the decedent. Accounts of testamentary trusts held by the same executor or administrator shall not be combined or aggregated unless held in respect of the same decedent.*

Inter-vivos Trusts and Trusts Imposed by Law*: accounts of inter-vivos trusts which are created by a written instrument and trusts imposed by law. Such Separate Accounts of customers shall be distinct from the trustee, the settlor or any beneficiary.*

Guardians, Custodians, Conservators, Committees, etc.*: accounts maintained by a person as a guardian, custodian, conservator, committee or similar capacity in respect of which accounts such person has no beneficial interest. Such accounts held by the same person in any such capacity shall not be combined or aggregated unless held in respect of the same beneficial owner.*

Personal Holding Corporation*: accounts of corporations controlled by a customer shall be Separate Accounts provided that the beneficial ownership of a majority of the equity capital of the corporation is held by persons other than the customer.*

Partnerships*: accounts of partnerships controlled by a customer shall be Separate Accounts provided that the beneficial ownership of a majority of the equity interests in the partnership is held by persons other than the customer.*

Unincorporated Associations or Organizations*: accounts of unincorporated associations or organizations controlled by a customer shall be Separate Accounts provided that the beneficial ownership in a majority of the assets of the association or organization is held by persons other than the customer.*

Introducing/Carrying Brokers*: all accounts which are carried in accordance with MFDA requirements on a fully disclosed basis for the same customer, which has been introduced by another broker and which by agreement is the customer of the carrying broker, shall be combined or aggregated to constitute a single account, unless such accounts are otherwise Separate Accounts under this Policy. Accounts introduced by different brokers shall not be aggregated or combined except as provided in the foregoing sentence.*

EXHIBIT D

MFDA PROPOSED AMENDMENTS TO RULE 2.7 – ADVERTISING AND SALES COMMUNICATIONS AND PROPOSED MFDA POLICY NO. 4 ("ADVERTISING RELATING TO MFDA IPC PARTICIPATION")

1. OVERVIEW

(a) Current Rules

MFDA Rule 2.7 sets out restrictions and requirements for advertising and sales communications issued by Members and their Approved Persons. Rule 2.7 is based closely on the form and substance of By-Law 29.7 of the Investment Dealers Association of Canada ("IDA") and was approved by the relevant securities commissions which have recognized MFDA as a self-regulatory organization.

(b) The Issue

The MFDA Investor Protection Corporation ("IPC") will provide protection to eligible clients of MFDA Members if client property held by such members is unavailable as a result of the insolvency of the Member. Client property eligible for protection under the MFDA IPC will be restricted to mutual fund securities and cash related to the purchase, sale and redemption of mutual fund securities. Other property held in a client's account with a Member will not be covered. Given the restricted nature of the coverage that will be provided under the MFDA IPC, clear disclosure is required to ensure that customers are not misled into believing that protection is available when in fact it is not.

(c) The Objective

The objectives of the proposed amendments to MFDA Rule 2.7 and proposed MFDA Policy 4 ("Advertising Relating to MFDA IPC Participation") are to ensure that customers of Members and the public are:

(i) made aware of the nature and extent of the coverage available to them; and

(ii) not misled into believing that MFDA IPC protection is applicable to them in circumstances where it is not, such as dealings by a customer with financial intermediary groups in which customers of some but not all of the group members are entitled to MFDA IPC protection.

(d) Effect of the Proposed Rule

The proposed amendments and policy are intended to minimize the risk that the public and customers of MFDA Members may not accurately understand the scope of MFDA IPC coverage.

2. DETAILED ANALYSIS

(a) Relevant History and Proposed Amendments

At the time of the enactment of MFDA Rule 2.7 and the recognition of MFDA as a self-regulatory organization by the relevant securities commissions, the nature and extent of the customer protection by MFDA IPC had not been determined. Since that time, the MFDA and the initial directors of MFDA IPC have determined that customer protection by MFDA IPC should be limited to the loss of mutual fund securities and cash related to their purchase, sale and redemption suffered in the event of the insolvency of an MFDA Member. Losses caused by other reasons such as the change in market value of mutual fund securities, unsuitable investments or default of an issuer of mutual funds are not covered. In addition, investments which are not mutual funds or which are held by any person other than a Member, including directly by a customer, are not covered.

There are a number of reasons for the scope of coverage provided. First, MFDA Members may be involved in a wide range of financial services and the scope of protection to customers must be limited. In particular, individual salespersons who are approved as representatives of a Member may also distribute a wide range of financial products (insurance, GICs, financial planning, tax advice, etc.) directly in their personal capacity or through associated enterprises. Second, the financial resources of MFDA IPC will be limited in its initial years of operation and the restriction of coverage to relatively low risk mutual fund securities held by a Member is considered to be a risk commensurate with the resources available. Third, there is no available data available to MFDA or MFDA IPC to accurately measure and assess the risks associated with the various kinds of financial products and services that MFDA Members may deal in, and it is considered to be prudent for MFDA IPC to begin with a narrower rather than wider range of products and risk.

In light of the foregoing factors, the staff of the relevant securities commissions considering the contemporaneous application of MFDA IPC for designation or approval as a customer protection plan have required enhanced disclosure in respect of

MFDA IPC coverage. MFDA IPC does not have direct jurisdiction over Members of MFDA and, accordingly, the basis on which MFDA IPC and MFDA impose advertising and sales communication restrictions on Members in respect of coverage must be through Rules made by MFDA itself.

The most significant difference between the existing MFDA Rule 2.7 (and its corresponding IDA By-Law 29.7) is that MFDA Members are prohibited from holding out or describing in any manner coverage available from MFDA IPC except in the manner permitted in Rule 2.7.4. This approach is intended to limit the circumstances in which a customer of an MFDA Member may misunderstand the scope of MFDA IPC coverage.

The proposed amendments and policy require Members to make disclosure to their customers of protection by the MFDA IPC and regulate the manner in which such disclosure is made. In particular, Members will be required to use the prescribed MFDA IPC official symbol together with the MFDA IPC official explanatory statement on account statements and confirmations. The MFDA explanatory statement directs customers in a "plain language" manner to the fact that the MFDA IPC protects losses only if an MFDA Member becomes insolvent and is unable to return mutual funds and related cash which it holds for customers, and that investments which are not mutual funds or which are held by persons other than a Member are not covered.

The proposed amendments also require Members to use the prescribed MFDA IPC official symbol together with the MFDA IPC referral statement

(i) at their business premises to which customers have access; and

(ii) on advertisements.

The referral statement directs customers to a prescribed brochure (the "MFDA IPC official brochure") describing MFDA IPC coverage which the Members will be required to make available to customers.

The proposed amendments prohibit the use of the MFDA IPC official symbol, explanatory statement or referral statement in circumstances in which a Member is identified with a corporate group including affiliates or related persons, or other entities associated or affiliated with an Approved Person, which are not Members of the MFDA.

(b) Issues and Alternatives Considered

No other alternatives to the proposed amendments and policy were considered. The customer protection available to Members of the IDA through Canadian Investor Protection Fund ("CIPF") is not restricted by product in the same way. In the United States, customers of mutual fund dealers (which are not Securities Investor Protection Corporation (SIPC) dealers) acquiring mutual fund securities are not provided insolvency protection.

(c) Public Interest Objective

The MFDA believes that the proposed amendments and policy are in the public interest in that they will make customers and the public aware of the nature and extent of protection applicable to them and minimize the potential for confusion regarding MFDA IPC coverage.

3. COMMENTARY

(a) Filing in Other Jurisdictions

The proposed amendments will be filed for approval with the Alberta, British Columbia, Manitoba, Nova Scotia, Saskatchewan and Ontario Securities Commissions.

(b) Effectiveness

The proposed amendments are simple and effective.

(c) Process

The proposed amendments to MFDA Rule 2.7 were developed by MFDA staff and have been approved by the MFDA's Board of Directors.

4. SOURCES

MFDA Rule 2.7 (Advertising and Sales Communications).

5. OSC REQUIREMENT TO PUBLISH FOR COMMENT

The MFDA is required to publish for comment the proposed Rule so that the issue referred to above may be considered by Ontario Securities Commission staff.

The MFDA has determined that the entry into force of this Rule would be in the public interest and is not detrimental to the capital markets. Comments are sought on the proposed Rule. Comments should be made in writing. One copy of each comment letter should be delivered on or prior to January 24, 2003, addressed to the attention of the Corporate Secretary, Mutual Fund Dealers Association of Canada, 121 King St. West, Suite 1600, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 King Street West, Toronto, Ontario M5H 3S8. The MFDA will make available to the public on request all comments received unless an author specifically requests confidentiality. Access to confidential comments will not be permitted except as may be required by law.

Questions may be referred to:
Director of Policy
Mutual Fund Dealers Association of Canada
(416) 943-5836

Proposed Amended MFDA Rule Relating to Advertising

2.7 **Advertising and Sales Communications**

2.7.1 **Definitions**

For the purposes of the By-laws and Rules:

(a) "advertisement" includes television or radio commercials or commentaries, billboards, internet websites, newspapers and magazine advertisements or commentaries and any published material promoting the business of a Member and any other sales literature disseminated through the communications media;

(b) "sales communication" includes records, video tapes and similar material, market letters, research reports, and all other published material, except preliminary prospectuses and prospectuses, designed for or use in presentation to a client or a prospective client whether such material is given or shown to them and which includes a recommendation in respect of a security.

2.7.2 **General Restrictions**

No Member or Approved Person shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement or sales communication in connection with its business which:

(a) contains any untrue statement or omission of a material fact or is otherwise false or misleading, including the use of a visual image such as a photograph, sketch, drawing, logo or graph which conveys a misleading impression;

(b) contains an unjustified promise of specific results;

(c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;

(d) contains any opinion or forecast of future events which is not clearly labelled as such;

(e) fails to fairly present the potential risks to the client;

(f) is detrimental to the interests of the public, the Corporation or its Members;

(g) to the extent it refers explicitly or implicitly to coverage by the MFDA IPC, does not clearly disclose that coverage is restricted to mutual fund securities and cash related to the purchase, sale or redemption of mutual fund securities;

(h) if applicable, does not clearly disclose that organizations associated legally or in business with the Member or using a similar name may not be covered by MFDA IPC; or

(i) does not comply with any applicable legislation or the guidelines, policies or directives of the Corporation or any regulatory authority having jurisdiction over the Member.

2.7.3 **Review Requirements**

No advertisement or sales communication shall be issued unless first approved by a partner, director, officer, compliance officer or branch manager who has been designated by the Member as being responsible for advertisements and sales communications.

2.7.4 **MFDA Investor Protection Corporation**

(a) **Definitions**. For the purposes of the By-laws and Rules:

"MFDA IPC" means the MFDA Investor Protection Corporation and "l'ACFM IPC" means Corporation de protection des investisseurs de l'ACFM;

"MFDA IPC official brochure" means any brochure or publication prescribed as such by the MFDA IPC for use by Members;

"MFDA IPC official explanatory statement" means the following statement in English or in French:

"The MFDA IPC protects you against losses, up to a limit of $100,000, if an MFDA member becomes insolvent and is unable to return mutual funds and related cash which it holds in its name for you. The MFDA IPC does not cover any other losses. For example, it does not cover losses of investments other than mutual funds or losses caused by changes in the market value of investments. For details, see www.* or the MFDA IPC's brochure."

"La Corporation de protection des investisseurs de l'ACFM vous protège contre les pertes, jusqu'à concurrence de 100 000 $, que vous pourriez subir advenant l'insolvabilité d'un membre et son incapacité de vous rendre les organismes de placement collectif et les espèces s'y rapportant qu'il détient en son nom pour vous. Elle ne couvre aucune autre perte, comme les pertes provenant de placements qui ne sont pas sous forme d'organismes de placement collectif ou les pertes causées par les fluctuations de la valeur au marché des placements. Pour de plus amples renseignements, veuillez consulter le www.* ou le document de la Corporation de protection des investisseurs de l'ACFM."

"MFDA IPC official symbol" means the symbol, mark, logo or other designation prescribed or designated by Policy as such by the MFDA or the MFDA IPC for use by Members with the word "Member" appearing on top of the official symbol;

"MFDA IPC referral statement" means the following statement in English or French:

"Member MFDA Investor Protection Corporation
Coverage restricted
See official brochure for details"

"Corporation de protection des investisseurs
des membres de l'ACFM
Couverture restreinte
Voir la brochure officielle pour plus de détails"

(b) **Prohibition**. No Member or Approved Person shall hold out or describe in any manner, whether in writing or orally or by advertisement, sales communication or otherwise, coverage by MFDA IPC except as provided for in this Rule 2.7.4. No such holding out or description shall be made until MFDA IPC has commenced providing coverage.

(c) **Premises**. Each Member shall conspicuously display in a prominent place at each of its locations to which customers have access the MFDA IPC official symbol accompanied by the MFDA IPC referral statement. Each decal used shall contain the exact name of the Member and affiliates or related companies which are also members of the MFDA IPC.

(d) **Account Statements and Confirmations**. Each Member shall include on the front of each confirmation and account statement sent to a customer the MFDA IPC official symbol, accompanied by the MFDA IPC official

explanatory statement in a print size not less prominent than the general text of the confirmation or statement, as the case may be.

(e) **MFDA IPC Official Brochure**. Each Member shall provide the current version of the MFDA IPC official brochure in either English or French to:

(i) all new customers together with the New Account Application Form required pursuant to MFDA Rule 2.2.2; and

(ii) all customers of the Member at any time (including customers of the Member at the time this Rule comes into force) on request and by advising such customers in writing at least annually that the MFDA IPC official brochure is available to them on request or on the MFDA IPC website;

(f) **Advertising**. Each Member shall include in any advertisement the words "Member MFDA IPC" and the MFDA IPC referral statement, together with, at the option of the Member, a reproduction of the MFDA IPC official symbol. Except as provided for in this paragraph (f), no Member shall display any symbol relating to the MFDA IPC other than the MFDA IPC official symbol or include any symbol, statement or explanation relating to the MFDA IPC or the Member's membership in the MFDA IPC in any advertisements other than the MFDA IPC official symbol together with the MFDA IPC referral statement. Use of the MFDA IPC official symbol in printed or visual materials or media shall be in a manner and size such that the visual impact of the official symbol shall not be greater than that of the Member's name, logo or identifying symbol where used in the same materials or medium or in the same location within the Member's premises.

(g) **Members of MFDA IPC**. For the purposes only of complying with this Rule 2.7.4 and to the extent permitted by MFDA IPC from time to time, Members shall identify themselves as members of the MFDA IPC.

(h) **Corporate Groups**. The MFDA IPC official symbol, explanatory statement, or referral statement is prohibited in respect of any materials or circumstances in which a Member is identified with a corporate group including affiliates or related persons, or any entities associated or affiliated with an Approved Person, which are not members of the MFDA IPC. This prohibition is applicable to, without limitation,

(i) consolidated reports and statements of a Member and its parent or affiliates (other than subsidiaries);

(ii) promotion or trade show booths or displays for more than one organization and not all participants named or identified in the booths or displays are not members of MFDA IPC; and

(iii) the use by Approved Persons together with trade or business names which relate to businesses in respect of which there is no MFDA IPC coverage;

(i) **English / French Language**. Subject to applicable laws, a Member may comply with the requirements of this Rule in either the French or English language.

(j) **Termination of Membership**. Upon the termination or suspension of its membership, each Member shall immediately cease using the MFDA IPC official explanatory statement, the MFDA IPC referral statement, the MFDA IPC official brochure or the MFDA IPC official symbol, and shall cease identifying itself as a Member of the MFDA IPC.

(k) **Exemptions**. A Member or Approved Person may be exempted from all or part of the requirements of this Rule 2.7.4 to the extent prescribed by MFDA from time to time if, in the opinion of the MFDA or MFDA IPC, compliance with the requirements by the Member or Approved Person would be misleading or result in confusion as to the availability of coverage.

EXHIBIT E

MFDA POLICY NUMBER 4

ADVERTISING RELATING TO MFDA IPC PARTICIPATION
[• 2003]

DISCLOSURE OF MEMBER COVERAGE

Members of the Mutual Fund Dealers Association of Canada ("MFDA") are required to make disclosure to their customers of protection by the MFDA Investor Protection Corporation ("MFDA IPC") in accordance with Rule 2.7.4 of the MFDA. The Corporation has prescribed certain aspects of the extent and manner of this disclosure by this Policy. Reference should also be made to Rule 2.7.4 of the MFDA for details of these requirements, not all of which are reproduced in this Policy.

The purpose of Rule 2.7.4 and this Policy is to ensure that customers of Members and the public are:

(a) made aware of the nature and extent of protection applicable to them; and

(b) not misled into believing that MFDA IPC protection is applicable to them in circumstances where it is not, such as dealings by a customer with financial intermediary groups in which customers of some but not all of the group members are members of MFDA IPC.

The application and interpretation of this Policy shall be subject to the principles in (a) and (b) above, and the Corporation may make any final interpretation or determination as to this Policy and its application.

MFDA IPC Official Symbol with Explanatory Statement

The MFDA IPC official symbol together with the MFDA IPC official explanatory statement is required to be used by Members of the MFDA on account statements and confirmations sent to customers.

MFDA IPC Official Symbol with Referral Statement

The MFDA IPC official symbol together with the shorter MFDA IPC referral statement guiding customers to the MFDA IPC official brochure is required to be used by Members:

- at their business premises to which customers have access; and
- on advertisements.

Use of the MFDA IPC official symbol together with the MFDA IPC referral statement is optional in certain limited circumstances described under the heading "Optional Use in Advertising" below.

The MFDA IPC official symbol shall be in one of the following forms:

(i) Member MFDA IPC

(ii) Member

[logo]

(iii) Member MFDA Investor Protection Corporation

(iv) Membre CPI ACFM

(v) Membre

[logo]

(vi) Membre Corporation de protection des investisseurs de l'ACFM

Note: Use of the logo is mandatory in forms (ii) and (v) and is an optional addition in the other forms listed above. A bilingual logo may also be used.

[logo]

If the Member identifies other associations or memberships in its materials, the MFDA IPC official symbol shall be at least of the same print size and visual impact. The colour of the logo shall be a prescribed colour or black.

DISPLAY AT PREMISES

Members are to conspicuously display the MFDA IPC official symbol in a prominent place at each of its premises to which customers have access. The MFDA IPC official symbol shall be accompanied by the MFDA IPC referral statement. Members shall comply with this requirement by use of the decal prescribed and made available by the MFDA IPC at the expense of the Member. The decal may be attached to doors, windows, plaques on counters or other similar visible surfaces. If in any location the Member also displays a sign or symbol of membership or affiliation with any regulatory organization, the MFDA IPC decal will be displayed in the same manner and immediately adjacent to such other sign or symbol. Members should ensure that the use and placement of a decal shall not cause, or be reasonably expected to cause, customers of another financial intermediary or institution to believe that they are entitled to MFDA IPC protection if they are not.

Premises at which the decal is to be displayed shall include all premises of the Member (including branch and sub-branch locations) if customers or potential customers have access to them and such access is utilized in the normal course of business. For instance, if customers are not normally permitted to attend at a sub-branch office, such as a residence of a salesperson, display of the decal is not required.

OPTIONAL USE IN ADVERTISING

Use of the MFDA IPC official symbol together with the MFDA IPC referral statement by Members is optional in the following circumstances. Any such optional use of the MFDA IPC official symbol shall be subject to the principles, and interpretations and determinations of the Corporation, set out at the beginning of this Policy.

- Signs or plates in the office or attached to the building or buildings in which the Member's offices are located.
- Listings in directories.
- Classified or display advertisements relating to the recruitment of personnel.
- Printed advertisements less than 10 square inches in space.
- Advertisements by radio or telephone less than 30 seconds in time.
- Advertisements by television less than 15 seconds in time.
- Internal news wires.
- Press releases.
- Supplies such as stationery, envelopes and cheques.
- Promotional items such as calendars, matchbooks, pens, paperweights, etc.
- Telephone market reports.
- Research reports.
- Annual reports and statements of financial condition (which may be consolidated with subsidiaries).
- Market letters and similar communications.
- Promotion or trade show booths or displays.

EXEMPTIONS

The By-laws and rules of the MFDA provide for exemptions from certain advertising and other requirements as prescribed by the MFDA from time to time. The Corporation intends as a general approach to only consider and permit exemptions on a basis applicable to all Members and not on individual application. However, in extenuating circumstances application may be made to the President, Chief Operating Officer or Vice President, Member Regulation of MFDA for relief from some or all of such advertising requirements. With respect to any specific exemption from the requirements of Rule 2.7.4, applicants will be expected to demonstrate that compliance with the requirements by the applicant would be misleading or result in confusion as to the availability of coverage.

13.1.5 MFDA Investor Protection Corporation Order

MFDA INVESTOR PROTECTION CORPORATION ORDER

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

AND

IN THE MATTER OF
REGULATION 1015 MADE UNDER THE ACT, R.R.0. 1990, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
MFDA INVESTOR PROTECTION CORPORATION

APPROVAL ORDER
(Section 110 of the Regulation)

Pursuant to section 110(1) of the Regulation, every dealer, other than a security issuer, shall participate in a compensation fund or contingency trust fund approved by the Commission and established by, among others, a self-regulatory organization;

The MFDA Investor Protection Corporation (MFDA IPC) has applied for approval as a compensation fund under section 110 of the Regulation;

The MFDA IPC is established by the Mutual Fund Dealers Association of Canada (MFDA);

The Commission has recognized the MFDA as a self-regulatory organization under section 21.1 of the Act on February 6, 2001 (the Recognition Order);

The terms and conditions of the Recognition Order refer to the establishment of the MFDA IPC;

Members of the MFDA must contribute to the MFDA IPC as a condition of membership of the MFDA;

The MFDA IPC intends to provide protection to eligible customers of the MFDA members if customer property comprising mutual fund securities and cash related to the purchase, sale and redemption of mutual fund securities held by such members is unavailable as a result of the insolvency of the member;

The MFDA IPC intends to commence coverage of customer accounts on July 1, 2003 (the Coverage Date);

The MFDA IPC has entered into an agreement with the MFDA, pursuant to which the MFDA IPC will receive all information it deems necessary to ensure that the MFDA IPC can fulfil its mandate and manage risks to the public and MFDA IPC assets on a reasonable basis;

The MFDA IPC has agreed to the terms and conditions set out in Schedule "A";

Based on the application of the MFDA IPC and the representations and undertakings the MFDA IPC has made to the Commission, the Commission is satisfied that the approval of MFDA IPC would not be prejudicial to the public interest;

The Commission approves MFDA IPC as a compensation fund pursuant to section 110 of the Regulation, subject to the terms and conditions set out in Schedule "A**".**

Dated •

_____ _____

SCHEDULE A

TERMS AND CONDITIONS

1. Corporate Structure and Purpose of MFDA IPC

The MFDA IPC has, and will continue to have, the appropriate legal authority to carry-out its objective of providing protection to eligible customers of the members of the MFDA if the customer property comprising mutual fund securities and cash related to the purchase, sale and redemption of such mutual fund securities (all referred to as "Mutual Funds" in this order) held by such members become unavailable as a result of the insolvency of such members, in accordance with established by-laws, rules, regulations or policies of the MFDA IPC.

2. Corporate Governance

(a) To ensure diversity of representation, MFDA IPC will ensure that:

(i) its board is comprised of individuals that represent the size, diversity, nature and regional distribution of the businesses of MFDA members and the interests of investors in order to provide a proper balance between the differing interests among MFDA members and investors; and

(ii) in recognition that the protection of the public interest is a primary goal of the MFDA IPC, its board is comprised of an odd number of directors, the majority of which will be public directors. A public director is a director that is not

(A) an associate, employee, director or officer of a member of the MFDA or an affiliated or associated company of such member;

(B) an associate, employee, director or officer of the MFDA;

(C) an employee or appointee of any government or agency thereof;

(D) a consultant to, or has an ongoing business relationship with, the MFDA or a MFDA member; or

(E) an associate, employee or officer of the MFDA IPC, provided the Chair shall be eligible as a Public Director as long as he or she (i) holds no other office with the Corporation, (ii) is not an employee of the Corporation, or (iii) performs no management or executive functions on behalf of the Corporation in respect of its operations after the earlier of (A) the third anniversary of the date of approval or recognition of the Corporation as a customer protection plan and (B) the date the Corporation first hires its own executive officers or management employees.

(b) The MFDA IPC's governance structure will provide for:

(i) fair and meaningful representation on its board and any committees of its board;

(ii) appropriate representation of persons independent of the MDFA or any of its members or of any affiliated or associated company of such member on MFDA IPC committees and on any executive committee or similar body;

(iii) appropriate qualification, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of the MFDA IPC generally; and

(iv) an audit committee, the majority of which will be made up of directors that are public directors.

(c) The MFDA IPC Board will appoint independent auditors for the MFDA IPC, for the purpose of conducting an audit of the MFDA IPC's annual financial statements.

3. Funding and Maintenance of MFDA IPC

(a) The MFDA IPC will have a fair, transparent and appropriate process for setting fees, levies and assessments (collectively, the Assessments) for each MFDA member's contribution. The Assessments will:

(i) be allocated on an equitable basis among MFDA members; and

(ii) balance the need for the MFDA IPC to have sufficient revenues to satisfy claims in the event of an insolvency of an MFDA member and to have sufficient financial resources to satisfy its operations costs without creating barriers to becoming a member of the MFDA.

(b) The MFDA IPC has provided the Commission with a current copy of the method of assessing MFDA members and will notify the Commission 30 days prior to making any changes to the method of assessment.

(c) The MFDA IPC will make all necessary arrangements for the notification to MFDA members of the Assessments and the collection of the Assessments either directly from MFDA members or indirectly through the MFDA.

(d) The MFDA IPC Board has determined that $5 million is an adequate initial fund size. The MFDA IPC Board will conduct an annual review of the adequacy of the level of assets and Assessment amounts and methodology and will ensure that the level of assets remains adequate to cover potential customer claims pursuant to section 4.

(e) The MFDA IPC will immediately report to the Commission any actual or potential material adverse change in the level of MFDA IPC assets.

(f) Moneys in the MFDA IPC will be invested in accordance with rules, regulations and policies (collectively, the Investment Policies) approved by the MFDA IPC Board, who will be responsible for regular monitoring of the investments. The general parameters of the Investment Policies shall include safety of principal and a reasonable income while at the same time ensuring that sufficient liquid funds are available at any time to pay customer claims. The MFDA IPC shall provide the Commission with its current Investment Policies and will inform the Commission of any changes to the Investment Policies.

(g) The MFDA IPC shall implement an appropriate accounting system, including a system of internal controls for maintaining MFDA IPC assets.

4. Customer Protection

(a) The MFDA IPC shall provide fair and adequate coverage, for all eligible customers of MFDA members, for customer losses of Mutual Funds resulting from the insolvency of a MFDA member.

(b) Without limiting the foregoing, the MFDA IPC shall provide, at a minimum, coverage of $100,000 per eligible customer account for Mutual Funds, where customer losses result from the insolvency of a MFDA member.

(c) The MFDA IPC shall establish and maintain by-laws, rules, regulations and policies (collectively, the Coverage Policies) relating to customer coverage including, but not limited to:

(i) a definition of eligible customer and ineligible customer;

(ii) types of products covered and amount of coverage per eligible customer account;

(iii) a process for the review of claims that will be based on fairness to customers, expediency and cost efficiency. Decisions by MFDA IPC staff and Directors will be objective and consistent with prior decisions according to the Coverage Policies; and

(iv) a fair and reasonable internal appeals or review process whereby customer claims that are not accepted for payment by the initial reviewer(s) will be reconsidered by Directors, either individually or in a sub-committee, who were not involved in the initial decision under review.

(d) The Coverage Policies will not prevent a customer from taking legal action against the MFDA IPC in a court of competent jurisdiction in Canada, nor will the MFDA IPC contest the jurisdiction of such a court to consider a claim where the claimant has exhausted the MFDA IPC's internal appeals or review process.

(e) The MFDA IPC will provide a current copy of the Coverage Policies to the Commission and the MFDA IPC will inform the Commission 30 days prior to implementing any changes to its Coverage Policies.

(f) The MFDA IPC adequately informs customers of MFDA members of the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer account .

(g) In the event of an insolvency of a member of the MFDA, the MFDA IPC shall respond quickly and decisively, in accordance with its Coverage Policies, in assessing claims.

(h) The MFDA IPC shall also co-operate and provide reasonable assistance to the MFDA when a member firm is in or is approaching financial difficulty, or when the MFDA is administering an insolvency.

5. Financial and Operational Viability (Including Risk Management)

(a) The MFDA IPC has, and will maintain, sufficient financial resources for the proper performance of its functions.

(b) The MFDA IPC will ensure it receives all necessary information from the MFDA in order to:

(i) fulfil its mandate and manage risks to the public and MFDA IPC assets;

(ii) assess whether the prudential standards and operations of the MFDA are appropriate for the coverage provided and the risks incurred by the MFDA IPC; and

(iii) identify and deal with MFDA members that may be in financial difficulty.

(c) The MFDA IPC will conduct reviews of MFDA members if appropriate where the MFDA IPC believes the member is in financial difficulty or the MFDA IPC determines it may be subject to a material claim or the MFDA so requests.

6. Reporting to the Commission

(a) The MFDA IPC will provide to the Commission any reports, documents or information requested by the Commission or Commission staff. The Commission or Commission staff and the MFDA IPC may review and revise such reporting requirements as necessary on an on-going basis.

(b) The MFDA IPC will immediately notify the Commission where it has knowledge of:

(i) any conditions which in the opinion of the MFDA IPC could give rise to payments being made out of the MFDA IPC, including any conditions which have contributed substantially to or, if appropriate corrective action is not taken, could reasonably be expected to:

(A) inhibit an MFDA member from promptly completing securities transactions, promptly segregating customers' securities as required or promptly discharging its responsibilities to customers, other MFDA members or other creditors;

(B) result in material financial loss;

(C) result in material misstatements of the MFDA member's financial statements; or

(D) result in violations of the minimum record requirements to an extent that could reasonably be expected to result in the conditions described in paragraphs (A), (B) or (C) above;

(ii) misconduct or apparent misconduct by a MFDA member and its registered or approved employees and others where investors, customers, creditors, MFDA members, or the MFDA IPC may reasonably be expected to suffer serious damage as a consequence thereof, including where the solvency of a MFDA member is at risk, fraud is alleged or there is a concern of deficiencies in supervision or internal controls, and

(iii) any MFDA member who has withdrawn or has been expelled from the MFDA.

(c) The MFDA IPC shall provide to the Commission a report detailing any action taken with respect to a MFDA member in relation to the member's insolvency. The report shall describe the circumstances of the insolvency, including a summary of the actions taken by the MFDA member, the MFDA and the MFDA IPC and any committee or person acting on behalf of such parties.

(d) The annual audited financial statements of the MFDA IPC, prepared in accordance with generally accepted accounting principles, will be delivered to the Commission promptly after being approved by the MFDA IPC Board and no later than 90 days after the close of the MFDA IPC fiscal year.

7. Rules

(a) The MFDA IPC will establish by-laws, rules, regulations, policies, procedures, practices and other similar instruments (the Rules) that:

(i) are not contrary to the public interest; and

(ii) are necessary or appropriate to govern all aspects of its business and affairs.

(b) More specifically, the MFDA IPC will ensure that:

(i) the Rules are designed to:

(A) ensure the continued business viability of MFDA members;

(B) ensure reasonable funding of the MFDA IPC and Assessments to MFDA members, without creating significant barriers to the mutual fund industry and without compromising investor protection;

(C) ensure the maintenance of a reasonable level of MFDA IPC assets to afford protection for eligible customers of MFDA members; and

(D) ensure that its business is conducted in an orderly manner so as to afford protection to investors;

(ii) the Rules shall not:

(A) be contrary to securities legislation;

(B) permit unreasonable discrimination among customers of MFDA members and MFDA members; or

(C) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.

8. Agreement with the MFDA

The MFDA IPC has entered into an agreement with the MFDA pursuant to which the MFDA IPC will receive all information it deems necessary to ensure that the MFDA IPC can fulfil its mandate and manage risks to the public and MFDA IPC assets on a reasonable basis. Such agreement, as may be amended from time to time, shall continue to be in force at all times. No amendments will be made to the agreement unless 30 days prior notice of the amendments has been given to the Commission.

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Chapter 25

Other Information

25.1.1 Securities

RELEASE FROM ESCROW

COMPANY NAME	DATE	NUMBER AND TYPE OF SHARES	ADDITIONAL INFORMATION
Infolink Technologies Ltd.	Nov. 19, 2002	25,000 common shares	

25.2 Approvals

25.2.1 David Valentine - OSC Rule 45-501

Headnote

Ontario Securities Commission Rule 45-501 - Exempt Distributions - section 1.1; Recognition as an accredited investor under OSC Rule 45-501 for a period of two years commencing November 30, 2002.

November 15, 2002

Blake, Cassels & Graydon LLP

Attention: David Valentine

Re: Application filed by The VenGrowth Investment Fund Inc. under Ontario Securities Commission Rule 45-501 – Accredited Investor Recognition

By letter dated October 29, 2002 (the "Application"), you requested, on behalf of The VenGrowth Investment Fund Inc. (the "Fund"), a renewal of the Funds recognition as an accredited investor under Ontario Securities Rule 45-501 (the "Rule").

This letter confirms that based on the information and representations contained in the Application and for the purposes described in the Application, the Ontario Securities Commission has recognized the Fund as an accredited investor under the Rule for a period of two years commencing on November 30, 2002 and ending 12:01 a.m. Toronto time on November 30, 2004, subject to renewal.

Application for renewal of recognition as an accredited investor should be made at least 30 days prior to the date the recognition expires.

Yours truly,

"Harold P. Hands" "Robert L. Shirriff"

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