The Ontario Securities Commission

OSC Bulletin

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

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

DECEMBER 20, 2002

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
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H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

DATE: TBA	**First Federal Capital (Canada) Corporation and Monte Morris Friesner** s. 127 A. Clark in attendance for Staff Panel: TBA
Date: TBA	**Offshore Marketing Alliance and Warren English** s. 127 A. Clark in attendance for Staff Panel: TBA
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
DATE: TBA	**Robert Thomislav Adzija *et al* (Douglas Cross & Holmes)** s. 127 T. Pratt in attendance for Staff Panel: RLS/HLM
January 8, 9 & 10, 2003 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 14, 2003 10:00 a.m.	**Philip Services Corporation (Motion)** s. 127 K. Manarin in attendance for Staff Panel: HIW	
January 23, 2003 10:00 a.m.	**Meridian Resources Inc. and Steven Baran** s. 127 K. Manarin 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	
April 2003	**Phoenix Research and Trading Corporation, Ronald Mock and Stephen Duthie** s. 127 T. Pratt in attendance for Staff Panel: TBA	

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

Global Privacy Management Trust and Robert Cranston

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

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

1.1.2 Notice of Request for Comments – Proposed Amendments to OSC Rule 31-502 – Proficiency Requirements for Registrants, OSC Rule 31-505 – Conditions of Registration and OSC Rule 35-502 – Non-Resident Advisers

NOTICE OF REQUEST FOR COMMENTS

PROPOSED AMENDMENTS TO
RULE 31-502 – PROFICIENCY REQUIREMENTS FOR REGISTRANTS
AND
RULE 31-505 – CONDITIONS OF REGISTRATION
AND
RULE 35-502 – NON-RESIDENT ADVISERS

The Commission is publishing for comment in today's Bulletin proposed amendments to Rule 31-502 – Proficiency Requirements for Registrants, Rule 31-505 – Conditions of Registration and Rule 35-502 – Non-Resident Advisers. Comments will be accepted until March 31, 2003.

The Notice and proposed amendments are published in Chapter 6 of this Bulletin.

1.1.3 IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information – Approval by Ontario Minister of Finance

IOSCO MULTILATERAL MEMORANDUM OF UNDERSTANDING CONCERNING CONSULTATION AND COOPERATION AND THE EXCHANGE OF INFORMATION – APPROVAL BY ONTARIO MINISTER OF FINANCE

On December 5, 2002 the Ontario Minister of Finance approved the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MOU). In accordance with section 143.10 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, the IOSCO MOU comes into effect on the day it is approved by the Minister.

The IOSCO MOU recognizes the increasing international activity in the securities and derivatives markets, and the corresponding need for mutual cooperation and consultation among IOSCO members to ensure compliance with, and enforcement of, their securities and derivatives laws and regulations, and establishes an international benchmark for cooperation and information-sharing among the IOSCO members.

IOSCO members must apply to become a signatory to the IOSCO MOU by completing a questionnaire (included in Appendix B to the IOSCO MOU), the responses to which indicate the member's ability to comply with the provisions of the IOSCO MOU. The questionnaires are then reviewed by a screening group and a verification team, each of which make recommendations to a committee of chairmen, which decides whether to accept or reject the application. IOSCO members will become signatories to the IOSCO MOU as their applications are accepted. The application of the Ontario Securities Commission was accepted on October 16, 2002.

The IOSCO MOU was published in the Bulletin on November 1, 2002. (See (2002) 25 OSCB 7157.)

Questions may be referred to:

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1.1.4 OSC Staff Notice 11-719 - A Risk-based Approach for More Effective Regulation

OSC STAFF NOTICE 11-719
A RISK-BASED APPROACH FOR
MORE EFFECTIVE REGULATION

The purpose of this staff notice is to provide details of the Ontario Securities Commission's risk-based approach to securities regulation and to outline the benefits of this approach for market participants. For the first time, we are publishing a complete description of the methods and criteria used by staff throughout the OSC to determine whether to conduct detailed reviews of market participants and their activities.

We believe the publication of this information will promote the following outcomes:

- it will educate market participants about best practices;
- it will assist market participants in identifying unacceptable market conduct; and
- it will assist our stakeholders in assessing the OSC's efficiency and effectiveness in allocating resources.

Taken together, we believe these outcomes will contribute to improving investor confidence, which, at the time of writing, has been shaken by U.S. financial reporting scandals.

Part 1 of this staff notice describes our risk-based approach, and our rationale for disclosing the criteria. Parts 2 to 5 list the risk criteria staff use for four separate purposes:

1) to select prospectuses (not including those issued by investment funds) for more detailed review (Part 2);

2) to select reporting issuers (not including investment funds) for a continuous disclosure review (Part 3);

3) to determine the frequency of compliance reviews of advisers and fund managers (Part 4); and

4) to determine which enforcement matters will be pursued through full investigations (Part 5).

1. The Risk Review Process

A risk-based approach is becoming increasingly common among the world's major securities regulators, and it has become fundamental to the way the OSC operates. It is entrenched in several of our branches, including Capital Markets, Corporate Finance and Enforcement, and we plan to expand its use to additional areas, such as the regulation of investment funds.

What is a Risk-based Approach?

Finite resources will always limit the number of tasks OSC staff can take on. As a regulator of a thriving capital market, and one with a broad mandate, we need a method to prioritize among many possible activities. In recent years we have been basing these decisions increasingly on risk, and focusing our efforts where the potential risks to Ontario's capital markets are highest.

A risk-based approach to securities regulation is a system designed to target those activities and market participants where problems are more likely to arise so that limited resources are most effectively employed.

The Meaning of "Risk"

In this context, there are several types of risk that OSC staff attempt to mitigate through focused regulatory attention, including the following:

- Investors of a reporting issuer bear a risk that the issuer's regulatory filings and other public disclosure do not comply with applicable requirements.
- Clients of an adviser or fund manager face a risk that the firm is not adequately managing or monitoring the risks particular to its business.
- The interests of investors, and the capital markets in general, are at risk when market participants materially breach securities laws.

The challenge for staff is to identify the market participants and activities that pose the highest risk, so that we can focus our limited resources on these matters. A risk-based approach enables us to better protect investors, and to avoid making unnecessary demands on the majority of market participants who wish to comply (and do in fact comply) with securities laws.

How Staff Identify Risk

In practice, staff have developed detailed sets of criteria to use in evaluating which activities and market participants might be considered "high risk". Based on our previous experience, data analysis, and awareness of best practices, we have found that certain indicators are useful in predicting where compliance problems may exist. We use these indicators as our risk review criteria.

Each criterion typically carries a weighting, or value, reflecting its overall importance in determining the risk rating. As a result, for example, transgressions that affect many capital market participants are treated differently than those affecting relatively few. And deliberate acts are treated differently than inadvertent ones.

A typical risk review process can be described as follows. We apply the appropriate criteria to the market participant or activity in question during an initial review. If our initial review of a situation demonstrates that few of the criteria

are triggered, we are unlikely to pursue it further. If enough of the indicators are present, however, we will proceed to review or investigate the matter in more detail. During a detailed review, we conduct a much more thorough examination that is not limited to the subject matter of the initial criteria. (Note that this is a generalized description of our risk review process, which in fact varies by department. More specific details, and the criteria themselves, can be found in Parts 2 to 5 of this notice.)

This risk-based approach offers a number of significant benefits, including the following:

- We apply greater scrutiny to market participants and activities that pose greater potential risk to the marketplace, reviewing them more frequently and in more detail.
- The use of standardized criteria increases the objectivity and consistency of decisions made during the initial review, without totally eliminating staff discretion.
- A two-stage review process is more efficient. Resource-intensive detailed reviews are avoided in situations where they would be unlikely to uncover problems.
- The process reduces the regulatory burden on the majority of market participants who, due to effective compliance or disclosure practices, pose the lowest risk to capital markets.

Practical Details on the Risk Review Process

The results of an initial risk review are not determinative of the final outcome. In other words, staff will neither initiate nor avoid regulatory action based solely on the results obtained through the initial application of the risk criteria. We recognize that the criteria are useful only for making relatively quick assessments of the need for more detailed review.

We will not disclose why we selected a particular market participant or activity for more detailed review. In other words, we will not identify the specific criteria we found to be applicable to a particular situation. If the detailed review or investigation reveals that the initial concerns were unfounded, then those concerns are no longer relevant. If the review uncovers significant compliance problems, then staff will address those problems with the market participant.

In most cases, the criteria listed in this staff notice will be the primary influence on our decision on how to proceed. However, there will be situations where we select for detailed review activities or market participants that do not strictly meet the published criteria. There are three reasons why this might occur:

1) Some reviews will be undertaken on a purely random basis. The results of detailed reviews that would not otherwise have been conducted can be used to evaluate the effectiveness of the selection criteria, and possibly to update the model. Random reviews also help to ensure that all market participants are subject to regulatory scrutiny at some point in time, even though they might not have triggered a review based on the risk criteria. The random selection tool is not used by Enforcement staff.

2) The specific criteria used in our models will likely change over time to match new market realities or to reflect our experiences with the models. We will update this notice when the criteria have changed sufficiently to warrant it.

3) We reserve the right to perform detailed reviews based on our own discretion or judgement.

Rationale for Publishing the Criteria

In 1994 we published an earlier version of the selective review criteria applicable to prospectuses and continuous disclosure (see Notice 20, 17 O.S.C.B. 4386), but this is the first time we are publishing our criteria for enforcement or compliance reviews.

Our primary motivation for publishing this information is our desire to increase the transparency of our risk-based approach to regulatory functions. We believe our stakeholders have a right to know how we are allocating our resources – that is, how we are spending the fees we collect from them. Furthermore, we believe raising awareness of the techniques we have developed for identifying risk will help our stakeholders assess their effectiveness. This, in turn, should contribute to confidence in the OSC as a capital markets regulator, and by extension, confidence in the capital markets themselves.

We are hopeful that the market participants we regulate, in particular, can benefit from a better understanding of how we evaluate their activity in the market and what we consider important. After all, we much prefer to foster compliance rather than uncover transgressions. However, we do not expect market participants to alter their behaviour significantly based solely on this notice. Many of the criteria on the following pages are a reiteration of best practices that are already well known. And many others relate to aspects of a business or its operating results that cannot readily be changed.

In publishing these criteria, it is not our intention to help market participants avoid scrutiny, nor to give them a roadmap for evading detection. As a result, we have chosen not to disclose the specific thresholds at which certain criteria apply, nor the relative weightings of the criteria.

2. Prospectus Review Criteria

An issuer wishing to complete a public distribution of securities in Ontario must first obtain a receipt from the OSC for its prospectus. The OSC's Corporate Finance branch uses a selective review system as a tool for

determining the level of scrutiny to apply to each prospectus before issuing a receipt. (The selective review system described in this section does not apply to investment fund issuers.)

The objective of the selective review system is to focus limited staff resources on material and relevant issues, thereby facilitating an effective and cost-efficient review process. This policy was first described in Notice 20 – Selective Review of Prospectuses and Other Documents, issued in 1994 (17 O.S.C.B. 4386).

Currently we apply our selective review system to all prospectuses filed in Ontario. We are considering whether to change this policy to focus only on those issuers for whom the OSC is the principal regulator.

There are three possible outcomes under the selective review system: basic review, full review, and issue-oriented review.

Basic Review. Staff complete a basic review of every long form and short form prospectus submitted, which includes applying a standard set of criteria (listed below) to determine whether the filing will be subjected to a more detailed review.

The criteria are designed to identify:

1) those issuers whose disclosure is most likely to be materially improved or brought into compliance with regulations as a result of staff review; and

2) prospectuses for which the Director may be obligated to refuse to issue a receipt.

The use of standardized criteria helps ensure that issuers are treated equally, and that matters are addressed and resolved by staff in a consistent manner.

Full Review. If a sufficient combination of the criteria are satisfied, we proceed to complete a full review. A full review constitutes a complete review of the entire prospectus and any documents incorporated by reference. All accounting, legal and financial aspects of a document are examined for compliance with applicable securities and accounting regulation, policies and practices. Where Ontario is the issuer's principal jurisdiction, a full review also includes a review of the issuer's continuous disclosure.

While the importance or weighting of the different criteria varies, the chances a prospectus will be selected for full review increase as more criteria are found to be applicable. We retain the discretion to select documents for review that do not meet the selection criteria, based on external factors. The criteria used may change over time.

The short form prospectus system is designed to shorten the time period in which, and streamline the procedures by which, qualified issuers can obtain access to Canadian capital markets. For this reason, when appropriate, we will review the continuous disclosure record of issuers qualifying for the short form prospectus system as part of a CD review, rather than at the time of the offering.

A number of the prospectuses that do not otherwise satisfy the selection criteria are randomly selected for a full review.

Issue-oriented Review. An issue-oriented review constitutes a review of a specific legal or accounting issue identified by the initial screeners, and does not cover the balance of the prospectus. We only undertake this type of review when the criteria for a full review are not met. Specific accounting, legal and disclosure issues may also arise from time to time which warrant special attention. These issues may arise as a result of the circumstances, developments or activities of a given issuer, industry or market segment, or as a result of policy developments generally.

Following is the list of the prospectus review criteria currently used by staff.

Issuer's Corporate Structure and Underlying Business

- The issuer appears to have no active business, or little experience in its current business.
- The issuer proposes to use the proceeds of the offering to change its fundamental business purpose.
- The issuer has a complex corporate structure.
- The issuer proposes or has recently completed a significant capital restructuring, acquisition, amalgamation, reverse take-over or other reorganization.

Issuer's Financial Condition or Results

- The issuer has experienced significant changes or fluctuations in financial condition or operating results in recent years.
- The issuer has not provided all of the required audited financial statements for previous fiscal years.
- The issuer is experiencing financial difficulty, as indicated by going concern note disclosure, debt defaults, a history of losses, negative cash flow and other financial indicators.
- The issuer discloses a significant or unusual lawsuit or contingency.

Nature of the Offering

- The expected size of the offering is unusually low.
- A significant portion of the proceeds of the offering is unallocated.
- The expenses of the offering are unusually high.

- The security the issuer proposes to offer is novel or complex from a legal or accounting point of view (e.g. securitization transactions or equity lines).

- Issuing a receipt for the prospectus would result in the issuer becoming a reporting issuer in Ontario. (This includes initial public distributions and non-offering prospectuses.)

- The issuer has distributed securities to the public previously, but has not listed its securities on a major exchange.

Matters Relating to Advisers or Corporate Governance

- Previous experience or information available to staff (such as a CD review, public complaint, media report or referral from another regulator) indicates that the issuer itself, or a particular director, officer, promoter or external adviser associated with the offering, warrants additional scrutiny.

- The issuer has not engaged an underwriter to perform due diligence in connection with the offering.

- The issuer has issued or proposes to issue significant stock options to management, insiders, or advisers.

- The underwriter plans to maintain a significant ongoing equity position or management role with the issuer.

- The issuer plans to use a significant portion of the proceeds to reduce its debt to the underwriter.

- The issuer discloses significant recent related party transactions.

3. Continuous Disclosure Review Criteria

The OSC's Continuous Disclosure (CD) team is responsible for reviewing the information disseminated by non-investment fund reporting issuers on an ongoing basis. The CD team's target is to review each of the more than 1,700 active Ontario-based issuers, on average, once every four years.

Working within this broadly defined target, CD staff have considerable flexibility to determine the frequency and type of review conducted for any particular issuer. We use the continuous disclosure review criteria set out below to make this determination. The criteria are designed to identify issuers whose disclosure is most likely to be materially improved or brought into compliance with securities law or accounting standards as a result of staff review, or whose potential impact on the markets is significant.

The CD review criteria are likely to change frequently as certain disclosure-related issues rise to greater public prominence, or as consensus or controversy develops around particular accounting issues or disclosure practices.

Some issuers will be selected for CD review on a random basis, regardless of the results of applying the review criteria.

There are three general types of CD review.

1) A **full review** typically includes an examination of the issuer's entire disclosure record for the past year, and of the financial statements for the past two years. In addition to all prescribed regulatory filings, staff may choose to review such materials as press releases, the issuer's website, trading activity, industry data, analyst reports, and conference call transcripts.

2) **Issue-oriented reviews** focus on particular disclosure issues or particular industries. Some of the issues recently addressed through issue-oriented reviews include interim financial statements, executive compensation disclosure, and revenue recognition practices.

3) The third type of CD review, a **limited review**, encompasses a more discrete review of the issuer's disclosure record.

For more background information on the CD review program, please see OSC Staff Notice 51-703 (23 O.S.C.B. 4123).

Following is the current list of continuous disclosure review criteria.

Stock Trading Activity

- Technical analysis of a company's securities uncovers unusual trading patterns, an unusual price-to-earnings multiple, or other factors indicating a higher likelihood of disclosure-related issues.

- An issuer has a significant potential stock market impact due to its market capitalization, trading volume, or inclusion on a well-known index.

Issuer's Financial Condition or Results

- The issuer or its industry is experiencing financial difficulty, as indicated by going concern note disclosure, debt defaults, a history of losses, negative cash flow and other financial indicators.

- The issuer has recently restated or corrected prior years' financial results.

- The issuer reports significant restructuring charges, unusual fluctuations in earnings, or other unusual items.

- The issuer discloses a significant or unusual lawsuit or contingency.

Accounting Methods and Practices

- The issuer changes a significant accounting policy and the rationale for the change is not apparent.

- The financial statements include unusual Canadian/U.S. GAAP reconciliation items.

- The issuer has completed transactions where the accounting treatment is unclear or where staff are aware of divergent views as to accounting practice, such as novel financial instruments.

Auditor-Related Issues

- The auditors' report includes a qualified opinion, non-standard wording or missing information.

- The auditor is terminated or resigns, and the issuer has disclosed a disagreement, unresolved issue, or consultation as described in National Policy Statement 31.

- Previous experience or information available to staff indicates that the issuer itself, its auditor, or a particular director or officer warrants additional scrutiny.

Prior Regulatory Scrutiny

- The issuer has not recently been the subject of a CD review by staff of the OSC or another provincial securities regulator.

- The issuer has a history of prior defaults or prior non-compliance with securities requirements.

- The issuer has a history or recent practice of not filing any material change reports or news releases for significant intervals of time.

- Another branch of the Commission, or another regulator, has referred a matter to the attention of the CD team.

- Public complaints, media reports, staff observations or other credible sources indicate that disclosure issues may exist.

Other Factors to Consider

- An issuer's structure or operations raise specific issues that have risen to such public prominence that they might impact confidence in the capital markets.

- The issuer has significant operations in international regions where the financial markets or business sector may reasonably be expected to be subject to significant disruption.

4. Compliance Risk Assessment Criteria

The goal of the OSC's Compliance team is to ensure compliance by market participants with Ontario securities laws. In this section, "market participants" means Fund Managers (FMs) and Investment Counsel/Portfolio Managers (ICPMs). Except as noted, most of the risk factors listed below apply to both FMs and ICPMs.

Staff's primary tool for verifying compliance is a detailed field review conducted on the premises of the market participant. During a typical field review, we review functions such as trading and brokerage, portfolio management, conflicts of interest, marketing, financial condition and administration. Examples of examination procedures include:

- assessing the procedures for allocation of investment opportunities such as "hot" initial public offerings and block trades;

- reviewing the procedures used for personal trading;

- assessing the process for preparation and reporting of performance data to clients; and

- reviewing the portfolio management activities of clients' accounts or funds' portfolios.

Following the on-site review, which may last two to three weeks, we issue a report noting deficiencies that indicate non-compliance with securities and related regulation, policies and practices, as well as observations of weaknesses in internal control systems.

In the past, firms were often selected for field reviews on a random basis. Staff recently concluded that OSC resources would be more effectively used, and the regulatory burden more equitably distributed, if the frequency of reviews were tied to the risk each market participant poses to its clients and to the capital markets. Accordingly, the Compliance team has developed a risk assessment model to assign risk scores to each of the market participants in Ontario (numbering approximately 400 in 2002).

We now determine the frequency of compliance reviews for a particular market participant based primarily on its overall "Investor Risk" rating, with the highest-risk firms being reviewed most often. Investor Risk is a measure of the risks facing a market participant, and how it manages or monitors those risks. It is defined as the sum of the measured risks (Inherent Risk, External Risk and Internal Risk) less the measured Risk Controls.

Investor Risk is not the only determinant of the frequency of compliance reviews; each year we will randomly select some market participants for review.

Staff have calculated initial risk scores for each market participant based primarily on the results of a comprehensive survey conducted in 2001 and 2002.

Beginning in April 2003, we intend to meet with senior management of each market participant assessed as "high risk" to discuss the basis for the ranking. Senior management of market participants assessed as medium and low risk will be advised of their rankings on completion of compliance field reviews.

The results of risk assessments and their assigned risk rankings are disclosed to market participants for the purposes of internal operational control. Market participants are not permitted to disclose or advertise their risk rankings to any third party.

The risk assessment model described in this staff notice is not a static model. The specific risk factors used by staff will be revised, where necessary, to reflect changes in industry practice or regulatory requirements as they evolve.

Following is a description of the risk categories and specific risks currently included in staff's risk assessment model.

INHERENT RISK

Inherent risk is the pure risk that is intrinsic to the specific business of the market participant, without considering the impact of any related internal controls, or established policies and procedures.

Business activity

Risk factors include:

- diversity and complexity of financial products and services offered by FMs;
- types of clients served by an ICPM, and their associated vulnerability;
- size and age of the business, and in particular its ability to sustain financial loss and weather business cycles.

Strategic and tactical management

Risk factors include:

- effectiveness of methods for arriving at appropriate business strategies and decisions;
- effectiveness of methods for selecting appropriate business partners and implementing the integration of operations to achieve synergies;
- nature and complexity of the corporate structure and ownership, and in particular, the opportunity for inappropriate related party transactions and potential conflicts of interest.

Financial condition

Risk factors include:

- profitability and liquidity, including cost structure and the sustainability of revenue sources;
- ability of an ICPM to meet minimum working capital requirements;
- pending litigation and contingencies which may impair a firm's solvency and business reputation.

EXTERNAL RISK

External risk relates to the market participant's strategic fit with its external environment and effectiveness in responding to external influences.

Regulatory Risk

There is currently only one risk factor in this category:

- ability to understand, acknowledge, and respond to regulatory requirements and ensure compliance with the regulatory environment.

INTERNAL RISK

Internal risk factors relate to the market participant's ability to operate effectively and efficiently based on its current level of resources.

Quality of management and staff

Risk factors include:

- knowledge and experience to carry out responsibilities effectively;
- turnover among key staff;
- adequacy of resources to effectively carry out operating procedures and risk management practices;
- degree of reliance on key personnel.

Adequacy of and changes in systems

Risk factors include:

- effectiveness and availability of the firm's operational and communications technology;
- security and integrity of data, particularly data that impact record keeping relating to cash, securities and client accounts;
- reliability of information systems to completely and accurately process and account for transactions.

Adequacy of marketing and selling practices

Risk factors include:

- appropriateness of advertising and selling practices;
- completeness of ICPM disclosure practices, including the disclosure of any management fees, referral fees, soft dollars, and potential conflicts of interest.

Adequacy of operational procedures

Risk factors include:

- sufficiency of operating procedures to completely and accurately process, account for and report on transactions;
- appropriateness of ICPM investment policies and strategies, based on the investment objectives of the clients;
- appropriateness of the methodology used in the valuation of securities;
- performance and service quality provided by contracted third parties, including sub-advisors.

Susceptibility to fraud or unethical behaviour

Risk factors include:

- ethics and professionalism of management and staff, and their likelihood of engaging in inappropriate practices;
- possible inducements resulting from compensation structure and performance measurements.

RISK CONTROL

Risk Control reflects the market participant's ability to identify, assess and appropriately manage the risks that it faces. Staff's risk assessment model allows any market participant, regardless of the nature of its business, to reduce its overall risk rating through effective internal control procedures.

Board, management and staff

Staff consider the following controls in place to mitigate risk:

- effectiveness of organizational elements such as roles and responsibilities and reporting relationships;
- effectiveness of the governance structure and process, including the timely, proactive flow of relevant information to all key stakeholders;
- degree to which management and staff culture fosters and promotes an environment of regulatory compliance and control consciousness.

Risk management and control

Staff consider the following controls in place to mitigate risk:

- effective risk management practices, particularly a method to identify, prioritize, assess, monitor and manage risks;
- independent and effective compliance, legal and internal audit functions;
- well designed and implemented internal control policies and procedures.

5. Enforcement Case Selection Criteria

The OSC's Enforcement branch is responsible for the equitable and effective enforcement of Ontario's securities laws. In practice, this means investigating potential breaches on a case-by-case basis, and initiating proceedings in only the most serious cases.

Enforcement staff receive referrals of potential offences from a number of sources, including public complaints, media reports, and their own market surveillance activities. The volume of referrals prevents us from devoting investigative resources to every one of them. We must therefore pursue those potential breaches that appear to have caused (or may continue to cause) the greatest harm to the integrity of Ontario's capital markets, taking into account both the likelihood of a successful resolution and the resources likely to be required to achieve such an outcome.

Categories of offences pursued by Enforcement staff include the following: abusive trading (including market manipulation and insider trading); abusive sales practices; deficient disclosure (including prospectuses, financial results and material change reports); failure to file reports; take-over bid issues; registrant misconduct (such as misappropriation and improper supervision); and sale of unregistered securities.

Staff have developed a standardized set of case selection criteria (listed below), allowing us to determine, in a consistent and objective manner, which matters to pursue.

The Case Assessment team conducts the initial review of all leads referred to the branch, while the Surveillance team is focused on the initial review of potential trading abuses. The initial review consists of any fact gathering and preliminary investigative work required to apply the criteria. Only those cases that satisfy the selection criteria are investigated more fully; a complete investigation requires a significant commitment of resources.

The Investigation team uses the same selection criteria as the Case Assessment team and the Surveillance team to

identify serious breaches of Ontario securities law when a more thorough evaluation is required. Based on the results of its work, the Investigation team decides whether a case merits a final referral to the Litigation team to initiate formal proceedings. This internal process works like a funnel, with each team eliminating a portion of the cases it considers.

Staff use the following selection criteria to assist us in the review process.

Nature of the Activities

- Staff consider the detrimental impact on the markets that different types of activities can have.
- Staff consider the categories of market participants involved, such as registrants and non-registrants, reporting issuers and their officers and directors, as well as non-reporting issuers and their officers and directors.

Impact

- The number of investors affected and the value of their losses is significant.

Urgency

- The alleged improper activity is ongoing.
- Investors' assets are at risk.
- There is a risk that evidence will be destroyed.
- Regulators from other countries or provinces have requested our assistance.

Investigative Value

- The activity appears to be pervasive.
- Resolution of the case would likely have precedent value for future cases.
- The activity appears to have been carried out over a lengthy period of time.
- Multiple parties appear to have been involved in the activity.
- The behaviour appears to have been conspiratorial, covert or planned.
- Staff's investigation is largely completed, so that few additional resources would be needed to proceed.
- The party has previously been warned or sanctioned by the OSC or another regulator.
- The case involves an issue that the Commission has determined is a high priority issue.
- The industry has been put on notice regarding a particular issue.
- The case is a matter before the Securities Enforcement Review Committee (SERC), a committee formed to investigate multi-jurisdictional securities infractions.

Other Factors

- The case involves a reporting issuer whose securities trade on a major stock exchange.
- The facts of the case include involvement or endorsement from a member of a profession that investors rely upon when making investment decisions.
- The activity has received sufficient public profile or media attention to affect public confidence in the integrity of our capital markets.

Diminishing Factors

A number of factors, if present, will reduce the likelihood of staff pursuing a case. Diminishing factors include the following:

- The case includes potential criminal activity and has been referred to other law enforcement authorities.
- Ontario is not the primary jurisdiction.
- Related matters are already under review in other cases.
- Continued pursuit of the case would require an extraordinary commitment of resources, disproportionate to the conduct in question.
- Appropriate alternative remedies are available.
- A number of years has elapsed since the offence occurred.
- The activity appears to have been inadvertent.

Questions may be directed to:

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1.1.5 Notice of Ministerial Approval - National Instrument 14-101 Definitions - Amendments

**NOTICE OF MINISTERIAL APPROVAL
NATIONAL INSTRUMENT 14-101 DEFINITIONS - AMENDMENTS**

On December 5, 2002, the Ontario Minister of Finance approved amendments to National Instrument 14-101 *Definitions*. In accordance with section 143 of the *Securities Act*, the amendments to National Instrument 14-101 *Definitions* are published in Chapter 5 of the Bulletin. The amendments will come into force on December 31, 2002.

1.3 News Releases

1.3.1 OSC to Consider Settlements Reached Between Staff and Douglas Cross and George Holmes

FOR IMMEDIATE RELEASE
December 11, 2002

ONTARIO SECURITIES COMMISSION TO CONSIDER SETTLEMENTS REACHED BETWEEN STAFF AND DOUGLAS CROSS AND GEORGE HOLMES

TORONTO – On December 19, 2002 commencing at 10:00 a.m., the Ontario Securities Commission will convene two consecutive hearings to consider settlements reached by Staff of the Commission and each of the respondents Douglas Cross and George Holmes.

During the material time, George Holmes was registered with the Commission to trade mutual fund securities and limited market products. Mr. Cross has never been registered with the Commission. The respondents sold Saxton securities to Ontario investors. Staff alleges that they participated in illegal distributions of a security and engaged in conduct contrary to the public interest. In the case of Douglas Cross, Staff's allegations include that he engaged in unregistered trading.

Mr. Cross' settlement hearing was initially scheduled for October 9, 2002 but was adjourned. The terms of the settlement agreements between Staff and each of the respondents 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 Notices 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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1.3.2 OSC Approves Three Settlements in Clansman 98 Investments Case; Will Consider Two Remaining Settlements

FOR IMMEDIATE RELEASE
December 12, 2002

OSC APPROVES THREE SETTLEMENTS IN CLANSMAN 98 INVESTMENTS CASE; WILL CONSIDER TWO REMAINING SETTLEMENTS

TORONTO – The Ontario Securities Commission yesterday approved settlement agreements reached by Staff of the Commission with David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock.

These agreements arise from an enforcement action initiated on August 9, 2002 in which OSC Staff alleged that Murdock and Clansman traded in securities in violation of the prospectus and registration requirements contained in Ontario securities law. In the settlement agreements, Murdock and Clansman admit that, as a result of this illegal distribution, an amount in excess of $1,000,000 was raised from at least 89 investors. Johnson admitted that he failed to properly supervise the actions of Edwards Securities Inc. ("ESI") and David Edwards in the course of this illegal distribution.

The settlement agreements approved by the Commission include the following sanctions:

- Murdock must cease trading in securities on a permanent basis, is permanently prohibited from becoming a director or officer of an issuer, must resign any positions that he currently holds as a director or officer of an issuer, and was reprimanded by the Commission;
- Clansman must cease trading in securities on a permanent basis, and was reprimanded by the Commission; and
- Johnson is permanently prohibited from becoming a director or officer of a registrant, and was reprimanded by the Commission.

Next week, the Commission will consider settlement agreements reached with the remaining respondents, ESI and David Gerald Edwards. The settlement hearing is currently scheduled to proceed on Tuesday, December 17th at 10 am in the Main Hearing Room of the Commission's offices, located on the 17th Floor, 20 Queen Street West, Toronto. The hearing is open to the public except as may be required for the discussion of confidential matters.

With respect to the respondents ESI and Edwards, Staff of the Commission allege that they participated in the illegal distribution of securities of Clansman and engaged in other conduct contrary to the public interest.

The terms of the settlement agreement with Edwards and ESI are confidential until approved by the Commission.

Copies of the Notice of Hearing and Statement of Allegations in this matter, as well as the Settlement Agreements and final Orders made regarding Murdock, Clansman and Johnson are available on the Commission's website at **www.osc.gov.on.ca** or from the offices of the Commission at 20 Queen Street West, 19th Floor, Toronto.

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1.3.3 Arnold Guettler Returned to Jail for Securities Offences

FOR IMMEDIATE RELEASE
December 12, 2002

ARNOLD GUETTLER RETURNED TO JAIL FOR SECURITIES OFFENCES

TORONTO – A resident of Simcoe county is in jail today after being arrested yesterday by the Durham Regional Police and returned to custody where he will continue serving his sentence for violating the *Securities Act*. Arnold Guettler was sentenced to 5 months incarceration by the Honourable Mr. Justice Babe of the Ontario Court of Justice for violating the *Securities Act.*

Guettler has been at large since November 27, 2002, when the Court of Appeal dismissed his appeal against conviction and sentence as abandoned and he was required to surrender into custody immediately. When he failed to surrender, a Warrant for Arrest and a Warrant for Committal were issued.

Between October 15, 1994 and January 10, 1997, Arnold Guettler, Neo-Form Corporation and Neo-Form North America Corp. (the "Defendants") raised in excess of $2 million dollars from the sale of shares and promissory notes to approximately 140 investors by means which the Court found contrary to the *Securities Act*.

On July 9, 2001, the Honourable Mr. Justice Babe of the Ontario Court of Justice sentenced Arnold Guettler to 5 months in jail on each of three convictions under the *Securities Act*. The sentences were to be served concurrently. Neo-Form Corporation and Neo-Form North America Corp. were fined $5,000 in respect of each of three convictions under the *Securities Act* for a total fine of $15,000 against each company.

On February 5, 2001, the Defendants were found guilty of: (1) trading in securities, namely shares and promissory notes issued by the Defendants, without being registered to trade in such securities contrary to section 25(1) of the *Securities Act*; (2) trading in such securities without having filed a prospectus contrary to section 53(1) of the *Securities Act*; and (3) making representations that the shares of Neo-Form Corporation and Neo-Form North America Corp. would be listed on a stock exchange with the intention of effecting trades in such securities contrary to section 38(3) of the *Securities Act*. The Defendants were found not guilty of giving undertakings as to the future value of the shares of Neo-Form Corporation and Neo-Form North America Corp. to potential investors with the intention of effecting trades in such securities contrary to section 38(2) of the *Securities Act*.

Arnold Guettler, Neo-Form Corporation and Neo-Form North America Corp. appealed to the Divisional Court. On May 17, 2002, the appeal against conviction and sentence was dismissed.

On the same date, May 17, 2002, Arnold Guettler, Neo-Form Corporation and Neo-Form North America Corp. sought leave to appeal to the Court of Appeal for the province of Ontario. Guettler was released on bail pending appeal on May 22, 2002.

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1.3.4 OSC Adjourns Hearing Date in the Matter of Offshore Marketing Alliance and Warren English to February 17, 2003

FOR IMMEDIATE RELEASE
December 16, 2002

OSC ADJOURNS HEARING DATE IN THE MATTER OF OFFSHORE MARKETING ALLIANCE AND WARREN ENGLISH TO FEBRUARY 17, 2003

TORONTO – The hearing before the Ontario Securities Commission in respect of Offshore Marketing Alliance and Warren English, originally scheduled to resume on January 15 and 16, 2003, has been adjourned to February 17 and 18, 2003.

Copies of the Notice of Hearing and Statement of Allegations are available on the Commission's website at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario M5H 3S8.

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1.3.5 OSC Approves Settlements Reached with Edwards Securities Inc. and David Gerald Edwards

FOR IMMEDIATE RELEASE
December 17, 2002

OSC APPROVES SETTLEMENTS REACHED WITH EDWARDS SECURITIES INC. and DAVID GERALD EDWARDS

TORONTO – The Ontario Securities Commission today approved settlement agreements reached by Staff of the Commission with Edwards Securities Inc. ("ESI") and David Gerald Edwards.

These agreements arise from an enforcement action initiated on August 9, 2002 in which OSC Staff alleged that Edwards and ESI traded in securities in violation of the prospectus requirements contained in Ontario securities law, and failed to declare their interests in the trades. In their settlement agreement, Edwards and ESI admit that, as a result of this illegal distribution, an amount in excess of $1,000,000 was raised from at least 89 investors.

The settlement agreement approved by the Commission includes the following sanctions:

- Edwards' registration under Ontario securities law was terminated, and he must cease trading in securities on a permanent basis; is permanently prohibited from becoming a director or officer of an issuer; must resign any positions that he currently holds as a director or officer of an issuer; was reprimanded by the Commission; and

- ESI's registration under Ontario securities law was terminated; it must cease trading in securities on a permanent basis, and it was reprimanded by the Commission.

In approving the settlement agreement, Commissioner Robert Davis remarked that the respondents' conduct "had brought no credit to the public markets", and merited the severest of sanctions.

Copies of the settlement agreement and final Order are available on the Commission's website at **www.osc.gov.on.ca** or from the offices of the Commission at 20 Queen Street West, 19th Floor, Toronto.

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1.3.6 OSC Publishes Risk-based Criteria to Promote Transparency and Educate Market Participants

FOR IMMEDIATE RELEASE
December 19, 2002

OSC PUBLISHES RISK-BASED CRITERIA TO PROMOTE TRANSPARENCY AND EDUCATE MARKET PARTICIPANTS

TORONTO – For the first time, the Ontario Securities Commission is publishing the risk-based criteria used by staff throughout the Commission to determine whether to conduct detailed reviews of market participants and their activities. OSC staff expects that the release of this information will increase the transparency of important regulatory functions and educate market participants about how we evaluate their activities.

The risk criteria are designed to identify and target the most likely instances of non-compliance with securities laws. When an initial review indicates that a sufficient number of the criteria are met, staff will assess the situation as high risk, and proceed to review or investigate it more thoroughly.

"A risk-based approach is a means of focusing our staff's attention on the most important matters," said David Brown, Chair of the OSC. "With finite resources, we can't attempt to do everything and do it well. A selective approach allows us to apply greater scrutiny to the situations most likely to have an adverse impact on the capital markets, while reducing the regulatory burden on those market participants who pose a lower risk."

Staff currently uses a risk review process for four purposes:

- to select prospectuses and other offering documents (not including those issued by investment funds) for more detailed review;

- to select reporting issuers (not including investment funds) for a continuous disclosure review;

- to determine the frequency of compliance reviews of advisers and fund managers; and

- to determine which enforcement matters will be pursued through full investigations.

Staff is publishing the risk criteria to increase the transparency of an important OSC process. Besides shedding light on the OSC's techniques for allocating its resources, the publication of the selection criteria will educate market participants about how staff evaluates their activity in the market and what we consider important. However, market participants cannot be assured of escaping scrutiny simply by organizing their affairs to avoid the published criteria. Staff will select some market participants for detailed review on a random basis, and others based on our own discretion or judgement.

For investors, an important outcome of a risk-based approach to securities regulation will be to help market participants address risks in their operations. The best example of this process can be seen in the approach of the OSC's Compliance team, which conducts field reviews of advisers and fund managers.

After developing their risk criteria, Compliance staff surveyed each of the approximately 400 advisers and fund managers in Ontario on various aspects of their operations, and used the results to assign a risk ranking to each firm. Beginning in April, 2003, staff will meet with senior management of each market participant assessed as "high risk" to discuss the basis for the ranking. Senior management of market participants assessed as medium and low risk will be advised of their rankings on completion of compliance field reviews.

Complete descriptions of the risk review process and selection criteria are included in OSC Staff Notice 11-719 – A Risk-based Approach for More Effective Regulation, available on the OSC website at **www.osc.gov.on.ca**.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 PATHFINDER Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - open-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions - first trade in additional units deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 5522.

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

AND

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

AND

**IN THE MATTER OF
PATHFINDER INCOME FUND**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Yukon (the “Jurisdictions”) has received an application from PATHFINDER *Income Fund* (the “Trust”) for a decision, pursuant to the securities legislation of the Jurisdictions (the “Legislation”), that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the “Registration and Prospectus Requirements”) shall not apply to certain trades in units of the Trust pursuant to a distribution reinvestment plan (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 or in Québec Commission Notice 14-101;

AND WHEREAS THE TRUST has represented to the Decision Makers that:

1. The Trust is an unincorporated closed-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of September 25, 2002.

2. The Trust is not considered to be a “mutual fund” as defined in the Legislation because the holders of Units (“Unitholders”) are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Trust as contemplated in the definition of “mutual fund” in the Legislation.

3. The Trust became a reporting issuer or the equivalent thereof in the Jurisdictions on September 26, 2002 upon obtaining a receipt for its final prospectus dated September 25, 2002 (the “Prospectus”). As of the date hereof, the Trust is not in default of any requirements under the Legislation.

4. The beneficial interests in the Trust are divided into a single class of voting units (the “Units”). The Trust is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided beneficial interest in the Trust.

5. The Units are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “PAZ.UN”. As of the date hereof, 15,500,000 Units are issued and outstanding.

6. The Trust currently intends to make cash distributions (“Distributions”) of distributable income to Unitholders of record on the day on which the Trust declares a distribution to be

payable (each a "Declaration Date"), and such Distributions will be payable on a day which is on or before the last business day of the month following a Declaration Date (each a "Distribution Date").

7. The Trust has adopted the Plan which, subject to obtaining all necessary regulatory approvals, will permit Distributions to be automatically reinvested, at the election of each Unitholder, to purchase additional Units ("Plan Units") pursuant to the Plan and in accordance with a distribution reinvestment plan agency agreement entered into by the Trust, Middlefield PATHFINDER Management Limited in its capacity as manager of the Trust (in such capacity, the "Manager") and MFL Management Limited in its capacity as agent under the Plan (in such capacity, the "Plan Agent"). The Plan will not be available to Unitholders who are not residents of Canada for the purposes of the *Income Tax Act* (Canada).

8. Pursuant to the terms of the Plan, a Unitholder will be able to elect to become a participant in the Plan by notifying the Manager, or by causing the Manager to be notified, in writing, of the Unitholder's decision to participate in the Plan. Participation in the Plan will not be available to Unitholders who are not residents of Canada for the purposes of the *Income Tax Act* (Canada).

9. Distributions due to participants in the Plan ("Plan Participants") will be paid to the Plan Agent and applied to purchase Plan Units. Plan Units purchased under the Plan will be purchased by the Plan Agent in the market or directly from the Trust in the following manner:

   (a) if the weighted average trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed) for the 10 trading days immediately preceding the relevant Distribution Date (the "Market Price") plus estimated brokerage fees and commissions is greater than or equal to the net asset value of the Trust (the "Net Asset Value") per Unit on the applicable Distribution Date, the Plan Agent will, after such Distribution Date, apply Distributions to the purchase of Plan Units from the Trust at a price equal to Net Asset Value per Unit as at the Distribution Date, provided that if the Net Asset Value per Unit as at the Distribution Date is less than 95% of the Market Price per Unit on the Distribution Date, then Plan Units will be purchased from the Trust at a price equal to 95% of the Market Price as at the Distribution Date;

   (b) if the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit on the Distribution Date, purchases of Plan Units will be made in the market during the 10 business days next following the relevant Distribution Date, on any business day when the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit determined as at such Distribution Date, and on the 11th business day after the Distribution Date the unused part (if any) of the Distributions paid to the Plan Agent for the benefit of Plan Participants will be applied to a purchase of Plan Units from the Trust in accordance with paragraph (a) above;

   (c) the Plan Units purchased in the market or from the Trust shall be allocated by the Plan Agent on a *pro rata* basis to the Plan Participants; and

   (d) any applicable brokerage fees and commissions incurred in connection with purchases of Plan Units made in the market as contemplated by paragraph (b) above shall be borne on a *pro rata* basis by and from each Plan Participant's account.

10. The Plan also allows Plan Participants to make optional cash payments ("Optional Cash Payments") which will be used by the Plan Agent to purchase Plan Units. A Plan Participant must invest a minimum of $100 per Optional Cash Payment. Optional Cash Payments will be used by the Plan Agent to purchase Plan Units on the same basis as Distributions as described above. The aggregate number of Plan Units that may be purchased with Optional Cash Payments in a calendar year will be limited to 2% of the outstanding Units at the commencement of that calendar year, provided that for the 2002 calendar year, the number of Plan Units that may be purchased with Optional Cash Payments will be limited to 2% of the outstanding Units immediately following the Closing of the initial public offering of Units pursuant to the Prospectus (including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering). The Plan Agent may limit the maximum amount of Optional Cash Payments in any calendar year to ensure that the 2% limit is not exceeded.

11. Optional Cash Payments, along with a Plan Participant's notice of his or her intention to make an Optional Cash Payment, must be received by the Plan Agent on or before 5:00 p.m. (Toronto time) on the day which is at least five business

days prior to a Distribution Date, in order to be invested in Plan Units immediately following such Distribution Date. Optional Cash Payments and/or notices received less than five business days prior to a Distribution Date will result in the Plan Agent holding (without interest) the Optional Cash Payment and using the same to purchase Plan Units after the second Distribution Date following the date of receipt of the Optional Cash Payment.

12. The Plan Agent will purchase Plan Units only in accordance with mechanics described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on Net Asset Value per Unit.

13. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.

14. The Trust will invest in securities with the objective of providing Unitholders with a high level of sustainable income (as described in the Prospectus) as well as a cost-effective method of reducing the risk of investing in such securities through broad diversification. In addition, the Net Asset Value per Unit should be less volatile than that of a typical equity fund based on historical data. As a result, the potential for significant changes in the Net Asset Value per Unit over short periods of time is moderate.

15. The amount of Distributions that may be reinvested in Plan Units issued from treasury is small relative to the Unitholders' equity in the Trust. The potential for dilution arising from the issuance of Plan Units by the Trust at the Net Asset Value per Unit on a Distribution Date is not significant.

16. Plan Units purchased under the Plan will be registered in the name of the Plan Agent, as agent for the Plan Participants.

17. A Plan Participant may terminate his or her participation in the Plan by providing, or by causing to be provided, at least ten business days' prior written notice to the Manager and, such notice, if actually received no later than ten business days prior to the next Declaration Date, will have effect beginning with the distribution to be made with respect to such Declaration Date. Thereafter, Distributions payable to such Unitholder will be in cash.

18. The Manager reserves the right to suspend or terminate the Plan at any time in its sole discretion, in which case Plan Participants and the Plan Agent will be sent written notice thereof. In particular, the Manager may, on behalf of the Trust, terminate the Plan in its sole discretion, upon not less than 30 days' prior written notice to the Plan Participants and the Plan Agent.

19. The Manager may amend or modify the Plan at any time in its sole discretion, provided that it obtains the prior approval of the TSX (if Units are then listed thereon) and provided further that if, in the Manager's reasonable opinion: (i) the amendment or notification is material to Plan Participants, then at least 30 days' prior written notice thereof is given to Plan Participants and the Plan Agent; or (ii) the amendment or modification is not material to Plan Participants, then notice thereof may be given to Plan Participants and the Plan Agent after effecting the amendment or modification. The Manager may also, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

20. The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributable income distributed by the Trust and not the reinvestment of dividends or interest of the Trust.

21. The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Trust is not considered to be a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Trust.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the trades of Plan Units to the Plan Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

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

(b) no sales charge is payable in respect of the distributions of Plan Units from treasury;

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

(i) their right to withdraw from the Plan and to make an election to receive cash instead of Plan Units on the making of a distribution by the Trust; and

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

(d) in the calendar year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that calendar year (or for the 2002 calendar year, outstanding at the closing of the Trust's initial public offering of Units pursuant to the Prospectus including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering); and

(e) except in Québec, the first trade or resale of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied;

(f) in Québec, the first trade (alienation) of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public unless:

(i) at the time of the first trade, the Trust is a reporting issuer in Québec and is not in default on any of the requirements of securities legislation in Québec;

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

(iii) no extraordinary commission or consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and

(iv) the vendor of the Plan Units, if in a special relationship with the Trust, has no reasonable grounds to believe that the Trust is in default of any requirement of the Legislation of Québec; and

(g) disclosure of the initial distribution of the Plan Units is made to the relevant Jurisdictions by providing the particulars of the date of the distribution of such Plan Units, the number of such Plan Units and the purchase price paid or to be paid for such Plan Units in:

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

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

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

December 4, 2002.

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

2.1.2 Brompton STABLE Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions - first trade in additional units deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities.

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

AND

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

AND

**IN THE MATTER OF
BROMPTON STABLE INCOME FUND**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories (the "Jurisdictions") has received an application from Brompton STABLE Income Fund (the "Fund") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades in units of the Fund pursuant to a distribution reinvestment plan (the "Plan");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications ("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 Québec Commission Notice 14-101;

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

1. The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario by an amended and restated declaration of trust dated November 21, 2002.

2. The beneficial interests in the Fund are divided into a single class of limited voting units (the "Units"). The Fund is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided beneficial interest in the Fund.

3. The Fund has filed a final long form prospectus dated November 21, 2002 (the "Prospectus") and has become a reporting issuer in each province and territory in Canada upon obtaining a receipt for its Prospectus dated November 22, 2002.

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

5. Application has been made to list the Units for trading on the Toronto Stock Exchange.

6. The investment objectives of the Fund are to:

   (a) provide Unitholders with monthly Distributions initially targeted to yield approximately 7.5% per annum based on the offering price of the Units;

   (b) maintain a Standard & Poor's SR-1 stability rating; and

   (c) preserve the Net Asset Value per Trust Unit.

7. The Fund currently intends to make cash distributions of distributable income ("Distributions") on the tenth business day of each month (each a "Distribution Date") to Unitholders of record on the last business day of the immediately preceding calendar month with the first Distribution to be made in the second month following the month in which the closing of the initial public offering of Units occurs.

8. The Fund intends to establish the Plan pursuant to which Unitholders may, at their option, invest cash Distributions paid on their Units in additional Units ("Plan Units"). The Plan will not be available to Unitholders who are not Canadian residents.

9. Distributions due to participants who opt to participate in the Plan ("Plan Participants") will be paid to Computershare Trust Company of Canada in its capacity as agent under the Plan (in such capacity, the "Plan Agent") and applied to purchase Plan Units. Plan Units purchased under the Plan will be purchased by the Plan Agent directly from the Fund or in the market in the following manner:

   (a) if the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Date, plus applicable commissions and brokerage charges, (the "Market Price") is less than the Net Asset Value per Fund Unit (as determined in accordance with the Plan Agreement) on the Distribution Date, the Plan Agent shall apply the Distribution either to purchase Plan Units in the market or from treasury in accordance with subparagraph (c) below;

   (b) if the Market Price is equal to or greater than the Net Asset Value per Unit on the relevant Distribution Date, the Plan Agent shall apply the Distribution to purchase Plan Units from the Fund through the issue of new Units at a purchase price equal to the higher of (i) the Net Asset Value per Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date;

   (c) purchases of Plan Units made by the Fund in the market pursuant to subparagraph (a) above will be made by the Plan Agent on an orderly basis during the 10 trading day period following the Distribution Date and the price paid for those Plan Units will not exceed 115% of the Market Price of the Units on the relevant Distribution Date. On the expiry of such 10 day period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase Plan Units from the Fund at a purchase price equal to the higher of (i) the Net Asset Value per Trust Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

10. The Plan Agent will be purchasing Plan Units only in accordance with the mechanisms described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on changes in the Net Asset Value per Unit.

11. The Fund will invest in the assets with the objective of maintaining a Standard & Poor's SR-1 stability rating which rating will be based on the composition of the Fund's portfolio of income securities, investment objectives, investment restrictions and investment strategy. An SR-1 stability rating represents S&P's current opinion that the Units have the highest level of expected sustainability and lowest level of expected variability in the distributions of the Fund relative to the distributions of other rated Canadian income funds. Accordingly, the Net Asset Value per Unit should be less volatile than that of a typical equity fund, and the potential for significant changes in the Net Asset Value per Unit over short periods of time is moderate.

12. The amount of Distributions that may be reinvested in Plan Units issued from treasury is small relative to the Unitholders' equity in the Fund. The potential for dilution arising from the issuance of Units by the Fund at the Net Asset Value per Unit on a Distribution Date is not significant.

13. The Plan is open to participation by all Unitholders other than Unitholders who are non-residents of Canada, so that any Unitholder can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.

14. No commissions, service charges or brokerage fees will be payable by Plan Participants in connection with the Plan.

15. Pursuant to the Plan, Plan Participants may also make cash payments ("Optional Cash Payments") which will be invested in Units by the Plan Agent. Any Plan Participant may invest a minimum of $100 per Optional Cash Payment with a maximum $20,000 per calendar year per Plan Participant. Optional Cash Payments will be invested on the same basis as Distributions. Optional Cash Payments must be received by the Plan Agent at least five business days prior to a Distribution Date. Optional Cash Payments received less than five business days prior to a Distribution Date will be held by the Plan Agent until the next Distribution Date.

16. Plan Units purchased under the Plan will be registered in the name of the Canadian Depository for Securities Limited ("CDS") and credited to the account of the participant in the CDS depository service (the "CDS Participant") through whom a Unitholder holds Units.

17. Each Unitholder must elect to participate in the Plan on a monthly basis through the applicable CDS Participant and will not be required to participate in the Plan in respect of any particular Distribution unless a Unitholder has specifically elected to do so. The Fund has the right to amend, suspend or terminate the Plan at any time, provided that such action shall not have a retroactive effect which would prejudice the interests of the Plan Participants. All Plan Participants will be sent notice of any such amendment, suspension or termination via the applicable CDS Participant.

18. The distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of income distributed by the Fund and not the reinvestment of dividends, interest, capital gains or distributions out of earnings or surplus of the Fund.

19. The distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Fund is not a "mutual fund" as defined in the Legislation.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the trades in Plan Units by the Fund to the Plan Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

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

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

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

(i) their right to elect to participate in the Plan on a monthly basis to receive Plan Units instead of cash on the making of a distribution of income by the Fund; and

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

(d) in the financial year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Cash Payment Option of the Plan before the trade plus the aggregate number of Plan Units issued in the trade, shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that financial year;

(e) except in Québec, the first trade in Plan Units acquired pursuant to this Decision in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions set out in paragraphs 2 through 5 of subsection 2.6(4) of Multilateral Instrument 45-102 0- *Resale of Securities* are satisfied;

(f) in Québec, the first trade (alienation) in Plan Units acquired pursuant to this Decision will be a distribution unless:

(i) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the alienation;

(ii) no extraordinary commission or other consideration is paid in respect of the alienation;

(iii) if the seller of the securities is an insider of the Fund, the seller has no reasonable grounds to believe that the Fund is in default of any requirement of securities legislation; and

(g) disclosure of the distribution of the Plan Units to Plan Participants is made to the relevant Jurisdictions by providing the particulars of the date of the distribution of such Plan Units, the number of such Plan Units and the purchase price paid or to be paid for such Plan Units in:

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

(ii) a letter with the Decision Maker in the relevant Jurisdiction by a person or company certifying that the person or company has

knowledge of the facts contained in the letter,

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

December 11, 2002.

"Howard I. Wetston" "Theresa McLeod"

2.1.3 CI Mutual Funds Inc. - MRRS Decision

Headnote

Exemption for a mutual fund manager from subsections 111 and 117 and 118(2)(b) of the Securities Act (Ontario) and the corresponding provisions of the Legislation in the context of the dismantling of a fund-on-fund structure.

Regulations Cited

Securities Act, R.S.O. 1990, Reg. 1015, as am., sections 117(1)(2), 118(2)(b) and 121(2)(a)(ii).

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

AND

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

AND

IN THE MATTER OF
CI SECTOR FUND LIMITED

AND

CI MUTUAL FUNDS INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from CI Mutual Funds Inc. ("CI" or the "Manager") for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation shall not apply to CI:

(a) the requirements in the Legislation that a management company, or mutual fund manager, file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies, in respect of each mutual fund to which it provides services or advice, within 30 days after the end of the month in which it occurs; and

(b) the restriction in the Legislation that prohibits a mutual fund or a portfolio manager from knowingly causing a mutual fund managed by it to purchase or sell the securities of any issuer from or to the account of a responsible person, any associate of a responsible person or the portfolio manager;

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 Québec Commission Notice 14-101;

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

1. The Manager is a corporation subsisting under the laws of the Province of Ontario and is registered under the *Securities Act* (Ontario) as, among other things, an adviser in the categories of investment counsel and portfolio manager.

2. CI Sector Fund Limited (the "Corporation") is a mutual fund corporation that is comprised presently of 40 Sector Funds. Each Sector Fund consists of the assets and liabilities attributable to one or more classes of convertible special shares of the Corporation that share a common investment objective. The Manager is the manager of each Sector Fund and therefore is a "management company" and "responsible person" of each Sector Top Fund for purposes of the Legislation. The Manager owns more than 10% of the voting securities of the Corporation with the result that each Sector Fund may be considered an "associate" of the Manager within the meaning of the Legislation.

3. Certain Sector Funds (being those listed in Schedule A hereto) (the "Sector Top Funds") invest exclusively in units of an underlying fund (an "Underlying Fund") managed by the Manager. Each Sector Top Fund has an investment objective that is consistent with the investment objective of its corresponding Underlying Fund, with the exception that the investment objective of the Sector Top Fund includes a statement that it will invest in units of its Underlying Fund.

4. Each Underlying Fund is a mutual fund trust established under the laws of the Province of Ontario. The Manager is the manager and trustee of each Underlying Fund. Consequently, the Manager is a "management company" and "responsible person" of each Underlying Fund for purposes of the Legislation, and each Underlying Fund is an associate of the Manager within the meaning of the Legislation.

5. Each Sector Top Fund and each Underlying Fund currently distributes securities pursuant to a simplified prospectus that has been filed with and accepted by the securities regulatory authority in each of the provinces and territories of Canada and is a reporting issuer in each of the provinces and territories of Canada.

6. The portfolio of each Sector Top Fund consists only of units of an Underlying Fund (referred to herein as a "fund-on-fund structure") and a small amount of cash and cash equivalents. The performance of each Sector Top Fund therefore closely tracks the performance of its Underlying Fund. The fund-on-fund structure was created as a means for taxable investors to obtain exposure to Underlying Funds while being invested in a corporation that enables the investors to switch between Sector Funds on a tax-deferred rollover basis.

7. The management expense ratio (the "MER") of a Sector Top Fund is typically between 40 and 60 basis points higher than the MER of its Underlying Fund. This is due principally to minimal, fund-specific operating expenses, large corporations tax and Ontario capital tax incurred at the Sector Top Fund level.

8. The Corporation and the Manager wish to dismantle the fund-on-fund structure between the Sector Top Funds and the Underlying Funds at their discretion. This would be achieved as follows (the "Dismantling Transaction"):

   (a) each Sector Top Fund will change its investment objectives and strategies to be identical to its Underlying Fund, including removing the statement that the Sector Top Fund will invest in units of its Underlying Fund;

   (b) each Sector Top Fund will redeem all the units it holds of its Underlying Fund at the net asset value per unit; and

   (c) the redemption proceeds will be paid *in specie* by the Underlying Fund to the Sector Top Fund with a substantially *pro rata* portion of the portfolio of investments held by the Underlying Fund, the value of which will be equal to the amount at which those portfolio investments were valued in calculating the net asset value per unit used to establish the redemption price.

9. In the absence of this Decision, the Legislation prohibits the Manager or, in British Columbia, each Sector Top Fund and Underlying Fund, from

knowingly causing the transfer of portfolio securities of an Underlying Fund to a Sector Top Fund as payment in kind of the redemption price pursuant to the Dismantling Transaction.

10. In the absence of this Decision, the Legislation requires the Manager to file a report relating to the transfer of portfolio securities between each Underlying Fund and Sector Top Fund as part of the Dismantling Transaction.

11. The transfer of portfolio securities between each Underlying Fund and Sector Top Fund as part of the Dismantling Transaction represents the business judgment of responsible persons, uninfluenced by considerations other than the best interests of the Sector Top Funds.

AND WHEREAS under the System, this MRRS Decision Document evidences the Decision of each Decision Maker;

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

THE DECISION of the Decision Makers is that pursuant to the Legislation the Manager is exempt from the requirements in the Legislation that a management company, or mutual fund manager, file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies, in respect of each mutual fund to which it provides services or advice, within 30 days after the end of the month in which it occurs, as such requirements relate to the Dismantling Transaction;

AND THE DECISION OF THE DECISION MAKERS is that pursuant to the Legislation the Manager is exempt from the restrictions in the Legislation that prohibits a mutual fund or a portfolio manager from knowingly causing a mutual fund managed by it to purchase or sell the securities of any issuer from or to the account of a responsible person, any associate of a responsible person or the portfolio manager as such restriction relates to the Dismantling Transaction.

December 10, 2002.

"Howard I. Wetston" "Theresa McLeod"

SCHEDULE A

SECTOR TOP FUNDS

BPI American Equity Sector Fund
BPI Global Equity Sector Fund
BPI International Equity Sector Fund

CI American Small Companies Sector Fund
CI Emerging Markets Sector Fund
CI European Sector Fund
CI Global Sector Fund
CI Global Small Companies Sector Fund
CI Global Value Sector Fund
CI International Sector Fund
CI International Value Sector Fund
CI Pacific Sector Fund
CI International Balanced Sector Fund
CI Canadian Bond Sector Fund
CI Global Bond Sector Fund

Harbour Sector Fund

Landmark American Sector Fund
Landmark Canadian Sector Fund

Signature Canadian Resource Sector Fund
Signature Explorer Sector Fund
Signature Select Canadian Sector Fund
Signature Dividend Sector Fund
Signature High Income Sector Fund

2.1.4 SIRIT 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.

Ontario Statutes

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
SIRIT TECHNOLOGIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “**Decision Maker**”) in each of Ontario and Alberta (the “**Jurisdictions**”) has received an application from SIRIT Technologies Inc. (“**SIRIT**”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that SIRIT be deemed to have ceased to be a reporting issuer under the Legislation;

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

AND WHEREAS SIRIT has represented to the Decision Makers that:

1. SIRIT was formed on November 1, 2002 by the amalgamation of SIRIT Technologies Inc. (“**Predecessor SIRIT**”) and 6015409 Canada Inc. (“**6015409**”), a wholly-owned subsidiary of iTech Capital Corp. (“**iTech**”), pursuant to an amalgamation agreement dated September 10, 2002 (the “**Amalgamation**”).

2. The Amalgamation was approved by the holders of Predecessor SIRIT’s common shares on October 28, 2002.

3. Prior to the Amalgamation, Predecessor SIRIT was a reporting issuer in each of the Jurisdictions and, as of the date of the Amalgamation, was not in default of any requirements under the Legislation.

4. SIRIT is a reporting issuer in the Jurisdictions and became a reporting issuer in the Jurisdictions by virtue of the Amalgamation.

5. SIRIT is not in default of any of its obligations as a reporting issuer under the Legislation.

6. The authorized capital of SIRIT consists of an unlimited number of common shares (the “**Common Shares**”).

7. As of November 11, 2002, 15,000,001 Common Shares were issued and outstanding.

8. As a result of the Amalgamation, iTech owns all of the issued and outstanding Common Shares.

9. There are no other securities, including debt securities, of SIRIT currently issued and outstanding other than the Common Shares.

10. Predecessor SIRIT’s common shares were voluntarily delisted from the TSX Venture Exchange on November 1, 2002.

11. There are no securities of Predecessor SIRIT, 6015409 or SIRIT listed on any stock exchange or traded over-the-counter in Canada or elsewhere.

12. SIRIT 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 are 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 SIRIT is deemed to have ceased to be a reporting issuer under the Legislation.

December 13, 2002.

“John Hughes”

2.1.5 ADB Systems International Inc. and ADB Systems International Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer involved in plan of arrangement whereby issuer became wholly-owned subsidiary of new issuer ("Newco") – Newco to carry on the business of the issuer – prior to arrangement, issuer was "qualifying issuer" within meaning of Multilateral Instrument 45-102 – Newco does not have a current AIF filed on SEDAR for the purpose of Multilateral Instrument 45-102 – Newco exempt from current AIF requirement, subject to conditions – in Ontario, Newco exempt from payment of fees in connection with arrangement.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Regulations

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

Applicable Ontario Rules

Multilateral Instrument 45-102 Resale of Securities (2001) 24 OSCB 7029, sections. 1.1, 4.1.

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

AND

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

AND

**IN THE MATTER OF
ADB SYSTEMS INTERNATIONAL INC. AND
ADB SYSTEMS INTERNATIONAL LTD.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from ADB Systems International Inc. ("ADB") and ADB Systems International Ltd. ("New ADB") (collectively, the "Filers") for a decision under Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102) that the requirement to have a "current AIF" filed on SEDAR (as hereinafter defined) for purposes of the definition of "qualifying issuer" in MI 45-102 shall not apply to New ADB, subject to certain conditions;

AND WHEREAS the Ontario Securities Commission (the "OSC") has received an application from New ADB for a decision under subsection 59(2) of Schedule 1 ("Schedule 1") of the regulation to the *Securities Act* (Ontario) that New ADB is exempt from the requirement to pay the fee otherwise payable under section 7.7 of OSC Rule 45-501 *Exempt Distributions* ("OSC Rule 45-501") and subsection 23(1) of Schedule 1;

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

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

1. ADB is a corporation amalgamated under the laws of Ontario on January 9, 1997. The principal business offices of ADB are located at 6725 Airport Road, Suite 201, Mississauga, Ontario L4V 1V2.

2. New ADB is a corporation incorporated under the laws of Ontario on August 20, 2002 for the sole purpose of participating in an inter-company reorganization with ADB. New ADB will in all material respects carry on the business of ADB.

3. Effective October 31, 2002 (the "Effective Date"), ADB and New ADB reorganized by way of a plan of arrangement pursuant to an agreement dated as of August 23, 2002, among ADB and New ADB. As a result, ADB became a wholly-owned subsidiary of New ADB (the "Arrangement"), holding the assets used in the on-line business-to-consumer retail operations (the "Bid.Com Assets") and liabilities associated with the on-line business-to-consumer retail operations (the "Bid.Com Liabilities"), and New ADB became the owner of all of the issued and outstanding shares of ADB, holding, directly or indirectly, the same assets (other than those attributable to the Bid.Com Assets) and being subject to the same liabilities as ADB prior to the Arrangement (other than those attributable to the Bid.Com Liabilities).

4. An information circular dated September 20, 2002, containing the disclosure that would be required in a prospectus if the information circular were a prospectus of ADB and New ADB, with necessary modifications, was sent to the holders of the shares of ADB in connection with the meeting held on October 22, 2002 to approve the Arrangement. The Arrangement was approved by a special resolution of shareholders at that meeting.

5. On October 24, 2002, ADB obtained the Final Order of the Ontario Superior Court of Justice approving the Arrangement.

6. On the Effective Date of the Arrangement, certain actions occurred and were deemed to have occurred by operation of law, including the following in the order set forth below:

   (a) each share of ADB (other than shares held by dissenting shareholders) was deemed to be exchanged with New ADB for the sole consideration of a share of New ADB on a one for one basis;

   (b) each issued convertible security of ADB, whether vested or not vested, outstanding on the Effective Date of the Arrangement was exchanged for a security of New ADB that is convertible into, or carries the right of the holder to purchase, or of the issuer to cause the purchase of, a security of New ADB, having the same terms and conditions, and the obligations of ADB thereafter terminated; and

   (c) ADB transferred all of its assets, other than the Bid.Com Assets, to New ADB as a return of capital and New ADB assumed and will fulfil and perform all of the liabilities of ADB, other than the Bid.Com Liabilities.

7. The Arrangement was an inter-company reorganization that did not result in a change in the beneficial ownership of the securities of ADB, since the beneficial owners of the securities of ADB immediately prior to the Arrangement were the same beneficial owners of the securities of New ADB when the Arrangement became effective.

8. Neither ADB nor New ADB has received any proceeds from the trades or distribution of securities in connection with the Arrangement.

9. The shares of ADB were listed and posted for trading on the Toronto Stock Exchange (“TSX”). The shares of New ADB have now been listed and posted for trading on the TSX in substitution for the shares of ADB. New ADB has not been notified by the TSX that it does not meet the requirements to maintain that listing and is not designated inactive, suspended or the equivalent.

10. ADB is a “reporting issuer” under the Legislation of Ontario, British Columbia and Alberta and is not in default of any of the requirements of such Legislation. On the Effective Date, New ADB became a “reporting issuer” under the Legislation of Ontario, British Columbia and Alberta by operation of such Legislation. ADB intends to cease to be a “reporting issuer” under such Legislation.

11. ADB and New ADB are electronic filers under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval*.

12. The continuous disclosure documents that ADB was required or permitted to file with, or deliver to, the securities regulatory authorities in Ontario, British Columbia and Alberta under the Legislation of such provinces since September 1997 are available for review on the System for Electronic Document Analysis and Retrieval (“SEDAR”).

13. ADB has (i) an annual information form (an “AIF”) in the form of a current annual report on Form 20-F under the *Securities Exchange Act of 1934 of the United States of America* (the “1934 Act”) for its most recently completed financial year (the “ADB AIF”) filed on SEDAR in the provinces of Ontario, British Columbia and Alberta, and (ii) securities registered under section 12 of the 1934 Act. As a result, the ADB AIF constitutes a current AIF within the meaning of MI 45-102 (a “current AIF”). ADB has not received a notice from any regulator that the ADB AIF is unacceptable. Accordingly, immediately prior to the Effective Date of the Arrangement, ADB was a qualifying issuer as defined under MI 45-102 (a “Qualifying Issuer”). However, New ADB is not a Qualifying Issuer since it does not have a current AIF for purposes of MI 45-102.

14. The trades in Ontario of the securities described in subparagraphs 6(a) and (b) above in connection with the Arrangement were made under the exemption contained in section 2.8 of OSC Rule 45-501. As a result, ADB is required to pay the fees prescribed by section 23 of Schedule 1. The fee payable by New ADB to the OSC in respect of the Arrangement is required to be calculated on the basis of 0.02% of the aggregate value of the securities distributed in Ontario in reliance upon that exemption, less 20%. The value of the shares of New ADB and the “convertible securities” of New ADB at the time the Arrangement became effective was approximately $6,780,951 and will result in a fee of approximately $1,084.95.

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 requirement in the Legislation to have a current AIF filed on SEDAR in order to be a Qualifying

Issuer under MI 45-102 shall not apply to New ADB provided that:

(a) New ADB files a Form 45-102F2 on or before the tenth day after the distribution date of any securities certifying that it was a Qualifying Issuer on such distribution date except that the requirement to have a current AIF does not apply to New ADB; and

(b) this Decision expires upon the earlier of

(i) the date that New ADB files a current AIF on SEDAR; and

(ii) May 20, 2003.

AND THE FURTHER DECISION of the Decision Maker in Ontario is that New ADB is exempt from the payment of the fees otherwise payable under section 7.7 of OSC Rule 45-501 and subsection 23(1) of Schedule 1 in respect of the trades described in subparagraphs 6(a) and (b) above in connection with the Arrangement.

December 13, 2002.

"Margo Paul"

2.1.6 Pure Gold Minerals Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the requirement in National Instrument 43-101 to have a qualified person inspect a property that is the subject of a technical report – property inspection is not possible due to winter conditions.

Applicable Ontario Provisions

National Instrument 43-101 Standards of Disclosure for Mineral Projects, ss. 6.2 and 9.1.

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

AND

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

AND

**IN THE MATTER OF
PURE GOLD MINERALS INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions") has received an application from Pure Gold Minerals Inc. (the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in section 6.2 of National Instrument 43-101 ("NI 43-101") that at least one qualified person (as defined in NI 43-101) preparing or supervising the preparation of a technical report inspect the property that is the subject of the technical report (the "Personal Inspection Requirement") will not, subject to certain conditions, apply to the Filer in respect of the technical reports required to be filed in connection with the filings of both a rights offering circular (the "Rights Offering Circular") and a revised annual information form (the "AIF");

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

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

1. The Filer came into existence under the laws of Ontario as the successor by amalgamation to Pure Gold Resources Inc. and Cayo Resources Inc. under a Certificate of Amalgamation dated November 13, 1997.

2. The Filer is a reporting issuer or the equivalent in each of the Jurisdictions and its common shares are listed and posted for trading on The Toronto Stock Exchange.

3. The Filer is not on the list of defaulting issuers maintained pursuant to s.72(9) of the *Securities Act* (Ontario) and is not on the equivalent lists of defaulting issuers maintained in the other Jurisdictions.

4. The Filer holds a minority interest in certain properties located in northern Alberta and Nunavut (the "Properties"). The Properties are operated by the holder of a majority interest in the Properties, an issuer that is a reporting issuer or the equivalent in each of the Jurisdictions (the “Operator”). The Properties are material to the Filer’s business.

5. The Filer intends to issue rights to its securityholders and in connection therewith, will file the Rights Offering Circular

6. The Filer also intends to file a revised AIF.

7. Both the Rights Offering Circular and the AIF will describe the Properties based on the information contained in certain technical reports (the “Technical Reports”) relating to the Properties and prepared by Mr. George Cavey, a qualified person under NI 43-101.

8. NI 43-101 provides that the Technical Reports must comply with the Personal Inspection Requirement.

9. On May 28, 2002, the Filer filed a statement of claim against the Operator regarding certain issues with a joint venture agreement respecting one of the Properties. As a result of this action, the Operator stopped providing technical information to the Filer for a period of time and prevented the Filer from accessing the Properties in order to complete the Personal Inspection Requirement.

10. The Operator has subsequently provided the Filer with the technical information required to complete the Technical Reports and has granted the Filer access to the Properties. Due to the winter conditions that set in before the Filer regained access to the Properties, a proper site inspection is not possible at this time; accordingly, a qualified person will not be able to complete the Personal Inspection Requirement with respect to the Properties prior to the filing of the Rights Offering Circular or the AIF.

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 Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filer is exempt from the Personal Inspection Requirement in respect of the Technical Reports required to be filed in connection with the filing of the Rights Offering Circular and the AIF provided that:

(a) the Technical Reports include a statement that a personal inspection has not been conducted by the qualified person, as defined in NI 43-101, and the reasons why a personal inspection was not conducted;

(b) the Rights Offering Circular and AIF disclose that the Filer has been exempted from the Personal Inspection Requirement; and

(c) the qualified person conduct a site visit as soon as practicable and either re-file amended Technical Reports or, to the extent that there are no material changes to the Technical Reports, re-file the certificates comprising a part of the Technical Reports.

December 17, 2002.

“Iva Vranic”

2.2 Orders

2.2.1 David Frederick Johnson - ss. 127 and 127.1

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

AND

**IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK**

**ORDER
(Section 127 and 127.1)**

WHEREAS on August 9, 2002 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990 c.S.5, as amended (the "Act") in respect of Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock;

AND WHEREAS Johnson entered into a settlement agreement with Staff of the Commission dated November 12, 2002 (the "Settlement Agreement") in which the Johnson agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

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

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

(1) the Settlement Agreement dated November 12, 2002 attached to this Order is hereby approved;

(2) pursuant to clause 6 of subsection 127(1) of the Act, Johnson is hereby reprimanded by the Commission;

(3) pursuant to clause 8 of subsection 127(1) of the Act, Johnson is hereby permanently prohibited from becoming or acting as an officer and/or director of any registrant, effective the date of this Order; and

(4) pursuant to subsection 127.1(1)(b) of the Act, Johnson will make payment to the Commission in the amount of $5,000.00 in respect of a portion of the costs of Staff's investigation of this matter.

December 11, 2002.

"Robert Davis" "Harold Hands"

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

AND

**IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK**

**SETTLEMENT AGREEMENT
BETWEEN STAFF AND DAVID FREDERICK JOHNSON**

I INTRODUCTION

1. By Notice of Hearing dated August 9, 2002, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Ontario *Securities Act*, it is in the public interest for the Commission:

   (a) to make an order that trading in securities by the respondents, or any of them, cease permanently or for such other period as specified by the Commission;

   (b) to make an order that David Gerald Edwards and David Frederick Johnson, or either of them, resign their positions as officers and/or directors of the respondent Edwards Securities Inc. and resign their positions as an officer and/or director of any other issuer;

   (c) to make an order that Douglas G. Murdock resign his position as an officer and/or director of the respondent Clansman 98 Investments Inc. and resign his positions as an officer and/or director of any other issuer;

   (d) to make an order that Edwards, Johnson and Murdock, or any of them, are prohibited from becoming or acting as a director or officer of any issuer;

   (e) to make an order that the respondents or any of them be reprimanded;

   (f) to make an order that the respondents, or any of them, pay the costs of Staff's investigation in relation to this proceeding;

   (g) to make an order that the respondents, or any of them, pay the costs of the proceeding incurred by or on behalf of the Commission; and

   (h) to make such other order as the Commission considers appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission agree to recommend settlement of the proceedings initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. Johnson agrees to the settlement on the basis of the facts agreed to as provided in Part III and consents to the making of an Order in the form attached as Schedule “A” on the basis of the facts set out in Part III.

3. This settlement agreement, including the attached Schedule “A” (collectively, the “Settlement Agreement”), will be released to the public only if and when the settlement is approved by the Commission.

III FACTS

4. Edwards Securities Inc. (“ESI”) is a corporation incorporated under the laws of Ontario with a registered office at 240 Argyle Avenue in Ottawa. ESI was registered with the Commission as a Dealer in the category of Securities Dealer from September 15, 1988 to March 6, 2000.

5. Johnson is an individual residing in Ontario, and was at all material times the President and sole Director of ESI. Johnson was registered with the Commission as ESI’s designated Trading Officer from September 15, 1988 to March 6, 2000.

6. Edwards was at all material times an officer and the owner of the majority of the shares of ESI. Edwards was registered with the Commission as a Salesperson of ESI from September 22, 1988 to March 6, 2000.

Mercristo Developments Inc.

7. Mercristo Developments Inc. is a corporation incorporated pursuant to the laws of Delaware, which traded on the OTC Bulletin Board under the symbol “MDEX”. At all material times, Edwards was the President, Chief Executive Officer, Chief Financial Officer, Director and the owner of the majority of the shares of Mercristo. In 1998, Mercristo changed its name to Addison Industries Inc., which trades under the symbol “ADIS”.

Clansman 98 Investments Inc. and Douglas Murdock

8. Clansman 98 Investments Inc. is a corporation incorporated under the laws of Ontario with a registered office at 3660 Hurontario Street in Mississauga. Clansman has never been registered in any capacity under the Act, and is not a reporting issuer in Ontario.

9. Douglas G. Murdock was at all material times the President, Secretary, Treasurer and sole Director of Clansman. He has never been registered in any capacity under the Act.

Trading Without a Prospectus

10. During the period between February and April, 1998 ESI, Clansman, Edwards and Murdock traded in securities, namely shares of Clansman, where such trading constituted a distribution of securities, without a receipted prospectus.

11. Clients of ESI were contacted by Edwards and offered an opportunity to invest in shares of Clansman. Clients who expressed interest in this opportunity were shown a package of documents relating to Clansman's proposed acquisition of Harding Carpet Canada Ltd., a company located in Brantford, Ontario which was then in receivership.

12. Clients wishing to invest in Clansman were informed that its shares could only be purchased in "units" of at least $12,500. Those who chose to invest were asked to execute a document titled "Expression of Interest". This document stated that ESI was acting as agent for Clansman, and that the investor would be purchasing "Class C Common Shares" of Clansman. This executed document was to be returned to ESI accompanied by a cheque representing payment in full for the requested shares.

13. As a result of these promotional activities, at least $1,412,750 was raised from at least 89 individual investors. The majority of these individual investors were clients of ESI.

Failure to Disclose Commission

14. ESI, Clansman, Edwards and Murdock failed to disclose to investors that ESI received a commission of 20% on the sale of all Clansman shares.

Failure to Disclose Interest

15. Clansman and Murdock did not employ investors' funds to acquire the business of Harding Carpets, as they originally represented. Instead, the majority of the funds raised were used to purchase shares of Mercristo, a company owned and directed by Edwards. Investors were never informed, prior to their investment in Clansman, that their funds would be employed in this way.

Failure to Supervise

16. As the designated Trading Officer of ESI, Johnson failed to adequately supervise the actions of ESI and Edwards in distributing Clansman shares.

Johnson's Actions

17. On March 6, 2000, Johnson resigned his position with ESI.

18. Johnson applied to the Commission for registration as a Salesperson with Datile Securities in September of 2000, but withdrew his application for registration on March 5, 2002.

IV TERMS OF SETTLEMENT

19. Johnson agrees to the following terms of settlement:

(a) pursuant to clause 6 of subsection 127(1) of the Act, Johnson will be reprimanded by the Commission;

(b) pursuant to clause 8 of subsection 127(1) of the Act, Johnson will be permanently prohibited from becoming or acting as an officer and/or director of any registrant, effective the date of the Order of the Commission approving this proposed settlement agreement;

(c) pursuant to subsection 1 of section 127.1 of the Act, Johnson will make a payment of $5000.00 towards the costs of Commission Staff's investigation of this matter;

(d) Johnson undertakes never to act in or apply for registration in a supervisory or compliance capacity under Ontario securities law;

(e) Johnson undertakes not to apply for registration in any capacity under Ontario securities law for a period of one year, effective the date of the Order of the Commission approving this proposed settlement agreement; and

(f) Johnson undertakes that, if he ever applies for registration under Ontario securities law in the future, he will consent to the imposition of a term and condition on his registration requiring quarterly supervision reports to be completed by his employer and submitted to the Commission for a period of two years following the date of any acceptance of his application.

V STAFF COMMITMENT

20. If this Settlement Agreement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any order in respect of any conduct or alleged conduct of the respondents in

relation to the facts set out in Part III of this Settlement Agreement.

VI PROCEDURE FOR APPROVAL OF SETTLEMENT

21. The approval of the settlement as set out in the Settlement Agreement shall be sought at a public hearing before the Commission scheduled for such date as is agreed to by Staff and Johnson in accordance with the procedures described herein and such further procedures as may be agreed upon between Staff and Johnson.

22. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Johnson in this matter and Johnson agrees to waive any right to a full hearing and appeal of this matter under the Act.

23. If this Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.

24. If, for any reason whatsoever, this settlement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:

    (a) each of Staff and Johnson will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations unaffected by the Settlement Agreement or the settlement;

    (b) the terms of the Settlement Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and Johnson or as may be otherwise required by law; and

    (c) Johnson further agrees that he will not raise in any proceeding the Settlement Agreement or the negotiation or process of approval thereof as a basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

25. If, prior to the approval of this Settlement Agreement by the Commission, there are new facts or issues of substantial concern, in the view of Staff, regarding the facts set out in Part III of this Settlement Agreement, Staff will be at liberty to withdraw from this Settlement Agreement. Notice of such intention will be provided to Johnson in writing. In the event of such notice being given, the provisions of paragraph 24 in this part will apply as if this Settlement Agreement had not been approved.

VII DISCLOSURE OF AGREEMENT

26. Staff or Johnson may refer to any part or all of this Settlement Agreement in the course of the hearing convened to consider this agreement. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to the Settlement Agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

27. Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Commission.

VIII EXECUTION OF SETTLEMENT AGREEMENT

28. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

November 6, 2002.

“David Frederick Johnson”
David Frederick Johnson

November 12, 2002.

“Michael Watson”
Staff of the Ontario Securities Commission
Per: Michael Watson

2.2.2 Clansman 98 Investments Inc. and Douglas G. Murdock - ss. 127 and 127.1

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

AND

IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK

ORDER
(Section 127 and 127.1)

WHEREAS on August 9, 2002 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990 c.S.5, as amended (the "Act") in respect of Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. ("Clansman") and Douglas G. Murdock ("Murdock");

AND WHEREAS Murdock and Clansman entered into a settlement agreement with Staff of the Commission dated November 22, 2002 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

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

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

(1) the Settlement Agreement dated November 22, 2002 attached to this Order is hereby approved;

(2) pursuant to clause 2 of subsection 127(1) of the Act, Murdock is hereby permanently prohibited from trading in securities, with the exception that he is permitted to sell any security that he owns on the date of this Order;

(3) pursuant to clause 6 of subsection 127(1) of the Act, Murdock is hereby reprimanded by the Commission;

(4) pursuant to clause 7 of subsection 127(1) of the Act, Murdock is hereby required to resign all positions that he currently holds as officer or director of any issuer;

(5) pursuant to clause 8 of subsection 127(1) of the Act, Murdock is hereby permanently prohibited from becoming or acting as an officer or director of any issuer;

(6) pursuant to subsection 127.1(1)(b) of the Act, Murdock will make a payment to the Commission in the amount of $5,000.00 in respect of a portion of the costs of Staff's investigation of this matter;

(7) pursuant to clause 2 of subsection 127(1) of the Act, Clansman is hereby permanently prohibited from trading in securities; and

(8) pursuant to clause 6 of subsection 127(1) of the Act, Clansman is hereby reprimanded by the Commission.

December 11, 2002.

"Robert Davis" "Harold Hands"

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

AND

**IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK**

**SETTLEMENT AGREEMENT
BETWEEN STAFF, CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK**

I INTRODUCTION

1. By Notice of Hearing dated August 9, 2002, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Ontario *Securities Act*, it is in the public interest for the Commission:

   (a) to make an order that trading in securities by the respondents, or any of them, cease permanently or for such other period as specified by the Commission;

   (b) to make an order that David Gerald Edwards and David Frederick Johnson, or either of them, resign their positions as officers and/or directors of the respondent Edwards Securities Inc. and resign their positions as an officer and/or director of any other issuer;

   (c) to make an order that Douglas G. Murdock resign his position as an officer and/or director of the respondent Clansman 98 Investments Inc. and resign his positions as an officer and/or director of any other issuer;

   (d) to make an order that Edwards, Johnson and Murdock, or any of them, are prohibited from becoming or acting as a director or officer of any issuer;

   (e) to make an order that the respondents or any of them be reprimanded;

   (f) to make an order that the respondents, or any of them, pay the costs of Staff's investigation in relation to this proceeding;

   (g) to make an order that the respondents, or any of them, pay the costs of the proceeding incurred by or on behalf of the Commission; and

   (h) to make such other order as the Commission considers appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission agree to recommend settlement of the proceedings initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. Murdock and Clansman agree to the settlement on the basis of the facts agreed to as provided in Part III and consent to the making of an Order in the form attached as Schedule “A” on the basis of the facts set out in Part III.

3. This settlement agreement, including the attached Schedule “A” (collectively, the “Settlement Agreement”), will be released to the public only if and when the settlement is approved by the Commission.

III FACTS

4. Edwards Securities Inc. (“ESI”) is a corporation incorporated under the laws of Ontario with a registered office at 240 Argyle Avenue in Ottawa. ESI was registered with the Commission as a Dealer in the category of Securities Dealer from September 15, 1988 to March 6, 2000.

5. Johnson is an individual residing in Ontario, and was at all material times the President and sole Director of ESI. Johnson was registered with the Commission as ESI’s designated Trading Officer from September 15, 1988 to March 6, 2000.

6. Edwards was at all material times an officer and the owner of the majority of the shares of ESI. Edwards was registered with the Commission as a Salesperson of ESI from September 22, 1988 to March 6, 2000.

Mercristo Developments Inc.

7. Mercristo Developments Inc. is a corporation incorporated pursuant to the laws of Delaware, which traded on the OTC Bulletin Board under the symbol “MDEX”. At all material times, Edwards was the President, Chief Executive Officer, Chief Financial Officer, Director and the owner of the majority of the shares of Mercristo. In 1998, Mercristo changed its name to Addison Industries Inc., which trades under the symbol “ADIS”.

Clansman 98 Investments Inc. and Douglas Murdock

8. Clansman 98 Investments Inc. is a corporation incorporated under the laws of Ontario with a registered office at 3660 Hurontario Street in Mississauga. Clansman has never been registered in any capacity under the Act, and is not a reporting issuer in Ontario.

9. Douglas G. Murdock was at all material times the President, Secretary, Treasurer and sole Director of Clansman. He has never been registered in any capacity under the Act.

Trading Without a Prospectus

10. During the period between February and April, 1998 ESI, Clansman, Edwards and Murdock traded in securities, namely shares of Clansman, where such trading constituted a distribution of securities, without a receipted prospectus.

11. Clients of ESI were contacted by Edwards and offered an opportunity to invest in shares of Clansman. Clients who expressed interest in this opportunity were shown a package of documents relating to Clansman's proposed acquisition of Harding Carpet Canada Ltd., a company located in Brantford, Ontario which was then in receivership.

12. Clients wishing to invest in Clansman were informed that its shares could only be purchased in "units" of at least $12,500. Those who chose to invest were asked to execute a document titled "Expression of Interest". This document stated that ESI was acting as agent for Clansman, and that the investor would be purchasing "Class C Common Shares" of Clansman. This executed document was to be returned to ESI accompanied by a cheque representing payment in full for the requested shares.

13. As a result of these promotional activities, at least $1,412,750 was raised from at least 89 individual investors. The majority of these individual investors were clients of ESI.

Failure to Disclose Commission

14. ESI, Clansman, Edwards and Murdock failed to disclose to investors that ESI received a commission of 20% on the sale of all Clansman shares.

Failure to Disclose Interest

15. Clansman and Murdock did not employ investors' funds to acquire the business of Harding Carpets, as they originally represented. Instead, the majority of the funds raised were used to purchase shares of Mercristo, a company owned and directed by Edwards. Investors were never informed, prior to their investment in Clansman, that their funds would be employed in this way.

IV TERMS OF SETTLEMENT

16. Murdock and Clansman agree to the following terms of settlement:

(a) pursuant to clause 2 of subsection 127(1) of the Act, Murdock will be permanently prohibited from trading in securities, with the exception that he is permitted to sell the securities that he holds on the date of Order of the Commission approving this proposed settlement agreement at any time;

(b) pursuant to clause 6 of subsection 127(1) of the Act, Murdock will be reprimanded by the Commission;

(c) pursuant to clause 7 of subsection 127(1) of the Act, Murdock will be required to resign all positions that he currently holds as officer or director of an issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;

(d) pursuant to clause 8 of subsection 127(1) of the Act, Murdock will be permanently prohibited from becoming or acting as an officer or director of any issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;

(e) pursuant to subsection 1 of section 127.1 of the Act, Murdock will make a payment of $5000.00 towards the costs of Commission Staff's investigation of this matter.

(f) pursuant to clause 2 of subsection 127(1) of the Act, Clansman will be permanently prohibited from trading in securities, effective the date of the Order of the Commission approving this proposed settlement agreement; and

(g) pursuant to clause 6 of subsection 127(1) of the Act, Clansman will be reprimanded by the Commission.

V STAFF COMMITMENT

17. If this Settlement Agreement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any order in respect of any conduct or alleged conduct of the respondents in relation to the facts set out in Part III of this Settlement Agreement.

VI PROCEDURE FOR APPROVAL OF SETTLEMENT

18. The approval of the settlement as set out in the Settlement Agreement shall be sought at a public hearing before the Commission scheduled for such date as is agreed to by Staff and Murdock

and Clansman in accordance with the procedures described herein and such further procedures as may be agreed upon between Staff and Murdock and Clansman.

19. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Murdock and Clansman in this matter and Murdock and Clansman agree to waive any right to a full hearing and appeal of this matter under the Act.

20. If this Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.

21. If, for any reason whatsoever, this settlement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:

    (a) each of Staff and Murdock and Clansman will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations unaffected by the Settlement Agreement or the settlement;

    (b) the terms of the Settlement Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and Murdock and Clansman or as may be otherwise required by law; and

    (c) Murdock and Clansman further agree that they will not raise in any proceeding the Settlement Agreement or the negotiation or process of approval thereof as a basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

22. If, prior to the approval of this Settlement Agreement by the Commission, there are new facts or issues of substantial concern, in the view of Staff, regarding the facts set out in Part III of this Settlement Agreement, Staff will be at liberty to withdraw from this Settlement Agreement. Notice of such intention will be provided to Murdock and/or Clansman in writing. In the event of such notice being given, the provisions of paragraph 21 in this part will apply as if this Settlement Agreement had not been approved.

VII DISCLOSURE OF AGREEMENT

23. Staff or Murdock or Clansman may refer to any part or all of this Settlement Agreement in the course of the hearing convened to consider this agreement. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to the Settlement Agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

24. Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Commission.

VIII EXECUTION OF SETTLEMENT AGREEMENT

25. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

November 22, 2002.

“Douglas G. Murdock”
Douglas G. Murdock

November 22, 2002.

“Douglas G. Murdock”
Clansman 98 Investments Inc.
Per: Douglas G. Murdock

November 22, 2002.

“Michael Watson”
Staff of the Ontario Securities Commission
Per: Michael Watson

2.2.3 Denninghouse Inc.

Headnote

Direct and indirect issuer bids resulting from a reorganization transaction involving issuer and largest shareholder holding company, followed by the holding company's dissolution - issuer bids exempt from sections 95, 96, 97, 98 and 100 where the purpose of the transaction is to enable shareholders to directly own shares previously held indirectly through their holding company - beneficial shareholders to provide indemnity and reimbursement to the issuer and its directors - transaction unanimously approved by disinterested board of directors - assessment of tax consequences provided by issuer's auditor - no adverse economic or tax impact or prejudice to issuer or public shareholders.

Subsection 59(1) of Schedule I - issuer is exempt from payment of the fee otherwise payable pursuant to clause 23(1) and 32(1)(b) of Schedule I to the Regulation in respect of reorganization transaction exempted from the issuer bid requirements pursuant to an order under clause 104(2)(c), where the transaction did not result in any change to the share ownership structure of the issuer, subject to the requirement that a minimum fee of $800 be paid.

Applicable Ontario Statute

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 93(1)(c), 95, 96, 97, 98, 100, and 104(2)(c).

Applicable Ontario Regulation

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 23(1), 32(1)(b) and 59(1) of Schedule I.

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

AND

IN THE MATTER OF
THE REGULATION UNDER THE ACT, R.R.0. 1990,
REGULATION 1015, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
DENNINGHOUSE INC.

ORDER

UPON the application (the "Application") of Denninghouse Inc. ("Denninghouse") to the Ontario Securities Commission (the "Commission") for an order:

(i) pursuant to subsection 104(2)(c) of the Act that the acquisition by Denninghouse of certain of its common shares in connection with a proposed reorganization transaction (the "Transaction") described below, shall not be subject to the requirements of sections 95, 96, 97, 98 and 100 of the Act (the "Issuer Bid Requirements");

(ii) pursuant to subsection 59(2) of Schedule I of the Regulation (the "Schedule") that Denninghouse be exempt from the requirements under subsections 23(1) and 32(1)(b) of the Schedule to pay fees in connection with the Transaction (the "Fee Requirements"), provided that the minimum fee of $800 prescribed by the Schedule is paid;

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

AND UPON Denninghouse having represented to the Commission as follows:

1. Denninghouse is a corporation incorporated under the laws of the province of Ontario. Denninghouse is a reporting issuer under the Act and is not in default of any requirements of the Act or the Regulation.

2. The authorized capital of Denninghouse consists of an unlimited number of preferred shares and an unlimited number of common shares ("Common Shares"), of which no preferred shares and 5,159,800 Common Shares were issued and outstanding as of May 17, 2002.

3. The Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX").

4. DGK Holdings Ltd. ("DGK") currently owns 2,857,500 Common Shares (the "DGK Common Shares"), representing approximately 55% of the issued and outstanding Common Shares.

5. DGK is a corporation incorporated under the laws of the province of Ontario, is a private holding company wholly-owned by 1410776 Ontario Limited ("1410776") and has no assets, other than the DGK Common Shares, no liabilities and does not carry on any active business.

6. 1410776 is a corporation incorporated under the laws of the province of Ontario, all of the issued and outstanding common shares of which are owned by 1410248 Ontario Limited ("1410248") and Diplock Investments Inc., a domestic Barbados corporation ("Diplock"). The Class A shares of 1410776, of which 7,571,009 are issued and outstanding, are held by 1410248. The Class C shares of 1410776, of which 1,000,000 are issued and outstanding, are held by Dennis Klein, the Chairman, President and Chief Executive Officer of Denninghouse. The outstanding

Common Shares, Class A shares and Class C shares of 1410776 are collectively referred to herein as the "1410766 Shares" and 1410248, Diplock and Dennis Klein are collectively referred to herein as the "1410776 Shareholders".

7. 1410776 has no assets, other than the common shares of DGK, no liabilities and does not carry on any active business.

8. 2015290 Ontario Limited ("2015290") is a corporation incorporated under the laws of the province of Ontario and is a wholly-owned subsidiary of Denninghouse.

9. The purpose of the Transaction is to permit the 1410776 Shareholders to hold the DGK Common Shares directly, rather than indirectly through 1410776 and DKG.

10. As part of the Transaction, DGK, 2015290 and 1410776 will amalgamate (the "Amalgamation") under the *Business Corporations Act* (Ontario) (the "OBCA") pursuant to an amalgamation agreement (the "Amalgamation Agreement") to form an amalgamated corporation referred to herein as "Amalco". Denninghouse will also be a party to the Amalgamation Agreement but will not be an amalgamating corporation. Pursuant to the terms of the Amalgamation Agreement, among other steps:

    (a) Denninghouse will, prior to the completion of the Amalgamation, issue 2,857,500 Common Shares (the "Treasury Shares") to the 1410776 Shareholders in exchange for the 1410776 Shares; and

    (b) the outstanding shares of 2015290 will be exchanged for newly issued shares of Amalco.

11. Upon completion of the Amalgamation, Amalco will be a wholly-owned subsidiary of Denninghouse and will own the DGK Common Shares that were formerly held indirectly by the 1410776 Shareholders. The 1410776 Shareholders will hold the 2,857,500 Treasury Shares directly, rather than the 2,857,500 DGK Common Shares that they previously held indirectly through 1410776 and DGK.

12. As a further part of the Transaction, immediately following the completion of the Amalgamation, Amalco will distribute its assets, including the DGK Common Shares, to Denninghouse by means of a voluntary winding up of Amalco pursuant to the provisions of Part XVI of the OBCA (the "Winding Up"). Once acquired by Denninghouse, the DGK Common Shares will be cancelled.

13. Immediately following the completion of the Transaction, the number of issued and outstanding Common Shares will be the same as prior to the commencement of the Transaction. In addition, the 1410776 Shareholders and the public shareholders of Denninghouse (the "Public Shareholders"), will beneficially own the same aggregate number and the same relative percentages of Common Shares that they owned immediately prior to the commencement of the Transaction and will have the same rights and benefits in respect of such Common Shares that they currently have.

14. The Transaction is subject to the approval of the disinterested members of the board of directors of Denninghouse (the "Board"). In determining whether to approve the Transaction, the Board will, among other things, review and consider a written opinion from Goodman and Carr LLP, counsel to the 1410776 Shareholders, with respect to the tax consequences of the Transaction.

15. Pursuant to an indemnity agreement (the "Indemnity") to be entered into between the 1410776 Shareholders and Denninghouse, the 1410776 Shareholders will jointly and severally indemnify Denninghouse (to the satisfaction of the disinterested directors of Denninghouse) for any liabilities, losses or costs that may arise as a result of the Transaction. As security for these indemnification obligations, on completion of the Transaction, the 1410776 Shareholders will deposit a certain number of their Treasury Shares with a third party escrow agent to be held in escrow pursuant to the terms of an escrow agreement for a certain number of years. The escrow agent will have the authority to sell such escrowed Treasury Shares and use the proceeds thereof to satisfy any claims made by Denninghouse against the 1410776 Shareholders pursuant to the Indemnity. The Indemnity and terms of escrow will be approved by the disinterested directors of Denninghouse.

16. The 1410776 Shareholders have agreed to pay all costs (including legal and accounting costs) incurred by Denninghouse in connection with the Transaction.

17. The issuance of the Treasury Shares is subject to approval by the TSX.

18. The Transaction will have no adverse economic effect on, or adverse tax consequences to, and will in no way prejudice Denninghouse or the Public Shareholders.

19. The acquisition by Denninghouse of the 1410776 Shares in connection with the Amalgamation will constitute an indirect issuer bid within the meaning of section 92 and subsection 89(1) of the Act.

Furthermore, the acquisition by Denninghouse of the DGK Common Shares in connection with the Winding Up will also constitute an issuer bid within the meaning of section 89(1) of the Act. In neither case would any of the exemptions from the requirements of Part XX of the Act that are generally available to issuer bids apply in connection with the Transaction.

19. The Transaction will constitute a related party transaction for the purposes of Commission Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* ("Rule 61-501"). Denninghouse is exempt from the formal valuation and minority shareholder approval requirements of Rule 61-501 pursuant to sections 5.6(12) and 5.8(3) of Rule 61-501.

AND UPON the Commission 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 Denninghouse of the 1410776 Shares in connection with the Amalgamation is exempt from the Issuer Bid Requirements; and

IT IS FURTHER ORDERED pursuant to subsection 104(2)(c) of the Act that the acquisition by Denninghouse of the DGK Common Shares pursuant to the Winding Up is exempt from the Issuer Bid Requirements

December 6, 2002.

"Theresa McLeod" "Robert L. Shirriff"

IT IS FURTHER ORDERED that Denninghouse is exempt from the Fee Requirement in connection with the Transaction, provided that the minimum fee of $800 prescribed by Schedule I is paid.

December 6, 2002.

"Ralph Shay"

2.2.4 Mellon Capital Management Corporation and Jeffrey Scott Cannizzaro - Rule 31-505

Headnote

Decision pursuant to section 4.1 of Ontario Securities Commission Rule 31-505 (the Rule) exempting applicants from the requirement under subsection 1.3(3) of the Rule subject to certain terms and conditions.

Statutes Cited

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

Rules Cited

Ontario Securities Commission Rule 31-505 (1999) 22 O.S.C.B. 731, ss. 1.3(2), ss. 1.3(3), s. 4.1.
Ontario Securities Commission Rule 31-502 (2000) 23 O.S.C.B. 5658.

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

AND

IN THE MATTER OF
MELLON CAPITAL MANAGEMENT CORPORATION AND JEFFREY SCOTT CANNIZZARO

EXEMPTION ORDER
(Rule 31-505)

UPON the application of Mellon Capital Management Corporation (Mellon and, together with Jeffrey S. Cannizzaro, the **Applicant**) pursuant to Section 4.1 of Ontario Securities Commission Rule 31-505 – *Conditions of Registration* (the **Registration Rule**) for an exemption from the requirement under subsection 1.3(3) of the Registration Rule that Mr. Cannizzaro meet certain proficiency requirements under Ontario Securities Commission Rule 31-502 – *Proficiency Requirements for Registrants* (the **Proficiency Rule**) in order for supervisory functions, other than the supervisory functions enumerated in subsection 1.3(2) of the Registration Rule, to be delegated to Mr. Cannizzaro by the designated compliance officer of Mellon (the **Application**);

AND UPON considering the Application;

AND UPON Mellon having represented to the Director that:

1. Mellon is registered with the Ontario Securities Commission as a non-Canadian adviser in the categories of investment counsel and portfolio manager and commodity trading manager – non-resident.

2. Mr. Cannizzaro is registered in the United States with the National Association of Securities Dealers, Inc. (**NASD**) as a General Securities

Representative (Series 7), Registered Options Principal (Series 8), General Securities Principal (Series 24), Associated Person – National Futures Association (Series 3) and Uniform Securities Agent State Law Exam (Series 63).

3. Mr. Cannizzaro joined Mellon in 2002 and is the Vice President and Manager of Compliance and Risk Management for Mellon. Mellon is registered as an investment adviser with the U.S. Securities and Exchange Commission (**SEC**).

4. In that capacity, Mr. Cannizzaro is involved in the development and maintenance of the policies and procedures designed to ensure that Mellon's activities are compliant with the applicable legislation.

5. Prior to joining Mellon, Mr. Cannizzaro worked for Dreyfus Service Corporation ("DSC") for four and one half years. Mr. Cannizzaro was a Vice President at DSC for three and one half of those years, and also a Compliance Manager at DSC for two of those years.

   Prior to working at DSC, Mr. Cannizzaro worked at Waterhouse Securities ("Waterhouse") for three and one half years. Mr. Cannizzaro was an Assistant Branch Manager at Waterhouse for one and one half of those years, and a Compliance Manager at Waterhouse for three quarters of a year.

6. Mr. Cannizzaro does not, however, meet the qualification criteria in subsection 1.3(3) of the Registration Rule to be delegated supervisory functions by the designated compliance officer of Mellon.

7. The designated compliance officer of Mellon will not delegate and Mr. Cannizzaro will not assume the supervisory functions enumerated in subsection 1.3(2) of the Registration Rule.

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

NOW THEREFORE, pursuant to section 4.1 of the Registration Rule, the Director hereby exempts the Applicant from the requirement of subsection 1.3(3) of the Registration Rule that Mr. Cannizzaro meet the proficiency requirements of the Proficiency Rule in order for Mr. Cannizzaro to be delegated supervisory functions by the designated compliance officer of Mellon;

PROVIDED THAT:

(A) This order shall not take effect until such time as Mr. Cannizzaro has completed the New Entrants Course prepared and conducted by the Canadian Securities Institute;

(B) The designated compliance officer of Mellon shall not delegate and Mr. Cannizzaro shall not assume the supervisory functions enumerated in subsection 1.3(2) of the Registration Rule; and

(C) If the proficiency requirements applicable to compliance officer's delegates of registrants in the categories of investment counsel and portfolio manager are amended, the relief provided for in this Decision will terminate one year following the date such amendment comes into effect, unless the Director determines otherwise.

December 5, 2002.

"David M. Gilkes"

2.2.5 Lydia Diamond Exploration of Canada Ltd. et al. - s. 144

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

AND

IN THE MATTER OF
LYDIA DIAMOND EXPLORATION OF CANADA LTD.,
JURGEN VON ANHALT, EMILIA VON ANHALT

ORDER
(Section 144)

WHEREAS on November 19, 2002, the Ontario Securities Commission issued an order pursuant to sections 127 and 127.1 of the *Securities Act* in respect of Lydia Diamond Exploration of Canada Ltd. (Lydia), Jurgen von Anhalt, and Emilia von Anhalt;

AND WHEREAS on November 20, 2002, Lydia, Jurgen von Anhalt and Emilia von Anhalt filed a Notice of Appeal and a motion for a stay of the order pending the appeal;

AND WHEREAS the Honourable Mr. Justice McNeely heard the motion for a stay of the order on November 21, 2002 and he reserved his decision;

AND WHEREAS on November 22, 2002, Jurgen von Anhalt and Emilia von Anhalt requested the Commission to vary the order by changing the starting date of condition 7 from the day after the order to the day after the release of the decision on the motion for a stay of the order in the event the motion was dismissed;

AND WHEREAS the Commission did not deal with the request on the basis that it was premature;

AND WHEREAS on November 27, 2002, Justice McNeely dismissed the motion for a stay of the order;

AND WHEREAS on November 28, 2002, Jurgen von Anhalt and Emilia von Anhalt advised the Commission that Lydia, Jurgen von Anhalt and Emilia von Anhalt were then in compliance with the order except for the payment of costs;

AND WHEREAS on December 4, 2002, Lydia, Jurgen von Anhalt and Emilia von Anhalt applied to the Commission for an order pursuant to section 144(1) of the *Act* to vary the order by changing the starting date of condition 7 from the day after the order to November 28, 2002, and requested the Commission not to require costs to be paid by Lydia, Jurgen von Anhalt and Emilia von Anhalt pending the disposition of the appeal;

AND WHEREAS the Commission consented to hear this application in writing;

AND WHEREAS the Commission is of the opinion that to make this order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144(1) of the *Act* that the original order of November 19, 2002, be varied by amending condition 7 by striking out the words “the day after this order” in the first line and substituting for them, “November 28, 2002”.

December 13, 2002.

“Paul M. Moore”
“Mary Theresa McLeod”
“H. Lorne Morphy”

2.2.6 Edwards Securities Inc. and David Gerald Edwards - ss. 127 and 127.1

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

AND

**IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK**

**ORDER
(Section 127 and 127.1)**

WHEREAS on August 9, 2002 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990 c.S.5, as amended (the "Act") in respect of Edwards Securities Inc. ("ESI"), David Gerald Edwards ("Edwards"), David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock;

AND WHEREAS ESI and Edwards entered into a settlement agreement with Staff of the Commission dated December 13, 2002 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

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

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

(1) the Settlement Agreement dated December 13, 2002 attached to this Order is hereby approved;

(2) pursuant to clause 1 of subsection 127(1) of the Act, Edwards' registration under Ontario securities law is hereby terminated;

(3) pursuant to clause 2 of subsection 127(1) of the Act, Edwards is hereby permanently prohibited from trading in securities, with the exception of securities held in his own name and listed on the Toronto Stock Exchange;

(4) pursuant to clause 6 of subsection 127(1) of the Act, Edwards is hereby reprimanded by the Commission;

(5) pursuant to clause 7 of subsection 127(1) of the Act, Edwards is hereby required to resign all positions that he currently holds as officer or director of ESI:

(6) pursuant to clause 7 of subsection 127(1) of the Act, Edwards is hereby required to resign all positions that he currently holds as officer or director of any issuer;

(7) pursuant to clause 8 of subsection 127(1) of the Act, Edwards is hereby permanently prohibited from becoming or acting as an officer or director of any issuer;

(8) pursuant to subsection 127.1(1)(b) of the Act, Edwards will make a payment to the Commission in the amount of $5,000.00 in respect of a portion of the costs of Staff's investigation of this matter;

(9) pursuant to clause 1 of subsection 127(1) of the Act, ESI's registration under Ontario securities law is hereby terminated;

(10) pursuant to clause 2 of subsection 127(1) of the Act, ESI is hereby permanently prohibited from trading in securities; and

(11) pursuant to clause 6 of subsection 127(1) of the Act, ESI is hereby reprimanded by the Commission.

December 17, 2002.

"Robert Davis" "Harold Hands"

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

AND

IN THE MATTER OF
EDWARDS SECURITIES INC.,
DAVID GERALD EDWARDS,
DAVID FREDERICK JOHNSON,
CLANSMAN 98 INVESTMENTS INC.
and DOUGLAS G. MURDOCK

SETTLEMENT AGREEMENT
BETWEEN STAFF, EDWARDS SECURITIES INC. and
DAVID GERALD EDWARDS

I INTRODUCTION

1. By Notice of Hearing dated August 9, 2002, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Ontario *Securities Act*, it is in the public interest for the Commission:

   (a) to make an order that trading in securities by the respondents, or any of them, cease permanently or for such other period as specified by the Commission;

   (b) to make an order that David Gerald Edwards and David Frederick Johnson, or either of them, resign their positions as officers and/or directors of the respondent Edwards Securities Inc. ("ESI") and resign their positions as an officer and/or director of any other issuer;

   (c) to make an order that Douglas G. Murdock resign his position as an officer and/or director of the respondent Clansman 98 Investments Inc. and resign his positions as an officer and/or director of any other issuer;

   (d) to make an order that Edwards, Johnson and Murdock, or any of them, are prohibited from becoming or acting as a director or officer of any issuer;

   (e) to make an order that the respondents or any of them be reprimanded;

   (f) to make an order that the respondents, or any of them, pay the costs of Staff's investigation in relation to this proceeding;

   (g) to make an order that the respondents, or any of them, pay the costs of the proceeding incurred by or on behalf of the Commission; and

   (h) to make such other order as the Commission considers appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission agree to recommend settlement of the proceedings initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. Edwards and ESI agree to the settlement on the basis of the facts agreed to as provided in Part III and consent to the making of an Order in the form attached as Schedule "A" on the basis of the facts set out in Part III.

3. This settlement agreement, including the attached Schedule "A" (collectively, the "Settlement Agreement"), will be released to the public only if and when the settlement is approved by the Commission.

III FACTS

4. ESI is a corporation incorporated under the laws of Ontario with a registered office at 240 Argyle Avenue in Ottawa. ESI was registered with the Commission as a Dealer in the category of Securities Dealer from September 15, 1988 to March 6, 2000.

5. Johnson is an individual residing in Ontario, and was at all material times the President and sole Director of ESI. Johnson was registered with the Commission as ESI's designated Trading Officer from September 15, 1988 to March 6, 2000.

6. Edwards was at all material times an officer and the owner of the majority of the shares of ESI. Edwards was registered with the Commission as a Salesperson of ESI from September 22, 1988 to March 6, 2000.

Mercristo Developments Inc.

7. Mercristo Developments Inc. is a corporation incorporated pursuant to the laws of Delaware, which traded on the OTC Bulletin Board under the symbol "MDEX". At all material times, Edwards was the President, Chief Executive Officer, Chief Financial Officer, Director and the owner of the majority of the shares of Mercristo. In 1998, Mercristo changed its name to Addison Industries Inc., which trades under the symbol "ADIS".

Clansman 98 Investments Inc. and Douglas Murdock

8. Clansman 98 Investments Inc. is a corporation incorporated under the laws of Ontario with a registered office at 3660 Hurontario Street in Mississauga. Clansman has never been registered in any capacity under the Act, and is not a reporting issuer in Ontario.

9. Douglas G. Murdock was at all material times the President, Secretary, Treasurer and sole Director of Clansman. He has never been registered in any capacity under the Act.

Trading Without a Prospectus

10. During the period between February and April, 1998 ESI, Clansman, Edwards and Murdock traded in securities, namely shares of Clansman, where such trading constituted a distribution of securities, without a receipted prospectus.

11. Clients of ESI were contacted by Edwards and offered an opportunity to invest in shares of Clansman. Clients who expressed interest in this opportunity were shown a package of documents relating to Clansman's proposed acquisition of Harding Carpet Canada Ltd., a company located in Brantford, Ontario which was then in receivership.

12. Clients wishing to invest in Clansman were informed that its shares could only be purchased in "units" of at least $12,500. Those who chose to invest were asked to execute a document titled "Expression of Interest". This document stated that ESI was acting as agent for Clansman, and that the investor would be purchasing "Class C Common Shares" of Clansman. This executed document was to be returned to ESI accompanied by a cheque representing payment in full for the requested shares.

13. As a result of these promotional activities, at least $1,412,750 was raised from at least 89 individual investors. The majority of these individual investors were clients of ESI.

Failure to Disclose Commission

14. ESI, Clansman, Edwards and Murdock failed to disclose to investors that ESI received a commission of 20% on the sale of all Clansman shares.

Failure to Disclose Interest

15. Clansman and Murdock did not employ investors' funds to acquire the business of Harding Carpets, as they originally represented. Instead, the majority of the funds raised were used to purchase shares of Mercristo, a company owned and directed by Edwards. Investors were never informed, prior to their investment in Clansman, that their funds would be employed in this way.

Closure of ESI

16. On March 6, 2000, Johnson resigned from ESI. With the departure of its Designated Trading Officer, ESI's registration under Ontario securities law was suspended. Edwards' registration under Ontario securities law was therefore suspended as of the same date.

Edwards' Bankruptcy

17. Edwards made a voluntary assignment in bankruptcy on April 10, 2001 and was granted an automatic discharge on January 11, 2002.

IV TERMS OF SETTLEMENT

18. Edwards and ESI agree to the following terms of settlement:

(a) pursuant to clause 1 of subsection 127(1) of the Act, Edwards' registration under Ontario Securities law will be terminated, effective the date of the Order of the Commission approving this proposed settlement agreement;

(b) pursuant to clause 2 of subsection 127(1) of the Act, Edwards will be permanently prohibited from trading in securities, with the exception that he will be permitted to trade in securities listed on the Toronto Stock Exchange for his own account, effective the date of the Order of the Commission approving this proposed settlement agreement;

(c) pursuant to clause 6 of subsection 127(1) of the Act, Edwards will be reprimanded by the Commission;

(d) pursuant to clause 7 of subsection 127(1) of the Act, Edwards will be required to resign all positions that he currently holds as officer or director of ESI, effective the date of the Order of the Commission approving this proposed settlement agreement;

(e) pursuant to clause 7 of subsection 127(1) of the Act, Edwards will be required to resign all positions that he currently holds as officer or director of an issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;

(f) pursuant to clause 8 of subsection 127(1) of the Act, Edwards will be permanently prohibited from becoming or acting as an officer or director of any issuer, effective the date of the Order of the Commission approving this proposed settlement agreement;

(g) pursuant to subsection 1 of section 127.1 of the Act, Edwards will make a payment of $5000.00 towards the costs of

Commission Staff's investigation of this matter.

(h) Edwards undertakes never to re-apply for registration under Ontario securities law;

(i) pursuant to clause 1 of subsection 127(1) of the Act, ESI's registration under Ontario Securities law will be terminated, effective the date of the Order of the Commission approving this proposed settlement agreement;

(j) pursuant to clause 2 of subsection 127(1) of the Act, ESI will be permanently prohibited from trading in securities, effective the date of the Order of the Commission approving this proposed settlement agreement;

(k) pursuant to clause 6 of subsection 127(1) of the Act, ESI will be reprimanded by the Commission; and

(l) ESI undertakes never to re-apply for registration under Ontario securities law.

V STAFF COMMITMENT

19. If this Settlement Agreement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any order in respect of any conduct or alleged conduct of the respondents in relation to the facts set out in Part III of this Settlement Agreement.

VI PROCEDURE FOR APPROVAL OF SETTLEMENT

20. The approval of the settlement as set out in the Settlement Agreement shall be sought at a public hearing before the Commission scheduled for such date as is agreed to by Staff and Edwards and ESI in accordance with the procedures described herein and such further procedures as may be agreed upon between Staff and Edwards and ESI.

21. If this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Edwards and ESI in this matter and Edwards and ESI agree to waive any right to a full hearing and appeal of this matter under the Act.

22. If this Settlement Agreement is approved by the Commission, the parties to this Settlement Agreement will not make any statement that is inconsistent with this Settlement Agreement.

23. If, for any reason whatsoever, this settlement is not approved by the Commission, or the Order set forth in Schedule "A" is not made by the Commission:

(a) each of Staff and Edwards and ESI will be entitled to proceed to a hearing of the allegations in the Notice of Hearing and related Statement of Allegations unaffected by the Settlement Agreement or the settlement;

(b) the terms of the Settlement Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and Edwards and ESI or as may be otherwise required by law; and

(c) Edwards and ESI further agree that they will not raise in any proceeding the Settlement Agreement or the negotiation or process of approval thereof as a basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

24. If, prior to the approval of this Settlement Agreement by the Commission, there are new facts or issues of substantial concern, in the view of Staff, regarding the facts set out in Part III of this Settlement Agreement, Staff will be at liberty to withdraw from this Settlement Agreement. Notice of such intention will be provided to Edwards and/or ESI in writing, and any cheques provided to Staff by Edwards and/or ESI representing payment of investigation costs will be returned. In the event of such notice being given, the provisions of paragraph 23 in this part will apply as if this Settlement Agreement had not been approved.

VII DISCLOSURE OF AGREEMENT

25. Staff or Edwards or ESI may refer to any part or all of this Settlement Agreement in the course of the hearing convened to consider this agreement. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to the Settlement Agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

26. Any obligation as to confidentiality shall terminate upon the approval of this Settlement Agreement by the Commission.

VIII EXECUTION OF SETTLEMENT AGREEMENT

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

copy of any signature shall be as effective as an original signature.

December 11, 2002.

“David Gerald Edwards”
David Gerald Edwards

December 11, 2002.

“David Gerald Edwards”
Edwards Securities Inc.
Per: David Gerald Edwards

December 13, 2002.

“Michael Watson”
Staff of the Ontario Securities Commission
Per: Michael Watson

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire
Great Lakes Nickel Limited	04 Dec 02	16 Dec 02	16 Dec 02	
Hanoun Medical Inc.	05 Dec 02	17 Dec 02		
Konexus Technologies Limited	04 Dec 02	16 Dec 02	16 Dec 02	
LBL Skysystems Corporation	05 Dec 02	17 Dec 02	17 Dec 02	
Second Chance Corporation	06 Dec 02	18 Dec 02	18 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
Diadem Resources Ltd.	22 Oct 02	04 Nov 02	04 Nov 02		

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Chapter 5

Rules and Policies

5.1.1 Amendments to National Instrument 14-101 Definitions

AMENDMENTS TO
NATIONAL INSTRUMENT 14-101
DEFINITIONS

1. National Instrument 14-101 Definitions is amended in section 1.1 (3) by

   (a) repealing the definition of “insider reporting requirement” and substituting the following:

   “insider reporting requirement” means the requirement in securities legislation for an insider of a reporting issuer to file reports disclosing:

   (a) the insider’s direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer, or

   (b) any change or changes to such ownership of, or control or direction over, securities of the reporting issuer;

   (b) in the definition of “jurisdiction”, adding “or “jurisdiction of Canada”” before “means a province”;

   (c) repealing the definitions of “multilateral instrument” and “national instrument” ;

   (d) adding the following definitions after the definition of “prospectus requirement” :

   "provincial and territorial securities directions” means the instruments listed in Appendix A;

   "provincial and territorial securities legislation" means the statutes and the other instruments listed in Appendix B;

   "provincial and territorial securities regulatory authorities" means the securities commissions and similar regulatory authorities listed in Appendix C;

2. National Instrument 14-101 Definitions is amended in Appendix A by

   (a) repealing the title to Appendix A and substituting the following title:

   PROVINCIAL AND TERRITORIAL SECURITIES DIRECTIONS/
   CANADIAN SECURITIES DIRECTIONS;

   (b) adding the following entry:

Nunavut	The policy statements and the written interpretations issued by the securities regulatory authority.

3. National Instrument 14-101 Definitions is amended in Appendix B by:

   (a) repealing the title and substituting the following:

   PROVINCIAL AND TERRITORIAL SECURITIES LEGISLATION/
   CANADIAN SECURITIES LEGISLATION;

(b) adding the following entry :

Nunavut	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.

4. National Instrument 14-101 Definitions is amended in Appendix C by;

(a) repealing the title and substituting the following:

PROVINCIAL AND TERRITORIAL SECURITIES REGULATORY AUTHORITIES/
CANADIAN SECURITIES REGULATORY AUTHORITIES;

(b) adding the following entry:

Nunavut	Registrar of Securities, Nunavut

5. National Instrument 14-101 Definitions is amended in Appendix D by adding the following entry:

Nunavut	Registrar, as defined under section 1 of the *Securities Act* (Nunavut)

6. These amendments shall come into force on December 31, 2002.

Chapter 6

Request for Comments

6.1.1 Notice of Request for Comments – Proposed Amendments to OSC Rule 31-502 – Proficiency Requirements for Registrants, OSC Rule 31-505 – Conditions of Registration and OSC Rule 35-502 – Non-Resident Advisers

NOTICE OF REQUEST FOR COMMENTS

PROPOSED AMENDMENTS TO
RULE 31-502 – PROFICIENCY REQUIREMENTS FOR REGISTRANTS
AND
RULE 31-505 – CONDITIONS OF REGISTRATION
AND
RULE 35-502 – NON-RESIDENT ADVISERS

Substance and Purpose of Proposed Amendments

Representatives of the investment adviser industry have raised concerns about the proficiency requirements for compliance officers of firms registered as advisers under Rule 31-502 – *Proficiency Requirements for Registrants* (Rule 31-502) and also with respect to the requirements for designated compliance officers and their delegates under Rule 31-505 – *Conditions of Registration* (Rule 31-505) and Rule 35-502 – *Non-Resident Advisers* (Rule 35-502; together, the Rules). The proposed amendments to the Rules are intended to provide alternative proficiency requirements for compliance officers of advisers and clarify the roles assigned to individuals involved in the supervision of advisers' regulatory compliance. The Commission also proposes to make two minor clarifications to Rule 31-502 that are not limited to matters concerning compliance officers. The proposed amendment to Rule 35-502 will remove the requirement for an international adviser to designate a compliance officer.

Summary of the Proposed Amendments

Under Rule 31-502, an adviser's designated compliance officer is required to have the same proficiency as an officer, partner or representative of the adviser. Under the proposed amendments, Rule 31-502 will provide alternatives which recognize practical expertise in compliance matters.

Under Rule 31-505, an adviser is required to designate a compliance officer who will be responsible for certain prescribed duties and is permitted to delegate certain of those duties to another individual who has the same proficiency as the designated individual. Under the proposed amendments, this will be replaced for advisers with a system whereby a senior officer assumes ultimate responsibility for the compliance function, while day-to-day supervision of the compliance function is undertaken by an operating officer whose proficiency is determined in accordance with the amended requirements under Rule 31-502. The operating officer will be free to determine what responsibilities and skills are appropriate for any subordinates working in a compliance capacity. A single individual may undertake both roles if he or she meets the requirements of both.

Section 1.2 of Rule 31-502 permits individuals who have completed required courses or examinations more than three years previously to be registered or reinstated in a registration category, provided that the individual was registered in Ontario in that category during the preceding three-year period. Individuals who have been continuously registered in equivalent categories in other provinces or territories of Canada are thus unable to avail themselves of section 1.2 in applying for registration in Ontario. The Commission proposes to amend subsection 1.2 to recognize equivalent registration in other Canadian jurisdictions. If the proposed amendment receives final approval, Staff Notice 32-702 – *Applications for Exemptions from the Time Limits on Completion of Courses and Previous Registrations* will be withdrawn.

Subsection 3.3(3) of Rule 31-502 provides that "An investment counsel or portfolio manager that employs an associate representative, associate partner or associate officer shall designate a representative, partner or officer that is not an associate representative, associate partner or associate officer to approve advice given by an associate representative, associate partner or associate officer". Subsection 3.3(4) sets out further specifications concerning the designated supervisor. For greater certainty, the Commission proposes to specify that the designated supervising representative, partner or officer referred to in these two subsections is required to be a registrant.

The Commission proposes to amend Rule 35-502 to remove the requirement for international advisers to designate a compliance officer, which serves no regulatory purpose in view of the restricted activities international advisers are permitted to undertake and limited requirements applicable to their activities.

Authority for Proposed Amendments

The following provisions of the Act provide the Commission with authority to make the Rules and as such, to amend them: Paragraph 143(1)1 of the *Securities Act* (the Act) authorizes the Commission to make rules prescribing requirements in respect of applications for registration and the renewal, amendment, expiration or surrender of registration. Paragraph 143(1)2 of the Act authorizes the Commission to make rules prescribing the conditions of registration or other requirements for registrants or any category or sub-category of registrant. Paragraph 143(1)3 of the Act authorizes the Commission to make rules extending any requirements prescribed under paragraph 143(1)2 to unregistered directors, partners, salespersons and officers of registrants.

Alternatives Considered

The Commission considered maintaining the status quo but concluded that the concerns raised by the industry are serious enough to merit remedial action. The Commission also considered relying on the Director’s authority to grant exemptive relief to address these issues, but felt that the exercise of the Director’s discretion is a mechanism intended to provide extraordinary relief, while the concerns are common to most if not all advisers. As such, it would be inappropriate and wasteful of the resources of both advisers and the Commission to rely on exemptions.

Unpublished Materials

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

Anticipated Costs and Benefits

Staff believes that the proposed amendments will permit advisers to establish more effective compliance systems without incurring new costs.

Regulations Revoked or Amended

The proposed amendments do not require any regulations to be revoked or amended.

Comments

Interested parties are invited to make written submissions with respect to the proposed amendments. Submissions received by March 31, 2003 will be considered.

Submissions should be sent to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
jstevenson@osc.gov.on.ca

If you are not sending your comments by e-mail, please send us two copies of your letter, together with a diskette containing your comments (in either Word or Wordperfect format). As the Act requires that a summary of the written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Christopher Jepson
Legal Counsel
Ontario Securities Commission
(416) 593-2379
cjepson@osc.gov.on.ca

Proposed Amendments

The text of the proposed amendments follows.

December 10, 2002.

Proposed Amendments

Amendments to Rule 31-502 — Proficiency Requirements For Registrants

1. Subsection 1.2(1) is amended by the addition of “or its equivalent in any other province or territory of Canada” after “previously registered in the relevant category”.

2. The title of section 3.1 is amended by the deletion of “and Compliance Officers”, which is replaced with “, Chief Compliance Officers and Ultimately Responsible Persons”.

3. Subsection 3.1(2) is re-designated subsection 3.1(3) and amended by the deletion of “as the compliance officer under section 1.3 of Rule 31-505 Conditions of Registration or”.

4. Section 3.1 is amended by the substitution of the following in place of the former subsection 3.1(2):

“3.1 (2) An individual shall not be designated by a securities adviser as the chief compliance officer under section 1.3 of Rule 31-505 Conditions of Registration unless the individual

(a) has been granted registration previously as a representative, partner or officer of a securities adviser, investment counsel or portfolio manager;

(b) has

(i) obtained professional designation as a lawyer or Chartered Accountant in a Canadian jurisdiction or the equivalent in a foreign jurisdiction and is in good standing with the appropriate self-regulatory body or regulatory agency;

(ii) completed the Canadian Securities Course and the Partners, Directors and Senior Officers Qualifying Examination; and

(iii) either

(A) been employed for three years by a registered dealer or a registered adviser; or

(B) been providing professional services to the securities industry for three years and employed by a registered dealer or registered adviser for one year; or

(c) has

(i) completed the Canadian Securities Course and the Partners, Directors and Senior Officers Qualifying Examination; and

(ii) either

(A) been employed for five years by a registered dealer or a registered adviser, including three years under the supervision of the designated or chief compliance officer of a registered dealer or a registered adviser; or

(B) been employed for five years by a financial intermediary regulated by the federal Office of the Superintendent of Financial Institutions in a compliance capacity relating to portfolio management and employed by a registered dealer or registered adviser for one year;

provided that an individual designated as chief compliance officer pursuant to paragraph (b) or (c) shall not act as an adviser.”

5. The title of section 3.2 is amended by the deletion of “and Compliance Officers”, which is replaced with “, Chief Compliance Officers and Ultimately Responsible Persons”.

6. Subsection 3.2(2) is re-designated subsection 3.2(3) and amended by the deletion of “as the compliance officer under section 1.3 of Rule 31-505 Conditions of Registration or”.

7. Section 3.2 is amended by replacement of the former subsection 3.2(2) with the following:

"3.2 (2) An individual shall not be designated by an investment counsel or portfolio manager as the chief compliance officer under section 1.3 of Rule 31-505 Conditions of Registration unless the individual

(a) has been granted registration previously as a representative, partner or officer of an investment counsel or portfolio manager, other than in reliance on section 3.3 or under a registration subject to terms and conditions requiring the individual's advising activities to be supervised, or as an investment counsel or portfolio manager;

(b) has

(i) obtained professional designation as a lawyer or Chartered Accountant in a Canadian jurisdiction or the equivalent in a foreign jurisdiction and is in good standing with the appropriate self-regulatory body or regulatory agency;

(ii) completed the Canadian Securities Course and the Partners, Directors and Senior Officers Qualifying Examination; and

(iii) either

(A) been employed for three years by a registered dealer or a registered adviser; or

(B) been providing professional services to the securities industry for three years and employed by a registered dealer or registered adviser for one year; or

(c) has

(i) completed the Canadian Securities Course and the Partners, Directors and Senior Officers Qualifying Examination; and

(ii) either

(A) been employed for five years by a registered dealer or a registered adviser, including three years under the supervision of the designated or chief compliance officer of a registered dealer or a registered adviser; or

(B) been employed for five years by a financial intermediary regulated by the federal Office of the Superintendent of Financial Institutions in a compliance capacity relating to portfolio management and employed by a registered dealer or registered adviser for one year;

provided that an individual designated as chief compliance officer pursuant to paragraph (b) or (c) shall not act as an adviser."

8. Subsection 3.3(3) is amended by the addition of the word "registered" after "shall designate a".

9. Subsection 3.3(4) is amended by the addition of the word "registered" after "the designated".

10. Part 3 is amended by the addition of the following section 3.4:

"3.4 New Entrants Equivalency – In this Part, an individual may meet a requirement to complete the Canadian Securities Course by completion of the New Entrants Examination and the U.S. Series 7 Examination."

Amendments to Rule 31-505 — Conditions Of Registration

11. The title of section 1.3 is amended by the addition of "or Chief Compliance Officer and Ultimately Responsible Person" after "Compliance Officer".

12. Subsection 1.3(1) is re-designated paragraph 1.3(1)(a) and amended by the deletion of "or adviser", which appears twice.

13. Subsection 1.3(2) is re-designated paragraph 1.3(1)(b) and amended by the deletion of “or adviser” and the deletion of “and supervising advice provided to each client”.

14. Subsection 1.3(3) is re-designated paragraph 1.3(1)(c) and amended by the deletion of “or an officer in the same category of registration as the adviser,” and the deletion of “in each case” and the replacement of the references to “subsections (1) and (2)” with references to “paragraphs (a) and (b)”.

15. Section 1.3 is amended by the addition of the following subsection 1.3(2):

“1.3(2) (a) A registered adviser shall designate an executive officer as the individual who is ultimately responsible for discharging the obligations of the registered adviser under Ontario securities law.

(b) “Executive officer” means for purposes of paragraph (a) a registered partner or registered officer who is,

(i) president, chief executive officer, chief financial officer, secretary, general counsel or general manager of the registered adviser or any other individual who performs functions for it which are similar to those normally performed by an individual occupying any such office, or

(ii) one of the five highest paid partners or officers of the registered adviser.

(c) The ultimately responsible person designated under paragraph (a) shall ensure that policies and procedures for the discharge of the obligations of the registered adviser under Ontario securities law are developed and implemented.

(d) A registered adviser shall also designate a partner or officer as the chief compliance officer who shall either be the same individual as the ultimately responsible person designated under paragraph (a) or shall report to that individual.

(e) The chief compliance officer designated under paragraph (d) shall supervise the registered adviser’s adherence to the polices and procedures referred to in paragraph (c) and shall also be responsible for supervising the opening of each new account and supervising advice provided to each client or, if a branch manager is designated under subsection 1.4(1), for supervising the branch manager's conduct of the activities specified in subsection 1.4(2).

(f) The ultimately responsible person designated under paragraph (a) shall report directly to the board of directors or partnership annually concerning the discharge of the obligations of the registered adviser under Ontario securities law and shall have a right to directly access the board of directors or partnership at such other times as he or she may deem necessary or advisable.

(g) An applicant for registration or reinstatement of registration as an adviser shall deliver to the Commission, with the application, written notice of the name of the person or persons proposed to be designated under paragraphs (a) and (c).”

16. Subsection 1.4(2) is amended by the deletion of “section 1.3” and its replacement with “subsection 1.3(a) in the case of a dealer and the chief compliance officer designated under subsection 1.3(b) in the case of an adviser.”

Amendments to Rule 35-502 – Non-Resident Advisers

17. Part 3 is amended by the addition of the following section 3.14:

“Partial Exemption from Rule 31-505 – An international adviser is exempt from subsection 1.3(2) of Rule 31-505.”

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

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

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
01-Dec-2002	Simre Holdings Ltd.	ABC American -Value Fund - Units	150,000.00	24,529.00
01-Dec-2002	7 Purchasers	ABC Fundamental - Value Fund - Units	1,411,769.80	102,286.00
04-Dec-2002	Douglas Denton	Acuity Pooled High Income Fund - Trust Units	154,600.00	10,961.00
28-Nov-2002	Judy Preston	Acuity Pooled High Income Fund - Trust Units	750,000.00	52,564.00
29-Nov-2002	Sandra Rider	Acuity Pooled High Income Fund - Trust Units	70,000.00	4,947.00
27-Nov-2002	William Woodcock	Acuity Pooled High Income Fund - Trust Units	450,000.00	31,638.00
27-Nov-2002	Stan Bharti	Admiral Bay Resources Inc. - Flow-Through Shares	17,500.00	50,000.00
02-Dec-2002	E2 Venture Fund Inc.	Adventus Intellectual Property Inc. - Common Shares	1,000,001.00	1,106,279.00
29-Nov-2002	3 Purchasers	Agile Systems Inc. - Common Shares	0.00	2,703,612.00
29-Nov-2002	Alternum Capital	Alternum Capital - Global Health Sciences Hedge Fund - Limited Partnership Units	1,440.68	3.00
29-Nov-2002	6 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	2,650.24	2,446.00
29-Nov-2002	Prime Trust	British Columbia Public Infrastructure Trust - Notes	5,067,134.43	1.00
21-Nov-2002	Credit Risk Advisors LP	BWAY Finance Corp. and BWAY Corporation - Notes	384,500.00	250.00

05-Dec-2002	31 Purchasers	Canadian Royalties Inc. - Flow-Through Shares	7,375,000.00	2,745,000.00
29-Nov-2002	14 Purchasers	Canadian Superior Energy Inc. - Flow-Through Shares	7,395,000.00	4,930,000.00
27-Nov-2002	14 Purchasers	Carfinco Income Fund - Debentures	1,560,000.00	14.00
05-Dec-2002	The Canada Life Assurance Company Investment Division	CAI Capital Corporation - Preferred Shares	10,900.00	109.00
30-Sep-2002	DS&D Personnel Inc.	Claim Lake Resources Inc. - Units	30,000.00	120,000.00
03-Dec-2002	Hospitals of Ontario Pension Plan	Commodore Group Limited - Shares	2,220,009.12	913,584.00
03-Dec-2002	Stephen Freedhoff	Devlan Exploration Inc. - Common Shares	16,500.00	10,000.00
26-Nov-2002	Scott Johnston	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Paul Nicholls	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Patricia Cameron	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	J. E. Livingstone	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	J. Michael Cain	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Birchard B. Mitchell	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Anthony Acchione	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Sven Svantesson	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Shawn Fowler	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Sandra Waite	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	N. Storms	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Ann Brotman	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Lucy Luczynski	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Diana Luczynski	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

26-Nov-2002	John Roy Fenton	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
26-Nov-2002	Robert John Hornick	Discovery Biotech Inc. - Common Shares	3,000.00	500.00
26-Nov-2002	John Grant	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Nancy Huffman-Vail	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Elaine Pastor	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Beverly Bishop	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
26-Nov-2002	Gauder Holdings	Discovery Biotech Inc. - Common Shares	9,000.00	3,000.00
26-Nov-2002	Rene Byvank	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	L.D. Stewart Winter	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
26-Nov-2002	Richard E. Howard	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Rick Wise	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Michael Pollington	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
26-Nov-2002	Judy Csillag	Discovery Biotech Inc. - Common Shares	1,998.00	666.00
26-Nov-2002	John Ryder	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Robert Beaudin	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Rhonda Haarsma	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Brian Winger	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Bruce Hughes	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Joe Dinardo	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
26-Nov-2002	Mike Chernishenko	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Robert K. Purcell & Joan Purcell	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

26-Nov-2002	William V. Rossini	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Janet & Brad Gillen	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Norman Armstrong	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Babby Thariath	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Robert R. Willis	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
26-Nov-2002	Marijan Vranic	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Ian Stone	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
26-Nov-2002	Joseph Arruda	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Kenneth Cheah	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Mildmay Automotive Service Ltd.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	971691 Ontario Limited	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Rick Parliament	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
26-Nov-2002	David Anderson	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
26-Nov-2002	Annette P. Langeveld	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Randy Hodgins	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Ron Coates	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Brian Ward	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	Lloyd Campbell Edge	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	John Fitzgerald	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
26-Nov-2002	Emidio Pavone	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
26-Nov-2002	S. Masterson	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

26-Nov-2002	Randy Andaloro	Discovery Biotech Inc. - Common Shares	1,995.00	665.00
26-Nov-2002	Emil Boutros	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Tom Drummond	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Kevin Paterson	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
26-Nov-2002	Cleyn Industries Ltd.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
26-Nov-2002	Trax Personnel Services Inc.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
29-Nov-2002	AGF Canadian Growth Equity Fund	Eftia OSS Solutions Inc. - Notes	430,485.00	1.00
01-Dec-2002	Karoo Enterprises Inc.	Eventi Inc. - Preferred Shares	50,000.00	33,333.00
28-Nov-2002	9 Purchasers	Fuel Cell Technologies Corporation - Units	2,218,790.22	4,823,457.00
28-Nov-2002	1428180 Ontario Limited	Gateway Casinos Income Fund - Units	45,019,700.00	4,501,970.00
02-Dec-2002	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,887.00
30-Nov-2002	3 Purchasers	i3Dimensions Inc. - Common Shares	1,130,001.00	753,334.00
06-Dec-2002	Sherrie Johnston	Ingersoll 10 Mission Development Ltd - Debentures	50,000.00	1.00
31-Oct-2002	Flora Garcia	Innovium Capital Corp. - Warrants	250,000.00	1,000,000.00
13-Nov-2002	Actra Toronto Performers	KBSH - Short Term Bond Fund - Units	271,152.87	19,115.00
02-Dec-2002 12/4/02	8 Purchasers	MedMira Inc. - Common Shares	712,500.00	650,000.00
02-Dec-2002	14 Purchasers	Opawica Explorations Inc. - Common Shares	262,500.00	2,625,000.00
10-Dec-2002	3 Purchasers	Purcell Energy Ltd. - Flow-Through Shares	2,051,100.00	683,700.00
02-Dec-2002	Canadian Friends of the Hebrew University	Quellos Strategic Partners II, Ltd. - Shares	1,245,600.00	800.00
03-Dec-2002	Hospitals of Ontario Pension Plan	Rex Bond Limited - Notes	23,903,015.13	361,416.00
02-Nov-2002	Vyco Limited	RTO Enterprises Inc. - Preferred Shares	1,100,000.00	1,100,000.00

06-Dec-2002	5 Purchasers	Sentra Resources Corporation - Special Warrants	4,000,000.80	1,702,218.00
04-Dec-2002	11 Purchasers	Shore Gold Inc. - Units	905,833.00	999,442.00
23-Sep-2002	PNK Holdings Ltd.	Solution Q Inc. - Convertible Debentures	250,000.00	1.00
09-Dec-2002	Belt Line Investments Limited	Sprucegrove Global Pooled Fund - N/A	5,000,000.00	384,906.00
01-Dec-2002	Melvin Boshart	Stacey Investment Limited Partnership - Limited Partnership Units	150,011.20	6,148.00
30-Nov-2002	Diana M. Crosbie;William M. Pigott	TD Harbour Capital Balanced Fund - Trust Units	310,000.00	3,011.00
02-Dec-2002	3845260 Canada Limited	Thomas Weisel Global Growth Partners II (S), L.P. - Limited Partnership Interest	76,925,000.00	1.00
29-Nov-2002	CMP 2002 Resource Limited Partnership;The Sheridan Platinum Group Ltd.	Valerie Gold Resources Ltd. - Common Shares	247,399.95	1,178,095.00
25-Oct-2002	Elliot & Page Limited;Credit Risk Advisors LP	Wynn Las Vegas, LLC and Wynn Las Vegas Capital Corp. - Notes	3,845,000.00	2,500.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
29-Nov-2002	Investors Group Trust Co. Ltd. as Tr	PanGeo Pharma Inc. - Common Shares	100,000.00	

NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3

Seller	Security	Number of Securities
Osvaldo Iadaroia	Audiotech Healthcare Corporation - Common Shares	100,000.00
Agnico-Eagle Mines Limited	Consolidated Thompson-Lundmark Gold Mines Limited - Common Shares	1,228,821.00
ARC Canadian Energy venture Fund, ARC Canadian	Gauntlet Energy Corporation - Common Shares	1,000,000.00
Genus PLC	Gensel Biotechnologies Ltd. - Common Shares	8,049,201.00
Mustang Minerals Corp.	JML Resources Ltd. - Common Shares	1,649,482.00
Paul G. Desmarais	Power Corporation of Canada - Shares	400,000.00

REPORTS MADE UNDER SUBSECTION 2.7(1) OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES WITH RESPECT TO AN ISSUER THAT HAS CEASED TO BE A PRIVATE COMPANY OR PRIVATE ISSUER - FORM 45-102F1

Issuer	Date the Company Ceased to be a Private Company or Private Issuer
Gateway Casinos Income Fund	11/15/02

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Ballard Power Systems Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated December 11th, 2002
Mutual Reliance Review System Receipt dated December 11th, 2002
Offering Price and Description:
Cdn$155,925,000 - 7,700,000 Common Shares @ Cdn$20.25 per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
UBS Bunting Warburg Inc.
Promoter(s):
-
Project #501343

Issuer Name:
Domtar Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form MJDS Prospectus dated December 10th, 2002
Mutual Reliance Review System Receipt dated December 10th, 2002
Offering Price and Description:
$299,809,108.5 - 18,170,249 Units @ $16.50 per Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
UBS Bunting Warburg Inc.
Desjardins Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #501059

Issuer Name:
Harbour Foreign Growth & Income RSP Fund
Harbour Foreign Growth & Income Sector Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus and Annual Information Form dated December 12th, 2002
Mutual Reliance Review System Receipt dated December 16th, 2002
Offering Price and Description:
Sector A, F, and I Shares and
Class A and F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #501567

Issuer Name:
Retrocom Growth Fund Inc.
Principal Regulator - Ontario
Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated December 12th, 2002
Mutual Reliance Review System Receipt dated December 13th, 2002
Offering Price and Description:
Class C Series 9 Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Retrocom Investment Management Inc.
Project #501574

Issuer Name:
Ultima Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated December 13th, 2002
Mutual Reliance Review System Receipt dated December 13th, 2002
Offering Price and Description:
$44,100,000
(9,000,000 Trust Units)
Price: $4.90 Per Trust Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #501977

Issuer Name:
Altamira High Yield Bond Fund
Altamira Canadian Value Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 and Amendment #3 dated December 6th, 2002 to Simplified Prospectus and Annual Information Form dated August 28th, 2002
Mutual Reliance Review System Receipt dated 11th day of December, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Altamira Financial Services Ltd.
Altamira Financial Services Ltd.
Promoter(s):
Altamira Investment Services Inc.
Project #466648

Issuer Name:
(Class A and Class B Units)
Perigee T- Plus Fund
Perigee Index Plus Bond Fund
Perigee Active Bond Fund
Perigee Global Bond Fund
Perigee Accufund
Perigee Symmetry Balanced Fund
Perigee Diversifund
Perigee Canadian Select Equity Fund (formerly Perigee Canadian Select 35 Equity Fund)
Perigee Canadian Sector Equity Fund
Perigee North American Equity Fund
Brandywine Fundamental Value U.S. Equity Fund
Batterymarch U.S. Equity Fund
Legg Mason U.S. Value Fund
Perigee International Equity Fund
Perigee Private Client Bond Portfolio
Perigee Private Client Balanced Portfolio
Perigee Private Client Canadian Equity Portfolio
(Class A Units only)
Perigee Axis Cash Fund
Perigee Income fund
Perigee Canadian Aggressive Growth Equity Fund
Principal Regulator - Ontario
Type and Date:
Amendment dated November 21st, 2002 to Simplified Prospectus and Annual Information Form dated September 27th, 2002
Mutual Reliance Review System Receipt dated 11th day of December, 2002
Offering Price and Description:
Class A and Class B Units
Underwriter(s) or Distributor(s):
Perigee Investment Counsel Inc.
Perigee Investment Counsel Inc.
Promoter(s):
Perigee Investment Counsel Inc.
Project #472103

Issuer Name:
IG AGF International Equity Fund
IG Mackenzie Ivy European Fund
Principal Regulator - Manitoba
Type and Date:
Amendment #1 dated December 6th, 2002 to Simplified Prospectus and Annual Information Form dated October 15th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Les Services Investors Limitee
Investors Group Financial Services Inc.
Investors Groupe Financial Services Inc.
Les Services Investors Limitee
Investors Group Financial Servies Inc.
Promoter(s):
-
Project #478774

Issuer Name:
IG AGF International Equity Class (of Investors Group Corporate Class Inc.)
Principal Regulator - Manitoba
Type and Date:
Amendment #1 dated December 6th, 2002 to Simplified Prospectus and Annual Information Form dated October 16th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
Series A Shares and Series B Shares
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Les Services Investors Limitee
Investors Group Financial Services Inc.
Investors Groupe Financial Services Inc.
Les Services Investors Limitee
Promoter(s):
-
Project #470498

Issuer Name:
Juniper Equity Growth Fund (previously Grenadier 2000 Equity Fund)
Type and Date:
Amendment dated December 3rd, 2002 to Simplified Prospectus and Annual Information Form dated July 31st, 2002
Receipted on the 11th day of December, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #462672

Issuer Name:
Metallic Ventures Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated December 10th, 2002
Mutual Reliance Review System Receipt dated 11th day of December, 2002
Offering Price and Description:
Cdn.$18,000,000.00 - 6,000,000 Common Shares @Cdn$3.00 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Haywood Securities Inc.
Griffiths McBurney & Partners
Westwind Partners Inc.
Promoter(s):
Jeffrey R. Ward
Richard D. McNeely
Project #491376

Issuer Name:
Return on Innovation Fund Inc.
(Class A Shares, Series I,
Class A Shares, Series II, and
Class A Shares, Series III
Type and Date:
Final Prospectus dated December 9th, 2002
Receipted on 13th day of December, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
ACTRA Toronto Sponsor Inc.
Return on Innovation Management Ltd.
Project #489338

Issuer Name:
The Toronto-Dominion Bank
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated December 12th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
$4,000,000,000.00 - Debt Securities (subordinated indebtedness) Common Shares Class A First Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #500218

Issuer Name:
The VenGrowth Advanced Life Sciences Fund Inc.
(Class A Shares)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated December 10th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
APSFA/AGFFP SPONSOR CORP.
Project #482149

Issuer Name:
The VenGrowth II Investment Fund Inc.
(Class A Shares)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated December 10th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
APSFA/AGFFP SPONSOR CORP.
Project #482151

Issuer Name:
Chemtrade Logistics Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated December 12th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
C$41,040,000.00 - 3,040,000 Subscription Receipts, each representing the right to receive one trust unit @$13.50 per Subscription Receipt; and
C$41,000,000.00 - 10.0% Extendible Convertible Unsecured Subordinated Debentures @$1,000.00 per Debenture
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
First Associates Investments Inc.
Promoter(s):
-
Project #500020

Issuer Name:
Hathaway Focus+American Fund
Hathaway Focus+World Fund
Hathaway Focus+Wealth Management Fund
Hathaway Focus+Canadian Fund
Hathaway Focus+Balanced Canadian Fund
Dynamic Dividend Income Fund (formerly Hathaway Dividend Income Fund)
Dynamic American Value Class
Dynamic Power American Growth Class
Dynamic Power International Growth Class
Dynamic Power European Growth Class
Dynamic International Value Class
Dynamic Global Technology Class
Dynamic Global Real Estate Class
Dynamic Focus+Global Financial Services Class
Dynamic Focus+American Class
Dynamic Focus+Canadian Class
Dynamic Power Canadian Growth Class
Dynamic Far East Value Class
Dynamic European Value Class
Dynamic Global Health Sciences Class
Dynamic Money Market Class
Dynamic Canadian Value Class
StrategicNova TopGuns Fund
StrategicNova U.S. Small Cap Fund
StrategicNova Canadian Natural Resources Fund
StrategicNova World Convertible Debentures Fund
StrategicNova USTech Fund
StrategicNova Latin America Fund
StrategicNova Canada Dominion Resource Fund Ltd.
Dynamic RSP Global Health Sciences Fund
Dynamic RSP Global Technology Fund
Dynamic Global Technology Fund
StrategicNova Canadian Money Market Fund (formerly StrategicNova Money Market Fund)
StrategicNova Canadian Large Cap Value Fund
StrategicNova Canadian Balanced Fund
StrategicNova SAMI Fund
StrategicNova Canadian Technology Fund
StrategicNova Asia-Pacific Fund
StrategicNova U.S. Large Cap Value Fund
StrategicNova World Large Cap Fund
StrategicNova World Equity RSP Fund
StrategicNova U.S. Midcap Value RSP Fund
StrategicNova World Strategic Asset Allocation RSP Fund
StrategicNova Europe RSP Fund
Dynamic RSP Power American Growth Fund
Dynamic RSP International Value Fund
Dynamic RSP Far East Value Fund
Dynamic RSP European Value Fund
Dynamic RSP American Value Fund
Dynamic Focus+Resource Fund (formerly Dynamic Canadian Resource Fund)
Dynamic Power Bond Fund
Dynamic Power Balanced Fund
Dynamic Power American Growth Fund
Dynamic Global Health Sciences Fund
Dynamic Dollar-Cost Averaging Fund
StrategicNova Canadian Large Cap Growth Fund
Dynamic Focus+Wealth Management Fund
Dynamic Focus+Balanced Fund
StrategicNova World Precious Metals Fund
StrategicNova World Equity Fund
Dynamic Focus+Real Estate Fund (formerly Dynamic Canadian Real Estate Fund)
Dynamic Focus+Small Business Fund (formerly Dynamic Small Cap Fund)
Dynamic Focus+Diversified Income Trust Fund
Dynamic Focus+American Fund
Dynamic Focus+Canadian Fund
StrategicNova Canadian Asset Allocation Fund
StrategicNova Canadian Midcap Value Fund
StrategicNova Canadian Bond Fund (formerly StrategicNova Income Fund)
StrategicNova Canadian Government Bond Fund (formerly StrategicNova Government Bond Fund)
StrategicNova World Strategic Asset Allocation Fund
StrategicNova Europe Fund
StrategicNova Emerging Markets Fund
StrategicNova Canadian Dividend Fund Ltd.
StrategicNova Commonwealth World Balanced Fund Ltd.
StrategicNova U.S. Large Cap Growth Fund Ltd.
Dynamic Fund of Funds
Dynamic Global Real Estate Fund
Dynamic Canadian Precious Metals Fund
Dynamic Partners Fund
Dynamic Money Market Fund
Dynamic International Value Fund
Dynamic Income Fund
Dynamic Global Resource Fund
Dynamic Global Precious Metals Fund
Dynamic Focus+Global Fund (formerly Dynamic Global Partners Fund)
Dynamic Global Bond Fund
Dynamic Value Fund of Canada
Dynamic Far East Value Fund
Dynamic European Value Fund
Dynamic Dividend Growth Fund
Dynamic Dividend Fund
Dynamic Power Canadian Growth Fund
Dynamic American Value Fund
StrategicNova Canadian Aggressive Balanced Fund (formerly StrategicNova World Balanced Value RSP Fund)
StrategicNova U.S. Midcap Value Fund
StrategicNova Canadian High Yield Bond Fund
StrategicNova Canadian Midcap Growth Fund
StrategicNova Canadian Small Cap Fund
Principal Regulator - Ontario

Type and Date:
Final Simplified Prospectus and Annual Information Form dated December 5th, 2002
Mutual Reliance Review System Receipt dated 13th day of December, 2002

Offering Price and Description:
-

Underwriter(s) or Distributor(s):
Dynamic Mutuals Funds Ltd.
Dynamic Mutual Funds Ltd.
None

Promoter(s):
-

Project #500779

Issuer Name:
Hurricane Hydrocarbons Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated December 12th, 2002
Mutual Reliance Review System Receipt dated 12th day of December, 2002
Offering Price and Description:
C$*.* - 8,000,000 Class A Common Shares @C$*.* per Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #498343

Issuer Name:
Mustang Minerals Corp.
Principal Regulator - Alberta
Type and Date:
Rights Offering Circular filed December 2nd, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
Promoter(s):
-
Project #490914

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Sionna Investment Managers Inc. Attention: Margaret Kimberley Shannon 79 Rosedale Heights Drive Toronto ON M4C 1T4	Investment Counsel & Portfolio Manager	Dec 12/02
New Registration	Metropolitan West Capital Management, LLC Attention: Gary Wayne Lisenbee 610 Newport Centre Drive Suite 1000 Newport Beach CA 92660 USA	International Adviser Investment Counsel & Portfolio Manager	Dec 12/02
Change in Category (Categories)	Strategic Advisors Corp. Attention: Martin Gerald Braun 1311 Yonge Street Toronto ON M4T 2Y9	From: Investment Counsel & Portfolio Manager To: Limited Market Dealer Investment Counsel & Portfolio Manager	Dec 10/02
Change of Name	Rittenhouse Asset Management, Inc. Attention: William Lacy Conrad Five Radnor Corporate Center Suite 300 Radnor PA 19087 USA	From: Rittenhouse Financial Services, Inc. To: Rittenhouse Asset Management, Inc.	Oct 15/02
Change of Name	Proxima Capital Management Limited Attention: Jon Lyndon Rubenok 70 York Street Suite 1220 Toronto ON M5J 1S9	From: Fountainhead Management Limited To: Proxima Capital Management Limited	Nov 19/02

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Chapter 25

Other Information

25.1 Approvals

25.1.1 T.H.A. Bodnar & Co. Investment Management Ltd. - cl. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

December 10, 2002

Goodman and Carr LLP

Attention: Gary M. Litwack

Dear Sirs/Mesdames:

Re: T.H.A. Bodnar & Co. Investment Management Ltd. ("Bodnar") Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) Application No. 957/02

Further to your letter dated October 24, 2002 and supplemented by letter dated December 5, 2002 (together the "Application") filed on behalf of Bodnar, and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that Bodnar act as trustee of mutual funds to be established from time to time and managed by Bodnar.

"H. Lorne Morphy" "Harold P. Hands"

25.2 Consents

25.2.1 Aurado Exploration Ltd. - cl. 4(b) of Reg. 1015

Headnote

Consent given to OBCA corporation to continue under the Business Corporations Act (New Brunswick).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, s. 180.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporation Act, O. Reg. 289/00, as am., s. 4(b).

IN THE MATTER OF
THE REGULATION MADE UNDER
THE BUSINESS CORPORATIONS ACT R.S.O. 1990 c.B.16 (the "OBCA")
O.REG. 289/00, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
AURADO EXPLORATION LTD.

CONSENT
(Clause 4(b) of the Regulation)

UPON the application of Aurado Exploration Ltd. (the "Company") to the Ontario Securities Commission (the "Commission") requesting a consent from the Commission to continue into another jurisdiction pursuant to clause 4(b) of the Regulation:

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

AND UPON the Company having represented to the Commission that:

1. the Company is proposing to submit an application to the Director under the OBCA for authorization to continue in another jurisdiction pursuant to section 180 of the OBCA (the "Application for Continuance");

2. pursuant to clause 4(b) of the Regulation, where a corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission;

3. the Company is an offering corporation under the OBCA and is a reporting issuer under the Securities Act R.S.O. 1990, c.S.5, as amended (the "Act");

4. the Company is not in default under any of the provisions of the Act or the regulation made under the Act;

5. the Company is not a party to any proceeding or to the best of its knowledge, information and belief, any pending proceeding under the Act;

6. the Company presently intends to continue to be a reporting issuer in the Province of Ontario;

7. the continuance under the laws of New Brunswick was approved by the shareholders at a special meeting of the shareholders held on November 18, 2002;

8. the continuance under the laws of New Brunswick has been proposed so that the Company may conduct its affairs in accordance with the *Business Corporations Act* (New Brunswick), S.N.B. (1990), c.B.9.1 (the "NBCA"); and

9. the material rights, duties and obligations of a corporation incorporated under the NBBCA are substantially similar to those under the OBCA with the exception that there is no Canadian residency requirement for the members of the board of directors under the NBCA.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Company as a corporation under the laws of New Brunswick.

December 10, 2002.

"H. Lorne Morphy" "Harold P. Hands"

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ADB Systems International Inc.
MRRS Decision 8436

ADB Systems International Ltd.
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