The Ontario Securities Commission

OSC Bulletin

January 31, 2003

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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

JANUARY 31, 2003

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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- -

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H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

DATE: TBA **Robert Thomislav Adzija *et al***

s. 127

T. Pratt in attendance for Staff

Panel: RLS/HLM

DATE: TBA **First Federal Capital (Canada) Corporation and Monte Morris Friesner**

s. 127

A. Clark in attendance for Staff

Panel: TBA

Date: TBA **Meridian Resources Inc. and Steven Baran**

s. 127

K. Manarin 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 **Philip Services Corporation (Motion)**

s. 127

K. Manarin in attendance for Staff

Panel: TBA

January 30, 2003	**Mark Edward Valentine**
10:00 a.m.	s. 127
	A. Clark in attendance for Staff
	Panel: HIW/RWD/DB
January 31, 2003	**Universal Settlements International Inc.**
9:30 a.m.	s. 127
	Y. Chisholm in attendance for Staff
	Panel: PMM/KDA
February 14, 2003	**ATI Technologies Inc. *et al***
9:30 a.m.	s. 127
	M. Britton in attendance for Staff
	Panel: TBA
February 14, 2003	**Jack Banks A.K.A. Jacques Benquesus and Larry Weltman***
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: PMM/KDA/MTM
	*Larry Weltman settled on January 8, 2003
February 17 and 18, 2003	**Offshore Marketing Alliance and Warren English**
10:00 a.m.	s. 127
	A. Clark in attendance for Staff
	Panel: TBA
February 17 to 21, 2003 and February 25 to 28, 2003.	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.**
	s. 127
All days10:00 a.m. Except, February 18, 2003 at 2:30 p.m.	Y. Chisholm in attendance for Staff
	Panel: TBA
February 27, 2003	**CIBC World Markets Inc.**
10:00 a.m.	s. 127 & 127.1
	A. Clark 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

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

1.1.2 CSA Notice and Request for Comment 11-402 - Concept Proposal for Uniform Securities Legislation

CANADIAN SECURITIES ADMINISTRATORS
NOTICE AND REQUEST FOR COMMENT 11-402

CONCEPT PROPOSAL FOR UNIFORM SECURITIES LEGISLATION

The Canadian Securities Administrators (CSA) are publishing for comment a notice and concept proposal on uniform securities legislation in today's Bulletin. The documents are published in Chapter 6 of the Bulletin.

1.1.3 Notice of Commission Approval of OSC Rule 13-502 Fees, Companion Policy 13-502CP, Notice of Revocation of Sched. 1 to Reg.1015 and Notice of Amendments to Reg. 1015, Policy 12-602, OSC Rules 45-501, 45-502 and 45-503 and Companion Policy 91-504CP

NOTICE OF COMMISSION APPROVAL OF
OSC RULE 13-502 FEES, FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4, AND
COMPANION POLICY 13-502CP

AND

NOTICE OF REVOCATION OF
SCHEDULE 1 TO REGULATION 1015
MADE UNDER THE SECURITIES ACT, AND NOTICE OF AMENDMENTS TO REGULATION 1015 MADE UNDER THE SECURITIES ACT, POLICY 12-602, OSC RULES 45-501, 45-502 AND 45-503, AND
COMPANION POLICY 91-504CP

On January 28, 2003 the Commission made Rule 13-502 Fees and Forms 13-502F1, 13-502F2, 13-502F3 and 13-502F4 as a rule under the Act (the "Rule") and adopted Companion Policy 13-502CP (the "Companion Policy") as a policy under the Act. The Rule and Companion Policy were most recently published for comment on June 28, 2002 at (2002) 25 OSCB 4067.

Concurrently with making the Rule, the Commission has revoked Schedule 1 (the "Fee Schedule") to Regulation 1015 of the Revised Regulations of Ontario, 1990 made under the Securities Act (the "Regulation"), has revoked Forms 42, 43 and 44, and has made non-material amendments to certain rules and policies in order to delete references to the Fee Schedule.

The Rule and the amendments to the Regulation were delivered to the Minister of Finance on January 29, 2003 and are being published in Chapter 5 of the Bulletin.

1.1.4 OSC Notice - Proposed Repeal and Replacement of Multilateral Instrument 45-102 Resale of Securities, Forms 45-102F1, F2 and F3 and Companion Policy 45-102CP Resale of Securities and Proposed Amendments to National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) and Proposed Amendments to National Instrument 62-101 Control Block Distribution Issues and Proposed Amendments to Ontario Securities Commission Rule 45-501 Exempt Distributions

ONTARIO SECURITIES COMMISSION
NOTICE

PROPOSED REPEAL AND REPLACEMENT OF
MULTILATERAL INSTRUMENT 45-102
***RESALE OF SECURITIES*,**
FORMS 45-102F1, F2 AND F3 AND
COMPANION POLICY 45-102CP
RESALE OF SECURITIES
AND
PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 13-101
SYSTEM FOR ELECTRONIC DOCUMENT
***ANALYSIS AND RETRIEVAL* (SEDAR)**
AND
PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 62-101
CONTROL BLOCK DISTRIBUTION ISSUES
AND
PROPOSED AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 45-501
EXEMPT DISTRIBUTIONS

REQUEST FOR PUBLIC COMMENT

The Commission and certain other members of the Canadian Securities Administrators (the "CSA") are publishing for a 90-day comment period the following documents in today's Bulletin:

- Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102");
- Form 45-102F1 *Notice of Intention to Distribute Securities* under Section 2.8 of MI 45-102 *Resale of Securities* ("Form 1")
- Companion Policy 45-102CP (the "Companion Policy")

collectively, "Proposed MI 45-102".

Proposed MI 45-102 is intended to replace the current resale rule, forms and companion policy (collectively, the "Current Resale Rule") that came into effect in all CSA jurisdictions, except Québec, on November 30, 2001.

We are also proposing to make consequential amendments to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR), National Instrument 62-101 *Control Block Distribution Issues* and Ontario Securities Commission Rule 45-501 *Exempt Distributions*. We request comments by **May 2, 2003**.

The documents are published in Chapter 6 of the Bulletin.

1.1.5 Notice of Minister of Finance Approval of Final Rules Under the Securities Act and the Commodity Futures Act - Multilateral Instrument 31-102 National Registration Database and Ontario Securities Commission Rule 31-509 (Commodity Futures Act) National Registration Database

NOTICE OF MINISTER OF FINANCE APPROVAL OF FINAL RULES UNDER THE SECURITIES ACT AND THE COMMODITY FUTURES ACT
MULTILATERAL INSTRUMENT 31-102
NATIONAL REGISTRATION DATABASE AND
ONTARIO SECURITIES COMMISSION RULE 31-509
(*Commodity Futures Act*)
NATIONAL REGISTRATION DATABASE

On January 10th, 2003 the Minister of Finance approved Multilateral Instrument 31-102 National Registration Database and Ontario Securities Commission Rule 31-509 (*Commodity Futures Act*) National Registration Database. The rules were published for comment in December 2001 and June 2002, and made by the Commission on November 15, 2002.

The rules will come into force on **February 3, 2003.**

The rules and their companion policies are published in Chapter 5 of the Bulletin and at http://www.osc.gov.on.ca/en/HotTopics/nrd.html#expanded. The rules will be published in the Gazette on February 8th, 2003.

1.2 Notices of Hearing

1.2.1 CIBC World Markets Inc. - 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
CIBC WORLD MARKETS INC.

NOTICE OF HEARING
(Section 127 and 127.1)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), at the offices of the Commission located at 20 Queen Street West, Toronto, in the Large Hearing Room located on the 17th Floor, on Thursday February 27, 2003 at 10:00 am or as soon thereafter as the hearing can be held;

TO CONSIDER whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest for the Commission to make an order:

(a) approving the settlement agreement entered into between Staff of the Commission and CIBC World Markets Inc., which approval will be sought by Staff and CIBC World Markets;

(b) requiring that CIBC World Markets submit to a review of its practices relating to the disclosure of potential conflicts of interest in its equities research reports and institute such changes as may be ordered by the Commission;

(c) administering a reprimand to CIBC World Markets; and

(d) requiring CIBC World Markets to make a payment of $100,000 towards the costs of the joint investigation in this matter conducted by Staff of the Commission and by Staff of the Commission des valeurs mobilières du Quebec ("CVMQ").

BY REASON OF the allegations set out in the Statement of Allegations of Staff dated January 27, 2003 and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that the hearing will be held jointly with the CVMQ, in accordance with Rule 8 of the Commission's Rules of Practice;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel;

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

January 27, 2003.

"John Stevenson"

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

AND

**IN THE MATTER OF
CIBC WORLD MARKETS INC.**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO
SECURITIES COMMISSION**

Staff of the Ontario Securities Commission make the following allegations:

1. CIBC World Markets Inc. is a corporation registered with the Commission as an Investment Dealer. It carries on business as an investment dealer in the Province of Ontario, as well as in other provinces of Canada.

2. CIBC World Markets is a wholly-owned subsidiary, and thus an affiliate, of Canadian Imperial Bank of Commerce ("CIBC").

3. Shoppers Drug Mart Corporation is a New Brunswick corporation which operates a chain of drug stores and pharmacies across Canada. Shoppers completed an initial public offering of common shares in November, 2001 (the "IPO").

4. CIBC World Markets acted as the lead underwriter of the IPO. The IPO closed on November 21, 2001.

5. At the time of the IPO, and as disclosed in the IPO prospectus, CIBC Capital (SD Holdings) Inc., an affiliate of CIBC World Markets, held 7,000,000 shares of Shoppers. CIBC World Markets purchased a further 450,000 shares of Shoppers pursuant to the IPO. CIBC World Markets and CIBC Capital continued to hold these shares during the period between November 21, 2001 and February 8, 2002 (the "Material Period").

6. During the Material Period, and as disclosed in the IPO prospectus, Shoppers was indebted to CIBC. The amount of outstanding indebtedness varied from $59.51 million to $67.39 million during the Material Period.

The Research Reports

7. During the Material Period, CIBC World Markets published five equity research reports recommending the purchase of securities of Shoppers. The five reports were dated December 17, 2001, December 18, 2001, December 19, 2001, January 10, 2002 and February 8, 2002 (the "Research Reports"), and were intended for general circulation, being distributed both internally at CIBC World Markets and to its institutional and retail clients located throughout Canada, including the Provinces of Ontario and Quebec, upon request.

8. The Research Reports all stated that shares of Shoppers were rated as a "strong buy".

9. On January 15, 2002, CIBC World Markets published an equity research report concerning shares of Jean Coutu Group Inc., a competitor of Shoppers, and the only other company in this market sector followed by CIBC World Markets analysts. In this report, CIBC World Markets downgraded its rating of the shares of Jean Coutu from a "strong buy" to a "hold".

Failure to Disclose Interests

10. In the Research Reports, CIBC World Markets failed to adequately disclose the full nature of the relationship between itself and its affiliated companies and Shoppers. CIBC World Markets thus failed to adequately disclose the potential conflicts of interest inherent in its recommendation of the purchase of Shoppers shares. Specifically:

    (a) in the Research Reports, CIBC World Markets failed to adequately disclose that it had assumed an underwriting liability to Shoppers during the past 12 months, contrary to section 41 of the *Securities Act*;

    (b) in the Research Reports, CIBC World Markets failed to adequately disclose that, along with its affiliate, it owned 7,450,000 shares of Shoppers, contrary to section 40(a) of the *Securities Act*; and

    (c) in the Research Reports, CIBC World Markets did not disclose that Shoppers was indebted to CIBC.

11. The obligation to make full disclosure in the Research Reports was important in a period when CIBC World Markets was changing its recommendation concerning the shares of Shoppers' major competitor.

12. Staff make no allegation of impropriety concerning the formulation of CIBC World Markets' recommendations regarding the purchase of shares of Shoppers or Jean Coutu during the Material Period.

First Report – December 17, 2001

13. In the 46 page research report dated December 17, 2001, CIBC World Markets stated that "CIBC World Markets, or one of its affiliated companies, has performed investment banking services for this company".

14. This report also contained the statement:

> [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.

15. This report also contained the statement:

> [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

16. The latter two statements were printed in type less legible than that used in the body of the report.

17. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

18. This report incorrectly stated the number of shares of Shoppers held by CIBC World Markets and its affiliates, disclosing only the 7,000,000 shares held by CIBC Capital.

19. This report did not disclose the fact that Shoppers was indebted to CIBC.

Second Report – December 18, 2001

20. The two page research report dated December 18, 2001 contained the statement:

> [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.

21. This report also contained the statement :

> [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

22. Both of these statements were printed in type less legible than that used in the body of the report.

23. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

24. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.

25. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Third Report – December 19, 2001

26. The four page research report dated December 19, 2001 contained the statement:

> [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.

27. This report also contained the statement :

> [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

28. Both of these statements were printed in type less legible than that used in the body of the report.

29. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

30. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.

31. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Fourth Report – January 10, 2002

32. The five page research report dated January 10, 2002 contained the statement:

> [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.

33. This report also contained the statement :

> [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

34. Both of these statements were printed in type less legible than that used in the body of the report.

35. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

36. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.

37. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Fifth Report – February 8, 2002

38. The six page research report dated February 8, 2002 contained the statement "CIBC World Markets, or one of its affiliated companies, managed or co-managed a public offering for securities for Shoppers Drug Mart within the last three years".

39. This report also contained the statement:

> [a] CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial, advisory, investment banking or other services for such company, or have lending or other credit relationships with the same.

40. This report also contained the statement :

> [a] CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

41. All of these statements were printed in type less legible than that used in the body of the report.

42. These statements failed to adequately disclose the fact that CIBC World Markets had assumed an underwriting liability with respect to securities of Shoppers within the previous twelve months.

43. These statements failed to adequately disclose the fact that CIBC World Markets and its affiliates owned 7,450,000 shares of Shoppers.

44. These statements did not disclose the fact that Shoppers was indebted to CIBC.

Conduct Contrary to the Public Interest

45. CIBC World Markets' conduct, as outlined above, was contrary to the public interest.

46. Such additional allegations as Staff may advise and the Commission may permit.

January 27, 2003.

1.3 News Releases

1.3.1 OSC to Consider Settlement Reached with Benjamin Emile Poirier

FOR IMMEDIATE RELEASE
January 24, 2003

OSC TO CONSIDER SETTLEMENT REACHED WITH BENJAMIN EMILE POIRIER

TORONTO – The Ontario Securities Commission will consider a settlement agreement reached by Staff of the Commission with Benjamin Emile Poirier. The hearing will take place on Tuesday January 28, 2003 at 2:30 p.m. in the Main Hearing Room of the Commission's offices, located on the 17th floor, 20 Queen Street West, Toronto.

Staff of the Commission allege that Poirier participated in an illegal distribution of securities of Dual Capital Limited Partnership and engaged in other conduct contrary to the public interest.

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

Copies of the Notice of Hearing and Statement of Allegations in this matter 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.

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

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

1.3.2 CSA News Release - Investors Should Know How Dealers and Advisers are Paid

For Immediate Release
January 27, 2003

CSA NEWS RELEASE

INVESTORS SHOULD KNOW HOW DEALERS AND ADVISERS ARE PAID

Toronto – Canadian investors should ensure that they understand how their investment advisers are paid as they contribute to their Registered Retirement Savings Plans this winter, securities regulators advise.

"Anyone who sells securities or offers advice on specific securities must be registered with the client's provincial securities commission," said Doug Hyndman, Chair of the Canadian Securities Administrators (CSA), the umbrella organization representing the 13 provincial and territorial securities commissions. "However, there are different types of securities dealers and advisors, each with their own type of fee structure."

Regulators remind investors that the fees you pay for investment services depend on whom you invest with, what you invest in, what your portfolio is made up of, and how you invest:

If you buy securities through a Full Service Dealer…

A full service dealer offers investment advisory services and performs a wide variety of trades on your behalf including individual stock trades and mutual fund trades. They may charge you:

- a commission of 1% to 3% of the trade value to make an equity trade
- flat advisory fees
- fees based on a percentage of your portfolio, or
- a fixed fee, which allows a certain number of free trades.

Trading and advisory fees are negotiable, especially if you trade a lot or have a high value portfolio. See below for mutual fund related fees.

If you buy securities through a Discount Broker…

If you conduct your own trades through a self-managed account, the fees are usually lower than full-service dealer fees. This is because these trading services do not give advice, and may not be responsible for monitoring your trading activity for suitability. Most discount brokerages charge a flat fee between $25.00 and $43.00 to execute equity trades of less than 1,000 shares, then add on a percentage or per share fee for larger purchases. See below for mutual fund related fees.

If you buy mutual funds through a Full Service, Discount or Mutual Fund Dealer…

Mutual fund dealers are licensed only to trade in and advise clients about mutual fund securities. Full service dealers and discount brokers also sell mutual funds. The major types of fees associated with mutual funds are:

- management expenses, which are paid to the mutual fund company, not the dealer, and pay for management, marketing and administrative costs
- special fees, including transfer fees, processing fees, set-up fees and operating fees
- sales fees, used to compensate mutual fund salespeople, including front-load commissions and deferred sales charges, and
- service fees, often called "trailers," these fees are based on the value of each mutual fund you hold, usually 1% or less per year.

For additional information on mutual funds and fees, refer to the CSA brochure Mutual Funds on the CSA website (www.csa-acvm.ca), or visit the Investment Funds Institute of Canada's website (www.ific.ca). To see the impact of fees on your mutual fund investments, try the Mutual Fund Fee Impact Calculator at the OSC website (www.osc.gov.on.ca).

If you deal with a Bank Registered Representative…

Many personal banking representatives are registered mutual fund salespeople, and sell financial products at the branch level. Depending on the institution, these reps may be compensated on salary, bonuses, commission, or a combination of compensation sources.

Whatever products you choose for your RRSPs this year, before you invest, shop around and make sure you know and understand the costs associated with your investments.

The CSA publishes a number of investor resources. Contact your jurisdiction for a free Investor Education Kit.

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1.3.3 OSC and CVMQ Issue Notices of Hearing in the Matter of CIBC World Markets Inc.

FOR IMMEDIATE RELEASE
January 28, 2003

THE ONTARIO SECURITIES COMMISSION AND THE QUEBEC SECURITIES COMMISSION ISSUE NOTICES OF HEARING IN THE MATTER OF CIBC WORLD MARKETS INC.

TORONTO – Staff of the Ontario and Quebec Securities Commissions announced today that they have reached proposed settlements with CIBC World Markets Inc. The settlements will be considered by both Commissions in a joint hearing to be held at the respective Commission offices in Montreal and Toronto on Thursday February 27, 2003 at 10:00 am.

Staff of the OSC allege CIBC World Markets failed to make adequate disclosure of its potential conflicts of interest in five analyst research reports published in late 2001 and early 2002. The five reports, dated December 17, December 18, and December 19, 2001 and January 10 and February 8, 2002, all recommended the purchase of shares of Shoppers Drug Mart Corporation.

Staff allege that the reports failed to adequately disclose that, at the time of the reports:

- CIBC World Markets had acted as the lead underwriter of Shoppers' initial public offering;
- CIBC World Markets owned 7,450,000 shares of Shoppers; and
- Shoppers was indebted to CIBC World Markets' affiliate, the Canadian Imperial Bank of Commerce.

The terms of the settlement agreement between Staff of the OSC and CIBC World Markets will remain confidential until presented to the Commission. Copies of the OSC's Notice of Hearing and Statement of Allegations in this matter 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.

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

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

1.3.4 OSC Proceedings in the Matter of Universal Settlements International Inc.

FOR IMMEDIATE RELEASE
January 28, 2003

OSC PROCEEDINGS IN THE MATTER OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.

TORONTO – Universal Settlements International Inc. has made an application to the Ontario Securities Commission, by which it asks the Commission to quash an investigation order and a summons. Staff of the Commission oppose the application.

The application will be argued at 9:30 a.m. on Friday, January 31, 2003 in the Large Hearing Room of the OSC located on the 17th floor, 20 Queen Street West, Toronto, Ontario.

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

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

1.3.5 Susan Silma Named Director of OSC's New Investment Funds Branch

FOR IMMEDIATE RELEASE
January 29, 2003

SUSAN SILMA NAMED DIRECTOR OF OSC'S NEW INVESTMENT FUNDS BRANCH

Toronto – Susan Silma has been appointed Director of the newly-created Investment Funds Branch of the Ontario Securities Commission (OSC), Chair David Brown announced today.

"With her understanding of the industry, her 10 years of experience in investment funds and her range of contacts, Susan is uniquely positioned to lead a branch that will regulate this important and growing sector of the financial industry," Mr. Brown said. "Susan will be building on the important accomplishments of OSC staff in investment funds regulation. The creation of a new branch for the regulation of investment funds underscores the importance of this sector and the challenges we expect to meet. We look forward to Susan joining our team."

Effective March 3, 2003, Ms Silma will lead a Branch of approximately 15 employees responsible for all investment funds policy and operational work at the OSC.

Ms Silma, a lawyer/MBA, previously served as General Counsel and Secretary at Working Ventures, a venture capital fund. Prior to that role, she spent 8 years in the private practice of law at a major Toronto law firm, specializing in securities and corporate law. During that time, she completed a 2-year secondment at the OSC.

For Media Inquiries: Eric Pelletier
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Investors Group Trust Co. Ltd. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements for the year ending December 31, 2002 to registered securityholders of certain mutual funds.

Statutes Cited

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

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, MANITOBA, QUÉBEC, 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
INVESTORS INCOME PORTFOLIO, INVESTORS GROWTH PORTFOLIO, INVESTORS INCOME PLUS PORTFOLIO, INVESTORS GROWTH PLUS PORTFOLIO, INVESTORS RETIREMENT GROWTH PORTFOLIO, INVESTORS RETIREMENT HIGH GROWTH PORTFOLIO, INVESTORS RETIREMENT PLUS PORTFOLIO, INVESTORS WORLD GROWTH PORTFOLIO, INVESTORS CANADIAN MONEY MARKET FUND, INVESTORS U.S. MONEY MARKET FUND, INVESTORS MORTGAGE FUND, INVESTORS GOVERNMENT BOND FUND, INVESTORS CORPORATE BOND FUND, INVESTORS CANADIAN HIGH YIELD INCOME FUND, INVESTORS GLOBAL BOND FUND, INVESTORS DIVIDEND FUND, INVESTORS MUTUAL OF CANADA, INVESTORS CANADIAN BALANCED FUND, INVESTORS ASSET ALLOCATION FUND, INVESTORS CANADIAN LARGE CAP VALUE FUND, INVESTORS CANADIAN EQUITY FUND, INVESTORS CANADIAN ENTERPRISE FUND, INVESTORS QUEBEC ENTERPRISE FUND, INVESTORS SUMMA FUND, INVESTORS CANADIAN SMALL CAP FUND, INVESTORS CANADIAN SMALL CAP GROWTH FUND, INVESTORS CANADIAN NATURAL RESOURCE FUND, INVESTORS U.S. LARGE CAP GROWTH FUND, INVESTORS NORTH AMERICAN GROWTH FUND, INVESTORS U.S. LARGE CAP VALUE FUND, INVESTORS U.S. OPPORTUNITIES FUND, INVESTORS GLOBAL SCIENCE & TECHNOLOGY FUND, INVESTORS GLOBAL E.COMMERCE FUND, INVESTORS GLOBAL FUND, INVESTORS EUROPEAN GROWTH FUND, INVESTORS EUROPEAN MID-CAP GROWTH FUND, INVESTORS JAPANESE GROWTH FUND, INVESTORS PACIFIC INTERNATIONAL FUND, INVESTORS LATIN AMERICAN GROWTH FUND, IG AGF CANADIAN GROWTH FUND, IG AGF U.S. GROWTH FUND, IG AGF ASIAN GROWTH FUND, IG AGF CANADIAN DIVERSIFIED GROWTH FUND, IG AGF CANADIAN BALANCED FUND, IG AGF CANADIAN GROWTH FUND II, IG AGF U.S. GROWTH FUND II, IG AGF INTERNATIONAL BOND FUND, IG AGF INTERNATIONAL EQUITY FUND, IG BEUTEL GOODMAN CANADIAN BALANCED FUND, IG BEUTEL GOODMAN CANADIAN EQUITY FUND, IG BEUTEL GOODMAN CANADIAN SMALL CAP FUND, IG FI CANADIAN ALLOCATION FUND, IG FI CANADIAN EQUITY FUND, IG FI U.S. EQUITY FUND, IG FI GLOBAL EQUITY FUND, IG MACKENZIE MAXXUM DIVIDEND FUND, IG MACKENZIE INCOME FUND, IG SCEPTRE CANADIAN BALANCED FUND, IG SCEPTRE CANADIAN EQUITY FUND, IG SCEPTRE CANADIAN BOND FUND, IG GOLDMAN SACHS U.S. EQUITY FUND, IG MACKENZIE UNIVERSAL EMERGING MARKETS FUND, IG MACKENZIE SELECT MANAGERS CANADA FUND, IG MACKENZIE IVY EUROPEAN FUND, IG TEMPLETON WORLD BOND FUND, IG TEMPLETON INTERNATIONAL EQUITY FUND, IG TEMPLETON WORLD ALLOCATION FUND, JANUS AMERICAN EQUITY FUND: IG CLASS UNITS, JANUS GLOBAL EQUITY FUND: IG CLASS UNITS, INVESTORS MERGERS & ACQUISITIONS FUND 1WORLD CONSERVATIVE PORTFOLIO, 1WORLD MODERATE CONSERVATIVE PORTFOLIO, 1WORLD MODERATE PORTFOLIO, 1WORLD MODERATE AGGRESSIVE PORTFOLIO, 1WORLD MODERATE AGGRESSIVE REGISTERED PORTFOLIO, 1WORLD AGGRESSIVE PORTFOLIO, 1WORLD AGGRESSIVE REGISTERED PORTFOLIO, INVESTORS CANADIAN HIGH YIELD MONEY MARKET FUND, INVESTORS GLOBAL FINANCIAL SERVICES FUND AND INVESTORS PAN ASIAN GROWTH FUND. (the "Investors Masterseries and partner Funds")**

AND

INVESTORS U.S. LARGE CAP VALUE RSP FUND, INVESTORS GLOBAL RSP FUND, INVESTORS EUROPEAN GROWTH RSP FUND, INVESTORS JAPANESE GROWTH RSP FUND, INVESTORS GLOBAL SCIENCE & TECHNOLOGY RSP FUND AND

IG AGF U.S. GROWTH RSP FUND (the "Investors Global RSP Funds")

AND

***i*PROFILE CANADIAN EQUITY POOL, *i*PROFILE U.S. EQUITY POOL, *i*PROFILE INTERNATIONAL EQUITY POOL, *i*PROFILE EMERGING MARKETS POOL, *i*PROFILE FIXED INCOME POOL, *i*PROFILE GLOBAL EQUITY RSP POOL, AND *i*PROFILE MONEY MARKET POOL, (the "*i*Profile Pools")**

AND

INVESTORS REAL PROPERTY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Ontario, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from Investors Group Trust Co. Ltd. (the "Trustee"), as trustee of the Investors Masterseries and partner Funds, Investors Global RSP Funds, *i*Profile Pools and Investors Real Property Fund (collectively, the "Funds") for a decision under the securities legislation of the Jurisdictions (the "Legislation") for relief from the requirement to deliver an annual report, where applicable, and comparative annual financial statements of the Funds to certain securityholders of the Funds unless they have requested to receive them:

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), The Manitoba 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 Trustee has represented to the Decision Makers that:

(a) The Funds are open-ended mutual funds established under the laws of Manitoba or Ontario.

(b) The Trustee is a corporation incorporated under the laws of Manitoba. The Trustee is the trustee of the Funds. The Trustee has entered into arrangements with other service providers to provide investment management, administrative, distribution and other services for the Funds, but remains responsible for the overall business, operation and affairs of the Funds.

(c) The Funds are distributed primarily in Québec by Les Services Investors Limitée, and primarily by Investors Group Financial Services Inc. in all the other Jurisdictions (the "Principal Distributors"). The Principal Distributors are registered, respectively, in Quebec and in the other Jurisdictions, as Mutual Fund Dealers or the equivalent registration. The Trustee and Principal Distributors are related entities, each being wholly owned directly or indirectly by Investors Group Inc.

(d) The Funds are reporting issuers in each of the Jurisdictions and are not in default of any requirements of the Legislation.

(e) Units of the Funds are presently offered for sale on a continuous basis in each province and territory of Canada under a simplified prospectus dated October 15, 2002 as amended, except in the case of the *i*Profile Pools (Simplified Prospectus dated January 14, 2002) and Investors Real Property Fund (Prospectus dated September 13, 2002).

(f) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), an annual report, where applicable and comparative financial statements in the prescribed form under the Legislation. The financial year-end of the Funds is December 31. Under the Legislation the financial statements of the Investors Global Series RSP Funds and the *i*Profile Global Equity RSP Pool (the "Top Funds") are to include financial statements of the mutual funds into which they invest (the "Underlying Funds"). The Top Funds satisfy this requirement by the sending of the financial statements of the Underlying Funds with the financial statements of the Top Funds.

(g) The Trustee, or Principal Distributors, propose to send Securityholders who hold securities of the Funds in client name where the Principal Distributors are the dealers (the "Direct Securityholders"), together with their year end account statement, a notice advising them that they will not receive the annual report and annual financial statements of the Funds for the year then ended unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual report and annual financial statements. The notice will advise the Direct Securityholders that the annual

report and annual financial statements of the Funds may be found on the websites referred to in clause (i) and downloaded. The Trustee or Principal Distributors would send such annual report and financial statements to any Direct Securityholder who requests them in response to such notice or who subsequently requests them by request on a toll-free number or at a branch of the Principal Distributors.

(h) Securityholders who hold their securities in the Funds through a nominee will be dealt with under National Instrument 54-101. Securityholders who hold their securities in the Funds in client name where one of the Principal Distributors is not the dealer will be sent the annual report and annual financial statements of the Funds in accordance with the Legislation.

(i) Securityholders will be able to access the annual report and annual financial statements of the Funds either on the SEDAR website or on the Investors Group Inc. website: www.investorsgroup.com . As disclosed in the simplified prospectuses of the Funds, the top ten holdings will also be accessible upon request.

(j) There would be substantial cost savings if the Funds are not required to print and mail the annual report and annual financial statements to those Direct Securityholders who do not want them.

(k) The Canadian Securities Administrators have published for comment proposed National Instrument 81-106 which, among other things, would permit mutual funds not to deliver the annual report and annual financial statements to those of its securityholders who do not request them, if the Funds provide each securityholder with a request form under which the securityholder may request, at no cost to the securityholder, to receive the mutual fund's annual report and annual financial statements for that financial year.

(l) Proposed National Instrument 81-106 would also require a mutual fund to have a toll-free telephone number for, or accept collect calls from, persons or companies that want to receive a copy of, among other things, the annual financial statements of the mutual fund.

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

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed National Instrument 81-106 and is consistent with National Instrument 54-101;

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

1. the Funds shall not be required to deliver their annual report and comparative annual financial statements for the year ending December 31, 2002 to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

   (a) the Trustee or Principal Distributors shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in clause (g) of the representations within 90 days of mailing the request forms;

   (b) the Trustee or Principal Distributors shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for annual reports and annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

   (c) the Trustee or Principal Distributors shall maintain a record of the number and a summary of complaints received from Direct Securityholders about not receiving the annual report and annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

   (d) the Trustee or Principal Distributors shall, if possible, maintain a record of the number of "hits" on the annual report and

annual financial statements of the Funds on the www.investorsgroup.com website and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing; and

(e) the Trustee or the Principal Distributors shall file on SEDAR, under the annual financial statements category, estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

January 15, 2003.

"Chris Besko"

2.1.2 Altamira Management Ltd. - MRRS Decision

Headnote

Exemption to permit mutual fund manager to invest in private companies in which an officer of director of the mutual fund manager is also a director of the private company.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5, as am., ss. 118(2)(a) and 121(2).

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

AND

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

AND

IN THE MATTER OF
ALTAMIRA MANAGEMENT LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Altamira Management Ltd. ("AML") for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

1. the provision contained in the Legislation prohibiting a portfolio manager and, in British Columbia, a mutual fund, from knowingly causing an investment portfolio managed by it or in British Columbia, a mutual fund, to invest in any issuer in which a "responsible person" (as that term is defined in the Legislation) or an associate of a responsible person is an officer or director, unless that specific fact is disclosed to the client and, if applicable, the written consent of the client to the investment is obtained before the purchase, shall not apply to AML or the Funds listed in Schedule 'A' with respect to investments in private companies (the " Restrictions") ;

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, 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 AML to the Decision Makers that:

1. AML is a corporation continued under the laws of the Province of Ontario.

2. AML is registered under the Legislation as an adviser in the categories "investment counsel" and "portfolio manger".

3. AML provides investment management services to the Altamira funds (collectively, the "Funds").

4. Certain officers or directors of AML are, or may become, directors (the "Directors") of private companies in which AML invests (the "Target Companies") on behalf of certain of the Funds.

5. None of the existing directorships were held before the initial investment in the Target Company was made. Any future directorships will be instituted contemporaneously with the initial investment or as a "post" closing matter. To date, no subsequent investments by the Funds have been made in any of the existing Target Companies.

6. As of the date hereof, the Funds listed in Schedule 'A' hold investments in Target Companies.

7. The general purpose of a board seat is for AML to monitor and supervise its investment.

8. In each case, the Target Company is not, or will not be, a publicly traded company and therefore, supervision by AML is prudent and in the best interest of the investment portfolio.

9. Investments in Target Companies are, or will be, made at the start up or expansion stage of these companies and are venture capital in nature. The provision of a board seat is customary when other institutional investors such as venture capital companies make investments of this type. Typically, the larger shareholders of a Target Company will enter into a shareholders agreement that provides for, among other things, board representation.

10. Whether AML seeks board representation on a Target Company depends on several factors, including the number of directors and the composition of the board of directors prior to the investment, the amount of the investment and the post-closing ownership level on an aggregate basis.

11. Typically, AML seeks board representation in connection with an investment in a Target Company where AML is providing in excess of 30% of the capital in the round of financing, although there may be other deal specific issues that impact whether AML will seek board representation. In all cases, the investment restrictions set out in National Instrument 81-102 are complied with by AML with respect to Target Company investments.

12. The Directors are not, and will not be, entitled to hold securities in the Target Company personally or to be separately compensated by the Target Company, or otherwise, for acting as a director.

13. In no circumstances will a board seat on a Target Company be used for the purpose of attempting to acquire control of a Target Company or otherwise altering the passive nature of the investment.

14. As the Target Companies are not public companies they are not subject to the continuous disclosure obligations of applicable securities legislation and therefore AML would not otherwise have access to important and timely information regarding the Target Companies.

15. The board representation allows AML to monitor and supervise the investment in the Target Company more closely and in a manner that follows industry practice for these types of investments.

16. The board representation allows AML to ensure that management or the board of directors acts prudently and does not significantly change the nature of the Target Company's business without obtaining the consent of investors.

17. Once the Target Companies become reporting issuers or the equivalent, the Directors will resign on the basis that the Target Companies will be subject to continuous disclosure obligations of the applicable securities legislation.

18. AML has developed a policy (the "Policy") for board representation and private company investments that sets out the criteria and restrictions set out herein.

19. AML will include full disclosure of the Policy in the simplified prospectus relating to the Funds.

20. Due to the large number of security holders of the Funds managed by AML, it is not practical to obtain the prior written consent of the security holders to an investment in a Target Company.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Restrictions shall not apply to AML, in its capacity as a portfolio manager to the Funds listed in Schedule 'A', or to the Funds listed in Schedule 'A', in relation to an investment in a Target Company by the Funds listed in Schedule 'A' provided that:

1. the Target Company is not a publicly traded company that is subject to the continuous disclosure requirements of the Legislation;

2. any Director does not have any direct or indirect beneficial interest in securities of a Target Company;

3. no Director is separately compensated by a Target Company, or otherwise, for acting as a director of the Target Company;

4. upon the Target Company becoming a reporting issuer or the equivalent under the Legislation, the Director of the Target Company shall resign as soon as practicable thereafter;

5. the simplified prospectus relating to a Fund that invests, or proposes to invest, in a Target Company shall include full disclosure of the Policy; and

6. if AML makes an initial investment (an "Initial Investment") on behalf of a Fund in a Target Company and a responsible person or an associate of a responsible person is appointed as a Director to the board of the Target Company either contemporaneously or as a "post" closing matter (an "Initial Director Appointment"), or AML makes a subsequent investment (a "Subsequent Investment") in a Target Company in which a responsible person or an associate of a responsible person is a Director, then:

   a) AML shall file a report (the "Report") on Sedar in respect of the Fund within 30 days after the end of the month in which an Initial Director Appointment occurs or within 30 days after the end of the month in which a Subsequent Investment occurs;

   b) The Report shall contain the following information:

      i. name of the Fund;

      ii. name of the Target Company;

      iii. the amount of the Initial Investment or Subsequent Investment, whichever is applicable;

      iv. the number of shares purchased in the Target Company;

      v. the name of the Director; and

      vi. the position held by the Director with AML or an affiliate of AML.

December 10, 2002.

"Mary Theresa McLeod" "Harold P. Hands"

Schedule "A"

List of Altamira Funds which hold investments in Private Companies

1. AltaFund Investment Corp.
2. Altamira Canadian Value Fund.
3. Altamira e-business Fund.
4. Altamira Equity Fund.
5. Altamira Global Small Company Fund.
6. Altamira Health Sciences Fund.
7. Altamira Precious and Strategic Metal Fund.
8. Altamira Resource Fund.
9. Altamira Science & Technology Fund.
10. Altamira Select American Fund.
11. Altamira Special Growth Fund.
12. Altamira Growth & Income Fund.
13. Altamira Balance Fund.
14. Altamira High Yield Bond Fund.
15. Altamira U.S. Larger Company Fund.

2.1.3 AIM Funds Management Inc. et al. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements for certain year-end dates to registered securityholders of certain mutual funds.

Statutes Cited

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

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

AND

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

AND

IN THE MATTER OF
THE FUNDS LISTED IN SCHEDULE "A"
(the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from AIM Funds Management Inc., Altamira Investment Services Inc., Cartier Mutual Funds Inc., ClaringtonFunds Inc., Co-operators Mutual Funds Limited, Counsel Group of Funds Inc., Dynamic Mutual Funds Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Mackenzie Financial Corporation, McLean Budden Funds Inc., National Bank Securities Inc., Phillips, Hager & North Investment Management Ltd., Putnam Investments Inc. and Sceptre Investment Counsel Limited (collectively the "Managers") and the Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") for relief from the requirement to deliver comparative annual financial statements of the Funds to certain securityholders of the Funds unless they have requested to receive them.

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

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

(a) The Funds are either open-ended mutual fund trusts or separate classes of mutual fund corporations governed by the laws of a Jurisdiction.

(b) Each Manager acts as manager of the Funds set out in Schedule "A" and, in the case of its Funds which are trusts, unless otherwise indicated on Schedule "A", it is the trustee of such Funds.

(c) The Funds, except for Phillips, Hager & North Vintage Fund and except for the Funds managed by National Bank Securities Inc. are reporting issuers in each of the Participating Jurisdictions. The Phillips, Hager & North Vintage Fund is a reporting issuer in all of the Participating Jurisdictions except Nova Scotia and Newfoundland. The Funds managed by National Bank Securities Inc. are reporting issuers in each of the Participating Jurisdictions except Newfoundland. None of the Funds is in default in any of the applicable Participating Jurisdictions in which it is a reporting issuer.

(d) Securities of the Funds are presently offered for sale on a continuous basis in provinces and territories of Canada pursuant to a simplified prospectus.

(e) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), comparative financial statements in the prescribed form pursuant to the Legislation.

(f) Each Manager will send to Securityholders who hold securities of the Funds in client name (whether or not the Manager is the dealer) (the "Direct Securityholders") in each year, a notice advising them that they will not receive the annual financial statements of the Funds for the year then ended unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual financial statements. The notice will advise the Direct Securityholders where annual financial statements can be found on the websites listed in Schedule "A" (including on the SEDAR website) and downloaded. Each Manager would send such financial statements to any Direct Securityholder who requests them in response to such notice or who subsequently requests them.

(g) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101.

(h) Securityholders will be able to access annual financial statements of the Funds either on the SEDAR website or on the relevant website of the Manager or by calling the Manager's toll-free phone line listed in Schedule "A". Top ten holdings which are updated on a periodic basis as listed in Schedule "A" will also be accessible to Securityholders on each Manager's website or by calling the Manager's toll-free line.

(i) There would be substantial cost savings if the Funds are not required to print and mail annual financial statements to those Direct Securityholders who do not want them.

(j) The Canadian Securities Administrators ("CSA") have published for comment proposed National Instrument 81-106 ("NI 81-106") which, among other things, would permit a Fund not to deliver annual financial statements to those of its Securityholders who do not request them, if the Funds provide each Securityholder with a request form under which the Securityholder may request, at no cost to the Securityholder, to receive the mutual fund's annual financial statements for that financial year.

(k) NI 81-106 would also require a Fund to have a toll-free telephone number for or accept collect calls from persons or companies that want to receive a copy of, among other things, the annual financial statements of the Fund.

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

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

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed National Instrument 81-106 and is consistent with National Instrument 54-101;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

i) the Funds; and

ii) mutual funds created subsequent to the date of the application, December 13, 2002, that are offered by way of simplified prospectus and managed by the Manager,

shall not be required to deliver their comparative annual financial statements for the year ended December 31, 2002, or for such other year-end date specified in Schedule "A", to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

a) the Managers shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in clause (f) of the representations within 90 days of mailing the request forms;

b) the Managers shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

c) the Managers shall record the number and summary of complaints received from Direct Securityholders about not receiving the annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

d) the Managers shall, if possible, measure the number of "hits" on the annual financial statements of the Funds on the Manager's website and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing; and

e) the Managers shall file on SEDAR, under the annual financial statements category, estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

January 16, 2003.

"Kerry D. Adams" "Robert L. Shirriff"

SCHEDULE "A" to MRRS DECISION DOCUMENT

LIST OF APPLICANT MANAGERS AND THEIR FUNDS

1. **AIM Funds Management Inc.**
   5140 Yonge Street, Suite 900
   Toronto, Ontario
   M2N 6X7

   Annual Financial Statements are available at:
   Website: www. aimtrimark.com
   Toll-free: 1 800 874-6275

   Top Ten Holdings information will be updated monthly

AIM American Aggressive Growth Fund
AIM American Growth Fund
AIM American Mid Cap Growth Class of AIM Global Fund Inc. †
AIM Canada Income Class of AIM Canada Fund Inc. †
AIM Canada Money Market Fund
AIM Canadian Balanced Fund
AIM Canadian First Class of AIM Canada Fund Inc. †
AIM Canadian Leaders Fund
AIM Canadian Premier Class of AIM Canada Fund Inc. †
AIM Canadian Premier Fund
AIM Core American Equity Class of AIM Global Fund Inc. †
AIM Core Canadian Balanced Class of AIM Canada Fund Inc. †
AIM Core Canadian Equity Class of AIM Canada Fund Inc. †
AIM Core Global Equity Class of AIM Global Fund Inc. †
AIM Dent Demographic Trends Class of AIM Global Fund Inc. †
AIM European Growth Class of AIM Global Fund Inc. †
AIM European Growth Fund
AIM Global Aggressive Growth Class of AIM Global Fund Inc. †
AIM Global Energy Class of AIM Global Fund Inc. †
AIM Global Financial Services Class of AIM Global Fund Inc. †
AIM Global Health Sciences Class of AIM Global Fund Inc. †
AIM Global Health Sciences Fund
AIM Global Sector Managers Class of AIM Global Fund Inc. †
AIM Global Technology Class of AIM Global Fund Inc. †
AIM Global Technology Fund
AIM Global Telecommunications Class of AIM Global Fund Inc. †
AIM Global Theme Class of AIM Global Fund Inc. †
AIM Indo-Pacific Fund
AIM International Growth Class of AIM Global Fund Inc. †
AIM RSP American Growth Fund
AIM RSP Core American Equity Fund
AIM RSP Core Global Equity Fund †
AIM RSP Dent Demographic Trends Fund †
AIM RSP European Growth Fund
AIM RSP Global Aggressive Growth Fund †
AIM RSP Global Financial Services Fund †
AIM RSP Global Health Sciences Fund
AIM RSP Global Sector Managers Fund †
AIM RSP Global Technology Fund
AIM RSP Global Telecommunications Fund †
AIM RSP Global Theme Fund
AIM RSP Indo-Pacific Fund
AIM RSP International Growth Fund †
AIM Short-Term Income Class of AIM Global Fund Inc. †
Trimark Advantage Bond Fund
Trimark Canadian Bond Fund
Trimark Canadian Endeavour Fund
Trimark Canadian Fund
Trimark Canadian Resources Fund
Trimark Canadian Small Companies Fund
Trimark Discovery Fund
Trimark Enterprise Fund
Trimark Enterprise Small Cap Fund
Trimark Europlus Fund
Trimark Fund
Trimark Global Balanced Class of AIM Global Fund Inc. †
Trimark Global Balanced Fund
Trimark Global Endeavour Class of AIM Global Fund Inc. †
Trimark Global Endeavour Fund
Trimark Global High Yield Bond Fund
Trimark Government Income Fund
Trimark Income Growth Fund
Trimark Interest Fund
Trimark International Companies Fund
Trimark RSP Discovery Fund
Trimark RSP Europlus Fund
Trimark RSP Global Balanced Fund
Trimark RSP Global Endeavour Fund
Trimark RSP Global High Yield Bond Fund
Trimark RSP International Companies Fund
Trimark RSP Select Growth Fund
Trimark RSP U.S. Companies Fund
Trimark Select Balanced Fund
Trimark Select Canadian Growth Fund
Trimark Select Growth Class of AIM Global Fund Inc. †
Trimark Select Growth Fund
Trimark U.S. Companies Class of AIM Global Fund Inc. †
Trimark U.S. Companies Fund
Trimark U.S. Money Market Fund
Trimark U.S. Small Companies Class of AIM Global Fund Inc. †

† The fiscal year-end of these Funds is March 31, 2003

2. Altamira Investment Services Inc.
The Exchange Tower
130 King Street West, Suite 900
Toronto, Ontario
M5X 1K9

Annual Financial Statements are available at:
Website: www.altamira.com
Toll-free: 1 800 263-2824

Top Ten Holdings information will be updated quarterly

Altamira T-Bill Fund
Altamira Income Fund *
Altamira Bond Fund
Altamira High Yield Bond Fund
Altamira Short Term Canadian Income Fund
Altamira Short Term Government Bond Fund
Altamira Global Bond Fund
Altamira Short Term Global Income Fund
Altamira Balanced Fund *
Altamira Dividend Fund Inc. **
Altamira Growth & Income Fund
Altamira Global Diversified Fund *
Altamira RSP Global Diversified Fund
Altamira Canadian Value Fund
Altamira Equity Fund
AltaFund Investment Corp. **
Altamira Capital Growth Fund Limited
Altamira Special Growth Fund
Altamira European Equity Fund
Altamira Global Value Fund
Altamira US Larger Company Fund
Altamira Asia Pacific Fund
Altamira Japanese Opportunity Fund
Altamira RSP Japanese Opportunity Fund
Altamira Global Discovery Fund
Altamira Global 20 Fund
Altamira Global Small Company Fund
Altamira Select American Fund
Altamira Precision Canadian Index Fund
Altamira Precision Dow 30 Index Fund
Altamira Precision European Index Fund
Altamira Precision European RSP Index Fund
Altamira Precision International RSP Index Fund
Altamira Precision U.S. RSP Index Fund
Altamira Precision U.S. Midcap Index Fund
Altamira Biotechnology Fund
Altamira RSP Biotechnology Fund
Altamira *e-business* Fund
Altamira RSP *e-business* Fund
Altamira Global Financial Services Fund
Altamira Global Telecommunications Fund
Altamira Health Sciences Fund
Altamira RSP Health Sciences Fund
Altamira Precious and Strategic Metal Fund
Altamira Resource Fund
Altamira Science and Technology Fund
Altamira RSP Science and Technology Fund

* the trustee of these Funds is Royal Trust

** these Funds are governed by the *Canada Business Corporations Act*

3. Cartier Mutual Funds Inc.
1800 McGill College, Suite 2530
Montreal, Quebec
H3A 3J6

Annual Financial Statements are available at:
Website: www.fonds-cartier.ca
Toll-free: 1 877 664-1666

Top Ten Holdings information will be updated quarterly

Desjardins Trust Inc. is the trustee of the following mutual fund trusts which were established under the laws of Quebec:

Cartier Multimanagement Portfolio
Cartier Money Market Fund
Cartier Bond Fund
MultiPartners Balanced Growth RSP Portfolio
Cartier Cdn. Equity Fund
Cartier Small Cap Cdn. Equity Fund
Cartier U.S. Equity Fund
Cartier Global Equity Fund
Cartier Global Leaders RSP Fund
MultiPartners Balanced RSP Portfolio
MultiPartners High Growth RSP Portfolio
MultiPartners Global Balanced Portfolio
MultiPartners Balanced Growth Portfolio
MultiPartners High Growth Portfolio

4. ClaringtonFunds Inc.
181 University Avenue, Suite 1010
Toronto, Ontario
M5H 3M7

Annual Financial Statements are available at:
Website: www.claringtonfunds.com
Toll-free: 1 888 860-9888

Top Ten Holdings information will be updated monthly

Clarington Canadian Core Portfolio
Clarington U.S. Core Portfolio
Clarington Global Core Portfolio
Clarington Canadian Balanced Fund
Clarington Canadian Bond Fund
Clarington Canadian Dividend Fund
Clarington Canadian Equity Fund
Clarington Canadian Growth Fund
Clarington Canadian Income Fund
Clarington Canadian Income Fund II (Series A and Series B Units)
Clarington Canadian Small Cap Fund
Clarington Canadian Value Fund
Clarington Money Market Fund
Clarington Navellier U.S. All Cap Fund
Clarington RSP Navellier U.S. All Cap Fund
Clarington Technology Fund

Clarington RSP Technology Fund
Clarington U.S. Growth Fund
Clarington U.S. Smaller Company Growth Fund
Clarington Asia Pacific Fund
Clarington Global Communications Fund
Clarington RSP Global Communications Fund
Clarington Global Equity Fund
Clarington RSP Global Equity Fund
Clarington Global Income Fund
Clarington RSP Global Income Fund
Clarington Global Small Cap Fund
Clarington RSP Global Value Fund
Clarington International Equity Fund
Clarington RSP International Equity Fund
Clarington Canadian Equity Class
Clarington Global Communications Class
Clarington Global Equity Class
Clarington Global Health Sciences Class
Clarington Global Small Cap Class
Clarington Global Value Class
Clarington Navellier U.S. All Cap Class
Clarington Short-Term Income Class
Clarington U.S. Large Cap Value Class
Clarington U.S. Mid-Cap Value Class

5. **Co-operators Mutual Funds Limited**
98 Macdonell Street
Suite 202
Guelph, Ontario
N1H 2Z6

Annual Financial Statements are available at:
Website: www.cmfl.ca
Toll-free: 1 866 866-2635

Top Ten Holdings information will be updated monthly

Co-operators Canadian Conservative Focused Equity Fund
Co-operators Canadian Core Equity Fund
Co-operators Canadian Balanced Fund
Co-operators Canadian Bond Fund
Co-operators Canadian Money Market Fund
Co-operators/Credit Suisse U.S. Capital Appreciation Fund
Co-operators/Credit Suisse International Equity Fund
Co-operators/Credit Suisse Global Science and Technology Fund
Co-operators/Credit Suisse Global Post-Venture Capital Fund
Co-operators/Crystal Enhanced Index RSP Fund Class A and Class F
Co-operators/Crystal Enhanced Index World Fund Class A

6. **Counsel Group of Funds Inc.**
2680 Skymark Avenue, 7th Floor
Mississauga, Ontario
L4W 5L6

Annual Financial Statements are available at:
Website: www.counselwealth.com
Toll-free: 1 877 625-9885

Top Ten Holdings information will be updated quarterly

The following Funds are reporting issuers in all Participating Jurisdictions:
Counsel Conservative Portfolio †
Counsel Balanced Portfolio †
Counsel Balanced RSP Portfolio †
Counsel Growth Portfolio †
Counsel Growth RSP Portfolio †
Counsel All Equity Portfolio †
Counsel All Equity RSP Portfolio †
Counsel Managed †
Counsel Focus †
Counsel Focus RSP †
Counsel World Equity †
Counsel World Equity RSP †
Counsel Select Sector †
Counsel Select Sector RSP †
Counsel Money Market †
Counsel Select Canada †
Counsel Select Value †
Counsel Focus Value †
Counsel Fixed Income †

† The fiscal year-end of these Funds is September 30, 2002

7. **Dynamic Mutual Funds Ltd**.
40 King Street West, Suite 5500
Toronto, Ontario
M5H 4A9

Annual Financial Statements are available at:
Website: www.dynamic.ca
Toll-free: 1 800 268-8186

Top Ten Holdings information will be updated monthly

Dynamic Value Funds
Dynamic Value Fund of Canada †
Dynamic Dividend Growth Fund †
Dynamic American Value Fund †
Dynamic European Value Fund †
Dynamic Far East Value Fund †
Dynamic International Value Fund †
Dynamic RSP American Value Fund †
Dynamic RSP European Value Fund †
Dynamic RSP Far East Value Fund †
Dynamic RSP International Value Fund †

Dynamic Power Funds
Dynamic Power Canadian Growth Fund †

Dynamic Power American Growth Fund †
Dynamic Power Balanced Fund †
Dynamic Power Bond Fund †
Dynamic RSP Power American Growth Fund †

Dynamic Focus+ Funds
Dynamic Focus+ Canadian Fund †
Dynamic Focus+ American Fund †
Dynamic Focus+ Balanced Fund †
Dynamic Focus+ Global Fund †
Dynamic Focus+ Diversified Income Trust Fund †
Dynamic Focus+ Real Estate Fund †
Dynamic Focus+ Resource Fund †
Dynamic Focus+ Small Business Fund †
Dynamic Focus+ Wealth Management Fund †

Dynamic Balanced Funds
Dynamic Partners Fund †
Dynamic Fund of Funds †

Dynamic Specialty Funds
Dynamic Canadian Precious Metals Fund †
Dynamic Global Precious Metals Fund †
Dynamic Global Resource Fund †
Dynamic Global Health Sciences Fund †
Dynamic Global Real Estate Fund †
Dynamic Global Technology Fund †
Dynamic RSP Global Technology Fund †
Dynamic RSP Global Health Sciences Fund †

Dynamic Income Funds
Dynamic Dividend Fund †
Dynamic Dividend Income Fund †
Dynamic Dollar-Cost Averaging Fund †
Dynamic Income Fund †
Dynamic Global Bond Fund †
Dynamic Money Market Fund †

Hathaway Funds
Hathaway Focus+ Canadian Fund †
Hathaway Focus+ American Fund †
Hathaway Focus+ World Fund †
Hathaway Focus+ Wealth Management Fund †
Hathaway Focus+ Balanced Canadian Fund †

Viscount Pools
Viscount Canadian Equity Pool †
Viscount U.S. Equity Pool †
Viscount RSP U.S. Equity Pool †
Viscount International Equity Pool †
Viscount RSP International Equity Pool †
Viscount Canadian Bond Pool †
Viscount High Yield U.S. Bond Pool †
Viscount RSP High Yield U.S. Bond Pool †
Viscount RSP U.S. Index Pool †
Viscount RSP International Index Pool †

Dynamic Corporate Class Funds (of Dynamic Global Fund Corporation):

Corporate Class Value Funds
Dynamic Canadian Value Class †
Dynamic American Value Class †
Dynamic European Value Class †
Dynamic Far East Value Class †
Dynamic International Value Class †

Corporate Class Power Funds
Dynamic Power Canadian Growth Class †
Dynamic Power American Growth Class †
Dynamic Power European Growth Class †
Dynamic Power International Growth Class †

Corporate Class Focus+ Funds
Dynamic Focus+ Canadian Class †
Dynamic Focus+ American Class †
Dynamic Focus+ Global Financial Services Class †

Corporate Class Specialty Funds
Dynamic Global Health Sciences Class †
Dynamic Global Real Estate Class †
Dynamic Global Technology Class †

Corporate Class Income Funds
Dynamic Money Market Class †

StrategicNova Funds:

Canadian Equity Funds
StrategicNova Canadian Dividend Fund Ltd.
StrategicNova Canadian Large Cap Growth Fund
StrategicNova Canadian Large Cap Value Fund
StrategicNova Canadian Midcap Growth Fund
StrategicNova Canadian Midcap Value Fund
StrategicNova Canadian Small Cap Fund

U.S. Equity Funds
StrategicNova U.S. Large Cap Growth Fund Ltd.
StrategicNova U.S. Large Cap Value Fund
StrategicNova U.S. Midcap Value Fund
StrategicNova U.S. Midcap Value RSP Fund
StrategicNova U.S. Small Cap Fund

Regional and World Funds
StrategicNova Asia-Pacific Fund
StrategicNova Emerging Markets Fund
StrategicNova Europe Fund
StrategicNova Europe RSP Fund
StrategicNova Latin America Fund
StrategicNova TopGuns Fund
StrategicNova World Large Cap Fund
StrategicNova World Equity Fund
StrategicNova World Equity RSP Fund

Specialty Funds
StrategicNova Canada Dominion Resource Fund Ltd.
StrategicNova Canadian Natural Resources Fund
StrategicNova Canadian Technology Fund
StrategicNova SAMI Fund
StrategicNova USTech Fund
StrategicNova World Precious Metals Fund
StrategicNova World Convertible Debentures Fund

Fixed Income Funds
StrategicNova Canadian Bond Fund
StrategicNova Canadian Government Bond Fund

StrategicNova Canadian High Yield Bond Fund
StrategicNova Canadian Money Market Fund

Balanced Funds
StrategicNova Canadian Aggressive Balanced Fund
StrategicNova Canadian Asset Allocation Fund
StrategicNova Canadian Balanced Fund
StrategicNova Commonwealth World Balanced Fund Ltd.
StrategicNova World Strategic Asset Allocation Fund
StrategicNova World Strategic Asset Allocation RSP Fund

† The fiscal year-end of these Funds is June 30, 2003

8. Fidelity Investments Canada Limited
483 Bay Street, Suite 200
Toronto, Ontario
M5G 2N7

Annual Financial Statements are available at:
Website: www.fidelity.ca
Toll-free: 1 800 263-4077

Top Ten Holdings information will be updated quarterly

Fidelity American High Yield Fund †
Fidelity Canadian Asset Allocation Fund †
Fidelity Canadian Balanced Fund †
Fidelity Canadian Bond Fund †
Fidelity Canadian Disciplined Equity Fund †
Fidelity Canadian Growth Company Fund †
Fidelity Canadian Large Cap Fund †
Fidelity Canadian Money Market Fund †
Fidelity Canadian Opportunities Fund †
Fidelity Canadian Short Term Bond Fund †
Fidelity True North Fund †
Fidelity American Disciplined Equity Fund †
Fidelity RSP American Disciplined Equity Fund †
Fidelity American Opportunities Fund †
Fidelity RSP American Opportunities Fund †
Fidelity American Value Fund †
Fidelity Growth America Fund †
Fidelity RSP Growth America Fund †
Fidelity Small Cap America Fund †
Fidelity RSP Small Cap America Fund †
Fidelity Managed Income Fund †
Fidelity U.S. Money Market Fund †
Fidelity Emerging Markets Fund †
Fidelity Europe Fund †
Fidelity RSP Europe Fund †
Fidelity Far East Fund †
Fidelity RSP Far East Fund †
Fidelity Global Disciplined Equity Fund †
Fidelity RSP Global Disciplined Equity Fund †
Fidelity Global Opportunities Fund †
Fidelity RSP Global Opportunities Fund †
Fidelity International Portfolio Fund †
Fidelity RSP International Portfolio Fund †
Fidelity Japan Fund †
Fidelity RSP Japan Fund †
Fidelity Global Asset Allocation Fund †
Fidelity RSP Global Asset Allocation Fund †
Fidelity Latin America Fund †
Fidelity NorthStar Fund †
Fidelity RSP NorthStar Fund †
Fidelity Overseas Fund †
Fidelity RSP Overseas Fund †
Fidelity Focus Consumer Industries Fund ††
Fidelity Focus Financial Services Fund ††
Fidelity RSP Focus Financial Services Fund ††
Fidelity Focus Health Care Fund ††
Fidelity RSP Focus Health Care Fund ††
Fidelity Focus Natural Resources Fund ††
Fidelity Focus Technology Fund ††
Fidelity RSP Focus Technology Fund ††
Fidelity Focus Telecommunications Fund ††
Fidelity RSP Focus Telecommunications Fund ††

Fidelity Capital Structure Corp.*:

Canadian Equity Classes
Fidelity Canadian Growth Company Class †††
Fidelity Disciplined Equity Class †††
Fidelity True North® Class †††

American Equity Classes
Fidelity American Disciplined Equity Class †††
Fidelity American Opportunities Class †††
Fidelity Growth America Class †††
Fidelity Small Cap America Class †††

International Equity Classes
Fidelity European Growth Class †††
Fidelity Far East Class †††
Fidelity Global Disciplined Equity Class †††
Fidelity International Portfolio Class †††
Fidelity Japanese Growth Class †††

Sector Classes
Fidelity Focus Consumer Industries Class †††
Fidelity Focus Financial Services Class †††
Fidelity Focus Health Care Class †††
Fidelity Focus Natural Resources Class †††
Fidelity Focus Technology Class †††
Fidelity Focus Telecommunications Class †††

Balanced Class
Fidelity Canadian Balanced Class †††

Canadian Fixed Income Class
Fidelity Canadian Short Term Income Class †††

Fidelity NorthStar Class †††

* Fidelity Capital Structure Corp. is governed by the laws of Alberta.
† The Fiscal year-end of these Funds is February 28, 2003
†† The Fiscal year-end of these Funds is March 31, 2003
††† The Fiscal year-end of these Funds is November 30, 2003

9. Franklin Templeton Investments Corp.
One Adelaide Street East
Suite 2101
Toronto, Ontario
M5C 3B8

Annual Financial Statements are available at:
Website: www.franklintempleton.ca
Toll-free: 1 800 387-0830

Top Ten Holdings information will be updated quarterly for Funds whose name begins with 'Templeton' or 'Mutual' and for Franklin Templeton Treasury Bill Fund and the Franklin Templeton Portfolios

Top Ten Holdings information will be updated monthly for Funds whose name begins with 'Franklin' or 'Bissett' and for Franklin Templeton U.S. Money Market Fund, Franklin Templeton U.S. Money Market Tax Class, Franklin Templeton Money Market Fund and Franklin Templeton Money Market Tax Class

Franklin Templeton Investments Mutual Fund Trusts:
Templeton Growth RSP Fund †
Templeton International Stock Fund
Templeton International Stock RSP Fund
Templeton Emerging Markets Fund
Templeton Emerging Markets RSP Fund
Templeton Global Smaller Companies Fund
Templeton Global Smaller Companies RSP Fund
Templeton Global Balanced Fund
Templeton Global Balanced RSP Fund
Templeton Balanced Fund
Templeton Global Bond Fund
Templeton Canadian Stock Fund
Templeton Canadian Asset Allocation Fund
Franklin U.S. Large Cap Growth Fund
Franklin U.S. Large Cap Growth RSP Fund
Franklin U.S. Aggressive Growth Fund
Franklin U.S. Aggressive Growth RSP Fund
Franklin U.S. Small Cap Growth Fund
Franklin U.S. Small Cap Growth RSP Fund
Franklin World Health Sciences and Biotech Fund
Franklin World Health Sciences and Biotech RSP Fund
Franklin World Telecom Fund
Franklin World Telecom RSP Fund
Franklin Technology Fund
Franklin Technology RSP Fund
Franklin World Growth Fund
Franklin World Growth RSP Fund
Bissett Bond Fund
Bissett Dividend Income Fund
Bissett Canadian Balanced Fund
Bissett Income Fund
Bissett Large Cap Fund
Bissett Multinational Growth Fund
Bissett Multinational Growth RSP Fund
Bissett American Equity Fund
Bissett American Equity RSP Fund
Bissett International Equity Fund
Bissett Canadian Equity Fund
Bissett Small Cap Fund
Bissett Microcap Fund
Mutual Beacon Fund
Mutual Beacon RSP Fund
Franklin Templeton Treasury Bill Fund
Franklin Templeton U.S. Money Market Fund
Franklin Templeton Money Market Fund
Franklin Templeton Growth Portfolio
Franklin Templeton Maximum Growth Portfolio
Franklin Templeton Balanced Growth Portfolio
Franklin Templeton Balanced Income Portfolio

Franklin Templeton Investments Mutual Fund Corporations:
Templeton Growth Fund, Ltd. †

Franklin Templeton Tax Class Corp.*:
Templeton Growth Tax Class
Templeton International Stock Tax Class
Templeton Emerging Markets Tax Class
Templeton Global Smaller Companies Tax Class
Templeton Canadian Stock Tax Class
Templeton European Tax Class
Franklin U.S. Large Cap Growth Tax Class
Franklin U.S. Aggressive Growth Tax Class
Franklin U.S. Small Cap Growth Tax Class
Franklin World Health Sciences and Biotech Tax Class
Franklin World Telecom Tax Class
Franklin Technology Tax Class
Franklin World Growth Tax Class
Franklin Japan Tax Class
Bissett Bond Tax Class
Bissett Multinational Growth Tax Class
Bissett Canadian Equity Tax Class
Bissett Small Cap Tax Class
Mutual Beacon Tax Class
Franklin Templeton U.S. Money Market Tax Class
Franklin Templeton Money Market Tax Class

* Franklin Templeton Tax Class Corp. is governed by the laws of Alberta.
† The fiscal year-end of these Funds is April 30, 2003

10. Mackenzie Financial Corporation
150 Bloor Street West
Suite M111
Toronto, Ontario
M5S 3B5

Annual Financial Statements are available at:
Website: www.mackenziefinancial.com
Toll-free: 1 800 387-0614

Top Ten Holdings information will be updated monthly

Canadian & US Group of Mutual Funds:

Canadian Equity Funds:
Mackenzie Cundill Canadian Security Fund * †
Mackenzie Growth Fund †
Mackenzie Ivy Canadian Fund †
Mackenzie Ivy Enterprise Fund †
Mackenzie Maxxum Canadian Equity Growth Fund
Mackenzie Maxxum Canadian Value Fund †
Mackenzie Maxxum Dividend Fund
Mackenzie Maxxum Dividend Growth Fund †
Mackenzie Universal Canadian Growth Fund †
Mackenzie Universal Future Fund †
Mackenzie Universal Select Managers Canada Fund †

Canadian Fixed Income & Balanced Funds:
Mackenzie Balanced Fund †
Mackenzie Bond Fund †
Mackenzie Cash Management Fund †
Mackenzie Cundill Canadian Balanced Fund * †
Mackenzie Income Fund †
Mackenzie Ivy Growth and Income Fund †
Mackenzie Maxxum Canadian Balanced Fund
Mackenzie Maxxum Pension Fund †
Mackenzie Money Market Fund †
Mackenzie Mortgage Fund †
Mackenzie Short-Term Bond Fund
Mackenzie Universal Canadian Balanced Fund †
Mackenzie Yield Advantage Fund †

U.S. Funds:
Janus American Equity Fund **
Janus RSP American Equity Fund
Mackenzie Universal U.S. Blue Chip Fund †
Mackenzie Universal RSP U.S. Blue Chip Fund †
Mackenzie Universal U.S. Emerging Growth Fund †
Mackenzie Universal RSP U.S. Emerging Growth Fund †
Mackenzie Universal RSP Select Managers USA Fund †
Mackenzie U.S. Money Market Fund †

Global Group of Mutual Funds

Global & Regional Equity Funds:
Janus Global Equity Fund **
Janus RSP Global Equity Fund
Mackenzie Cundill Recovery Fund * †
Mackenzie Cundill Value Fund * †
Mackenzie Cundill RSP Value Fund * †
Mackenzie Ivy European Fund
Mackenzie Ivy Foreign Equity Fund †
Mackenzie Ivy RSP Foreign Equity Fund †
Mackenzie Universal European Opportunities Fund †
Mackenzie Universal International Stock Fund †
Mackenzie Universal Select Managers Fund †
Mackenzie Universal World Growth RRSP Fund †
Mackenzie Universal RSP European Opportunities Fund †
Mackenzie Universal RSP Global Ethics Fund †
Mackenzie Universal RSP Growth Trends Fund †
Mackenzie Universal RSP International Stock Fund †
Mackenzie Universal RSP Select Managers Fund †
Mackenzie Universal RSP Select Managers Far East Fund †
Mackenzie Universal RSP Select Managers International Fund †
Mackenzie Universal RSP Select Managers Japan Fund †

Global Fixed Income & Balanced Funds:
Mackenzie Cundill Global Balanced Fund * †
Mackenzie Ivy Global Balanced Fund †
Mackenzie Ivy RSP Global Balanced Fund †
Mackenzie Universal World Income RRSP Fund †
Mackenzie Universal World Tactical Bond Fund †

Global Sector & Specialty Funds:
Mackenzie Universal Canadian Resource Fund †
Mackenzie Universal Financial Services Fund †
Mackenzie Universal Precious Metals Fund †
Mackenzie Universal RSP Emerging Technologies Fund †
Mackenzie Universal RSP Financial Services Fund †
Mackenzie Universal RSP Health Sciences Fund †
Mackenzie Universal RSP World Science & Technology Fund †

Keystone Group of Mutual Funds

Keystone Altamira Capital Growth Fund †
Keystone Altamira Equity Fund †
Keystone Altamira RSP Science and Technology Fund †
Keystone Altamira RSP *e-business* Fund †
Keystone Altamira RSP Global Equity Fund †
Keystone AGF American Fund †
Keystone AGF Bond Fund †
Keystone AGF Equity Fund †
Keystone AIM Trimark Canadian Equity Fund †
Keystone AIM Trimark Global Equity Fund †
Keystone Beutel Goodman Bond Fund †
Keystone CI Signature High Income Fund †
Keystone Saxon Smaller Companies Fund †
Keystone Spectrum American Fund †
Keystone Spectrum Equity Fund †
Keystone Premier Global *Elite* 100 Fund †
Keystone Premier RSP Global *Elite* 100 Fund †
Keystone Premier Euro *Elite* 100 Fund †
Keystone Premier RSP Euro *Elite* 100 Fund †

Quadrus Group of Funds

The GWLIM Funds:
GWLIM Corporate Bond Fund
GWLIM Equity/Bond Fund
GWLIM Canadian Growth Fund
GWLIM Canadian Mid Cap Fund
GWLIM US Mid Cap Fund
GWLIM Emerging Industries Fund
GWLIM Ethics Fund

The LLIM Funds:
LLIM Canadian Bond Fund
LLIM Income Plus Fund
LLIM Balanced Strategic Growth Fund

LLIM Canadian Diversified Equity Fund
LLIM Canadian Growth Sectors Fund
LLIM US Equity Fund
LLIM US Growth Sectors Fund

The Templeton Funds:
Templeton Canadian Equity Fund
Templeton International Equity Fund

The Folio Funds:
Conservative Folio Fund
Moderate Folio Fund
Balanced Folio Fund
Advanced Folio Fund
Aggressive Folio Fund
Fixed Income Folio Fund
Canadian Equity Folio Fund
Global Equity Folio Fund

The Mackenzie Funds:
Mackenzie Maxxum Income Fund
Mackenzie Maxxum Money Market Fund

Mackenzie Capital Class Funds (of Mackenzie Financial Capital Corporation)

Canadian Equity Funds:
Mackenzie Ivy Canadian Capital Class †
Mackenzie Ivy Enterprise Capital Class †
Mackenzie Maxxum Canadian Value Capital Class †
Mackenzie Universal Canadian Growth Capital Class †
Mackenzie Universal Future Capital Class †
Mackenzie Universal Select Managers Canada Capital Class †

U.S. Equity Funds:
Mackenzie Universal American Growth Capital Class †
Mackenzie Universal Select Managers USA Capital Class †
Mackenzie Universal U.S. Blue Chip Capital Class †
Mackenzie Universal U.S. Emerging Growth Capital Class †

Global & Regional Equity Funds:
Mackenzie Cundill Value Capital Class †
Mackenzie Ivy European Capital Class †
Mackenzie Ivy Foreign Equity Capital Class †
Mackenzie Universal Diversified Equity Capital Class †
Mackenzie Universal European Opportunities Capital Class †
Mackenzie Universal Global Ethics Capital Class †
Mackenzie Universal Growth Trends Capital Class †
Mackenzie Universal International Stock Capital Class †
Mackenzie Universal Select Managers Capital Class †
Mackenzie Universal Select Managers Far East Capital Class †
Mackenzie Universal Select Managers International Capital Class †
Mackenzie Universal Select Managers Japan Capital Class †
Mackenzie Universal World Emerging Growth Capital Class †

Industry Sector and Specialty Funds:
Mackenzie Universal Emerging Technologies Capital Class †
Mackenzie Universal Financial Services Capital Class †
Mackenzie Universal Health Sciences Capital Class †
Mackenzie Universal World Precious Metals Capital Class †
Mackenzie Universal World Real Estate Capital Class †
Mackenzie Universal World Resource Capital Class †
Mackenzie Universal World Science & Technology Capital Class †
Mackenzie Canadian Managed Yield Capital Class †
Mackenzie U.S. Managed Yield Capital Class †
Mackenzie Managed Return Capital Class †

Keystone:
Keystone Altamira Science and Technology Capital Class †
Keystone Altamira *e-business* Capital Class †
Keystone Altamira Global Equity Capital Class †
Keystone Premier Euro *Elite* 100 Capital Class †
Keystone Premier Global *Elite* 100 Capital Class Funds †

* The trustee of these Funds is The Trust Company of Bank of Montreal
** The trustee of this Fund is Investors Group Trust Co. Ltd.
† The fiscal year-end of these Funds is June 30, 2003

11. McLean Budden Funds Inc.
145 King St W
Toronto, Ontario
M5H 1J8

Annual Financial Statements are available at:
Website: www. mcleanbudden.com
Toll-free: 1 800 884-0436

Top Ten Holdings information will be updated at least quarterly

Royal Trust is the trustee of the following Funds:
McLean Budden Balanced Growth Fund
McLean Budden Canadian Equity Growth Fund
McLean Budden Canadian Equity Value Fund
McLean Budden American Equity Fund
McLean Budden Global Equity Fund
McLean Budden International Equity Fund
McLean Budden Fixed Income Fund
McLean Budden Money Market Fund

12. National Bank Securities Inc.
1100 University Street
8th Floor
Montreal, Quebec
H3B 2G7

Annual Financial Statements are available at:
Website: www. nbc.ca
Toll-free: 1 888 270-3941

Top Ten Holdings information will be updated at least quarterly

National Bank Strategic Yield Class of National Bank Funds Corporation* †

National Bank Trust Inc. is the trustee of the following Funds:

National Bank Money Market Fund* †
National Bank Treasury Bill Plus Fund* †
National Bank U.S. Money Market Fund* †
National Bank Corporate Cash Management Fund* †
National Bank Treasury Management Fund* †
National Bank Mortgage Fund* †
National Bank Bond Fund* †
National Bank Dividend Fund* †
National Bank Global RSP Bond Fund* †
National Bank High Yield Bond Fund* †
National Bank Retirement Balanced Fund* †
National Bank Secure Diversified Fund* †
National Bank Conservative Diversified Fund* †
National Bank Moderate Diversified Fund* †
National Bank Aggressive Diversified Fund* †
National Bank Intrepid Diversified Fund* †
National Bank Canadian Equity Fund* †
National Bank Canadian Opportunities Fund* †
National Bank Canadian Index Fund* †
National Bank Canadian Index Plus Fund* †
National Bank Small Capitalization Fund* †
National Bank Global Equity Fund* †
National Bank Global Equity RSP Fund* †
National Bank International RSP Index Fund* †
National Bank American RSP Index Fund* †
National Bank American Index Plus Fund* †
National Bank European Equity Fund* †
National Bank European Small Capitalization Fund* †
National Bank Asia-Pacific Fund* †
National Bank Emerging Markets Fund* †
National Bank Quebec Growth Fund* †
National Bank Natural Resources Fund* †
National Bank Future Economy Fund* †
National Bank Future Economy RSP Fund* †
National Bank Global Technologies Fund* †
National Bank Global Technologies RSP Fund* †
National Bank/Fidelity Canadian Asset Allocation Fund* †
National Bank/Fidelity Global Asset Allocation Fund* †
National Bank/Fidelity True North Fund* †
National Bank/Fidelity International Portfolio Fund* †
National Bank/Fidelity Growth America Fund* †
National Bank/Fidelity Focus Financial Services Fund* †
National Bank Protected Canadian Bond Fund* †
National Bank Protected Retirement Balanced Fund* †
National Bank Protected Growth Balanced Fund* †
National Bank Protected Canadian Equity Fund* †
National Bank Protected Global RSP Fund* †

* The Funds are not reporting issuers in Newfoundland.
† The fiscal year-end of these Funds is September 30, 2003

13. Phillips, Hager & North Investment Management Ltd.
20th Floor, Waterfront Centre
200 Burrard Street
Vancouver, B.C.
V6C 3N5

Annual Financial Statements are available at:
Website: www.phn.com
Toll-free: 1 800 661-6141

Top Ten Holdings information will be updated monthly

State Street Trust Company Canada is the trustee of the following Funds which were established under the laws of British Columbia:

Phillips, Hager & North Canadian Money Market Fund
Phillips, Hager & North $U.S. Money Market Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund
Phillips, Hager & North Bond Fund
Phillips, Hager & North Total Return Bond Fund
Phillips, Hager & North High Yield Bond Fund
Phillips, Hager & North Balanced Fund
Phillips, Hager & North Dividend Income Fund
Phillips, Hager & North U.S. Dividend Income Fund
Phillips, Hager & North Canadian Equity Fund
Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Global Equity RSP Fund
Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Canadian Growth Fund
Phillips, Hager & North U.S. Growth Fund
Phillips, Hager & North Balanced Pension Trust
Phillips, Hager & North Canadian Equity Plus Pension Trust
Phillips, Hager & North Global Equity Pension Trust
Phillips, Hager & North Overseas Equity Pension Trust
Phillips, Hager & North Small Float Fund
Phillips, Hager & North Community Values Bond Fund
Phillips, Hager & North Community Values Balanced Fund
Phillips, Hager & North Community Values Canadian Equity Fund
Phillips, Hager & North Community Values Global Equity Fund
Phillips, Hager & North Vintage Fund *

* This Fund is not a reporting issuer in Nova Scotia or Newfoundland

14. Putnam Investments Inc.
26 Wellington Street East
Suite 1200
Toronto, Ontario
M5E 1W4

Annual Financial Statements are available at:
Website: www.putnaminv.com/cananda or www.putnaminvestments.ca
Toll-free: 1 866 596-5666

Top Ten Holdings information will be updated quarterly

Putnam Canadian Balanced Fund
Putnam Canadian Bond Fund
Putnam Canadian Equity Fund
Putnam Canadian Money Market Fund
Putnam Global Equity Fund
Putnam U.S. Value Fund
Putnam U.S. Voyager Fund
Putnam International Equity Fund

15. Sceptre Investment Counsel Limited
26 Wellington Street East
12th Floor
Toronto, Ontario
M5E 1W4

Annual Financial Statements are available at:
Website: www.sceptre.ca
Toll-free: 1 800 265-1888

Top Ten Holdings information will be updated monthly

Sceptre Balanced Growth Fund
Sceptre Bond Fund
Sceptre Canadian Equity Fund
Sceptre Equity Growth Fund
Sceptre Global Equity Fund
Sceptre Money Market Fund
Sceptre Income Trust Fund

2.1.4 RBC Funds Inc. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements for the year ending December 31, 2002 to registered securityholders of certain mutual funds.

Statutes Cited

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

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

AND

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

AND

IN THE MATTER OF
ROYAL CANADIAN T-BILL FUND, ROYAL CANADIAN MONEY MARKET FUND, ROYAL PREMIUM MONEY MARKET FUND, ROYAL $U.S. MONEY MARKET FUND, ROYAL CANADIAN SHORT-TERM INCOME FUND, ROYAL BOND FUND, ROYAL CANADIAN BOND INDEX FUND, ROYAL MONTHLY INCOME FUND, ROYAL GLOBAL BOND FUND, ROYAL BALANCED FUND, ROYAL TAX MANAGED RETURN FUND, ROYAL BALANCED GROWTH FUND, ROYAL GLOBAL BALANCED FUND, ROYAL SELECT CONSERVATIVE PORTFOLIO, ROYAL SELECT BALANCED PORTFOLIO, ROYAL SELECT GROWTH PORTFOLIO, ROYAL SELECT CHOICES CONSERVATIVE PORTFOLIO, ROYAL SELECT CHOICES BALANCED PORTFOLIO, ROYAL SELECT CHOICES GROWTH PORTFOLIO, ROYAL SELECT CHOICES AGGRESSIVE GROWTH PORTFOLIO, ROYAL DIVIDEND FUND, ROYAL CANADIAN VALUE FUND, ROYAL CANADIAN EQUITY FUND, ROYAL CANADIAN INDEX FUND, O'SHAUGHNESSY CANADIAN EQUITY FUND, ROYAL CANADIAN GROWTH FUND, ROYAL ENERGY FUND, ROYAL PRECIOUS METALS FUND, ROYAL U.S. EQUITY FUND, ROYAL U.S. INDEX FUND, ROYAL U.S. RSP INDEX FUND, O'SHAUGHNESSY U.S. VALUE FUND, ROYAL U.S. MID-CAP EQUITY FUND, O'SHAUGHNESSY U.S. GROWTH FUND, ROYAL LIFE SCIENCE AND TECHNOLOGY FUND, ROYAL INTERNATIONAL EQUITY FUND, ROYAL INTERNATIONAL RSP INDEX FUND, ROYAL EUROPEAN EQUITY FUND, ROYAL ASIAN EQUITY FUND, ROYAL GLOBAL EDUCATION FUND, ROYAL GLOBAL TITANS FUND, ROYAL GLOBAL COMMUNICATIONS AND MEDIA SECTOR FUND, ROYAL GLOBAL CONSUMER TRENDS SECTOR FUND,

ROYAL GLOBAL FINANCIAL SERVICES SECTOR FUND, ROYAL GLOBAL HEALTH SCIENCES SECTOR FUND, ROYAL GLOBAL INDUSTRIALS SECTOR FUND, ROYAL GLOBAL RESOURCES SECTOR FUND AND ROYAL GLOBAL TECHNOLOGY SECTOR FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from RBC Funds Inc. (the "Manager"), Royal Canadian T-Bill Fund, Royal Canadian Money Market Fund, Royal Premium Money Market Fund, Royal $U.S. Money Market Fund, Royal Canadian Short-Term Income Fund, Royal Bond Fund, Royal Canadian Bond Index Fund, Royal Monthly Income Fund, Royal Global Bond Fund, Royal Balanced Fund, Royal Tax Managed Return Fund, Royal Balanced Growth Fund, Royal Global Balanced Fund, Royal Select Conservative Portfolio, Royal Select Balanced Portfolio, Royal Select Growth Portfolio, Royal Select Choices Conservative Portfolio, Royal Select Choices Balanced Portfolio, Royal Select Choices Growth Portfolio, Royal Select Choices Aggressive Growth Portfolio, Royal Dividend Fund, Royal Canadian Value Fund, Royal Canadian Equity Fund, Royal Canadian Index Fund, O'Shaughnessy Canadian Equity Fund, Royal Canadian Growth Fund, Royal Energy Fund, Royal Precious Metals Fund, Royal U.S. Equity Fund, Royal U.S. Index Fund, Royal U.S. RSP Index Fund, O'Shaughnessy U.S. Value Fund, Royal U.S. Mid-Cap Equity Fund, O'Shaughnessy U.S. Growth Fund, Royal Life Science and Technology Fund, Royal International Equity Fund, Royal International RSP Index Fund, Royal European Equity Fund, Royal Asian Equity Fund, Royal Global Education Fund, Royal Global Titans Fund, Royal Global Communications and Media Sector Fund, Royal Global Consumer Trends Sector Fund, Royal Global Financial Services Sector Fund, Royal Global Health Sciences Sector Fund, Royal Global Industrials Sector Fund, Royal Global Resources Sector Fund and Royal Global Technology Sector Fund (collectively, the "Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation) for relief from the requirement to deliver an annual report, where applicable, and comparative annual financial statements of the Funds to certain securityholders of the Funds unless they have requested to receive them;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Application (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 the Manager to the Decision Makers that:

(a) The Funds are open-ended mutual fund trusts established under the laws of Ontario.

(b) The Royal Trust Company ("Royal Trust") is the trustee of the Funds.

(c) RBC Global Investment Management Inc. ("RBC GIM") is the portfolio adviser of the Funds and is registered as an adviser, or in an equivalent category, in each of the Jurisdictions.

(d) Royal Mutual Funds Inc. ("RMFI") is the principal distributor of the Funds and is registered as a mutual fund dealer, or in an equivalent category, in each of the Jurisdictions.

(e) Royal Trust, RBC GIM and RMFI are affiliates of the Manager.

(f) The Funds are reporting issuers in each of the Jurisdictions and are not in default of any requirement of the Legislation.

(g) Series A Units of the Funds and Series F Units of certain of the Funds are presently offered for sale on a continuous basis in each of the provinces and territories of Canada pursuant to a simplified prospectus dated July 16, 2002, as amended.

(h) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), an annual report, where applicable and comparative annual financial statements in the prescribed form pursuant to Legislation. .

(i) The Manager proposes to send to Securityholders who hold securities of the Funds in client name where RMFI is the dealer (the "Direct Securityholders"), a notice, on or about January 15, 2003, advising them that they will not receive the annual report, where applicable and annual financial statements of the Funds for the year ended December 31, 2002, unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual report, where applicable and annual financial statements. The notice will advise the Direct Security holders that the annual report and annual financial statements of the Funds may be found on the website referred to in clause (k) and downloaded. The Manager would send such annual report and annual financial statements to

any Direct Securityholders who requests them in response to such notice or who subsequently requests them by request on a toll-free number or at a branch of the Royal Bank of Canada.

(j) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101. Securityholders who hold their securities in the Funds in client name where RMFI is not the dealer will be sent the annual report and annual financial statements of the Funds for the year ended December 31, 2002, in accordance with the Legislation.

(k) Securityholders will be able to access the annual report and annual financial statements of the Funds either on the SEDAR website or on the Funds' website: www.royalbank.com. As disclosed in the simplified prospectuses of the Funds, the top ten holdings will also be accessible via a toll-free phone line and the Royal Bank website, which are updated monthly.

(l) There would be substantial cost savings if the Funds are not required to print and mail the annual report, where applicable and annual financial statements to those Direct Securityholders who do not want them.

(m) The Canadian Securities Administrators have published for comment proposed National Instrument 81-106 which, among other things, would permit mutual funds not to deliver annual financial statements to those of its securityholders who do not request them, if the funds provide each securityholder with a request form under which the securityholder may request, at no cost to the securityholder, to receive the mutual fund's annual financial statements for that financial year.

(n) Proposed National Instrument 81-106 would also require a mutual fund to have a toll-free telephone number for, or accept collect calls from, persons or companies that want to receive a copy of, among other things, the annual financial statements of the mutual fund.

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

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

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed National Instrument 81-106 and is consistent with National Instrument 54-101;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Funds shall not be required to deliver their annual report, where applicable and comparative annual financial statements for the year ended December 31, 2002 to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

(a) The Manager shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in paragraphs (i) above within 90 days of mailing the request forms;

(b) The Manager shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for the annual report and annual financial statements made by the return of the request forms on a province-by-province basis within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

(c) The Manager shall record the number and a summary of complaints received from Direct Securityholders about not receiving the annual report and annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

(d) The Manager shall, if possible, measure the number of "hits" on the annual report and annual financial statements of the Funds on the Funds' website: www.royalbank.com and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing; and

(e) The Manager shall file on SEDAR, under the annual financial statements category,

estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

January 22, 2003.

"Howard I. Wetston" "Robert L. Shirriff"

2.1.5 Highwood Resources Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
HIGHWOOD RESOURCES LTD.

MRRS DECISION DOCUMENT

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

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

AND WHEREAS Highwood has represented to the Decision Makers that:

1. Highwood is a corporation incorporated under the Business Corporations Act (Ontario) (the "OBCA");

2. the registered head and principal office of Highwood is located in Calgary, Alberta;

3. Highwood is a reporting issuer, or the equivalent, in each of the Jurisdictions;

4. pursuant to a statutory arrangement (the "Arrangement"), completed under section 182 of the OBCA and effective on November 29, 2002 , Dynatec Corporation ("Dynatec") indirectly acquired and owns all of the issued and

outstanding common shares (the "Common Shares") of Highwood;

5. up to and including the time of the Arrangement, Highwood was not in default of any of its reporting obligations as a reporting issuer in the Jurisdictions. Subsequent to the Arrangement, Dynatec has not caused Highwood to file any continuous disclosure materials as there are no longer any securityholders with an interest in Highwood;

6. the Common Shares were de-listed from The Toronto Stock Exchange on December 3, 2002 and no securities of Highwood are listed or quoted on any exchange or market;

7. Highwood does not intend to seek public financing by way of an offering of its securities;

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

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

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

January 13, 2003.

"Patricia M. Johnston"

2.1.6 Best Pacific Resources Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA and ONTARIO

AND

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

AND

IN THE MATTER OF
BEST PACIFIC RESOURCES LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in Alberta and Ontario (the "Jurisdictions") has received an application from Best Pacific Resources Ltd. ("Best Pacific") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Best Pacific be deemed to have ceased to be a reporting issuer under the Legislation;

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

AND WHEREAS pursuant to the Mutual Reliance Review Systems For Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the Principal Regulator for this application;

AND WHEREAS Best Pacific represented to the Commissions that:

1. Best Pacific was incorporated under the *Business Corporations Act* (Alberta) ("ABCA") as Crazy Curry Inc. on September 20, 1989 and by articles of amendment, the name of Crazy Curry Inc. was changed to Best Pacific Resources Ltd. on October 30, 1991;

2. the authorized capital of Best Pacific consists of an unlimited number of common shares (the "Common Shares") of which 23,017,941 Common Shares were outstanding as of December 31, 2002;

3. Best Pacific is a reporting issuer in British Columbia, Alberta, and Ontario;

4. Best Pacific is not in default of any of the requirements under the Legislation;

5. pursuant to an offer to purchase and take-over circular dated October 11, 2002, and the subsequent compulsory acquisition under the provisions of the ABCA, Advantage Oil & Gas Ltd. ("AOG") became the holder of all of the outstanding Commons Shares;

6. other than the Common Shares there are no securities of Best Pacific, including debt securities, outstanding;

7. the Common Shares were delisted from the Toronto Stock Exchange at the end of trading on December 9, 2002 and there are no securities of Best Pacific listed on any stock exchange or traded over-the-counter in Canada or elsewhere;

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

AND WHEREAS pursuant to the System this Decision Document evidences the decision of each Decision Maker;

AND WHEREAS each of the Decision Makers is satisfied that tests 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 Best Pacific is deemed to have ceased to be a reporting issuer.

January 13, 2003.

"Patricia M. Johnston"

2.1.7 Carfinco Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
CARFINCO INC.

MRRS DECISION DOCUMENT

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

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

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

AND WHEREAS Carfinco has represented to the Decision Makers that:

1. Carfinco was formed under the *Business Corporations Act* (Ontario) ("OBCA") on December 30, 1996;

2. in May, 1997, the common shares of Carfinco (the "Common Shares") began trading on the Canadian Dealing Network ("CDN");

3. effective September 29, 2000, the CDN was transferred by the Toronto Stock Exchange to what is now the TSX Venture Exchange (the "TSXV");

4. the Common Shares commenced trading on the TSXV on October 10, 2000;

5. Carfinco became a reporting issuer in Alberta on October 10, 2000 and in Ontario on April 17, 1997;

6. as at November 25, 2002, the issued and outstanding securities of Carfinco consisted of 14,820,750 Common Shares;

7. Carfinco is not in default of any of the requirements of the Legislation;

8. under an arrangement agreement dated August 26, 2002 among Carfinco, Carfinco Acquisition Corp. ("AcquisitionCo"), Canadian Automotive Finance Corporation ("CAFC"), Carfinco Limited Partnership ("Carfinco LP"), Carfinco Holdings Trust ("Holdings Trust") and Carfinco Income Fund (the "Fund") (the "Arrangement Agreement"), the parties thereto agreed, among other things, to take all reasonable action necessary to give effect to a plan of arrangement (the "Arrangement") under Section 182 of the OBCA in order to reorganize the affairs of Carfinco to create a trust structure;

9. at the special meeting of security holders of Carfinco held on October 2, 2002, the security holders of Carfinco approved the Arrangement;

10. by Final Order of the Ontario Superior Court of Justice granted on October 4, 2002, the Arrangement was approved and, upon the filing of Articles of Arrangement on November 27, 2002 pursuant to the OBCA, was made effective;

11. pursuant to the Arrangement, holders of the Common Shares exchanged their Common Shares for trust units of the Fund (the "Trust Units") on the basis of one Trust Unit for each Common Share held. Upon completion of the Arrangement, former Carfinco shareholders would own all of the Trust Units of the Fund;

12. pursuant to the Arrangement, Carfinco, CAFC and AcquisitionCo amalgamated (the "Amalgamation") under the name Carfinco Inc. Pursuant to the Amalgamation, each Common Share, all of which shares were then held by AcquisitionCo, was deemed to be cancelled without any repayment of capital;

13. following the Amalgamation, the Fund became the sole shareholder of Carfinco;

14. Carfinco's head office is located in Edmonton, Alberta;

15. as a result of the Arrangement, the Fund indirectly carries on the business of Carfinco, through Carfinco LP. The former shareholders of Carfinco hold all of the Trust Units of the Fund. The Fund is the sole beneficiary of Holdings Trust, which is a limited partner of, and holds an approximately 86% partnership interest in, Carfinco LP. The Fund also owns all of the shares of Carfinco, which is the general partner of, and holds a 14% interest in, Carfinco LP. Carfinco holds substantially all of the assets of Carfinco (and CAFC) and will continue to conduct the business of Carfinco. Accordingly, the former shareholders of Carfinco continue to own, indirectly, substantially all of the economic interest in the Carfinco business and will participate in distributions of income from the Fund. Substantially all of Carfinco LP's income will be allocated by the Fund to holders of Trust Units;

16. on December 5, 2002, the Common Shares were delisted by the TSXV and no securities of Carfinco are listed or quoted on any exchange or market;

17. the Trust Units were listed and posted for trading on the TSXV on December 6, 2002;

18. other than the Common Shares owned by the Fund, Carfinco has no securities, including debt securities, outstanding;

19. Carfinco does not intend to seek public financing by way of an offering of its securities;

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

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

AND WHEREAS the Decision of the Decision Makers pursuant to the Legislation is that Carfinco is deemed to have ceased to be a reporting issuer under the Legislation.

January 13, 2003.

"Patricia M. Johnston"

2.1.8 Pembina Pipeline Income Fund - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications. Relief from registration and prospectus requirements granted for issuance of trust units of the Applicant issued under a new distribution reinvestment plan, subject to certain conditions. First trade relief granted, subject to certain conditions.

Statutes Cited

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

Instruments Cited

Multilateral Instrument 45-102 Resale of Securities.

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

AND

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

AND

IN THE MATTER OF
PEMBINA PIPELINE INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and the Northwest Territories (the "Jurisdictions" and each, a "Jurisdiction") has received an application from Pembina Pipeline Income Fund ("Pembina") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to be registered to trade in a security 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 trust units of Pembina issued pursuant to the Plan (as defined below), subject to certain conditions;

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

AND WHEREAS, 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 Pembina has represented to the Decision Makers that:

1. Pembina is an unincorporated open-ended investment trust formed under the laws of the Province of Alberta pursuant to a Declaration of Trust dated September 4, 1997, as amended and restated as of April 30, 1999, and as further amended April 28, 2000 (the "Declaration of Trust").

2. The business of Pembina consists of the indirect ownership of interests in 15 oil and natural gas liquids pipeline systems in western Canada.

3. Pembina has been a reporting issuer, or the equivalent, in each of the provinces of Canada since 1997, and to its knowledge, is not in default of any requirements under the Legislation of any such Jurisdiction.

4. Pembina is a "qualifying issuer" within the meaning of Multilateral Instrument 45-102 *Resale of Securitie*s.

5. The trustee of Pembina is Computershare Trust Company of Canada. The entire beneficial interest in Pembina is held by the holders of trust units ("Units") issued by Pembina.

6. An unlimited number of Units have been created and may be issued pursuant to the Declaration of Trust. As of the close of business on December 16, 2002, 93,535,954 Units were issued and outstanding.

7. The Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX").

8. Pursuant to the terms of the Declaration of Trust, Pembina currently makes and expects to continue to make monthly distributions of distributable income, if any, to the holders of Units (the "Unitholders"). The distributable income of Pembina for any month is a function of the amounts received by Pembina from the net cash flow of its operating subsidiaries.

9. Pembina is not a "mutual fund" under the Legislation as Unitholders are not entitled to receive on demand an amount computed by reference to the value of their respective proportionate interests in the whole or in part of the net assets of Pembina, as contemplated by the definition of "mutual fund" in the Legislation.

10. Pembina currently has a distribution reinvestment plan (the "Old Plan") which enables eligible

Unitholders to direct that cash distributions paid on their existing Units ("Cash Distributions") be automatically applied to the purchase of Units from treasury.

11. Pembina intends to establish a new Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "Plan") pursuant to which eligible Unitholders may, at their option, purchase additional Units ("Additional Units") of Pembina by directing that Cash Distributions be applied to the purchase of Additional Units (the "Distribution Reinvestment Option").

12. Alternatively, the Plan enables eligible Unitholders who decide to reinvest Cash Distributions to authorize and direct Computershare Trust Company of Canada, in its capacity as agent under the Plan (or such other trust company that is appointed agent under the Plan) (in such capacity, the "Plan Agent"), to pre-sell through a designated broker (the "Plan Broker"), for the account of the Unitholders who so elect, that number of Units equal to the number of Additional Units issuable on such reinvestment, and to settle such pre-sales with the Additional Units issued on the applicable distribution payment date in exchange for a cash payment equal to 102% of the reinvested Cash Distributions (the "Premium Distribution Option"). The Plan Broker will be entitled to retain for its own account the difference between the proceeds realized in connection with the pre-sales of such Units and the cash payment to the Plan Agent equal to 102% of the reinvested Cash Distributions.

13. Eligible Unitholders who have directed that their Cash Distributions be reinvested in Additional Units under either the Distribution Reinvestment Option or the Premium Distribution Option ("Participants") may also be able to directly purchase Additional Units under the Plan by making optional cash payments within the limits established thereunder (the "Cash Payment Option"). Pembina Management Inc. (the "Manager") shall have the right to determine from time to time whether the Cash Payment Option will be available. The Cash Payment Option will only be available to Unitholders that are Participants.

14. The Plan will supercede the Old Plan. All Unitholders who are enrolled in the Old Plan at the time that the Plan becomes effective will, subject to any contrary elections made by such Unitholders, be automatically enrolled in the Distribution Reinvestment Option of the Plan.

15. All Additional Units purchased under the Plan will be purchased by the Plan Agent directly from Pembina on the relevant distribution payment date at a price determined by reference to the Average Market Price (defined in the Plan as the arithmetic average of the daily volume weighted average trading prices of the Units on the TSX for the trading days starting on the second business day following the distribution record date and ending on the second business day immediately prior to the distribution payment date on which at least a board lot of Units was traded, such period not to exceed 20 trading days).

16. Additional Units purchased under the Distribution Reinvestment Option or the Premium Distribution Option will be purchased at a 5% discount to the Average Market Price. Additional Units purchased under the Cash Payment Option will be purchased at the Average Market Price.

17. The Plan Broker's *prima facie* return under the Premium Distribution Option will be approximately 3% of the reinvested Cash Distributions (based on pre-sales of Units having a market value of approximately 105% of the reinvested Cash Distributions and a fixed cash payment to the Plan Agent, for the account of applicable Participants, of an amount equal to 102% of the reinvested Cash Distributions). The Plan Broker may, however, realize more or less than this *prima facie* amount, as the actual return will vary according to the prices the Plan Broker is able to realize on the pre-sales of Units. The Plan Broker bears the entire risk of adverse changes in the market, as Participants who have elected the Premium Distribution Option are assured a cash payment equal to 102% of the reinvested Cash Distributions.

18. All activities of the Plan Broker on behalf of the Plan Agent that relate to pre-sales of Units for the account of Unitholders who elect the Premium Distribution Option will be in compliance with applicable Legislation and the rules and policies of the TSX (subject to any exemptive relief granted). The Plan Broker will also be a member of the Investment Dealers Association of Canada, and will be registered under the legislation of any Jurisdiction where the first trade in Additional Units pursuant to the Premium Distribution Option makes such registration necessary.

19. The Plan will not be available to Unitholders who are residents of the United States.

20. Participants who choose to participate in the Plan may elect either the Distribution Reinvestment Option or the Premium Distribution Option in respect of their Cash Distributions. The Cash Payment Option is available to eligible Unitholders who elect to reinvest their Cash Distributions under either the Distribution Reinvestment Option or the Premium Distribution Option. Eligible Unitholders may elect to participate in either the Distribution Reinvestment Option or the Premium Distribution Option at their sole option, and are free to terminate their participation under either

option, or to change their election, in accordance with the terms of the Plan.

21. Under the Distribution Reinvestment Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units, which will be held under the Plan for the account of the appropriate Participants who have elected to participate in that component of the Plan.

22. Under the Premium Distribution Option, Cash Distributions will be paid to the Plan Agent and applied by the Plan Agent to the purchase of Additional Units for the account of the appropriate Participants who have elected to participate in that component of the Plan, but the Additional Units purchased thereby will be automatically transferred to the Plan Broker to settle pre-sales of Units made by the Plan Broker on behalf of the Plan Agent for the account of such Participants in exchange for a cash payment equal to 102% of the reinvested Cash Distributions.

23. Under the Cash Payment Option, a Participant may, through the Plan Agent, purchase Additional Units up to a stipulated maximum dollar amount per year and subject to a minimum amount per remittance. The aggregate number of Additional Units that may be purchased under the Cash Payment Option by all Participants in any financial year of Pembina will be limited to a maximum of 2% of the number Units issued and outstanding at the start of the financial year.

24. No brokerage fees or service charges will be payable by Participants in connection with the purchase of Additional Units under the Plan.

25. Additional Units purchased under the Plan will be credited to a Participant's account, and all Cash Distributions on Units enrolled in the Plan will be automatically reinvested in Additional Units or exchanged for a cash payment under the Premium Distribution Option, as applicable, in accordance with the terms of the Plan and the current election of that Participant.

26. Depending on the policies of a Participant's broker, investment dealer, financial institution or other nominee through which the Participant holds its Units, the Plan permits full investment of reinvested Cash Distributions and optional cash payments because fractions of Units, as well as whole Units, may be credited to Participants' accounts.

27. The Manager, in its capacity as the manager of Pembina and subject to certain parameters established by the board of directors of Pembina Pipeline Corporation, reserves the right to determine for any distribution payment date how many Additional Units will be available for purchase under the Plan.

28. If, in respect of any distribution payment date, fulfilling all of the elections under the Plan would result in Pembina exceeding either the limit on Additional Units set by the Manager or the aggregate annual limit on Additional Units issuable pursuant to the Cash Payment Option, then elections for the purchase of Additional Units on the next distribution payment date will be accepted: (i) first, from Participants electing the Distribution Reinvestment Option; (ii) second, from Participants electing the Premium Distribution Option; and (iii) third, from Participants electing the Cash Payment Option. If Pembina is not able to accept all elections in a particular category, then purchases of Additional Units on the next distribution payment date will be pro rated among all Participants in that category according to the number of Additional Units sought to be purchased.

29. If the Manager determines that no Additional Units will be available for purchase under the Plan for a particular distribution payment date, then all Participants will receive the Cash Distribution announced by Pembina for that distribution payment date.

30. A Participant may terminate its participation in the Plan at any time by providing written notice to their investment advisor or broker. A termination form received between a distribution record date and a distribution payment date will become effective after that distribution payment date.

31. Pembina reserves 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 Participants. Pembina will make a public announcement of any such amendment, suspension or termination and will notify Unitholders in accordance with applicable securities law requirements. All Participants will be sent written notice of any such amendment, suspension or termination.

32. The distribution of Additional Units by Pembina pursuant to the Plan cannot be made in reliance on certain existing exemptions from the Registration and Prospectus Requirements as the Plan involves the reinvestment of distributions of distributable income of Pembina and not the reinvestment of dividends, interest or distributions of capital gains or out of earnings or surplus.

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

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

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

1. at the time of the trade Pembina is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

2. no sales charge is payable in respect of the trade;

3. Pembina has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:

   (a) their right to withdraw from the Plan and to make an election to receive cash instead of Units on the making of a distribution of income by Pembina, and

   (b) instructions on how to exercise the right referred to in paragraph (a) above;

4. the aggregate number of Additional Units issued under the Cash Payment Option of the Plan in any financial year of Pembina shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;

5. except in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution or primary distribution to the public unless the conditions in subsections 2.6(3) or (4) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and

6. in Québec, the first trade in Additional Units acquired pursuant to this Decision will be a distribution unless:

   (i) Pembina is and has been a reporting issuer in Québec for the 12 months preceding the alienation;

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

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

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

7. disclosure of the initial distribution of Additional Units pursuant to this Decision is made to the relevant Jurisdictions by providing particulars of the date of the distribution of such Additional Units, the number of such Additional Units and the purchase price paid or to be paid for such Additional Units in:

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

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

8. when Pembina distributes such Additional Units for the first time, Pembina will provide disclosure to the relevant Jurisdictions which sets forth the date of such distribution, the number of such Additional Units and the purchase price paid for such Additional Units, and thereafter not less frequently than annually, unless the aggregate number of Additional Units so distributed in any month exceeds 1% of the aggregate number of Units outstanding at the beginning of the month in which the Additional Units were distributed, in which case the disclosure required under this paragraph shall be made in each relevant Jurisdiction (other than Québec) in respect of that month within ten days of the end of such month.

January 23, 2003.

"Howard I. Wetston" "Robert L. Shirriff"

2.1.9 Union Bank of California, N.A. - MRRS Decision

Headnote

MRRS - Underwriter and advisor registration relief for Schedule III Bank - prospectus and registration relief for trades where Schedule III Bank purchasing as principal and first trade relief for Schedule III Bank - prospectus and registration relief for trades of bonds, debentures and other evidences of indebtedness of or guaranteed by Schedule III Bank provided trades involve only specified purchasers - fee relief for trades made in reliance on Decision.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am. ss. 25(1)(a)&(c), 34(a), 35(1)(3)(i), 35(2)1(c), 53(1), 72(1)(a)(i), 73(1)(a), 74(1), 147.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am. ss. 151, 206, 218, Schedule 1, s. 28.

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

AND

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

AND

IN THE MATTER OF
UNION BANK OF CALIFORNIA, N.A.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories, and Nunavut Territory (the "Jurisdictions") has received an application (the "Application") from Union Bank of California, N.A. and its Canadian branch ("UBOC") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that UBOC is exempt from various registration, prospectus and filing requirements of the Legislation in connection with the banking activities to be carried on by UBOC in Canada;

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

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

1. UBOC is organized under the laws of the United States of America. The head office of UBOC is located in San Francisco, California;

2. UBOC provides a wide range of financial services to consumers, small businesses, middle-market companies and major corporations, primarily in the states of California, Oregon and Washington, but also nationally and internationally as well. UBOC's operations are divided into four primary segments: The Community Banking and Investment Services Group; The Commercial Financial Services Group; The International Banking Group; and The Global Markets Group;

3. UnionBanCal Corporation, a California corporation, is the commercial bank holding company of UBOC, and had consolidated assets of US$36 billion as at December 31, 2001. UBOC was the third largest commercial bank in California, based on total assets and total deposits in California, as at December 31, 2001;

4. UBOC is not, and has no current intention of becoming, a reporting issuer in any province of Canada, nor are any of its securities listed on any stock exchange in Canada;

5. in 1999, amendments to the Bank Act (Canada) (the "Bank Act") were made to permit foreign banks to operate directly in Canada through branches, rather than through separate subsidiary Schedule II banks;

6. UBOC submitted an application (the "Bank Act Application") to the Office of the Superintendent of Financial Institutions Canada ("OSFI") for an order establishing a full service foreign bank branch in Canada and for an order approving the commencement and carrying on of business in Canada pursuant to Sections 524 and 534 of the Bank Act;

7. the Bank Act Application was approved, and on June 24, 2002, the Secretary of State (International Financial Institutions), on behalf of the Minister of Finance, granted an order permitting UBOC to establish a branch in Canada to carry on business in Canada;

8. the operations of UBOC's foreign bank branch in Canada will be primarily comprised of commercial lending and related treasury functions primarily to the following investors:

   8.1 Her Majesty in right of Canada or in right of a province or a territory, an agent of

Her Majesty in either of those rights and includes a municipal or public body empowered to perform a function of government in Canada, or an entity controlled by Her Majesty in either of those rights;

8.2 the government of a foreign country or any political subdivision thereof, an agency of the government of a foreign country or any political subdivision thereof, or an entity that is controlled by the government of a foreign country or any political subdivision thereof;

8.3 an international agency of which Canada is a member, including an international agency that is a member of the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the Caribbean Development Bank and the European Bank for Reconstruction and Development and any other international regional bank;

8.4 a financial institution (i.e.: (a) a bank or an authorized foreign bank under the Bank Act; (b) a body corporate to which the Trust and Loan Companies Act (Canada) applies; (c) an association to which the Cooperative Credit Association Act (Canada) applies; (d) an insurance company or fraternal benefit society to which the Insurance Companies Act (Canada) applies; (e) a trust, loan or insurance corporation incorporated by or under an Act of the legislature of a province or territory in Canada; (f) a cooperative credit society incorporated and regulated by or under an Act of the legislature of a province or territory in Canada; (g) an entity that is incorporated or formed by or under an Act of Parliament or of the legislature of a province or territory in Canada that is primarily engaged in dealing in securities, including portfolio management and investment counselling and is registered to act in such capacity under the applicable Legislation; and (h) a foreign institution that is (i) engaged in the banking, trust, loan or insurance business, the business of a cooperative credit society or the business of dealing in securities or is otherwise engaged primarily in the business of providing financial services, and (ii) is incorporated or formed otherwise than by or under an Act of Parliament or of the legislature of a province or territory in Canada);

8.5 a pension fund sponsored by an employer for the benefit of its employees or employees of an affiliate that is registered and has total plan assets under administration of greater than $100 million;

8.6 a mutual fund corporation that is regulated under an Act of the legislature of a province or territory in Canada or under the laws of any other jurisdiction and has total assets under administration of greater than $10 million;

8.7 an entity (other than an individual) that has gross revenues on its own books and records of greater than $5 million as of the date of its most recent annual financial statements; or

8.8 any other person, if the transaction is in an aggregate amount of greater than $150,000;

collectively referred to for purposes of the Decision (as defined below) as "Authorized Customers".

9. the only advising activities which UBOC intends to undertake will be incidental to its primary banking business and it will not advertise itself as an adviser or allow itself to be advertised as an adviser in the Jurisdictions;

10. under the current Legislation, banks chartered under Schedules I and II of the Bank Act have numerous exemptions from various aspects of the Legislation. Since UBOC's foreign bank branch will not be chartered under Schedule I or II of the Bank Act, these existing exemptions relating to the registration, prospectus and filing requirements will not be available to it;

11. In order to ensure that UBOC, as an entity listed on Schedule III to the Bank Act, will be able to provide banking services to businesses in the Jurisdictions, it requires similar exemptions enjoyed by banking institutions incorporated under the Bank Act to the extent that the current exemptions applicable to such banking institutions are relevant to the banking business to be undertaken by UBOC in the Jurisdictions.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that in connection with the banking business to be carried on by UBOC in the Jurisdictions by its Canadian branch:

1. UBOC is exempt from the requirement under the Legislation of the Jurisdictions, where applicable, to be registered as underwriter with respect to trading in the same types of securities that an entity listed on Schedule I or II to the Bank Act may act as an underwriter in respect of without being required to be registered under the Legislation as an underwriter;

2. UBOC is exempt from the requirement under the Legislation to be registered as an adviser where the performance of the services as an adviser is solely incidental to its primary banking business;

3. with respect to a trade of a security to UBOC where UBOC purchases the security as principal, the trade shall be exempt from the registration and prospectus requirements of the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation") provided that:

   3.1 the forms that would have been filed and the fees that would have been paid under the Applicable Legislation if the trade had been made, on an exempt basis, to an entity listed on Schedule I or II to the Bank Act purchasing as principal are filed and paid in respect of the trade to UBOC;

   3.2 in all Jurisdictions except Québec, the first trade in a security acquired by UBOC will be a distribution, unless the conditions in section 2.5 of Multilateral Instrument 45-102 are satisfied;

   3.3 in the Province of Québec, the first trade in a security acquired by UBOC will be a distribution unless:

      3.3.1 at the time UBOC acquired the security: (i) the issuer of the security is a reporting issuer in Québec; (ii) the issuer is not a Capital Pool Company as defined in Policy 2.4 of the Toronto Venture Exchange Inc.; (iii) the issuer has a class of equity securities listed on the Toronto Stock Exchange Inc., Tier 1 or 2 of the Toronto Venture Exchange Inc., the American Stock Exchange, Nasdaq National Market, Nasdaq SmallCap Market, the New York Stock Exchange or the London Stock Exchange Limited, has not been advised that it does not meet the requirements to maintain that listing and is not designated inactive, or the issuer has a class of securities outstanding that has an approved rating from an approved rating organization; and (iv) the issuer has filed an annual information form required under section 159 of the Regulation made under the Securities Act (Québec), as amended from time to time, (the "Québec Act") within the time period contemplated by that section, or, if not required to file an annual information form, has filed a prospectus that contains the most recent annual financial statements;

      3.3.2 the issuer has been a reporting issuer in Québec for 4 months immediately preceding the trade;

      3.3.3 UBOC has held the securities for at least 4 months;

      3.3.4 no extraordinary commission or other consideration is paid;

      3.3.5 no effort is made to prepare the market or to create a demand for the securities;

      3.3.6 if UBOC is an insider of the issuer, UBOC has no reasonable grounds to believe that the issuer is in default under the Québec Act; and

      3.3.7 UBOC files a report within 10 days of the trade prepared and executed in accordance with the requirements of the Québec Act that would apply to a trade made in reliance on section 43 or 51 of the Québec Act;

      3.3.8 UBOC files a report within 10 days of the trade prepared and executed in accordance with the requirements of the Applicable Legislation that would apply to a trade, on an exempt basis, to an entity listed on Schedule I or II of the Bank Act; and

4. provided UBOC only trades the types of securities referred to in this paragraph 4 with Authorized Customers, trades of bonds, debentures or other evidences of indebtedness of or guaranteed by

UBOC shall be exempt from the registration and prospectus requirements of the Legislation;

THE FURTHER DECISION of the Decision Maker in Ontario is that with respect to the Province of Ontario only, pursuant to subsection 74(1) of the Securities Act (Ontario) (the "Ontario Act"), except as provided for in paragraph 3 of this Decision, section 28 of Schedule I to the Regulations made under the Ontario Act shall not apply to trades made by UBOC.

January 23, 2003.

"Glenda A. Campbell" "David W. Betts"

2.1.10 Miramar HBG Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
MIRAMAR HBG INC.

MRRS DECISION DOCUMENT

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

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

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

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

1. The Filer was formed upon the amalgamation (the "Amalgamation") on May 24, 2002 of Hope Bay Gold Corporation Inc. ("Hope Bay") and 9114-6696 Québec Inc. ("Subco"), a wholly-owned subsidiary of Miramar Mining Corporation ("Miramar") that was incorporated on March 22, 2002. The head office of the Filer is located in North Vancouver, British Columbia.

2. Pursuant to the Amalgamation, former common shareholders of Hope Bay received common shares of Miramar in exchange for their common shares of Hope Bay, and the Filer became a wholly-owned subsidiary of Miramar. The purpose of the Amalgamation was to combine Hope Bay and Miramar to create a larger gold mining and exploration company focused on the Canadian North.

3. As at August 31, 2002, the authorized share capital of the Filer consisted of an unlimited number of Class A shares without par value (the "Shares"), of which 39,464,431 Shares were outstanding and owned by Miramar.

4. Prior to the Amalgamation, Hope Bay was a reporting issuer in each of the Jurisdictions and its common shares were listed on The Toronto Stock Exchange (the "TSX"). The Filer is now a reporting issuer in the Jurisdictions by virtue of the Amalgamation.

5. The common shares of Hope Bay have been delisted from the TSX, and no securities of the Filer are listed or quoted on any exchange or market.

6. Miramar is a reporting issuer or the equivalent under the securities legislation of each province and territory of Canada and the Miramar common shares are listed for trading on the TSX;

7. Prior to the Amalgamation, 8,950,000 common shares of Hope Bay were reserved for issuance under outstanding stock options of Hope Bay (the "Options") and 16,519,667 common shares of Hope Bay were reserved for issuance under outstanding warrants of Hope Bay (the "Warrants"). The outstanding Options and Warrants were assumed by Miramar under the Amalgamation but remain as securities of the Filer. Holders of the Options and Warrants are now entitled to receive common shares of Miramar upon exercise of the Options and Warrants.

8. To the knowledge of the Filer, there are currently a total of four holders of Options resident outside Canada, one resident in British Columbia, two resident in Ontario and three resident in Quebec; there are five holders of Warrants resident in Ontario and two resident in British Columbia.

9. Other than the Options, the Warrants and the Shares owned by Miramar, there are no other securities, including debt securities, of the Filer outstanding.

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

11. Other than its failure to file an annual information form for the year ended December 31, 2001 for Hope Bay in certain Jurisdictions and the interim financial statements of the Filer for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002, the Filer is not in default under the Legislation.

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

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

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

January 23, 2003.

"H. Leslie O'Brien"

2.1.11 Canadian Imperial Bank of Commerce et al. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements for the year ending December 31, 2002 to registered securityholders of certain mutual funds.

Statutes Cited

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

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

AND

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

IN THE MATTER OF
CIBC CANADIAN SHORT-TERM BOND INDEX FUND, CIBC CANADIAN T-BILL FUND, CIBC MONEY MARKET FUND, CIBC PREMIUM CANADIAN T-BILL FUND, CIBC U.S DOLLAR MONEY MARKET FUND, CIBC BALANCED FUND, CIBC CANADIAN BOND FUND, CIBC DIVIDEND FUND, CIBC GLOBAL BOND FUND, CIBC MORTGAGE FUND, CIBC CANADIAN INDEX FUND, CIBC CORE CANADIAN EQUITY FUND, CIBC GLOBAL EQUITY FUND, CIBC U.S. EQUITY INDEX FUND, CIBC U.S. INDEX RRSP FUND, CIBC CANADIAN RESOURCES FUND, CIBC CAPITAL APPRECIATION FUND, CIBC ENERGY FUND, CIBC INTERNATIONAL INDEX RRSP FUND, CIBC NORTH AMERICAN DEMOGRAPHICS FUND, CIBC EUROPEAN EQUITY FUND, CIBC FAR EAST PROSPERITY FUND, CIBC GLOBAL TECHNOLOGY FUND, CIBC EMERGING ECONOMIES FUND, CIBC PRECIOUS METALS FUND, CIBC JAPANESE EQUITY FUND, CIBC LATIN AMERICAN FUND, CIBC U.S. SMALL COMPANIES FUND, CIBC CANADIAN EMERGING COMPANIES FUND, CIBC CANADIAN SMALL COMPANIES FUND, CANADIAN IMPERIAL EQUITY FUND, CIBC CANADIAN BOND INDEX FUND, CIBC CANADIAN REAL ESTATE FUND, CIBC FINANCIAL COMPANIES FUND, CIBC INTERNATIONAL SMALL COMPANIES FUND, CIBC INTERNATIONAL INDEX FUND, CIBC GLOBAL BOND INDEX FUND, CIBC EUROPEAN INDEX FUND, CIBC MONTHLY INCOME FUND, CIBC NASDAQ INDEX RRSP FUND, CIBC JAPANESE INDEX RRSP FUND, CIBC EUROPEAN INDEX RRSP FUND, CIBC ASIA PACIFIC INDEX FUND, CIBC EMERGING MARKETS INDEX FUND, CIBC HIGH YIELD CASH FUND, CIBC NASDAQ INDEX FUND, 5-YEAR PROTECTED BALANCED INDEX FUND, 5-YEAR PROTECTED CANADIAN BOND INDEX FUND, 5-YEAR PROTECTED CANADIAN INDEX FUND, 5-YEAR PROTECTED INTERNATIONAL INDEX FUND, 5-YEAR PROTECTED U.S. INDEX FUND, CIBC MANAGED INCOME PORTFOLIO, CIBC MANAGED INCOME PLUS PORTFOLIO, CIBC MANAGED BALANCED PORTFOLIO, CIBC MANAGED BALANCED GROWTH PORTFOLIO, CIBC MANAGED BALANCED GROWTH RRSP PORTFOLIO, CIBC MANAGED GROWTH PORTFOLIO, CIBC MANAGED GROWTH RRSP PORTFOLIO, CIBC MANAGED AGGRESSIVE GROWTH PORTFOLIO, CIBC MANAGED AGGRESSIVE GROWTH RRSP PORTFOLIO, CIBC U.S. DOLLAR MANAGED INCOME PORTFOLIO, CIBC U.S. DOLLAR MANAGED GROWTH PORTFOLIO, CIBC U.S. DOLLAR MANAGED BALANCED PORTFOLIO, RENAISSANCE CANADIAN SMALL CAP FUND, RENAISSANCE U.S. FUNDAMENTAL GROWTH FUND, RENAISSANCE INTERNATIONAL RSP INDEX FUND, RENAISSANCE U.S. RSP INDEX FUND, RENAISSANCE EURO FUND, RENAISSANCE GLOBAL VALUE FUND, RENAISSANCE INTERNATIONAL GROWTH FUND, RENAISSANCE DEVELOPING CAPITAL MARKETS FUND, RENAISSANCE CANADIAN MONEY MARKET FUND, RENAISSANCE CANADIAN BALANCED FUND, RENAISSANCE CANADIAN T-BILL FUND, RENAISSANCE CANADIAN HIGH YIELD BOND FUND, RENAISSANCE CANADIAN GROWTH FUND, RENAISSANCE U.S. MONEY MARKET FUND, RENAISSANCE CANADIAN CORE VALUE FUND, RENAISSANCE CANADIAN BOND FUND, RENAISSANCE CANADIAN INCOME TRUST FUND, RENAISSANCE GLOBAL GROWTH FUND, RENAISSANCE U.S. BASIC VALUE FUND, RENAISSANCE CANADIAN BALANCED VALUE FUND, RENAISSANCE GLOBAL SECTORS FUND, RENAISSANCE GLOBAL SECTORS RSP FUND, RENAISSANCE GLOBAL VALUE RSP FUND, RENAISSANCE INTERNATIONAL GROWTH RSP FUND, RENAISSANCE GLOBAL TECHNOLOGY FUND, RENAISSANCE GLOBAL TECHNOLOGY RSP FUND, RENAISSANCE TACTICAL ALLOCATION RSP FUND, RENAISSANCE GLOBAL GROWTH RSP FUND, RENAISSANCE TACTICAL ALLOCATION FUND, RENAISSANCE CANADIAN DIVIDEND INCOME FUND, RENAISSANCE GLOBAL OPPORTUNITIES FUND, RENAISSANCE GLOBAL OPPORTUNITIES RSP FUND, FRONTIERS CANADIAN FIXED INCOME POOL, FRONTIERS CANADIAN SHORT TERM INCOME POOL, FRONTIERS CANADIAN EQUITY POOL, FRONTIERS INTERNATIONAL EQUITY POOL, FRONTIERS EMERGING MARKETS EQUITY POOL, FRONTIERS GLOBAL BOND POOL, FRONTIERS INTERNATIONAL EQUITY RSP POOL, FRONTIERS U.S. EQUITY POOL, FRONTIERS U.S. EQUITY RSP POOL, TALVEST MONEY MARKET FUND, TALVEST BOND FUND, TALVEST GLOBAL BOND RSP FUND, TALVEST DIVIDEND FUND, TALVEST EUROPEAN FUND, TALVEST INCOME FUND, TALVEST VALUE LINE U.S. EQUITY FUND, TALVEST GLOBAL RSP FUND, TALVEST CDN. ASSET ALLOCATION FUND, TALVEST GLOBAL ASSET ALLOCATION RSP FUND, TALVEST ASIAN FUND, TALVEST CDN. EQUITY GROWTH FUND, TALVEST GLOBAL SCIENCE & TECHNOLOGY FUND, TALVEST HIGH YIELD BOND FUND, TALVEST

GLOBAL HEALTH CARE FUND, TALVEST SMALL CAP CDN. EQUITY FUND, TALVEST CDN. EQUITY LEADERS FUND, TALVEST MILLENNIUM HIGH INCOME FUND, TALVEST MILLENNIUM NEXT GENERATION FUND, TALVEST GLOBAL SMALL CAP FUND, TALVEST CHINA PLUS FUND, TALVEST GLOBAL EQUITY FUND, TALVEST FPX INCOME FUND, TALVEST FPX GROWTH FUND, TALVEST GLOBAL MULTI MANAGEMENT RSP FUND, TALVEST FPX BALANCED FUND, TALVEST GLOBAL MULTI MANAGEMENT FUND, TALVEST CHINA PLUS RSP FUND, TALVEST GLOBAL EQUITY RSP FUND, TALVEST GLOBAL SMALL CAP RSP FUND, TALVEST GLOBAL SCIENCE & TECHNOLOGY RSP FUND, TALVEST GLOBAL HEALTH CARE RSP FUND, TALVEST INTERNATIONAL EQUITY RSP FUND, TALVEST CDN. MULTI MANAGEMENT FUND, TALVEST INTERNATIONAL EQUITY FUND, TALVEST ASIAN RSP FUND, TALVEST EUROPEAN RSP FUND, TALVEST VALUE LINE U.S. EQUITY RSP FUND, TALVEST GLOBAL RESOURCES RSP FUND AND TALVEST GLOBAL RESOURCE FUND.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "**Decision Maker**") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the "**Jurisdictions**") has received an application (the "**Application**") from Canadian Imperial Bank of Commerce ("**CIBC**"), CIBC Securities Inc., CIBC Asset Management Inc. and Talvest Fund Management Inc. ("**Talvest**") (collectively, the "**Managers**"), CIBC Canadian Short-Term Bond Index Fund, CIBC Canadian T-Bill Fund, CIBC Money Market Fund, CIBC Premium Canadian T-Bill Fund, CIBC U.S Dollar Money Market Fund, CIBC Balanced Fund, CIBC Canadian Bond Fund, CIBC Dividend Fund, CIBC Global Bond Fund, CIBC Mortgage Fund, CIBC Canadian Index Fund, CIBC Core Canadian Equity Fund, CIBC Global Equity Fund, CIBC U.S. Equity Index Fund, CIBC U.S. Index RRSP Fund, CIBC Canadian Resources Fund, CIBC Capital Appreciation Fund, CIBC Energy Fund, CIBC International Index RRSP Fund, CIBC North American Demographics Fund, CIBC European Equity Fund, CIBC Far East Prosperity Fund, CIBC Global Technology Fund, CIBC Emerging Economies Fund, CIBC Precious Metals Fund, CIBC Japanese Equity Fund, CIBC Latin American Fund, CIBC U.S. Small Companies Fund, CIBC Canadian Emerging Companies Fund, CIBC Canadian Small Companies Fund, Canadian Imperial Equity Fund, CIBC Canadian Bond Index Fund, CIBC Canadian Real Estate Fund, CIBC Financial Companies Fund, CIBC International Small Companies Fund, CIBC International Index Fund, CIBC Global Bond Index Fund, CIBC European Index Fund, CIBC Monthly Income Fund, CIBC Nasdaq Index RRSP Fund, CIBC Japanese Index RRSP Fund, CIBC European Index RRSP Fund, CIBC Asia Pacific Index Fund, CIBC Emerging Markets Index Fund, CIBC High Yield Cash Fund, CIBC Nasdaq Index Fund (collectively, the "**CIBC Funds**"), CIBC Managed Income Portfolio, CIBC Managed Income Plus Portfolio, CIBC Managed Balanced Portfolio, CIBC Managed Balanced Growth Portfolio, CIBC Managed Balanced Growth RRSP Portfolio, CIBC Managed Growth Portfolio, CIBC Managed Growth RRSP Portfolio, CIBC Managed Aggressive Growth Portfolio, CIBC Managed Aggressive Growth RRSP Portfolio (collectively, the "**Managed Funds**"), CIBC U.S. Dollar Managed Income Portfolio, CIBC U.S. Dollar Managed Growth Portfolio, CIBC U.S. Dollar Managed Balanced Portfolio (collectively, the "**U.S. Managed Funds**"), 5-Year Protected Balanced Index Fund, 5-Year Protected Canadian Bond Index Fund, 5-Year Protected Canadian Index Fund, 5-Year Protected International Index Fund, 5-Year Protected U.S. Index Fund (collectively, the "**Protected Funds**"), Renaissance Canadian Small Cap Fund, Renaissance U.S. Fundamental Growth Fund, Renaissance International RSP Index Fund, Renaissance U.S. RSP Index Fund, Renaissance Euro Fund, Renaissance Global Value Fund, Renaissance International Growth Fund, Renaissance Developing Capital Markets Fund, Renaissance Canadian Money Market Fund, Renaissance Canadian Balanced Fund, Renaissance Canadian T-Bill Fund, Renaissance Canadian High Yield Bond Fund, Renaissance Canadian Growth Fund, Renaissance U.S. Money Market Fund, Renaissance Canadian Core Value Fund, Renaissance Canadian Bond Fund, Renaissance Canadian Income Trust Fund, Renaissance Global Growth Fund, Renaissance U.S. Basic Value Fund, Renaissance Canadian Balanced Value Fund, Renaissance Global Sectors Fund, Renaissance Global Sectors RSP Fund, Renaissance Global Value RSP Fund, Renaissance International Growth RSP Fund, Renaissance Global Technology Fund, Renaissance Global Technology RSP Fund, Renaissance Tactical Allocation RSP Fund, Renaissance Global Growth RSP Fund, Renaissance Tactical Allocation Fund, Renaissance Canadian Dividend Income Fund, Renaissance Global Opportunities Fund, Renaissance Global Opportunities RSP Fund (collectively, the "**Renaissance Mutual Funds**"), Frontiers Canadian Fixed Income Pool, Frontiers Canadian Short Term Income Pool, Frontiers Canadian Equity Pool, Frontiers International Equity Pool, Frontiers Emerging Markets Equity Pool, Frontiers Global Bond Pool, Frontiers International Equity RSP Pool, Frontiers U.S. Equity Pool, Frontiers U.S. Equity RSP Pool (collectively, the "**Frontiers Pools**"), Talvest Money Market Fund, Talvest Bond Fund, Talvest Global Bond RSP Fund, Talvest Dividend Fund, Talvest European Fund, Talvest Income Fund, Talvest Value Line U.S. Equity Fund, Talvest Global RSP Fund, Talvest Cdn. Asset Allocation Fund, Talvest Global Asset Allocation RSP Fund, Talvest Asian Fund, Talvest Cdn. Equity Growth Fund, Talvest Global Science & Technology Fund, Talvest High Yield Bond Fund, Talvest Global Health Care Fund, Talvest Small Cap Cdn. Equity Fund, Talvest Cdn. Equity Leaders Fund, Talvest Millennium High Income Fund, Talvest Millennium Next Generation Fund, Talvest Global Small Cap Fund, Talvest China Plus Fund, Talvest Global Equity Fund, Talvest FPX Income Fund, Talvest FPX Growth Fund, Talvest Global Multi Management RSP Fund, Talvest FPX Balanced Fund, Talvest Global Multi Management Fund, Talvest China Plus RSP Fund, Talvest Global Equity RSP Fund, Talvest Global Small Cap RSP Fund, Talvest Global Science & Technology RSP Fund, Talvest Global Health Care RSP Fund, Talvest International Equity RSP Fund, Talvest Cdn. Multi

Management Fund, Talvest International Equity Fund, Talvest Asian RSP Fund, Talvest European RSP Fund, Talvest Value Line U.S. Equity RSP Fund and Talvest Global Resources RSP Fund and Talvest Global Resource Fund (collectively, the "**Talvest Funds**") (the CIBC Funds, the Managed Funds, the U.S. Managed Funds, the Protected Funds, the Renaissance Mutual Funds, the Frontiers Pools and the Talvest Funds, collectively, the "**Funds**" and individually, a "**Fund**") for a decision pursuant to the securities legislation of certain of the Jurisdictions (the "**Legislation**") for relief from the requirement to deliver an annual report, where applicable and comparative annual financial statements of the Funds to certain securityholders of the Funds unless they have requested to receive them;

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, 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 the Managers to the Decision Makers that:

(a) The Funds are open-ended mutual fund trusts established, or mutual fund corporations incorporated, under the laws of Ontario.

(b) CIBC is a Canadian chartered bank with its head office located in Toronto, Ontario and is the manager of each of the CIBC Funds, the Managed Funds and the U.S. Managed Funds. CIBC Securities Inc., a corporation established under the laws of Canada and a wholly-owned subsidiary of CIBC, is the manager of each of the Protected Funds. CAMI, a corporation established under the laws of Canada and a wholly-owned subsidiary of CIBC, is the manager of each of the Renaissance Mutual Funds and the Frontiers Pools. Talvest, a corporation established under the laws of Canada, and a wholly-owned subsidiary of CIBC, is the manager of each of the Talvest Funds.

(c) The Funds are reporting issuers in each of the Jurisdictions and are not in default of any requirements of the Legislation.

(d) Units of the Funds are currently offered for sale in each province and territory of Canada pursuant to a simplified prospectus, except for the Protected Funds, which are no longer for offered for sale. The current simplified prospectus is dated: (i) August 9, 2002 for units of the CIBC Funds; (ii) December 4, 2002 for units of the Managed Funds; (iii) October 2, 2002 for units of the U.S. Managed Funds; (iv) December 20, 2002 for units of the Talvest Funds; (v) November 8, 2002 for the Renaissance Mutual Funds; and (vi) November 26, 2002 for the Frontiers Pools.

(e) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each registered securityholder, an annual report, where applicable and comparative financial statements in the prescribed form pursuant to the Legislation.

(f) The Managers propose to send to securityholders who hold securities registered in client name ("**Direct Securityholders**"), either together with the relevant account statements or otherwise, a notice advising them that they will not receive the annual report, where applicable and the annual financial statements of the relevant Funds unless they complete and return a request for an annual report which will contain the annual financial statements (the "**Annual Report Request**"). The Annual Report Request will form part of the notice and may be returned by pre-paid mail, facsimile or e-mail or to a branch. The applicable Direct Securityholders will also be advised that annual reports for the Funds (containing the annual financial statements) will be made available on-line or free of charge by calling a toll-free number. The Managers would send such financial statements or an annual report containing such financial statements to any Direct Securityholder who requests them in response to such notice or otherwise.

(g) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101.

(h) Securityholders will be able to access the annual report and annual financial statements of the Funds either on the SEDAR website or, for Funds other than the Frontiers Pools, on-line at the relevant Manager's website: www.cibc.com/mutualfunds (in the case of the CIBC Funds, the Managed Funds, the U.S. Managed Funds and the Protected Funds), www.renaissancefunds.ca (in the case of the Renaissance Funds) and www.talvest.com (in the case of Talvest

Funds). Where applicable, the top five or ten holdings, as the case may be, will also be accessible via either a toll-free phone line or the relevant Manager's website (which are updated monthly) or both.

(i) There would be substantial cost savings if the Funds are not required to print and mail the annual report, where applicable and annual financial statements to those Direct Securityholders who do not want them.

(j) The Canadian Securities Administrators have published for comment proposed National Instrument 81-106 which, among other things, would permit mutual funds not to deliver annual financial statements to those of its securityholders who do not request them, if the Funds provide each securityholder with a request form under which the securityholder may request, at no cost to the securityholder, to receive the mutual fund's annual financial statements for that financial year.

(k) Proposed National Instrument 81-106 would also require a mutual fund to have a toll-free telephone number for, or accept collect calls from, persons or companies that want to receive a copy of, among other things, the annual financial statements of the mutual fund.

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

AND WHEREAS each of the Decision Makers 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 pursuant to the Legislation is that:

1. (i) the Funds; and

(ii) mutual funds created subsequent to the date hereof that are offered by way of simplified prospectus and managed by the Managers,

shall not be required to deliver their annual report, where applicable and comparative annual financial statements for the year ending December 31, 2002 to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

(a) the Managers shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to applicable Direct Securityholders as described in clause (f) of the representations within 90 days of mailing the request forms;

(b) the Managers shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for the annual report and annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

(c) the Managers shall record the number and a summary of complaints received from Direct Securityholders about not receiving the annual report and annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing;

(d) the Managers shall, if possible, measure the number of "hits" on the annual report and annual financial statements of the relevant Funds on each of the www.cibc.com/mutualfunds, www.renaissancefunds.ca and www.talvest.com websites and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the time of mailing the request forms and ending 12 months from the time of mailing; and

(e) the Managers shall file on SEDAR, under the annual financial statements category, estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

January 27, 2003.

"Howard I. Wetston" "Robert L. Shirriff"

2.1.12 Rider Resources Inc. and IEI Energy Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted from the requirement to include estimated reserve volumes and discounted cash flow from such reserves, as at January 1, 2003, including information on royalties and a reconciliation of the reserve volumes as at January 1, 2002 to the reserve volumes as at January 1, 2003 (together the "Reserve Disclosure Requirements") on the condition that such Reserve Disclosure Requirements be disclosed as at January 1, 2002.

Ontario Rule Cited

OSC Rule 54-501 - Prospectus Disclosure, s. 3.1

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

AND

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

AND

IN THE MATTER OF
RIDER RESOURCES INC.
AND
IEI ENERGY INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Alberta, British Columbia, Saskatchewan, Ontario, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from Rider Resources Inc. ("Rider") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Reserve Disclosure Requirements (as defined below) not apply to the information circular (the "Circular") to be provided by Rider to Rider's shareholders (the "Rider Shareholders") in connection with the special meeting (the "Meeting") to be held on or about February 20, 2003;

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

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

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

1. Rider was incorporated under the laws of Alberta on March 23, 1993. The head office of Rider is located at Suite 2100, 330 - 5th Avenue SW, Calgary, Alberta T2P 0L4. The authorized capital of Rider is comprised of an unlimited number of common shares, without nominal or par value, of which 30,454,130 common shares were issued and outstanding as at December 20, 2002.

2. Rider is a "reporting issuer" (or equivalent thereof) in each of the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland and Labrador and the common shares of Rider are listed and posted for trading on the Toronto Stock Exchange under the symbol "RRI".

3. IEI is a "reporting issuer" in each of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia and the common shares of IEI are listed and posted for trading on the TSX Venture Exchange under the symbol "IEN".

4. Rider has entered an agreement dated December 9, 2002 with IEI whereby Rider will merge with IEI pursuant to a plan of arrangement (the "Plan of Arrangement"). Pursuant to the Plan of Arrangement, Rider Shareholders will receive 0.9488 of an IEI Share for each Rider Share.

5. The Plan of Arrangement must be approved by the Rider Shareholders at the Meeting.

6. On or about January 20, 2003 Rider will mail to each Rider Shareholder (i) a notice of Meeting, (ii) a form of proxy, and (iii) the Circular. The Circular will contain disclosure of the Plan of Arrangement and the business and affairs of each of Rider and IEI.

7. The Legislation requires Rider to provide, with respect to its oil and gas operations, (a) estimated reserve volumes and discounted cash flow from such reserves, as at the most recent financial year end, including information on royalties; and (b) a reconciliation of the reserve volumes as at the financial year end immediately preceding the more recently completed financial year to the reserve volume information furnished under (a) (together, the "Reserve Disclosure Requirements").

8. At the time of the completion and the mailing of the Circular, the most recently completed financial year of Rider will be December 31, 2002.

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 Reserve Disclosure Requirements shall not apply to the Circular provided that the Circular:

(a) discloses, to the extent material, Rider's estimated reserve volumes and discounted cash flow from such reserves, stated separately by country and by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* ("National Policy 2-B"), on both a gross and net basis effective January 1, 2002, including information on royalties;

(b) discloses a reconciliation of Rider's reserve volumes by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy 2-B effective January 1, 2001 to the reserve volume information required by (a), above, with the effects of production, acquisitions, dispositions, discoveries and revision of estimates shown separately, if material: and

(c) otherwise complies with the Legislation.

January 20, 2003.

"Agnes Lau"

2.2 Orders

2.2.1 Dundee Wealth Management Inc. and IPC Financial Network Inc. - s. 3.1 of Rule 54-501

Headnote

Ontario Securities Commission Rule 54-501 – Relief from the requirement to include in an information circular certain financial statements of an acquired business. Financial statements are no longer relevant as a result of a previous corporate reorganization.

Ontario Rules

OSC Rule 41-501 - General Prospectus Requirements – Sections 2.2, 6.2 and 6.6.
OSC Rule 54-501 - Prospectus Disclosure in Certain Information Circulars - Section 3.1.

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

AND

IN THE MATTER OF
RULE 54-501 - PROSPECTUS
DISCLOSURE IN CERTAIN INFORMATION CIRCULARS
("RULE 54-501")

AND

IN THE MATTER OF
DUNDEE WEALTH MANAGEMENT INC. AND IPC
FINANCIAL NETWORK INC.

ORDER
(Section 3.1 of Rule 54-501)

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Dundee Wealth Management Inc. ("Dundee Wealth") and IPC Financial Network Inc. ("IPCFN" and together with Dundee Wealth, the "Filers") for an order pursuant to Section 3.1 of Commission Rule 54-501 that the prospectus level disclosure requirements contained in Part 2 of Rule 54-501 (the "Prospectus Level Disclosure Requirements") shall not apply to a management proxy circular (the "Circular") to be sent to all shareholders of IPCFN in connection with the proposed amalgamation (the "Amalgamation") of IPCFN and 6042074 Canada Inc. ("Subco"), a wholly-owned subsidiary of Dundee Wealth, pursuant to section 181 of the *Canada Business Corporations Act* (the "CBCA") (the amalgamated company to be formed by the amalgamation of IPCFN and Subco being referred to as "Amalco"), solely in respect of one of the requirements of Part 6 of Commission Rule 41-501 ("Rule 41-501") relating to the inclusion of certain audited financial statements of a business acquired by Dundee Wealth;

AND WHEREAS the Filers have represented to the Commission that:

1. Dundee Wealth is a corporation incorporated under the *Business Corporations Act* (Ontario). The common shares in the capital of Dundee Wealth are listed and posted for trading on the Toronto Stock Exchange. Dundee Wealth is a reporting issuer in each province of Canada.

2. IPCFN is a corporation incorporated under the CBCA. The common shares in the capital of IPCFN (the "IPCFN Shares") are listed and posted for trading on the TSX Venture Exchange. IPCFN is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia.

3. Subco is a corporation incorporated under the CBCA and is a direct wholly-owned subsidiary of Dundee Wealth. Subco is not a reporting issuer in any province of Canada. Subco will be used for the sole purpose of effecting the Amalgamation.

4. Pursuant to a merger agreement dated as of December 26, 2002 between Dundee Wealth, Subco and IPCFN, Dundee Wealth intends to acquire all of the issued and outstanding IPCFN Shares, including IPCFN Shares issuable upon the exercise or surrender of outstanding stock options and the conversion of outstanding IPCFN preference shares, pursuant to the Amalgamation.

5. The Amalgamation will result in each holder of IPCFN Shares (a "IPCFN Shareholder") receiving common shares, Series A First Preference Shares and/or Series B First Preference Shares of Dundee Wealth, in addition to redeemable preferred shares in the capital of Amalco. Pursuant to the Amalgamation, Dundee Wealth will receive common shares in the capital of Amalco in exchange for its shares of Subco. On the second business day following completion of the Amalgamation, each redeemable preferred share will be redeemed for cash. Upon completion of this redemption, Dundee Wealth will own all of the shares of Amalco.

6. The Circular is subject to the Prospectus Level Disclosure Requirements in respect of Dundee Wealth pursuant to Rule 54-501, because Dundee Wealth will be issuing securities to the IPCFN Shareholders, the security holders of a reporting issuer, pursuant to the Amalgamation. Accordingly, the Circular must include the information required pursuant to Rule 41-501.

7. Effective October 2, 2002, Dundee Wealth completed the acquisition of StrategicNova Inc. ("Nova"), a wealth management company.

8. For the purposes of Rule 41-501, the acquisition of Nova by Dundee Wealth constitutes a "significant acquisition" by Dundee Wealth. The

application of the "significance tests" described in section 2.2 of Rule 41-501 results in the Nova acquisition having a significance of greater than 50 percent (as described under Rule 41-501). As such, one requirement of sections 6.2 and 6.6 of Rule 41-501 is that a prospectus (and in the present case, by operation of Rule 54-501, the Circular) include audited statement of income, retained earnings and cash flows for the three most recently completed financial years of Nova ended more than 90 days before the date of the Circular. This would include an audited statement of income, retained earnings and cash flows of Nova for the financial year ended June 30, 1999.

9. Nova underwent a corporate restructuring in 2000. The sole audited financial statements of Nova encompassing the "business" of Nova for the relevant period are the following: (a) for the year ended December 31, 2001; (b) for the "transition year" six months ended December 31, 2000; and (c) for the year ended June 30, 2000.

10. An audited statement of income, retained earnings and cash flows of Nova for the year ended June 30, 1999 that could be used and compared to the audited financial statements of Nova for the year ended June 30, 2000 does not exist as a result of the restructuring at Nova that occurred in 2000.

11. The results for 1999 are not material as compared with 2000.

12. Financial statements for the period prior to Nova's financial year ended June 30, 2000 relate to a period more than three and a half years ago and, as a result of Nova's restructuring in 2000, are less relevant than all subsequent financial statements.

13. It is not practical to audit the Nova statement of income, retained earnings and cash flows for the financial year ended June 30, 1999.

14. All other financial statements required under Rule 41-501 will be included in the Circular in compliance with that Rule.

15. The Circular will include the audited statements of income, retained earnings and cash flows for Nova (a) for the year ended December 31, 2001; (b) for the six months ended December 31, 2000; and (c) for the year ended June 30, 2000. These constitute required audited statements of income, retained earnings and cash flows of Nova for two twelve-month periods and one "transition year" period of six months.

AND WHEREAS the Commission is satisfied that it would not be prejudicial to the public interest to grant the exemptive relief requested;

THE DECISION of the Commission pursuant to Section 3.1 of Rule 54-501 is that the Filers shall be exempt from Part 2 of Rule 54-501 to the extent that such Part 2 imposes the requirement to provide a statement of income, retained earnings and cash flows in respect of Nova for the year ended June 30, 1999.

January 23, 2003.

"Margo Paul"

2.2.2 Mogavero, Lee & Co., Inc. - s. 211 of Reg. 1015

Headnote

Applicant for registration as an international dealer exempted from the requirement in subsection 208(2) of the Regulation that it carry on the business of an underwriter in a country other than Canada where applicant carries on the business of a dealer in another country and will not act as an underwriter in Ontario.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O., Reg. 1015, as am., ss. 100(3), 208(2) and 211.

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

AND

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

AND

IN THE MATTER OF
MOGAVERO, LEE & CO., INC.

ORDER
(Section 211 of the Regulation)

UPON the application (the "Application") of Mogavero, Lee & Co., Inc. (the "Applicant") to the Ontario Securities Commission (the "Commission") for an order, pursuant to section 211 of the Regulation, exempting the Applicant from the requirement in subsection 208(2) of the Regulation that the Applicant carry on the business of an underwriter in a country other than Canada, in order for the Applicant to be registered under the Act as a dealer in the category of "international dealer";

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant has filed an application for registration as a dealer under the Act in the category of "international dealer". The Applicant is not presently registered in any capacity under the Act.

2. The Applicant is a corporation incorporated under the laws of the State of New York, United States of America (the "U.S."). The Applicant has its principal place of business in the U.S. at 25 Broad Street – PHC, New York, New York, 10004.

3. The Applicant is registered as a broker-dealer in the U.S. with the U.S. Securities and Exchange Commission, and is a broker-dealer trading member in good standing of the New York Stock Exchange.

4. The Applicant's principal business is trading.

5. The Applicant does not currently act as an "underwriter" in the U.S. or in any jurisdiction outside of the U.S.

6. In the absence of the relief requested in this Application, the Applicant would not meet the requirements of the Regulation for registration as an "international dealer" as it does not carry on the business of an underwriter in a country other than Canada.

7. The Applicant does not currently act as an underwriter in Ontario and will not act as an underwriter in Ontario if it is registered under the Act as an "international dealer", despite the fact that subsection 100(3) of the Regulation provides that an "international dealer" is deemed to have been granted registration as an underwriter for the purposes of a distribution which it is authorized to make by section 208 of the Regulation.

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

IT IS ORDERED, pursuant to section 211 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of "international dealer", the Applicant is exempt from the provisions of subsection 208(2) of the Regulation requiring that the Applicant carry on the business of an underwriter in a country other than Canada, provided that, so long as the Applicant is registered under the Act as an "international dealer":

(a) the Applicant carries on the business of a dealer in a country other than Canada; and

(b) notwithstanding subsection 100(3) of the Regulation, the Applicant shall not act as an underwriter in Ontario.

January 28, 2003.

"Robert W. Korthals" "K.D. Adams"

2.2.3 Conrex Steel Ltd. - s. 83, ss. 1(6) of the OBCA

Headnote

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

Subsection 1(6) of the OBCA – Issuer deemed to have ceased to be offering its securities to the public under the Business Corporations Act (Ontario).

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 6(3) and 83.
Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 1(6).

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

AND

IN THE MATTER OF
THE BUSINESS CORPORATIONS ACT,
R.S.O. 1990, CHAPTER B.16,
AS AMENDED (the "OBCA")

AND

IN THE MATTER OF
CONREX STEEL LTD.

ORDER
(Section 83 of the Act)
(Subsection 1(6) of the OBCA)

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Conrex Steel Ltd. ("Amalco") for:

(i) An order under the Act that Amalco be deemed to have ceased to be a reporting issuer under the Act; and

(ii) An order under the OBCA that Amalco be deemed to have ceased to be offering its securities to the public.

AND WHEREAS Amalco has represented to the Commission that:

1. Amalco is the corporation continuing under the OBCA following the amalgamation (the **"Amalgamation"**) on January 1, 2003 of Conrex Steel Corp., (**"Conrex"**), Conrex Steel Ltd. (**"Conrex Subco"**), and 2017341 Ontario Inc. (**"MB Subco"**).

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

3. Conrex was a reporting issuer in Ontario at the time of the Amalgamation and, as a result of the Amalgamation, Amalco became a reporting issuer in Ontario.

4. Amalco is not in default of any of the requirements of the Act.

5. Upon the Amalgamation:

   (a) Each issued share of Conrex (other than those held by MB Subco) was exchanged for one redeemable preferred share of Amalco.

   (b) Each issued share of MB Subco was exchanged for a common share of Amalco.

   (c) The issued shares of Conrex held by MB Subco and the issued shares of Conrex Subco were cancelled.

   Effective January 3, 2003, all of the outstanding redeemable preferred shares of the Amalco were redeemed for $0.65 per share.

6. As a result of the Amalgamation, all of the issued common shares of Amalco are owned by Marshall-Barwick Inc.

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

8. No securities, including debt securities, of Amalco are listed or quoted on any stock exchange or market.

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

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

IT IS HEREBY ORDERED under Section 83 of the Act that Amalco is deemed to have ceased to be a reporting issuer under the Act.

January 28, 2003.

"John Hughes"

AND IT IS FURTHER ORDERED under subsection 1(6) of the OBCA that Amalco is deemed to have ceased to be offering its securities to the public for the purposes of the OBCA.

January 28, 2003.

"Robert W. Korthals" "Kerry D. Adams"

2.2.4 PIPE NT Corp. and BMO Nesbitt Burns Inc. - cl. 121(2)(a)(ii)

Headnote

Subclause 121(2)(2)(a)(ii) - subdivided offering – relief from section 119 - the prohibition prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds shall not apply to the promoter/agent with respect to certain principal trades with the issuer in securities comprising the issuer's portfolio.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 1(1), 121(2)(a)(ii).

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

AND

IN THE MATTER OF
PIPE NT CORP.
AND
BMO NESBITT BURNS INC.

ORDER
(Subclause 121(2)(a)(ii))

UPON the application of PIPE NT Corp. ("PIPE") and BMO Nesbitt Burns Inc. ("Nesbitt") to the Ontario Securities Commission (the "Commission") pursuant to subclause 121(2)(a)(ii) of the Act for an order exempting Nesbitt from the applicability of section 119 of the Act in connection with the acquisition by Nesbitt, as principal, of certain portfolio securities owned by PIPE in connection with the redemption by PIPE of all of its issued and outstanding capital shares (the "Capital Shares") and preferred shares (the "Preferred Shares");

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

AND UPON the applicants having represented to the Commission that:

1. PIPE was incorporated under the laws of the Province of Ontario on November 27, 1997.

2. PIPE is a passive "split share" investment company, the purpose of which is to enable investors, through the holding of Capital Shares or Preferred Shares, to satisfy separately the investment objectives of capital appreciation or dividend income with respect to common shares (the "Portfolio Shares") of Enbridge Inc. and TransCanada PipeLines Limited held by PIPE. PIPE initially held common shares in the capital of IPL Energy Inc., TransCanada Pipelines Limited

and Westcoast Energy Inc., as they were all then known.

3. PIPE is a reporting issuer within the meaning of the Act and, to the best of its knowledge, is not in default of any requirement of the Act or the regulation or rules made thereunder.

4. PIPE is a mutual fund as defined in subsection 1(1) of the Act.

5. The Capital Shares and the Preferred Shares are listed on The Toronto Stock Exchange Inc. (the "TSX").

6. The Portfolio Shares are listed and traded on, among other stock exchanges, the TSX.

7. Nesbitt is the administrator of the ongoing affairs of PIPE under an administration agreement, in respect of which it earns a fee for its services.

8. Nesbitt is registered under the Act as a dealer in the categories of "broker" and "investment dealer" and, *inter alia*, is a member of the Investment Dealers Association of Canada and the TSX. Nesbitt acted as promoter and as one of the agents in connection with the offering of the Capital Shares and the Preferred Shares to the public pursuant to the prospectus of PIPE dated February 13, 1998 (the "Prospectus").

9. Three of the five directors and all of the officers of PIPE are employees of Nesbitt.

10. Nesbitt is not an insider of any issuer of the Portfolio Shares within the meaning of subsection 1(1) of the Act.

11. By virtue of Nesbitt's relationship with PIPE, Nesbitt has access to information concerning the investment program of PIPE.

12. In accordance with the articles of PIPE, and consistent with the disclosure in the Prospectus and therefore the expectations of purchasers of the Capital Shares and the Preferred Shares at the time of the initial distribution, the Board of Directors of PIPE proposes to have PIPE redeem all of the Capital Shares and Preferred Shares then outstanding on March 3, 2003.

13. To fund the redemption, PIPE proposes to liquidate its portfolio of Portfolio Shares by:

    (a) selling Portfolio Shares to holders of Capital Shares in accordance with the option described below in paragraph 14; and

    (b) selling remaining Portfolio Shares by way of one or more competitive tenders, or otherwise privately or into the market.

14. As contemplated in the articles of PIPE and the Prospectus, at the request of certain holders of Capital Shares who tender their shares together with a certain cash payment, PIPE will make payment of the amount due on redemption of the Capital Shares by delivering Portfolio Shares (rounded down to the nearest whole share) having a value equal to the redemption price in respect of such Capital Shares and the additional cash payment (the "Shareholder Purchases").

15. PIPE proposes to dispose of remaining Portfolio Shares by way of one or more competitive tenders to be supervised by the two independent directors of PIPE and the legal counsel of PIPE and which will involve a request for tenders from Nesbitt and no fewer than two other major investment dealers acting at arm's length to PIPE and Nesbitt (the "Tender Process"). PIPE is proposing to dispose of Portfolio Shares by way of Tender Process to ensure that the Portfolio Shares will be disposed of in an orderly fashion so that PIPE may realize the best reasonably available price therefor, and to preclude any artificial reduction in the market price of the Portfolio Shares which may be caused by selling the significant number of Portfolio Shares required to be sold into the market.

16. Participants in each Tender Process will only have one opportunity to bid for the Portfolio Shares and the persons supervising the Tender Process will not, prior to completion of the Tender Process, disclose to any participant the bid price for the Portfolio Shares submitted by the other participants.

17. With price being the sole determining factor, the Portfolio Shares to be sold under each Tender Process will be sold to the participant bidding the highest price (the "Bid Price") for such Portfolio Shares. Accordingly, it is possible that the Portfolio Shares may be sold to Nesbitt, as principal (the "Tender Process Purchases").

18. In addition to the Shareholder Purchases and the Tender Process or where such methods are not chosen or available, PIPE also intends to fund redemptions by selling Portfolio Shares to Nesbitt who may purchase such shares as principal (the "Regular Purchases", and together with the Tender Process Purchases, the "Principal Purchases") either privately or through the market, provided that the price obtained (net of all transaction costs, if any) by PIPE from Nesbitt is at least as high as the price that is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.

19. When making a Principal Purchase, Nesbitt will comply with the rules, procedures and policies of the stock exchanges of which it is a member regarding principal transactions.

20. Any Principal Purchases will be approved by the two independent directors of PIPE.

21. Nesbitt will not receive any commissions from PIPE in connection with Principal Purchases and in carrying out Principal Purchases, Nesbitt will deal fairly, honestly and in good faith with PIPE.

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

IT IS ORDERED, pursuant to subclause 121(2)(a)(ii) of the Act, that Nesbitt is exempt from the applicability of section 119 of the Act in respect of the Principal Purchases, provided that such purchases are made in accordance with paragraphs 14 through 21 herein.

January 21, 2003.

"Howard I Wetston" "H. Lorne Morphy"

2.2.5 Manion Wilkins & Associates Ltd. - s. 147

Headnote

Section 147 - relief from requirement to pay fees in connection with trades in money market pooled fund units which are exempt from prospectus and registration requirements provided fees calculated on based on net sales are filed.

Statute Cited

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

Applicable Ontario Rule

OSC Rule 45-501, s. 2.3, 2.12, 7.3(1).

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

AND

IN THE MATTER OF
MANION WILKINS & ASSOCIATES LTD.

ORDER
(Section 147 of the Act)

UPON the application (the "Application") of Manion Wilkins & Associates Ltd. (the "Applicant"), the administrator of the Manion Wilkins Short-Term Investment Fund ("MW STIF"), to the Ontario Securities Commission (the "Commission") for a decision pursuant to section 147 of the Securities Act (Ontario) (the "Act") that any fees that would otherwise be payable under subsection 7.3(1) of OSC Rule 45-501 on the distribution of units ("Units") of the MW STIF and any other money market fund which may be established by the Applicant (individually and collectively, the "Fund"), made in reliance on the exemptions from the prospectus requirements of the Act, be calculated as a percentage of the net sales of Units of such Fund as opposed to being calculated as a percentage of the aggregate gross proceeds realized and, paid to the Commission, within 30 days of the financial year end of the Fund.

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is in the business of providing administrative and consulting services to pension funds, health and welfare plan funds, supplementary unemployment benefit plan funds and comparable pooled funds. The Applicant is not a "market Intermediary" as defined in section 204(1) of the Regulation.

2. The Applicant has established MW STIF in conjunction with The Royal Trust Company. The MW STIF was established by a declaration of trust and is proposed to be governed by a master services agreement. Additional Funds may be established by the Applicant from time to time to better service the Applicant's clients.

3. The Applicant is, or will be, the administrator, principal distributor and promoter of each Fund. The Royal Trust Company, or similar trust corporation, is or will be the trustee, custodian, registrar and transfer agent of each Fund. Jarislowsky, Fraser Limited, or a similar registered portfolio manager, is, or will be, the management company of the Funds.

4. Each Fund is, or will be, a "mutual fund" as defined in subsection 1(1) of the Act.

5. Each Fund does not intend to become reporting issuers, as such term is defined in the Act, and the Units will not be listed on any stock exchange.

6. The Units will be distributed on a continuous basis to persons in Ontario in reliance on the exemptions provided for in sections 2.3 (accredited investor) and 2.12 (certain trades in a security of a mutual fund or non-redeemable investment fund) in OSC Rule 45-501 – Exempt Distributions.

7. Each Fund will from time to time pay out and not automatically reinvest any net income and capital gains of the Fund to the unitholders of the Fund.

8. Units of each Fund are, or will be, offered on a continuous basis to investors in Ontario and may be acquired only on the first day of business of the trustee at its Toronto office in each month (or on such other day as the trustee may from time to time determine) (a "Trading Day"). The price per Unit shall be equal to the net asset value per Unit of the Fund on the last day of business of the trustee at its Toronto office in the preceding month (a "Valuation Day").

9. No sales commissions or deferred sales commissions will be charged when an investor buys or redeems Units. Each of the administrator, trustee and portfolio manager of each Fund shall earn fees on the basis of multiplying an announced number of basis points by the net asset value of the Fund.

10. A unitholder of each Fund may redeem by written request all or a portion of the unitholder's Units on any Trading Day at the net asset value per Unit of the Fund on the preceding Valuation Day. A redemption request received after a Trading Day will be processed on the next Trading Day.

11. An investor will be provided with a copy of a term sheet in respect of the Funds prior to the investor's investment in a Fund (the "Term Sheet"). The Term Sheet describes the investment objectives and restrictions of the Fund, how Units may be purchased and redeemed and all applicable fees. In addition, unitholders of the Fund will be provided with a monthly statement setting out the number and the value of the Units they hold, any transactions they have made since the last report they received and any other relevant information. The Funds will be audited on an annual basis.

12. The fiscal year-end of the MW STIF is currently December 31st.

13. Each Fund is, or will be, a "money market fund" as defined in section of 1.1 of National Instrument 81-102 *Mutual Funds*.

14. The investment policy of the MW STIF is as follows:

    (a) all of the assets of the fund shall be invested in cash, cash equivalents and indebtedness issued or guaranteed by a Canadian federal or provincial government, or a Canadian chartered bank, commercial paper which has an approved credit rating or demand loans to Canadian investment dealers fully secured by any of the foregoing investments;

    (b) no investment will have a term to maturity in excess of 365 days, unless the principal amount of the obligation will continue to have a market value of approximately par at the time of each change in the rate to be paid to the holder of the indebtedness;

    (c) the investment portfolio of the fund shall have a dollar-weighted average term to maturity not exceeding 90 days, calculated on the basis that the term of a floating rate obligation is the period remaining to the date of the next rate setting; and

    (d) the investment portfolio of the fund shall be denominated in Canadian dollars, or in foreign currency deposits (provided that such deposits are covered by currency hedging transactions).

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

IT IS ORDERED pursuant to Section 147 of the Act that the requirement to remit the private placement fee prescribed by Subsection 7.3(1) of OSC Rule 45-501 with

respect to the sale of Units of a Fund shall not apply, provided the Fund remits to the Commission, in accordance with either Subsection 7.5(8) or Section 7.7 of OSC Rule 45-501 a fee equal to 0.02% times the net sales of Units of the Fund in Ontario during a financial year, where net sales is the amount calculated by the following formula:

$$X - Y$$

where

"X" is the aggregate gross proceeds realized from the distribution of Units of a Fund in Ontario during the year, and

"Y" is the aggregate of the redemption and repurchase prices paid to redeem or repurchase Units of a Fund held by persons in Ontario during the year.

January 24, 2003.

"Howard I. Wetston" "Robert L. Shirriff"

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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
Consumers Packaging Inc.	20 Jan 03	31 Jan 03		
Firstlane Inc.	21 Jan 03	31 Jan 03		
Genoray Advanced Technologies Ltd. (formerly Soundcache.com Inc.)	14 Jan 03	24 Jan 03	24 Jan 03	
HomeProject.com Inc.	23 Jan 03	04 Feb 03		
Infolink Technologies Ltd.	23 Jan 03	04 Feb 03		
Northland Systems Training Inc.	23 Jan 03	04 Feb 03		
PC Chips Corporation	24 Jan 03	5 Feb 03		
Q/Media Services Corporation	13 Jan 03	24 Jan 03	24 Jan 03	
SmartSales Inc.	14 Jan 03	24 Jan 03	24 Jan 03	
Spyn Corporation	15 Jan 03	27 Jan 03		29 Jan 03

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
*Richtree Inc.	20 Dec 02	03 Jan 03	03 Jan 03		

*Correction of date

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Chapter 5

Rules and Policies

5.1.1 Notice of Final Rule and Policy - 13-502 Fees and Companion Policy 13-502CP, Notice of Revocation of Sched. 1 to Reg. 1015 and Notice of Amendments to Reg. 1015, Policy 12-602, OSC Rules 45-501, 45-502 and 45-503 and Companion Policy 91-504CP

NOTICE OF FINAL RULE AND POLICY UNDER THE SECURITIES ACT
RULE 13-502 FEES, INCLUDING
FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4 AND
COMPANION POLICY 13-502CP

AND

NOTICE OF REVOCATION OF SCHEDULE 1 TO REGULATION 1015
MADE UNDER THE SECURITIES ACT, AND NOTICE OF AMENDMENTS TO REGULATION 1015 MADE UNDER THE SECURITIES ACT, POLICY 12-602, OSC RULES 45-501, 45-502 AND 45-503, AND COMPANION POLICY 91-504CP

Introduction

The Ontario Securities Commission (the "Commission" or the "OSC") has, under section 143 of the *Securities Act* (Ontario) (the "Act"), made Rule 13-502 Fees (the "Rule") as a rule under the Act, and has adopted Companion Policy 13-502CP (the "Companion Policy") as a policy under the Act. The Rule contains forms 13-502F1, 13-502F2, 13-502F3 and 13-502F4 (collectively, the "Forms").

The Rule and other required material were delivered to the Minister of Finance on December 20, 2002 and published on January 3, 2003 at (2003) 26 OSCB 37. On January 23, 2003, the Rule was withdrawn from the Minister of Finance by the Commission in order to address concerns with respect to a new activity fee of $2,000 for reports of exempt distributions in Form 45-501F1. The activity fee has been removed from the Rule. Staff intend to address this fee at a later date by an amendment to the Rule which will go out for public comment.

The Rule and other required material were resubmitted to the Minister of Finance on January 29, 2003. If the Minister does not reject the Rule or return it to the Commission for further consideration by March 31, 2003, or if the Minister does not approve the Rule by March 31, 2003, the Rule will come into force on April 14, 2003. The Companion Policy will come into force on the date that the Rule comes into force. It was intended that the Rule come into force on March 31, 2003, to facilitate the OSC's budget cycle and transitional provisions. Accordingly, staff have requested that the Minister consider expediting the review process, so that the Rule can come into force on March 31, 2003.

Concurrently with making the Rule, the Commission has, by regulation, revoked Schedule 1 (the "Fee Schedule") to Regulation 1015 of the Revised Regulations of Ontario, 1990 (the "Regulation"), and revoked Forms 42, 43 and 44 of the Regulation and their corresponding filing requirements. See "Amendments to Regulation" below. The amendments to the Regulation will be effective when the Rule comes into force.

Also concurrently with making the Rule, the Commission has made non-material amendments to Policy 12-602, Rules 45-501, 45-502 and 45-503, and Companion Policy 91-504CP (the "Consequential Amendments") in order to delete references to fees formerly payable under the Fee Schedule. See "Amendment of Rules" below. The Consequential Amendments will come into force on the date that the Rule and the Forms come into force.

Substance and Purpose of the Rule and the Companion Policy

The Rule and Companion Policy are intended to replace the Fee Schedule with a new fee regime with a view to achieving three primary objectives:

- to reduce the overall fees charged to market players,
- to simplify, clarify and streamline the current fee schedule, and
- to ensure that the fees more accurately reflect the OSC's cost of providing services to market players.

The Rule requires the payment of "participation fees" and "activity fees". Participation fees are generally intended to represent the benefit derived by market players participating in Ontario's capital markets. All market players, including reporting issuers, registrants and mutual fund managers, will be required to pay participation fees annually. The participation fee will be based on a measure of the market player's size which is intended to serve as a proxy for the market player's use of the capital markets. Participation fees will be based on the cost of a broad range of regulatory services which cannot practically or easily be attributed to individual activities or entities. For reporting issuers, the participation fee will replace most of the continuous disclosure filing fees and for registrants the participation fee will replace many of the smaller activity fees charged to registrants relating to changes in their registration or to their mutual fund prospectuses during a year and certain related fees.

Activity fees, on the other hand, are intended to represent the direct cost of OSC staff resources to take a specific action or provide service requested by a market player (for example, reviewing prospectuses and applications for discretionary relief or processing registration documents). Activity fees will be charged for a limited number of activities only and will be flat rate fees based on the average cost to the OSC of providing the service.

The Rule refers to a graduated schedule of participation fees ("CF Participation Fees") payable by reporting issuers ("CF Market Players"), and a separate schedule of participation fees ("CM Participation Fees") payable by registrants and unregistered fund managers ("CM Market Players"). It also refers to schedules of activity fees for CF Market Players and CM Market Players.

The Rule attempts to match the OSC's revenues to costs based on current predictions of future costs of providing services. Once the Rule is implemented, there may be specific years where either surplus funds are generated or deficits encountered. In an attempt to rectify these occurrences, the OSC is currently proposing the new fee model be re-evaluated every three years. If a cumulative surplus or deficit occurs, the fees will be adjusted accordingly at the end of the three year period. For example, if a net surplus of funds occurs over a period of three years it is anticipated that the fees charged to market players will be reduced correspondingly for the next three year period.

The Fee Schedule has been in place since 1990. It includes approximately 60 provisions (many with numerous sub-provisions) relating to the calculation of various fees to various market players. It is a complex fee schedule which is both difficult to interpret and difficult to regulate. As part of the OSC becoming a self-funding corporation in the fall of 1997, the OSC committed to the Government of Ontario that it would reduce its fees so that fees collected by the OSC would more closely match expenditures incurred by the OSC. As a first step in this process, the OSC eliminated the secondary market fee. As the second step in this process, the OSC implemented a 10 percent across-the-board reduction in its current fees effective August 4, 1999. As the third step in this process, the OSC implemented a 10 percent across-the-board reduction in its current fees effective June 26, 2000. The Rule is the next step in this process.

The Rule establishes a new fee model, which is essentially and substantially the same as the fee model described in the Concept Proposal and the June Materials, except as described below.

Estimated Impact of the Rule by Sector

Overall, the new fee model, in combination with the two 10 percent fee reductions already implemented, is expected to decrease revenues to the OSC by $ 40 million or 40 percent relative to the revenues that would have been generated by the Fee Schedule.

Much of this decrease in revenues has already been experienced by the OSC as a result of the two across-the-board 10 percent decreases already implemented. Implementation of the new fee model will redistribute the effect of the across-the-board decreases because the new fee model attributes costs more equitably among market participants and ties fees more closely to underlying costs.

Although market participants will generally pay less than they would have under the current fee model, the effect will vary across groups of market participants and within groups as well. This results from the fact that the current fee model is based entirely on activity charges. The new fee model, however, recognises that even though a number of market participants don't create activity directly for the OSC, they do benefit from the broad range of initiatives the OSC undertakes in carrying out its mandate.

The following table sets out the average expected change (compared with the current fee model) in fees to be paid in some important market sectors:

Market Sector	Mean $ Change
IDA	
<$25M *	(3,331)
>$25M *	(15,010)
Full Sector	(9,171)
ICPM	
<$25M *	(16,732)
>$25M *	(654,880)
Full Sector	(314,535)
MFD	
<$25M *	($18,832)
>$25M *	($684,526)
Full Sector	($312,520)
Issuers	$1,312

* Gross Revenues attributed to Ontario

Explanatory Notes

1. There was no clear pattern of net increasing or decreasing fees paid among the Investment Dealer Association members. The current fee model is not tied directly to the costs borne by regulators or to the benefits to registrants of participation in the market. Consequently, smaller firms frequently pay more fees than dealers several times larger. The new fee model will mean substantially lower fees for the majority, significant increases for a few and a much closer connection with the costs and benefits of regulation for both groups.

2. Few firms fit neatly into the Investment Counsellor/ Portfolio Manager (ICPM) or Mutual Fund Dealer (MFD) categories. Many of these firms manufacture mutual funds as well. Many firms that only perform ICPM or MFD activities pay relatively little in the way of fees or none at all. As a result, even a modest fee structure represents a very large percentage increase. This tends to skew the percentage changes upward. Mutual Fund manufacturers, even though most of their activities are very similar to others in the group, pay very high issuance fees, frequently in excess of $3 million. This group will see a large absolute decline in the dollar value of their fees paid, generating a large net decline on average.

3. Similar to the point made in 1 above, issuers who access the market will see a substantial decline in fees paid, for many, in the millions of dollars. Others, who do not access the market in the survey period, currently pay very low fees. When those issuers do come to market, regulatory fees will be much lower than they would have been under the current fee model. With the shift to a continuous disclosure regime, the fees paid by those not accessing the markets in any given year do not cover the costs borne by the OSC or the benefits received from a liquid market. The new fee model more clearly aligns OSC costs and issuer benefits from a continuous market.

The example below may help to illustrate the point. Based on the level of activity in the markets, ABC and DEF are roughly equal. Under the current fee model, DEF pays over 16 times the fees paid by ABC. Under the new fee model, fees are brought more into line. However, the $57,000 saved by DEF represents a 46 percent drop while the $42,500 increase for ABC translates into a 567 percent increase. As a percentage of revenue, the impact on ABC is actually lower, but relative to the current fee model, the impact appears to be substantially higher. Consequently, the average dollar decline in fees is more representative for the impact on the sector of the proposed new fee model.

Category	Registrant	Revenue	Current Fees	Proposed Fees	Variance	Change
ICPM	ABC Funds	$24 million	7,500	50,000	42,500	567%
MFD/ICPM	DEF Funds	$25 million	124,302	67,700	(56,602)	-46%

Background

On March 30, 2001, the Commission published for comment a concept proposal (the "Concept Proposal") for revising the Fee Schedule at (2001) 24 OSCB 1971. As a result of staff's consideration of the comment letters received on the Concept Proposal, its recommendations to the Commission and the deliberations of the Commission, a proposed draft of the Rule and Companion Policy were published for comment on June 28, 2002 (the "June Materials""). The notice that accompanied the June Materials advised that the proposed Rule was essentially and substantially the same as the fee model described in the Concept Proposal, with a few exceptions.

The Commission received submissions on the June Materials from 18 commentators during the 90-day comment period from June 28, 2002 to September 27, 2002. Appendix A to this Notice is a list of those who provided comments. The Commission is of the view that none of the revisions made by it to the Rule from the June Materials, including those resulting from the latest comments received on the June Materials, are material. Accordingly, the Rule is not subject to a further comment period. For a summary of these comments and the Commission's response, please see Appendix B to this Notice.

Summary of Changes to the Rule

This section describes changes made to the proposed Rule, proposed Forms and proposed Companion Policy published for comment in June 2002, except that changes of a minor nature, changes made only for purposes of clarification or drafting changes, are generally not discussed.

The changes made are not material changes.

Part 1 Definitions

"capital markets activities" has been amended to clarify that it pertains only to registrable activities, activities that are exempt from registration and investment fund management and administration.

Part 2 Corporate Finance Participation Fees

Subsections 2.3(2) & (3) of the Rule were amended to allow certain Class 3 reporting issuers who calculate their CF Participation Fees under paragraph 2.7(b) of the Rule, to pay the CF Participation Fees for a financial year on the basis of a good faith estimate of its capitalization as at the end of that financial year, and subsequently calculate its CF Participation Fees when it files its annual financial statements for the applicable financial year.

Paragraph 2.5(b) of the Rule was amended to capture in the calculation of the capitalization for Class 1 Reporting Issuers the corporate debt of any of its subsidiary entities exempted by subsection 2.2(2) from paying CF Participation Fees.

Paragraph 2.6(c) of the Rule was amended to contemplate non-corporate issuers, by adding 'owner's equity' to the item 'share capital'.

Paragraph 2.7(b) of the Rule was amended to provide that the calculation of the percentage of the capitalization of a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world, attributable to Ontario persons would be based on the percentage of outstanding equity securities of the Class 3 reporting issuer registered in the name of, or held beneficially by, Ontario persons.

Part 3 Capital Markets Participation Fees

Section 3.1 of the Rule was amended to clarify that CM Participation Fees for registrant firms are payable in advance for the upcoming calendar year based on the previous year's annual financial statements

Section 3.3 of the Rule was amended to require registrant firms to file a Form 13-502F3, in relation to CM Participation Fees, by December 1 of each year for payment of the CM Participation Fees referred to in section 3.1 of the Rule by December 31 of each year.

Section 3.3 of the Rule was further amended to allow registrant firms to file a good faith estimate of their Specified Ontario Revenues on December 1 and make a payment based on this estimate on December 31. This section also provides for a readjustment of the fee when the financial statements of the registrant firm have been completed.

Paragraph 3.6(1)(a) of the Rule was amended so that it refers to the "gross revenues *'earned from capital markets activities'* of the registrant firm…"

Paragraph 3.6(3)(a) of the Rule was amended so that it refers to both "advisory fees" and "sub-advisory fees".

Section 3.8 of the Rule was deleted so that an investment fund manager is no longer precluded from passing the cost of its CM Participation Fees to the investment funds (and their securityholders) under its management.

Part 5 Currency Calculations

Section 5.1 was amended to specify that currency calculations should use the daily noon exchange rate posted by the Bank of Canada.

Part 7 Effective Date and Transitional

Paragraph 7.2(3) of the Rule was deleted. The phase in time for registrant firms is no longer necessary.

Appendix A – Corporate Finance Participation Fees

To clarify that a reporting issuer with zero capitalization is still subject to CF Participation Fees, the appendix was amended to specify "$0 to under $25 million."

Appendix B – Capital Markets Participation Fees

To clarify that a registrant firm and an unregistered investment fund manager with zero Specified Ontario Revenues is still subject to CM Participation Fees, the appendix was amended to specify "$0 to under $500,000."

Appendix C – Activity Fees

A new activity fee of $500 was added to Appendix C for an application for recognition, or for renewal of recognition, as an accredited investor as defined in Rule 45-501. This filing fee formerly appeared in Rule 45-501. Staff decided that it is appropriate that all fees appear in the Rule, for ease of reference.

The activity fee for filing of a prospecting syndicate agreement was reduced to $500, after consultation with the OSC technical consultant.

The activity fee for applications for discretionary relief was amended to exclude applications by limited market dealers under section 147 of the Act.

The registration-related activity fee for a new registrant firm as a result of an amalgamation was amended to include "…the continuation of registration of an existing registrant firm…" resulting from or following an amalgamation of registrant firms.

Forms

Item 3 in the Notes and Instructions of Form 13-502F1 was amended to specify that currency calculations should use the daily noon exchange rate posted by the Bank of Canada.

Item 2 in the Notes and Instructions of Form 13-502F3 was amended to permit non-resident registrants and unregistered foreign fund managers to use equivalent principles to Canadian GAAP with respect to reported "components of revenue".

Form 13-502F4 was created to allow for the calculation, at the time that its annual financial statements have been completed, of the participation fee owing by a registrant firm who has filed a good faith estimate under subsection 3.3(4) of the Rule.

Companion Policy

Section 2.5 entitled Indirect Avoidance of Rule was added to Part 2 to clarify that the Commission may examine arrangements or structures implemented by market participants and their affiliates that raise the suspicion of being structured solely for the purpose of reducing the fees payable under the Rule.

Subsection 3.3(1) in Part 3 was amended to provide further clarification of paragraph 2.5(b) of the Rule.

Section 3.4 was inserted in Part 3 to provide further clarification of paragraph 2.7(b) of the Rule.

Section 4.1 of Part 4 was amended to describe and provide examples of the revisions in Section 3.3 of the Rule requiring registrant firms to file a Form 13-502F3, in relation to CM Participation Fees, by December 1.

Section 4.3 was added to Part 4 to clarify that unregistered fund managers will make filings and pay fees under Part 3 of the Rule by paper copy to the OSC, Investment Funds.

Section 4.4 was added to Part 4 to provide further explanation of the definition of “capital market activities”.

Section 4.5 was added to Part 4 to provide further clarification of the term “owner’s” equity, used in section 2.6 of the Rule.

Authority for the Rule

Paragraph 43 of subsection 143(1) of the Act authorizes the OSC to make rules "prescribing the fees payable to the OSC, including those for filing, for applications for registration or exemptions, for trades in securities, in respect of audits made by the OSC, and in connection with the administration of Ontario securities law".

Unpublished Materials

In proposing the Rule and Companion Policy, the OSC has not relied on any significant unpublished study, report, decision or other written materials. However, as disclosed in the Concept Proposal, the OSC sought input from market players from three different focus groups. The focus groups consisted of reporting issuers, dealers (including the Investment Dealers Association), advisers and mutual fund managers (including The Investment Funds Institute of Canada).

Amendments to Regulation

The purpose of the Rule and Companion Policy is to substantially replace the fee model under the current Fee Schedule. Accordingly, the Commission will revoke the Fee Schedule upon the adoption of the Rule, which establishes the new fee model proposed in the Concept Proposal and June Materials.

Forms 42, 43 and 44 under the Regulation will also be revoked since these forms relate to fees that will no longer be payable under the new fee model under the Rule. The corresponding filing requirements in the Regulation for these forms will also be revoked.

Amendment of Rules

Certain existing rules and policies refer to the Fee Schedule or to fees that are payable under the Fee Schedule. Since the Fee Schedule will be revoked when the Rule comes into force, it is necessary to delete references to fees payable under the Fee Schedule. Accordingly, the Commission has, under section 143 of the Act, made a rule that amends Rules 45-501, 45-502 and 45-503.

It is the view of the Commission that the amendments to Rules 45-501, 45-502 and 45-503 merely remove fees and references to fees that will no longer be payable upon the implementation of the Rule. Accordingly, the Commission is of the view that these amendments consist only of the removal of requirements and accordingly are not likely to have a substantial effect on the interests of persons or companies subject to Rules 45-501, 45-502 and 45-503 other than those who benefit from the amendments.

The Commission has also made minor amendments to Policy 12-602 and Companion Policy 91-504CP in order to delete references to fees payable under the Fee Schedule, and replace them with references to the Rule, as necessary. It is the view of the Commission that the amendments to Policy 12-602 and Companion Policy 91-504CP do not result in any material substantive change to any existing policy.

The Consequential Amendments will come into force on the same date that the Rule and Forms come into Force. The text of the Consequential Amendments can be found in Appendix C.

Text of Rule and Companion Policy

The text of the Rule and Companion Policy follows. Staff is currently working on a parallel rule to be made under the Commodities Futures Act (the “CFA”). Staff anticipates that this Rule and Companion Policy under the Act will be amended to address consistency issues with the CFA rule at that time.

Questions

Questions may be referred to:

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APPENDIX A
TO
NOTICE OF FINAL
RULE 13-502 – FEES, INCLUDING
FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4, AND
COMPANION POLICY 13-502CP – FEES

LIST OF COMMENTERS

1. Aegon Canada Inc.
2. Barclays Global Investors Canada Limited
2. BMO Investments Inc.
3. Canadian Bankers Association
4. Capital Guardian Trust Company
5. Capital International Asset Management (Canada), Inc.
6. Canadian Imperial Bank of Commerce
7. Fidelity Investments
8. Franklin Templeton Investments Corp.
9. Guardian Group of Funds
10. The Investment Funds Institute of Canada
11. Investors Group Inc.
12. Potash Corporation of Saskatchewan Inc.
13. Power Corporation of Canada
14. Royal Bank of Canada
15. Scotia Securities Inc.
16. Stikeman Elliott – William J. Braithwaite
17. Stikeman Elliott – Kenneth G. Ottenbreit
18. Torys – Glen R. Johnson

APPENDIX B
TO
NOTICE OF FINAL
RULE 13-502 – FEES, INCLUDING
FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4 (the "Proposed Rule"), AND
COMPANION POLICY 13-502CP – FEES (the "Proposed Policy")

Theme	Detailed Comments and Arguments	Response
Support for certain features of new fee model	One commenter expressed support for the segregation of corporate finance and capital markets sectors of the securities industry in the new fee model. In this commenter's view, the "participation" and "activity" fee approach reflects the underlying regulatory responsibilities of ongoing oversight and activity specific review across Ontario's securities market. The commenter acknowledged that the fee proposals will have different impact on different market participants, and expected opposition from those whose fees will rise. The commenter also expected its own direct fees to rise under the new fee model. Still, the commenter expressed support for an approach that "sees fees tied to OSC costs" and did not think that the "approach can be convincingly opposed on principle". The commenter expressed the hope that the increase in fees (for certain market participants such as itself) would be offset by a decrease in their current compliance costs by the elimination of certain current filing fees. Another commenter expressed support for the • flat activity fee per fund family, including the flat fee for prospectus lapse date extensions regardless of the number of funds within the same prospectus; • flat prospectus renewal fee per fund with no additional fees determined upon proceeds of sales in Ontario; and an "all-encompassing" participation fee that, in turn, eliminates the current fees for a number of registration-related filings. Yet another commenter acknowledged that fund managers would be adversely impacted by the Proposed Rule because the burden of the capital markets participation fee would be shifted from mutual funds to the fund managers. Still this commenter believed that this result would be offset by reduced fees payable by other registrants. This commenter expressed support for the new fee model, believing that "it will reduce the overall fees charged to capital markets participants".	The OSC appreciates the commenters' support for its efforts to rationalize the fees charged to market participants.
Harmonization with other Canadian jurisdictions	Some commenters reiterated their previous comments about the "absolute necessity" for harmonizing the fee regimes of the various Canadian securities regulatory authorities Three commenters expressed concern that harmonization of fees across jurisdictions would be difficult to achieve. This is because the Proposed Rule requires a determination of capital markets participation fees ("CM Participation Fees") by an allocation methodology that would be disadvantageous to the other jurisdictions and,	The OSC believes that the new fee model in the Proposed Rule has a sound and reasonable basis and overall results in a reduction in the fees payable by market participants. For this reason, the OSC does not consider it to be in the best interest of investors and market participants generally to delay the implementation of the Proposed Rule until full harmonization of fees across jurisdictions is achieved.

Theme	Detailed Comments and Arguments	Response
	accordingly, would not be acceptable to them. One of the commenters argued that, unless there is change in other jurisdictions, certain market participants would continue to unfairly bear the compliance costs of others. This commenter believes that "the OSC's approach to fees is correct on principle and should be adopted by other Canadian securities regulators immediately".	
Currency calculations	One commenter noted that the reference to "the exchange rate posted by the Bank of Canada website on the day for which the calculation is made" in section 5.1 of the Proposed Rule should be more specific.	Section 5.1 of the Proposed Rule has been revised to specify that the daily noon rate should be used as the appropriate exchange rate.
Director's discretion to grant exemption	One commenter reiterated its previous comment that there be more discussion of the situations where reductions or refunds to the participation fee will be considered by the Director or Executive Director in exercising their discretion.	The issue of refunds is addressed in section 2.4 of the Proposed Policy. With respect to exemptions, certain factors that might be considered relevant are financial hardship, payment of fee would result in undue detriment or unfairness to the person or company that owes the fee, whether or not an issuer is subject to continuous disclosure obligations, etc. The OSC also reiterates that the exercise of the discretion to grant relief will be rare and will be based on the facts and circumstances of a particular situation.
Other market participants bear no regulatory cost	Some commenters stated that the Proposed Rule "ignores other market participants such as insurance companies and pension funds who benefit from the regulation of Ontario's capital markets but would not be bearing any cost for their market participation".	Neither the insurance industry nor the pension industry is subject to regulation by the OSC. The OSC does not generally regulate and therefore does not impose regulatory fees on the participants in those industries. However, if an insurance company is itself a reporting issuer or otherwise engages in capital markets activities directly or indirectly, such as the management of investment funds, it would be subject to the fees prescribed by the Proposed Rule. As for the pension funds, they would be impacted indirectly by the fees that are payable by issuers in which they are invested.
Inactive or "special purpose" issuers	Four commenters felt that shifting the financial burden from activity fees to annual participation fees penalizes issuers, such as special purpose issuers, who make only one or very few public offerings of securities. For example, one commenter on behalf of a large reporting issuer pointed out that the issuer would see an increase in annual fees of 3000%, even though the issuer has not made a public offering since 1995. It was suggested that annual fees could be reduced for issuers that rarely access the capital markets. This could be carried out by lowering the annual fee where a reporting issuer has not paid any activity fee within the previous eighteen months, or "grandfathering" existing issuers who have not paid	The annual participation fee is intended to cover the monitoring, enforcement and administrative costs of the OSC. It is not simply a replacement for fees currently payable in connection with the distribution of securities. For example, it will replace the various existing fees payable on the filing of continuous disclosure documents. An important factor in deciding to use market capitalization as the basis for determining the annual participation fee for reporting issuers (as opposed to basing the fee on the number or value of securities distributed by an issuer)

Theme	Detailed Comments and Arguments	Response
	activity fees within the previous eighteen months, allowing them to pay reduced fees. Alternatively, one commenter asked if discretionary relief from participation fees might be granted to a special purpose issuer.	was the increasing shift of the OSC's regulatory resources away from primary distributions of securities into continuous disclosure and ongoing reviews. One commenter recognized this fact but still noted that an inactive issuer could expect its annual fees to increase dramatically under the Proposed Rule, even though the issuer is not putting any strain on the resources of the OSC. Every issuer utilizes the Ontario capital markets to a different degree. It is impossible for the Proposed Rule to precisely link the fee payable by an issuer with the amount of regulatory oversight and monitoring that the OSC carries out in connection with that particular issuer. However, it is staff's view that the Proposed Rule more accurately equates fees with OSC costs of providing services than the current fee structure, and therefore it is preferable to the status quo. In exceptional and rare cases where it would be unduly detrimental or unfair to impose a participation fee on a particular issuer, the Director may be persuaded to consider the grant of an exemption from the fee requirement, or a reduction of the fee that is otherwise payable. Factors that might be considered for this purpose could include whether the issuer is subject to continuous disclosure filing requirements and whether the issuer is insolvent or in serious financial difficulty.
Concern about large participation fee payable by significant issuers	Two commenters expressed concern that large issuers would bear a disproportionate share of the cost of regulation. One commenter submitted that an annual participation fee of $85,000 for an issuer with a market capitalization of over $25 billion is unfair, since it places a disproportionate amount of the cost of regulation on these large capitalization issuers simply because they have "deep pockets".	The use of market capitalization as the basis for determining the annual corporate finance participation fees ("CF Participation Fees") is not intended to impose fees based upon an issuer's ability to pay the fee. It was decided that an issuer's market capitalization should form the basis for calculating the participation fee because this was the most relevant indicator of the issuer's use of the capital markets. The "use of the capital markets" is not simply a reference to how often an issuer distributes securities. A relatively larger market capitalization typically means a relatively larger number of securityholders and a larger market following.
Additional fee for late payment of participation fee	One commenter expressed serious concern with the appropriateness and fairness of charging extra fees in connection with the late filing of a participation fee equal to 1% of the participation fee payable for each business day that the fee remains due and unpaid, up to a maximum of 25% of the fee otherwise payable. The commenter questioned the legality and enforceability of these late fees.	Because the new fee model attempts to match the OSC's expected revenues with expected costs, it is very important that fees are paid on time. In addition, there is additional work and cost associated with the collection of late fees. The late fee of 1% per business day up to a maximum of 25% is intended to represent a meaningful incentive to issuers and registrants

Theme	Detailed Comments and Arguments	Response
		to make their fee payment on time. The Commission has the jurisdiction to make rules prescribing the fees payable to the Commission, including those for filing, pursuant to paragraph 43 of subsection 143(1) of the Act. With respect to enforceability of the late fee, where an issuer or registrant does not make the appropriate late fee payment, that issuer or registrant will be considered to be in breach of Ontario securities law. Accordingly, the OSC would have the various enforcement and sanction powers that are available in connection with any breach of Ontario securities laws.
Calculation of market capitalization	One commenter noted that the calculation of market capitalization under the concept proposal published in March, 2001 (the "Concept Proposal") included only those classes of equity and debt securities listed on a Canadian stock exchange, whereas the Proposed Rule does not carve out unlisted securities. The commenter suggested that unlisted securities (including debt securities) be excluded from the calculation of market capitalization. The commenter argued that unlisted securities are not part of market activity and therefore, the holders should not be required to pay for oversight of those securities.	In staff's view, trading in securities that are not listed on a Canadian stock exchange can still be considered "market activity". There are a very large number of Canadian reporting issuers whose securities are not listed on any Canadian stock exchange, yet their securities are still issued to and traded by Ontario residents. In defining market capitalization for Class 1 reporting issuers, staff felt that it would be inappropriate to ignore the market for corporate debt (which is actually many times larger than the market for equity securities) in defining market capitalization, particularly since Class 2 reporting issuers must factor their long term debt into their calculation of market capitalization. It is only in the case of Class 3 reporting issuers that staff was prepared to confine the calculation of market capitalization to securities listed or traded on a marketplace. Staff felt that this different treatment was warranted because a publicly traded foreign issuer will typically be subject to principal regulatory oversight in a foreign jurisdiction. Where the securities of a foreign issuer are not listed on any marketplace, the calculation of market capitalization is the same as for a Class 2 reporting issuer.
Public companies with public subsidiaries	One commenter expressed concern that the rule results in the payment of duplicate participation fees by public companies that have public subsidiaries. The exemption provided in Section 2.2(2) is not available to the commenter as their ownership of their various subsidiaries ranges from 56% to 78%. The commenter feels that an assessment on the capitalization of each company without regard for the ownership structure results in a disproportionate share of the participation fees being paid by a corporation with subsidiaries compared to a corporation with a different corporate structure.	As the commenter is a public company, its public subsidiaries are subject to the participation fee as they are all market participants. The intention is not to charge duplicate fees; therefore, the 90% exemption found in 2.2(2) is provided for cases where essentially all of the assets and revenues of the subsidiary are the assets and revenues of the parent. In considering cases where ownership is less than 90%, staff decided that as the subsidiary is not wholly owned the cost of regulating the parent who has assets and revenues that are not essentially the same as the subsidiary are the same or more as regulating a similar corporation with no subsidiaries. As well, the cost of regulating the subsidiary is the same as the cost of regulating a similar sized corporation that has no parent.

Theme	Detailed Comments and Arguments	Response
		As the fees are based on participation in the markets, staff decided that it is appropriate to charge both the parent and the subsidiary in these cases.
Non-resident registrants	One commenter was concerned about the fact that international and non-resident dealers and advisers would be subject to the CM Participation Fees. The commenter said that such fee "does not appear to be supported by the level of OSC regulation and oversight as such registrants participate primarily in the exempt market with institutional clients". The commenter submitted that "the demands imposed on the Commission in the regulation and oversight of international dealers and advisers, most of whom are registered with the U.S. Securities and Exchange Commission or other foreign regulators, do not warrant such a radical departure from the current fee structure in respect of such registrants." To address its concerns, the commenter suggested an adjustment to the level of annual registration fees payable by non-resident registrants in lieu of the CM Participation Fees.	The OSC considered the issue of non-resident registrants being subject to the CM Participation Fees notwithstanding that they participate primarily in the exempt market with institutional clients. The OSC believes that there is no reasonable basis to treat non-resident registrants differently from other registrants (such as limited market dealers) that also operate primarily in the exempt market, by excluding non-resident registrants from the application of the CM Participation Fees. However, the OSC recognized that non-resident registrants are subject to regulation, and their revenues would be obtained primarily from activities, in their home jurisdiction. Accordingly, the CM Participation Fees of non-resident registrants are calculated differently from the CM Participation Fees of other registrants, in that the CM Participation Fees of the former would be based on the percentage of total revenues attributable to capital markets activities in Ontario. Based on the proposed calculation, the OSC believes that the fees of non-resident registrants would not be significant. The commenter's proposed alternative of adjusting the annual registration fee will not work because the OSC has already made a decision to replace it with the CM Participation Fees.
Managers of foreign investment funds or assets pertaining to foreigners	A few commenters expressed concerns that managers of foreign investment funds (whose securities may also be privately placed in Ontario) or assets of foreign clients that are invested outside Canada would be subject to the CM Participation Fees. One commenter thought that, in respect of a foreign investment fund, the OSC would end up collecting multiple fees – i.e., the exempt distribution fee payable by the foreign investment fund for any private placement in Ontario; the participation fee payable by a limited market dealer on revenues generated from the private placement in Ontario; and the participation fee payable by the investment fund manager on revenues from providing investment management to the foreign investment fund.	After due consideration of the comment, the OSC determined not to make any change to the Proposed Rule. The OSC's intention is for the CM Participation Fees to be based on gross revenue, including revenues generated from assets pertaining to foreign investors and Ontario assets invested outside Canada.

Theme	Detailed Comments and Arguments	Response
	Anther commenter was concerned that the "participation fees will compel asset managers who advise international clients to relocate outside" Ontario.	
Investors in mutual funds should be treated the same as investors in corporate finance issuers	One commenter stated that the proposed prospectus fee for each mutual fund does not reflect the true cost of regulating mutual funds. For this commenter, since both mutual funds and corporate finance issuers are subject to the same regulatory requirements – timely and continuous disclosure filings and prospectus amendments – their securityholders should be treated the same insofar as the burden of the regulatory cost is concerned. The commenter believes that the CF Participation Fees treat shareholders of corporate issuers as indirect participants in Ontario's markets because they bear the burden of such fees. The commenter thinks that, similarly, securityholders of mutual funds should bear more of the regulatory costs than is currently contemplated by the Proposed Rule, in order to reflect their share of the true cost of the ongoing regulation of mutual funds. The commenter made the following suggestions to correct what it perceived to be a more favourable fee treatment for mutual funds under the Proposed Rule. The prospectus fees in Appendix "C: of the Proposed Rule could be amended to more accurately reflect the true cost of regulating mutual funds. Alternatively, mutual funds could be made subject to a participation fee similar to that prescribed in Appendix "A" of the Proposed Rule.	As investors in corporate finance issuers, mutual funds and their securityholders bear indirectly the fees currently paid by corporate finance issuers, and will continue to bear indirectly the participation fees and activity fees payable by corporate finance issuers under the Proposed Rule. Moreover, section 3.8 of the Proposed Rule has been deleted so that a fund manager is no longer precluded from passing the cost of its CM Participation Fees to the investment funds (and their securityholders) under its management. All in all, securityholders of investment funds will bear the burden of three fees: the participation and activity fees payable by issuers in which their fund is invested in; the participation fees of their fund's investment fund manager; and their fund's own activity fees. Accordingly, the OSC believes that there is no reason to impose a participation fee on investment funds directly or to change the activity fees that would be applicable to them.
Multiple mutual funds in one prospectus document	Some commenters said that the proposed fee for the prospectus of multiple mutual funds contained in a single document are excessive, and that some form of discount would be appropriate. In these commenters' view, "certain efficiencies must accrue with the overlap of material provisions that would be common to a family of funds". The activity fee payable should reflect the work required on the part of regulatory staff.	It is true that the use of a single document containing the prospectuses of several mutual funds (the "Multiple-Prospectus Document") could achieve certain efficiencies. It enables fund companies, for example, to obtain receipts for several prospectuses in the same amount of time that a receipt is obtained for one prospectus. However, the use of a Multiple-Prospectus Document also gives rise to filings-related problems the resolution of which invariably requires the use of the OSC's administrative (and sometimes legal) resources. These filings-related problems arise before the filing, during the processing, or following completion of the processing of a Multiple-Prospectus Document. The proposed $600 prospectus fee per fund is already 25% less than the current preliminary prospectus fee of $800 per fund (and is substantially less than the current (final) prospectus fee based on a percentage of sales of the funds). The fact that a Multiple-Prospectus Document contains information common to funds in the same family has not significantly reduced the work necessary to complete a review of the document. On the contrary, the review of fund-specific information of several funds, which are different from each other and could give rise to different regulatory issues, requires

Theme	Detailed Comments and Arguments	Response
		significantly more work to complete. When regulatory issues arise as a result of staff's review of a fund's prospectus, the amount of $600 per fund is not adequate to defray the costs (in terms of professional resources) incurred by the OSC in resolving them. The deficiency, however, is covered by the fees of other funds included in the Multiple-Prospectus Document, whose prospectuses do not give rise to regulatory problems. Accordingly, the OSC cannot accept the commenters' suggestion that the proposed prospectus fee be reduced for Multiple-Prospectus Documents.
Fees on exempt affiliate	One commenter said that the Proposed Rule indirectly imposes fees on its exempt affiliate. This commenter manages the asset of its affiliate, and the fees received from asset management accounts for more than 95% of its revenues. The commenter believes it is "inappropriate to levy fees on this activity which would be exempt if conducted in-house" by its affiliate.	If the affiliate's assets were to be managed by an unrelated fund or asset manager, the resulting revenues of the latter would be subject to the CM Participation Fees. The fact that the asset management is carried on by the commenter should not give rise to a different result.
CM Participation Fees and SRO members' fees	One commenter reiterated its previous comment that the fee schedule does not take into account the fees paid by SRO members. This commenter thought that much of the OSC's responsibility for regulation of dealers has been downloaded to SROs. Therefore, according to the commenter, either the OSC funds the activities of the SROs or the participation fee of SRO members should be reduced by the amount of the SRO fees. Otherwise, this commenter believes that SRO members would effectively be subsidizing other market participants that are not SRO members.	The OSC reiterates that its fees are based on its own costs of regulation. This includes the costs incurred by the OSC in carrying out oversight of SRO operations, for which no fee is being charged against the SROs in recognition of the importance of their role in securities regulation.
Impact of capital markets fees	One commenter said that smaller money managers will experience significant increases in their fees when the Proposed Rule is implemented. In the specific circumstances of the commenter, its fees would increase by 800%. The commenter said this is unreasonable.	The OSC anticipated that a small number of market participants would, under the new fee model, be paying significantly more than they are currently paying. However, a greater number of market participants would benefit from an overall reduction in the fees that they would have to pay. On this basis, the OSC believes that the new fee model is generally reasonable.
Investment fund managers or portfolio managers should be able to charge their CM Participation Fees to the investment funds under management or to the clients of the portfolio managers	Several commenters said that the Proposed Rule will alter the contractual relationship between fund managers and the investment funds they manage (or the investors in such funds). According to these commenters, the pricing of investment products is a very technical and competitive endeavour that takes into consideration regulatory fees and many costs. By increasing the fees for regulation but not permitting them to be passed on to the clients or investors, the OSC is upsetting the delicate and fixed pricing already established and upon which corporate budgeting is based. These commenters said the OSC staff position that fund managers may recoup participation fees by seeking unitholder approval to increase management fee is unrealistic. In their view, it is not a simple matter to seek unitholder approval or to renegotiate management fees with clients pursuant to	After much debate, the Proposed Rule has been revised by deleting section 3.8. By deleting this provision, an investment fund manager (whether or not registered) is no longer prohibited from passing on the cost of its CM Participation Fees to the investment funds under its management. If it does, the OSC would expect that the portion of the fee charged to each fund under management would be accounted for separately in the records of the fund and be clearly described as the fund's share of the regulatory fees paid by the fund manager. It would also be expected that the fund manager, acting in good faith and in the best interest of the funds under its

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	account agreements. Unitholder meetings are expensive and will simply increase costs to funds and fund managers. Most unitholders will naturally be against any increase and private clients can refuse to re-open an investment management agreement to charge higher management fees.	management, would make a reasonable and equitable allocation of the regulatory fees among all of them. Also, the requirement of clause 5.1(a) of NI 81-102 for unitholder approval would not be necessary. This is because regulatory fees are already currently paid by mutual funds, albeit in the form of distribution fees. Since it is expected that the new fee model would generally result in an overall reduction of the fees payable by market participants, the change in the basis for calculating the regulatory fees charged to the fund should not result in an increase in charges to the mutual fund. As to whether or not fund managers can charge the cost of their CM Participation Fees to clients whose accounts are under their discretionary management, the absence of a prohibition indicates that they may also do so, without revisiting their client agreements. At the very least, though, it would be expected that any increase in the fees charged by a fund manager to its clients would be disclosed to them as their share of the regulatory fees paid by the fund manager.
Tiers of fees in Appendix B are too broad.	Several commenters reiterated previous comments about the broad tiers of CM Participation Fees as proposed in Appendix B. Although each commenter articulated specific issues , they all share the following underlying concerns • the tiers are so broad that a nominal increase in gross revenues could result in significant increase in CM Participation Fees. • Appendix B would treat participants inequitably as firms with very divergent gross revenues would bear the same amount of participation fees. Two commenters suggested that the OSC adopt a different schedule that would be more consistently proportionate and equitable. One commenter reiterated its previous suggestion that a percentage-based set of tiers be adopted, even if it may result in more fluctuation in OSC revenues. This commenter believes that the flat fees currently proposed in Appendix B would not necessarily give a “stable” revenue for the OSC. In the commenter’s view, market fluctuations will cause participants to move above or below the gross revenue thresholds, resulting in an increase or decline of expected OSC revenues. In generally rising markets, over time, the OSC would benefit from bull market years, when revenues will outpace the budgeted cost of regulation. The OSC should be required to manage such surpluses prudently to cover market	The proposed structure of the participation rates and tiering was designed to minimize volatility in fees to participants and revenue to the OSC. While the markets are currently in an extended downturn, the medium to long-term time trend is positive. That is, in general, revenue is on a rising trend over time. Narrower tiers would result in a more rapid increase in participation fees and OSC revenue. Conversely, during an extended downturn in the market, the OSC generally faces increasing costs, particularly in the areas of enforcement and compliance. Given that the primary purpose of the change in fee structure is to align costs with revenue, a more rapid decline in revenues, implied by narrower tiers, could put the OSC in the difficult, if not untenable position, of raising fees during a period of market participant retrenchment. Statistically, the proposed structure of the participation fee tiers most effectively balances the goals of stability in fee payments with flexibility through re-evaluation of the schedule every three years. In terms of the fees as a percentage of revenue and the incremental fees moving up a tier, both average less than 0.1%. The fee for companies with less than $5 million in revenues was lowered relative to the rest of the schedule in order to improve access to the

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	regulation costs in weaker market years. Another commenter suggested • an increase in the number of fee categories so that the increase in fees when a registrant moves from one category to the next is not as drastic, or • an introduction of some method of pro-rating the fee so that the increase in fees more closely matches the percentage change in a registrant's gross revenues. This commenter also suggested that it would not be administratively burdensome to establish a method to pro-rate the fees payable within each bracket. It would not make it more difficult for the OSC to budget its revenues and, in fact, may enhance its ability to do so. This is because the OSC would not be subject to sudden fee decreases in circumstances where a relatively minor decrease in revenues would put a manager in a lower participation fee tier and a corresponding substantial drop in fees payable to the OSC. Another commenter suggested that Appendix B be amended such that participation fees applicable to the tiers be expressed as a percentage of an entity's specified Ontario Revenues, rather than a fixed amount.	market for smaller companies and start-ups. The rest of the fee schedule shows a slight decline in fees as a percentage of revenue to reflect the cost of regulation, which tends to fall in relative terms as the size of the organization increases. In other words, while regulation of a firm with $1 billion in revenue will cost more than the regulation of a firm with $100 million, it doesn't cost ten times as much. The balancing concern is that a firm with $1 billion in revenue does receive a substantially greater benefit from participation in the markets than the smaller firm. The principles of basing regulation on cost-benefit analysis and avoiding barriers to entry support the proposed fee structure.
Calculation of fees of non-SRO members	One commenter is in favor of the approach for determining the CM Participation Fees fee payable by dealers that are not IDA or MFDA members – i.e., based on gross revenues earned from capital markets activities in Ontario. The commenter suggested a revision of paragraph 3.6(1)(a) of the Proposed to reflect that approach.	As suggested, paragraph 3.6(1)(a) of the Proposed Rule has been revised so that it refers to "the gross revenues earned from capital markets activities of the registrant firm….."
Time of payment/ transition	One commenter noted that, under subsection 3.2(2) of the Proposed Rule, unregistered investment fund managers must pay participation fees no later than 90 days after the end of each financial year. The commenter is concerned that, if the selected implementation date is one that occurs late in the calendar year, its members will have to pay a second set of fees after having only recently paid under the old fee schedule in accordance with prospectus renewal dates of its members' funds. This would lead to a significantly increased fee burden during the transition period. The commenter said that it is important to establish a firm implementation date and clarify how the industry will be expected to pay fees during the transitional period.	Section 7.1 of the Proposed Rule specifies the date (the "Specified Date") that it becomes effective, April 1, 2003. Some mutual funds that are in continuous distribution may still have to pay the required distribution fee up to the Specified Date. Others may not have to if their distributions prior to the Specified Date result in a fee that is less than the fee for the pro forma prospectus. Even if an investment fund manager's CM Participation Fees during the transition period are charged to a mutual fund under its management, the CM Participation Fees may be a lot less than the distribution fees payable by the mutual fund during the same period. Accordingly, the OSC does not expect a great number of mutual funds to be significantly burdened with both the former distribution fee and their share of the fund manager's CM Participation Fees during the transition period. If any mutual fund finds itself to be the exception during the transition period, the OSC is open to considering reasonable proposals

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		for installment payments until both fees are covered.
"Ontario percentage" applicable to market participants with establishments in Ontario	A few commenters objected to the requirement that market participants with permanent establishments in Ontario use their tax-related percentage in determining their CM Participation Fees. In particular, they felt that it would result in Ontario-based mutual fund companies paying to this province fees that are inappropriately high, while at the same time paying fees to other provinces based on net or gross mutual fund sales. They also thought that it provides a strong disincentive for new firms to set up their primary operations in Ontario. They would like the OSC to consider doing away with the permanent establishment concept and simply base the CM Participation Fees on revenues "attributable to capital market activities in Ontario".	After due consideration of the comment, the OSC determined not to make any change to the Proposed Rule. Since section 3.8 has been deleted from the Proposed Rule, investment fund managers would not be precluded from charging the CM Participation Fees to the funds under their management. The OSC is also well aware that the funds would continue to pay distribution fees based on the value of securities sold in the other jurisdictions. Even so, the OSC is strongly of the view that each fund's share of the investment fund managers' CM Participation Fees would still be less than the fees that each fund is now required to pay under the current fee regime.
Gross revenue as basis for participation fees	One commenter said that using gross revenue as a basis for charging participation fees is too simplistic and may have negative or unintended impacts on the investment funds industry. The use of gross revenue as a basis for charging participation fees equates to a revenue tax that will likely cause mutual fund managers to re-evaluate and restructure their organizations as they seek to reduce the revenue subject to such tax. This could result in a number of unintended negative consequences, including: • reduced revenue for the OSC; • increased costs to mutual fund managers (and possibly unitholders) to effect any changes; • an inability to account for different current and future business models used by mutual fund managers; and • an uneven playing field for market participants that is driven by corporate structures. Using gross revenues as a basis for charging participation fees ignores the reality that revenues of a registrant are not necessarily directly correlated with the usage of regulatory services by that registrant.	The commenter objects to the use of a market participant's "gross revenue" from capital markets activities as a basis for calculating the CM Participation Fees. The reason for this objection would appear to be because it would catch the market participant's revenues from operations in the exempt market. In other words, it would appear that the commenter would like revenues from the exempt market to be excluded from the calculation of CM Participation Fees. The OSC disagrees with the suggestion that revenues from a market participant's exempt-market operations should not be subject to the CM Participation Fees. Although the exempt market is not as regulated as the non-exempt market, the OSC believes that the public confidence in Ontario's capital markets, which results from its regulation, benefits both sectors of the market. For this reason, the OSC is not persuaded that revenues from the exempt market operations of a market participant should be carved out from the calculation of gross revenues for the purpose of determining the applicable CM Participation Fees.
Gross revenue as basis for participation fees	One commenter reiterated its previous comment that basing the participation fees for a registrant on its gross revenue attributable to Ontario is an inappropriate measure. The allocation of income takes into account many aspects of a market player's activities, which may not directly relate to participation in Ontario's capital markets, but rather reflect the business structure that the registrant has adopted, such as a centralized head office. This will result in gross revenue being allocated to Ontario and thus increasing the participant fee, even though the expenses associated with this revenue are incurred to support activities outside Ontario. The better measure, according to the commenter, is the value of securities or assets under administration for residents in the	After due consideration of the comment, the OSC determined not to make any change to the Proposed Rule. The new fee model is intended to apply to all market participants regardless of their structure.

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	jurisdiction.	
Canadian GAAP requirement with respect to reported components of revenue in Form 13-503F3 - Notes and Instructions	One commenter expressed concern about the Canadian GAAP requirement in Form 13-502F3 with respect to reported "components of revenue", insofar as it applies to non-resident registrants and unregistered foreign fund managers. At present, international dealers are not required to file annual financial statements with the OSC. Under OSC Rule 35-502, most international advisers are also exempt from this requirement. Unregistered foreign fund advisers are not required to file their financial statements in Ontario. Should the OSC insist on the use of Canadian GAAP qualified financial statements in the calculation of specified Ontario revenue, international dealers, international advisers and foreign fund advisers will incur significant additional accounting, administrative and operational costs in the preparation of Canadian GAAP financial statements.	To address the commenter's concern on behalf of international dealers and advisers and foreign fund managers, item 2 in the Notes and Instructions of Form 13-502F3 has been revised to read as follows: ".....generally accepted accounting principles ('GAAP'), or such equivalent principles applicable to the audited financial statements of international dealers and advisers and foreign investment fund managers, except that revenues should be reported on an unconsolidated basis. …."
Deductions from gross revenue – advisory fees paid to Ontario registrants	One commenter suggested that paragraph 3.6(3)(a) of the Proposed Rule be revised so that it refers to "advisory fees or sub-advisory fees" rather than to "sub-advisory fees" only. The commenter thinks that the current text applies only in a situation where a fund manager that is also the portfolio adviser engages the services of a portfolio sub-adviser. The revision is suggested so that the provision applies to a fund manager that is not also the portfolio adviser, and who contracts out portfolio management of a fund to a portfolio adviser that is a registrant firm in Ontario.	For additional clarity, paragraph 3.6(3)(a) of the Proposed Rule has been revised so that it refers to both "advisory fees" and "sub-advisory fees".
Deductions from gross revenue – advisory fees paid to non-Ontario registrants	Two commenters objected to the deduction permitted by paragraph 3.6(3)(a) of the Proposed Rule being limited to payments to advisors or sub-advisors that are registrants in Ontario. These commenters state that, although many Ontario-based primary portfolio advisors ("PPA") engage the services of non-registrant sub-advisors, liability for the advice provided by such sub-advisors rests with the Ontario-based PPA. Accordingly, the commenter would like the provision in question to be revised so that it permits the deduction from gross revenues of all advisory or sub-advisory fees, whether or not the payee is another registrant firm in Ontario.	The point of the permitted deduction for amounts paid to another registrant firm in Ontario is that those amounts would be included in the gross revenue of the latter for the purpose of the latter's CM Participation Fees. The law does not permit any person or company to engage in the business of advising in Ontario, unless the person or company is registered or exempt from registration under the Act. Accordingly, a PPA who decides to engage the services of a sub-advisor for its clients in Ontario generally has a legal responsibility to ensure that the sub-advisor is registered in Ontario. The PPA may appoint a non-Ontario registrant to act as sub-advisor in reliance upon section 7.3 of Rule 35-502, which requires the PPA to assume responsibility for the advice provided by the sub-advisor. If the PPA chooses to enable a non-Ontario registrant to act as sub-advisor to Ontario clients, the PPA should also assume the responsibility for the CM Participation Fees that the sub-advisor would have had to pay if it were a registrant firm in Ontario.

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Deductions from gross revenue – trailing commissions	One commenter said that it manages funds-of-funds which include underlying funds managed and investment managed by third-party managers who are unrelated to the commenter. The fund-of-funds discretionary relief obtained by the commenter has a condition that prohibits duplication of certain fees payable by the top funds. To comply with this condition, the commenter negotiated certain payments to be made by certain third-party managers to the commenter, described as "trailing commissions". These payments would be used by the commenter to pay the trailing commissions to an affiliate (which is the principal distributor of the commenter's funds) and to unrelated mutual fund dealers and investment dealers who participate in the distribution of such funds. The affiliate and the other participating dealers are registrant firms in Ontario and would be including the trailing commissions received from the commenter in their own gross-revenue determination. Subsection 3.6(3)(b) precludes the third-party managers from deducting from their gross revenues the payments made to the commenter, because the commenter is not a "registrant firm" in Ontario. The commenter submitted that this would result in the OSC collecting double fees on such amounts, which would ultimately be included in the gross revenues of the affiliated principal distributor and the participating dealers. Accordingly, the commenter suggested a revision of paragraph 3.6(3)(b) of the Proposed Rule to permit third-party fund managers, in the circumstances described, to deduct the payments made to the commenter.	The OSC believes that the specific circumstances of the third-party manager and the commenter would be best dealt with by an application for relief.
Request for deduction from gross revenue of management fee rebate	One commenter said that management fee rebates are a common attribute of fund-of-fund structures where the underlying funds do not have an "I" class or "O" class with a reduced, institutional management fee. This type of rebate is specifically contemplated by the proposed fund-of-funds amendments to NI 81-101 and 81-102. Management fee rebates payable by an underlying fund manager to a top fund in a fund-of-fund structure should be deductible from the underlying fund manager's gross revenues. The inability to deduct management fee rebates would disadvantage those underlying fund managers whose funds do not offer classes or series of securities that carry a lower, institutional management fee. The commenter suggest that subsection s. 3.6(3) of the Proposed Rule be amended to permit managers of underlying funds in fund-of-fund structures to deduct from their gross revenues all management fee rebates.	After due consideration of the comment, the OSC determined not to make any change to the Proposed Rule. The OSC's intention is for the CM Participation Fees to be based on gross revenues.
Calculation of gross revenues for IDA members	The OSC previously received a comment that the fee model did not deal with the situation where a capital market participant earns revenues that are not attributable to capital market activities. The OSC has addressed this concern in respect of non-IDA and non-MFDA members by defining gross revenues in note 1 under Notes and Instructions – Part III of Form 13-502F3, as "all revenues earned from capital markets activities reported on a gross basis as per the audited financial statements". Capital market activities are defined in Part 1 of proposed Rule to	The OSC disagrees with the commenter's statement that "underwriting debt and equity securities" does not come within the definition of "capital markets activities". To the extent that a person or company underwrites an equity or debt offering with a view to selling the underwritten securities in the primary or secondary market, the activity constitutes "trading in securities".

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	include "trading in securities, providing securities related advice, portfolio management, and investment fund management and administration". Non-capital markets activities can be excluded in determining gross revenues for non-MFDA and non-IDA members. This is not the case for IDA members. Section 3.4 (a) of the Rule requires IDA members to use the "Total Revenue" figure on the summary statement of income contained in the Joint Regulatory Financial Questionnaire and Report of the IDA for the financial year (the "JFQR"). According to the commenter, "[T]otal Revenue on the JFQR includes non-capital markets activities such as revenues earned through underwriting debt and equity and corporate advisory fees". (underline added) As these activities do not fall within the definition of capital markets activities as set out in the Rule they should be excluded.	With respect "corporate advisory fees" for advisory activities unrelated to trading in securities (including underwriting), the OSC agrees that they should be excluded from gross revenue determination. The definition of "capital markets activities" has been revised so that it does not catch these advisory activities.

APPENDIX C
TO
NOTICE OF FINAL
RULE 13-502 – FEES, INCLUDING
FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4, AND
COMPANION POLICY 13-502CP – FEES

CONSEQUENTIAL AMENDMENTS

AMENDMENTS TO ONTARIO SECURITIES COMMISSION POLICY 12-602, RULES 45-501, 45-502 AND 45-503, AND COMPANION POLICY 91-504CP

Part 1 AMMENDMENT

1.1 **Policy 12-602 Amendment** – Policy 12-602 Deeming a Reporting Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario is amended by deleting subsection 4.1(9) and substituting for that subsection:

"(9) the filing fee prescribed under Rule 13-502 Fees."

1.2 **Rule 45-501 Amendment** – Rule 45-501 Exempt Distributions is amended by

(a) deleting section 7.3 and substituting for that section:

"7.3 [deleted]";

(b) deleting section 7.4 and substituting for that section:

"7.4 [deleted]";

(c) deleting subsection 7.5(4) and substituting for that subsection:

"(4) [deleted]";

(d) deleting subsection 7.5(5) and substituting for that subsection:

(5) [deleted]";

(e) deleting subsection 7.5(6) and substituting for that subsection:

(6) [deleted]";

(f) deleting section 7.6 and substituting for that section:

"7.6 [deleted]"; and

(g) deleting section 7.7 and substituting for that section:

"7.7 Report of a Trade Made under Section 2.12 – If a trade is made in reliance upon an exemption from the prospectus requirement in section 2.12, the issuer shall, not later than thirty days after the financial year end of the issuer in which the trade occurred, file a report, in duplicate, prepared in accordance with Form 45-501F1."

1.3 **Form 45-501F1 Amendment** – Form 45-501F1 – Securities Act (Ontario) Report under Section 72(3) of the Act or Section 7.5(1) of Rule 45-501 is amended by

(a) deleting item 8 and substituting for that item:

"8. Has the seller paid a participation fee for the current financial year in accordance with Rule 13-502?"; and

(b) deleting instruction 3 and substituting for that instruction:

"3. If the seller has not paid a participation fee for the current financial year, or if this form is filed late, a fee may be payable under Rule 13-502. Otherwise, no fee is payable to the Commission in connection with the filing of this form. Cheques must be made payable to the Ontario Securities Commission."

1.4 **Rule 45-502 Amendment** – Rule 45-502 Dividend or Interest Reinvestment and Stock Dividend Plans is amended by deleting Part 6, by renumbering Part 7 as Part 6, and by renumbering section 7.1 as section 6.1.

1.5 **Rule 45-503 Amendment** – Rule 45-503 Trades to Employees, Executives and Consultants is amended by deleting Part 11, by renumbering Part 12 as Part 11, and by renumbering section 12.1 as section 11.1.

1.6 **Companion Policy 91-504CP Amendment** – Companion Policy 91-504CP to Ontario Securities Commission Rule 91-504 Over-the-Counter Derivatives is amended by

(a) deleting subsection 6.4(2) and substituting for that subsection:

"(2) Any OTC derivative transaction effected in reliance upon a paragraph of section 72 of the Act enumerated in subsection 72(3) triggers the requirement of the filing of a Form 45-501F1 and payment of the requisite filing fee, if any, under Rule 13-502."; and

(b) deleting subsections 6.4(3) and 6.4(4).

Part 2 EFFECTIVE DATE

2.1 **Effective Date** – This amendment comes into force on the date that Ontario Securities Commission Rule 13-502 Fees comes into force.

5.1.2 OSC Rule 13-502 Fees

ONTARIO SECURITIES COMMISSION
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FEES

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ONTARIO SECURITIES COMMISSION
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PART 1 DEFINITIONS

1.1 Definitions

(1) In this Instrument,

"capitalization" means, for a reporting issuer, the capitalization determined in accordance with section 2.5, 2.6 or 2.7;

"capital markets activities" means

(a) activities for which registration under the Act or an exemption from registration is required, and

(b) investment fund management and administration;

"Class 1 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction and that has a class of equity securities listed and posted for trading, or quoted on, a marketplace in either or both of Canada or the United States of America;

"Class 2 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction other than a Class 1 reporting issuer;

"Class 3 reporting issuer" means a reporting issuer that is not incorporated and that does not exist under the laws of Canada or a jurisdiction;

"corporate debt" means debt issued in Canada by a company or corporation that has a remaining term to maturity of one year or more;

"education savings plan" means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards to further the beneficiaries' education;

"entity" means a company, syndicate, partnership, trust or unincorporated organization;

"equity security" has the meaning ascribed to that term in subsection 89(1) of the Act;

"IDA" means the Investment Dealers' Association of Canada;

"investment fund" means a mutual fund, a non-redeemable investment fund or a scholarship plan;

"investment fund family" means two or more investment funds that have

(a) the same manager, or

(b) managers that are affiliated entities of each other;

"investment fund manager" means the person or company that directs the business, operations and affairs of an investment fund;

"marketplace" has the meaning ascribed to that term in National Instrument 21-101 Market Operation;

"MFDA" means the Mutual Fund Dealers Association of Canada;

"Ontario percentage" means, for the financial year of a person or company

(a) that has a permanent establishment in Ontario, the percentage of the income of the person or company allocated to Ontario for the financial year in the corporate tax filings made for the person or company under the ITA, or

(b) that does not have a permanent establishment in Ontario, the percentage of the total revenues of the person or company attributable to capital markets activities in Ontario;

"registrant firm" means a person or company registered as one or both of a dealer or an adviser under the Act;

"scholarship plan" means an issuer of a document constituting, or representing an interest in, an education savings plan and that issues securities that are related to discrete pools of assets referable to more than one education savings plan;

"specified Ontario revenues" means, for a registrant firm or an unregistered investment fund manager, the revenues determined in accordance with section 3.4, 3.5 or 3.6;

"subsidiary entity" has the meaning ascribed to "subsidiary" under GAAP; and

"unregistered investment fund manager" means an investment fund manager that is not registered under the Act.

(2) In this Rule, the person or company of which another person or company is a subsidiary entity is considered to be a parent of the subsidiary entity.

PART 2 CORPORATE FINANCE PARTICIPATION FEES

2.1 Application - This Part does not apply to an investment fund other than an investment fund that does not have an investment fund manager.

2.2 Participation Fee

(1) A reporting issuer shall pay, for each of its financial years, the participation fee shown in Appendix A that applies to the reporting issuer according to the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of its previous financial year.

(2) Subsection (1) does not apply to a reporting issuer that is a subsidiary entity for a financial year of the subsidiary entity, if

(a) the parent of the subsidiary entity is a reporting issuer;

(b) the parent of the subsidiary entity has paid the participation fee required for itself by subsection (1) for the financial year; and

(c) the net assets and gross revenues of the subsidiary entity represent more than 90 percent of the net assets and gross revenues of the parent for the previous financial year of the parent of the subsidiary entity.

2.3 Time of Payment

(1) A reporting issuer shall pay the participation fee no later than the date on which its annual financial statements are required to be filed.

(2) If the financial statements of a Class 2 reporting issuer or a Class 3 reporting issuer that calculates its participation fee under paragraph 2.7(b) are not available by the date referred to in subsection (1), the Class 2 reporting issuer or Class 3 reporting issuer shall pay the participation fee for a financial year on the basis on a good faith estimate of its capitalization as at the end of that financial year.

(3) A Class 2 reporting issuer or Class 3 reporting issuer that paid a participation fee under subsection (2) shall, when it files its annual financial statements for the applicable financial year, calculate the participation fee on the basis of those financial statements, and

(a) pay any amount of the participation fee not paid under subsection (2); or

(b) be entitled to receive from the Commission a refund of any amount paid under subsection (2) in excess of the participation fee payable for that financial year.

2.4 Form Requirements

(1) A reporting issuer shall file a Form 13-502F1, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

(2) A Class 2 reporting issuer or Class 3 reporting issuer shall file a Form 13-502F2, completed in accordance with its terms, in connection with the adjustment of a payment made under subsection 2.3(2) in accordance with subsection 2.3(3).

2.5 Calculation of Capitalization for Class 1 Reporting Issuers - The capitalization of a Class 1 reporting issuer at the end of a financial year of the Class 1 reporting issuer is the aggregate of

(a) the market value of each class or series of equity securities of the reporting issuer outstanding on that date, calculated by multiplying

(i) the total number of securities of the class or series outstanding on that date; and

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on

(A) the marketplace in Canada on which the highest volume of the class or series of securities were traded in that financial year, or

(B) if none of the class or series of securities were traded on a marketplace in Canada, the marketplace in the United States of America on which the highest volume of the class or series of securities were traded in that financial year, and

(b) as determined by the reporting issuer, the market value, at the end of the financial year, of each class or series of corporate debt or preferred shares

(i) of the reporting issuer, and

(ii) a subsidiary entity of the reporting issuer that is exempt from the requirement to pay a participation fee under subsection 2.2(2).

2.6 Calculation of Capitalization for Class 2 Reporting Issuers - The capitalization of a Class 2 reporting issuer at the end of a financial year of the reporting issuer is the aggregate of each of the following items, as shown in its audited balance sheet as at the end of the financial year,

(a) retained earnings or deficit;

(b) contributed surplus;

(c) share capital or owners' equity, options, warrants and preferred shares;

(d) long term debt, including the current portion;

(e) capital leases, including the current portion;

(f) minority or non-controlling interest;

(g) items classified on the balance sheet between current liabilities and shareholders' equity, and not otherwise referred to in this subsection (1); and

(h) any other item forming part of shareholders' equity not otherwise referred to in this subsection (1).

2.7 Calculation of Capitalization for Class 3 Reporting Issuers - The capitalization of a Class 3 reporting issuer at the end of a financial year of the Class 3 reporting issuer is

(a) if the Class 3 reporting issuer has any debt or equity securities listed or traded on a marketplace located anywhere in the world, the aggregate of the value of each class or series of securities so listed or traded, calculated by multiplying

(i) the number of securities of the class or series outstanding on the date,

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on the marketplace on which the highest volume of the class or series of securities were traded in that financial year, and

(iii) the percentage of the class or series registered in the name of, or held beneficially by, an Ontario person; or

(b) if the Class 3 reporting issuer has no debt or equity securities listed or traded on a marketplace located anywhere in the world, calculated by multiplying

(i) the amount determined under section 2.6 for the Class 3 reporting issuer, as if its capitalization were determined under that section, and

(ii) the percentage of outstanding equity securities of the Class 3 reporting issuer registered in the name of, or held beneficially by, Ontario persons.

2.8 Participation Fee for a New Reporting Issuer

(1) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a prospectus that relates to a distribution of securities shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under subsection (2); and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(2) The capitalization of a reporting issuer referred to in subsection (1) for the purpose of calculating the participation fee shall be determined as provided under section 2.5, 2.6 or 2.7, adjusted by

(a) assuming the completion of all distributions contemplated by the prospectus as at the date of filing of the prospectus;

(b) for a Class 1 reporting issuer or a Class 3 reporting issuer, using the issue price of the securities being distributed under the prospectus, as disclosed in the prospectus, as the amount required to be calculated under subparagraph 2.5(a)(ii), paragraph 2.5(b) or paragraph 2.7(a)(ii); and

(c) for a Class 2 reporting issuer; basing its capitalization on the audited financial statements for the most recent financial year contained in the prospectus, adjusted as provided in paragraph (a).

(3) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a non-offering prospectus shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under section 2.6, based on the audited financial statements for the most recent financial year contained in the prospectus; and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(4) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer as the result of being deemed to be a reporting issuer by the Commission shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) for

(i) a Class 1 reporting issuer, the participation fee based on a capitalization determined under section 2.5,

(ii) a Class 2 reporting issuer, the participation fee based on a capitalization determined under section 2.6, and

(iii) a Class 3 reporting issuer, the participation fee based on a capitalization determined under section 2.7, and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(5) The section does not apply to a reporting issuer formed from a statutory amalgamation or arrangement, or a person or company continuing from a transaction to which clause 72(1)(i) of the Act applies.

2.9 Late Fee

(1) Subject to subsection (2), a reporting issuer that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A reporting issuer is not required to pay a fee under this section in excess of 25 percent of the participation fee otherwise payable under this Part.

2.10 Reliance on Published Information

(1) Subject to subsection (2), in determining its capitalization for purposes of this Part, a reporting issuer may rely upon information made available by a marketplace on which securities of the reporting issuer trade.

(2) Subsection (1) does not apply if the reporting issuer has knowledge both

(a) that the information made available by the marketplace is inaccurate; and

(b) of the correct information.

PART 3 CAPITAL MARKETS PARTICIPATION FEES

3.1 Participation Fee - A person or company that is a registrant firm shall pay, for each calendar year, and an unregistered investment fund manager shall pay, for each of its financial years, the participation fee shown in Appendix B that applies to the registrant firm or unregistered investment fund manager according to the specified Ontario revenues of the registrant firm or unregistered investment fund manager for its previous financial year earned from capital markets activities.

3.2 Time of Payment

(1) A registrant firm shall pay the participation fee referred in section 3.1 by December 31 of each year.

(2) An unregistered investment fund manager shall pay the participation fee referred in section 3.1 no later than 90 days after the end of each financial year of the unregistered investment fund manager.

3.3 Form Requirement

(1) A registrant firm shall file a Form 13-502F3, completed in accordance with its terms, by December 1 of each year.

(2) An unregistered fund manager shall file a Form 13-502F3, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

(3) If the annual financial statements of a registrant firm have not been completed by December 1 in a year, the registrant firm shall

(a) file the Form 13-502F3 due on that date on the basis of a good faith estimate of its specified Ontario revenues as at the end of its previous financial year, and

(b) pay its participation fee by December 31 based on the estimate of the Ontario specified revenues contained in the Form 13-502F3.

(4) A registrant firm that filed its Form 13-502F3 under subsection (3) shall, when its annual financial statements for the applicable financial year have been completed,

(a) file a revised Form 13-502F3 reflecting the annual financial statements;

(b) calculate the participation fee on the basis of those financial statements; and

(c) either

(i) pay any amount of the participation fee not paid under subsection (3), or

(ii) be entitled to receive from the Commission a refund of any amount paid under subsection (3) in excess of the participation fee payable.

(5) A registrant firm shall file a Form 13-502F4, completed in accordance with its terms, in connection with the adjustment in accordance with subsection 3.3(4).

3.4 Calculation of Specified Ontario Revenue for a Member of the IDA - The specified Ontario revenue for a financial year of a registrant firm that is a member of the IDA is calculated by multiplying

(a) the amount indicated by the registrant firm as the Total Revenue on the Summary statement of income contained in the Joint Regulatory Financial Questionnaire and Report of the IDA for the financial year; and

(b) the Ontario percentage of the member of the IDA for the financial year.

3.5 Calculation of Specified Ontario Revenues for a Member of the MFDA - The specified Ontario revenues for a financial year of a registrant firm that is a member of the MFDA is calculated by multiplying

(a) the amount indicated by the registrant firm as its Total Revenue on the Summary statement of the Financial Questionnaire and Report of the MFDA for the financial year; and

(b) the Ontario percentage of the member of the MFDA for the financial year.

3.6 Calculation of Specified Ontario Revenues for Others

(1) The specified Ontario revenues for a financial year of a registrant firm that is not a member of the IDA or the MFDA or of an unregistered investment fund manager is calculated by multiplying

(a) the gross revenues earned from capital markets activities of the registrant firm or unregistered investment fund manager contained in its audited financial statements for the financial year, less the reductions of that amount taken under subsections (2) and (3); and

(b) the Ontario percentage of the registrant firm or unregistered investment fund manager for the financial year.

(2) A person or company may reduce the amount referred to in subsection (1) by deducting the following items otherwise included in total revenue:

(a) redemption fees earned on the redemption of investment fund securities sold on a deferred sales charge basis; and

(b) administration fees relating to the recovery of costs from investment funds managed by the person or company for operating expenses paid on behalf of the investment fund by the person or company.

(3) A person or company may reduce the amount referred to in subsection (1) by deducting the following expenses incurred by the person or company in the applicable financial year:

(a) advisory or sub-advisory fees paid by the person or company to another registrant firm in Ontario; and

(b) trailing commissions paid by the person or company to another registrant firm in Ontario.

3.7 Late Fee

(1) Subject to subsection (2), a person or company that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A person or company is not required to pay a fee under subsection (1) in excess of 25 percent of the participation fee otherwise payable under this Part.

PART 4 ACTIVITY FEES

4.1 Activity Fees - A person or company that files a document or takes an action listed in Appendix C shall, concurrently with the filing of the document or taking of the action, pay the activity fee shown in Appendix C beside the description of the document or action.

4.2 Investment Fund Families - Despite section 4.1, only one activity fee need be paid for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund.

PART 5 CURRENCY CALCULATIONS

5.1 Currency Calculations - Any calculation of money required to be made under this Rule that results in a currency other than Canadian dollars shall be translated into a Canadian dollar amount at the daily noon exchange rate posted by the Bank of Canada website on the date for which the calculation is made.

PART 6 EXEMPTIONS

6.1 Exemptions - The Director may grant an exemption from the provisions of this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 EFFECTIVE DATE AND TRANSITIONAL

7.1 Effective Date - This Rule comes into force on March 31, 2003.

7.2 Transitional

(1) Each reporting issuer to whom Part 2 will apply shall pay an initial participation fee, no later than 90 days after this Rule came into force, for the remainder of its current financial year.

(2) The fee referred to in subsection (1) shall be calculated by multiplying

(a) the participation fee provided for under Appendix A applicable to the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of the previous financial year of the reporting issuer, and

(b) the number of entire months remaining in the current financial year of the reporting issuer after the date that this Rule comes into force, divided by 12.

(3) Each unregistered investment fund manager shall pay an initial participation fee, no later than 90 days after this Rule came into force, for the remainder of its current financial year.

(4) The fee referred to in subsection (3) shall be calculated by multiplying

(a) the participation fee provided for under Appendix B applicable to the specified Ontario revenues of the unregistered investment fund manager, as determined under section 3.6, as at the end of the previous financial year of the unregistered investment fund manager; and

(b) the number of entire months remaining in the current financial year of the unregistered investment fund manager after the date that this Rule came into force, divided by 12.

(5) An investment fund the securities of which are in continuous distribution shall pay any fees owing to the Commission based on the amount of securities distributed in Ontario up to the date that this Rule came into force, as determined under the fee requirements that existed before this Rule came into force, on the earlier of

(a) 90 days after this Rule came into force; and

(b) the time of filing of the pro forma prospectus of the investment fund after this Rule came into force.

APPENDIX A – CORPORATE FINANCE PARTICIPATION FEES

Capitalization	Participation Fee
$0 to under $25 million	$1,000
$25 million to under $50 million	$2,500
$50 million to under $100 million	$7,500
$100 million to under $250 million	$15,000
$250 million to under $500 million	$25,000
$500 million to under $1 billion	$35,000
$1 billion to under $5 billion	$50,000
$5 billion to under $10 billion	$65,000
$10 billion to under $25 billion	$75,000
Over $25 billion	$85,000

APPENDIX B – CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues	Participation Fee
$0 to under $500,000	$1,000
$500,000 to under $1 million	$5,000
$1 million to under $5 million	$10,000
$5 million to under $10 million	$25,000
$10 million to under $25 million	$50,000
$25 million to under $50 million	$75,000
$50 million to under $100 million	$150,000
$100 million to under $200 million	$250,000
$200 million to under $500 million	$500,000
$500 million to under $1 billion	$650,000
Over $1 billion	$850,000

APPENDIX C - ACTIVITY FEES

Document or Activity			Fee
A.	**Prospectus Filing**		
1)	Preliminary or Pro Forma Prospectus in Form 41-501F1, (including if PREP procedures are used)		
	a)	with Canadian gross proceeds of $5 million or less, or if no proceeds are disclosed	$1,000
	b)	with Canadian gross proceeds of more than $5 million to $20 million	$5,500
	c)	with Canadian gross proceeds of more than $20 million	$7,500
	d)	non-offering prospectus	$2,000
	Notes: *(i)* *(ii)* *(iii)* *(iv)*	*This applies to most issuers, including investment funds that prepare prospectuses in accordance with Form 41-501F1; investment funds that prepare prospectuses in accordance with Form 81-101F1, Form 15 or Form 45 will pay the fees shown in item 5 below.* *In calculating gross proceeds, include any "green shoe" options and underwriters' over-allotment options.* *These filing fees and calculation of gross proceeds are applicable to a preliminary prospectus in Form 41-501F1 filed in connection with special warrant offerings.* *Where a single prospectus document is filed on behalf of one or more investment funds or issuers, the applicable fee is payable for each investment fund or issuer.*	
2)	Additional fee for Preliminary or Pro Forma Prospectus in Form 41-501F1 of a resource issuer that is accompanied by engineering reports		$2,000
3)	Final Prospectus in Form 41-501F1 showing gross proceeds, or supplemented PREP prospectus showing gross proceeds, if the corresponding preliminary prospectus did not disclose gross proceeds, or pricing supplement to a PREP prospectus in Form 41-501F1, filed by any person or company, including an investment fund *Note:* *Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund*		The fee is the amount appropriate to the gross proceeds of the distribution stated in this column opposite item A.1(a), (b) or (c), less $1,000
4)	Preliminary Short Form Prospectus in Form 44-101F3 (including if shelf or PREP procedures are used) or a Registration Statement on Form F-9 or F-10 filed by an issuer that is incorporated or that exists under the laws of Canada or a jurisdiction in connection with a distribution solely in the United States under MJDS as described in 71-101CP.		$2,000
5)	Prospectus Filing by or on behalf of Certain Investment Funds		
	a)	Preliminary or Pro Forma Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2	$600
	b)	Preliminary or Pro Forma Prospectus in Form 15	$600
	c)	Preliminary or Pro Forma Prospectus in Form 45	$600
	d)	Final Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2, Final Prospectus in Form 15, and Final Prospectus in Form 45	None
	Note:	*Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.*	

	Document or Activity	Fee
B.	**Fees relating to Rule 45-501 Exempt Distributions**	
1.	Application for recognition, or renewal of recognition, as an accredited investor	$500
C.	**Filing of Rights Offering Circular in Form 45-101F**	$2,000
D.	**Filing of Prospecting Syndicate Agreement**	$500
E.	**Applications for Discretionary Relief**	
1)	Application under clause 72(1)(m), sections 74, 104, and 127, subsection 140(2), or section 147 of the Act (not including an application under section 3.1 of Rule 31-503 Limited Market Dealers)	$5,500 (plus $2,000 if the applicant does not pay a participation fee)
2)	Application for exemption from Multilateral Instrument 45-102, OSC Rule 45-501, OSC Rule 45-502, OSC Rule 45-503, National Instrument 51-101, OSC Rule 56-501, OSC Rule 61-501, National Instrument 62-101, National Instrument 62-103, or OSC Rule 62-501	$5,500 (plus $2,000 if the applicant does not pay a participation fee)
3)	Except as provided in items 1 and 2 above, application for discretionary relief from, or regulatory approval under, any other section of the Act, Regulation and any Rule of the Commission, excluding the following applications for which no fee is required: *Note: Where an application is made by or on behalf of one or more investment funds in an investment fund family, see section 4.2 of the Rule.*	$1,500 per section up to a maximum of $5,500 (plus $2,000 if the applicant does not pay a participation fee)
i)	application under subsection 38(3), subsection 72(8) or section 83 of the Act	
ii)	application under section 144 of the Act for an order revoking a cease-trade order to permit trades solely for the purpose of establishing a tax loss in accordance with OSC Policy 57-602	
(iii)	relief from section 213 of the *Loan and Trust Corporations Act* (Ontario)	
(iv)	application for waiver of the requirements of OSC Rule 51-501	
(v)	application where the discretionary relief or regulatory approval is evidenced by the issuance of a receipt for the applicant's final prospectus[1]	
F.	**Pre-Filings** *Note: The fee for a pre-filing shall be credited against the applicable fee payable if and when the formal filing is actually proceeded with; otherwise, the fee is non-refundable.*	the lower of $2,000 and the amount that would have been payable pursuant to this Appendix if the formal filing were made without the pre-filing
G.	**Take-Over Bid and Issuer Bid Documents**	
1)	Filing of a take-over bid or issuer bid circular under section 98 of the Act	$5,500 (plus $2,000 if the filer or an affiliate of the filer does not pay a participation fee)
2)	Filing of a notice of change or variation under subsection 98(2) or subsection 98(4) of the Act	$500

[1] For example, an application for relief from OSC Rule 41-501 or NI81-101.

	Document or Activity	Fee
H.	**Filing an initial annual information form under National Instrument 44-101**	$2,000
I.	**Registration-Related Activity**	
1.	New registration of a firm in any category of registration *Note: If a firm is registering as both a dealer and an adviser, it will be required to pay two activity fees.*	$800
2.	Change in registration category *Note: This would include a dealer becoming an adviser or vice versa, or changing a category of registration within the general categories of dealer or adviser. A dealer adding a category of registration, such as a dealer becoming both a dealer and an adviser, would be covered in the preceding section.*	$800
3.	Registration of a new director, officer or partner (trading and/or advising), salesperson or representative *Note: Registration of a new non-trading or non-advising director, officer or partner does not trigger an activity fee*. *Note: If an individual is registering as both a dealer and an adviser, they will be required to pay two activity fees*	$400 per person
4.	Change in status from a non-trading and/or non-advising capacity to a trading and/or advising capacity	$400 per person
5.	Registration of a new registrant firm, or the continuation of registration of an existing registrant firm, resulting from or following an amalgamation of registrant firms	$6,000
6.	Application for amending terms and conditions of registration	$1,500
J.	**Notice to Director under section 104 of the Regulation**	$1,500
K.	**Request for certified statement from the Commission or the Director under section 139 of the Act**	$500
L.	**Commission Requests**	
1)	Request for a photocopy of Commission records	$0.50 per page
2)	Request for a search of Commission records	$10
M.	**Late Filing**	
1)	Fee for late filing of any of the following documents:	
	a) Annual financial statements and interim financial statements b) Renewal annual information form filed in accordance with National Instrument 44-101 ("Renewal AIF") c) Annual information form, other than Renewal AIF, (d) Annual management report of fund performance and quarterly management report of fund performance (e) Management's discussion and analysis (f) Material change report (g) Report on Form 45-501F1 under subsection 72(3) (h) Report of distributions under OSC Rule 45-503 (i) Strip bond information statement under subsection 4.2(3) of OSC Rule 91-501 (j) Report on Form 38 under subsection 117(1) of the Act (k) any other notice, document, report or form required by Ontario securities law to be filed or submitted within a prescribed period	$100 per business day (Subject to a maximum of $5,000 for all documents within one financial year)

Document or Activity	Fee
2) Fee for late filing of insider report on Form 55-102F2	$50 per business day, per issuer (subject to a maximum of $1,000 per issuer within one financial year)

FEE RULE

FORM 13-502F1
ANNUAL PARTICIPATION FEE FOR REPORTING ISSUERS

Reporting Issuer Name: _____

Participation Fee for the Financial Year Ending: _____

Complete Only One of 1, 2 or 3:

1. Class 1 Reporting Issuers (Canadian Issuers – Listed in Canada and/or the U.S.)

Market value of equity securities:
Total number of equity securities of a class or series outstanding at the end of the issuer's most recent financial year _____
Simple average of the closing price of that class or series as of the last trading day of each of the months of the financial year (under paragraph 2.5(a)(ii)(A) or (B) of the Rule) X _____
Market value of class or series = _____ (A)

(Repeat the above calculation for each class or series of equity securities of the reporting issuer that are listed and posted for trading, or quoted on a marketplace in Canada or the United States of America at the end of the financial year) (A)

Market value of corporate debt or preferred shares of Reporting Issuer or Subsidiary Entity referred to in Paragraph 2.5(b)(ii): (B)
[Provide details of how determination was made.]

(Repeat for each class or series of corporate debt or preferred shares) (B)

Total Capitalization (add market value of all classes and series of equity securities and market value of debt and preferred shares) (A) + (B) = _____

Total fee payable in accordance with Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule) _____

Total Fee Payable x $\frac{\text{Number of months remaining in financial year}}{\text{year or elapsed since most recent financial year}}{12}$

Late Fee, if applicable _____
(please include the calculation pursuant to section 2.9 of the Rule)

2. Class 2 Reporting Issuers (Other Canadian Issuers)

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Total Capitalization _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

Total Fee Payable x $\frac{\text{Number of months remaining in financial year year or elapsed since most recent financial year}}{12}$ _____

Late Fee, if applicable (please include the calculation pursuant to section 2.9 of the Rule) _____

3. Class 3 Reporting Issuers (Foreign Issuers)

Market value of securities:
If the issuer has debt or equity securities listed or traded on a marketplace located anywhere in the world (see paragraph 2.7(a) of the Rule):
Total number of the equity or debt securities outstanding at the end of the reporting issuer's most recent financial year _____

Simple average of the published closing market price of that class or series of equity or debt securities as of the last trading day of each of the months of the financial year on the marketplace on which the highest volume of the class or series of securities were traded in that financial year. X _____

Percentage of the class registered in the name of, or held beneficially by, an Ontario person X _____

(Repeat the above calculation for each class or series of equity or debt securities of the reporting issuer) = _____

Capitalization (add market value of all classes and series of securities) _____

Or, if the issuer has no debt or equity securities listed or traded on a marketplace located anywhere in the world (see paragraph 2.7(b) of the Rule):

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Percentage of the outstanding equity securities registered in the name of, or held beneficially by, an Ontario person X _____

Capitalization _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

Total Fee Payable x $\frac{\text{Number of months remaining in financial year year or elapsed since most recent financial year}}{12}$ _____

Late Fee, if applicable
(please include the calculation pursuant to section 2.9 of the Rule) _____

Notes and Instructions

1. This participation fee is payable by reporting issuers other than investment funds that do not have an unregistered investment fund manager.

2. The capitalization of income trusts or investment funds that have no investment fund manager, which are listed or posting for trading, or quoted on, a marketplace in either or both of Canada or the U.S. should be determined with reference to the formula for Class 1 Reporting Issuers. The capitalization of any other investment fund that has no investment fund manager should be determined with reference to the formula for Class 2 Reporting Issuers.

3. All monetary figures should be expressed in Canadian dollars and rounded to the nearest thousand. Closing market prices for securities of Class 1 and Class 3 Reporting Issuers should be converted to Canadian dollars at the [daily noon] in effect at the end of the issuer's last financial year, if applicable.

4. A reporting issuer shall pay the appropriate participation fee no later than the date on which it is required to file its annual financial statements.

5. The number of listed securities and published market closing prices of such listed securities of a reporting issuer may be based upon the information made available by a marketplace upon which securities of the reporting issuer trade, unless the issuer has knowledge that such information is inaccurate and the issuer has knowledge of the correct information.

6. Where the securities of a class or series of a Class 1 Reporting Issuer have traded on more than one marketplace in Canada, the published closing market prices shall be those on the marketplace upon which the highest volume of the class or series of securities were traded in that financial year. If none of the class or series of securities were traded on a marketplace in Canada, reference should be made to the marketplace in the United States on which the highest volume of that class or series were traded.

7. Where the securities of a class or series of securities of a Class 3 Reporting Issuer are listed on more than one exchange, the published closing market prices shall be those on the marketplace on which the highest volume of the class or series of securities were traded in the relevant financial year.

FEES RULE
FORM 13-502F2

ADJUSTMENT OF FEE PAYMENT
UNDER SUBSECTION 2.4(2) OF RULE 13-502

Reporting Issuer Name: _____

Participation Fee for the Financial Year Ending: _____

8. State the amount paid under subsection 2.3(3) of Rule 13-502: _____
9. Show calculation of actual capitalization based on audited financial statements:

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Total Capitalization _____

Total Fee payable: _____
10. Difference between 1 and 2: _____
11. Indicate refund due (balance owing): _____

FEES RULE
FORM 13-502 F3

PARTICIPATION FEE CALCULATION
FOR REGISTRANT FIRMS
AND UNREGISTERED FUND MANAGERS

Notes and Instructions

1. Registrant firms are required to complete each Part that applies to their particular category of registration. Firms may have multiple registration categories and will be required to complete each relevant part as outlined below:

   Part I - Investment Dealers Association of Canada members
   Part II - Mutual Fund Dealers Association of Canada members
   Part III – Advisers,[1] other Dealers[2] and unregistered Investment Fund Managers

2. The components of revenue reported in each Part should be based on the same principles as the comparative statement of income which is prepared in accordance with generally accepted accounting principles ("GAAP"), or such equivalent principles applicable to the audited financial statements of international dealers and advisers and foreign investment fund managers, except that revenues should be reported on an unconsolidated basis. It is recognized that the components of the revenue classification may vary between firms. However, it is important that each firm be consistent between periods.

3. Each Part should be read in conjunction with the related notes and instructions of that section where applicable.

4. Members of the Investment Dealers Association of Canada may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

5. Members of the Mutual Fund Dealers Association of Canada may refer to Statement D of the MFDA Financial Questionnaire and Report for guidance.

6. Comparative figures are required for the registrant firms' and unregistered investment fund managers' year end date.

7. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario. The percentage attributable to Ontario for the reported year end should be the provincial allocation rate used in the corporate tax return for the same fiscal period. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from capital markets activities in Ontario. Refer to Part IV.

8. All figures should be expressed in Canadian dollars and rounded to the nearest thousand.

9. Information reported on this questionnaire must be certified by two members of senior management in Part V to attest to its completeness and accuracy.

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[1] Includes all adviser categories as per section 99 of the Regulations in the *Securities Act* (Ontario) such as financial advisers, investment counsel, portfolio managers and securities advisers. This category also includes non- resident advisers and international advisers.

[2] Includes all dealer categories as per section 98 of the Regulations in the *Securities Act* (Ontario) except MFDA members which are treated separately in Part II.

Revenue for Participation Fee

Firm Name: _____

Participation Fee for the Calendar Year: _____

Part I – Investment Dealers Association of Canada Members

	Current Year $	Prior Year $
REVENUE SUBJECT TO PARTICIPATION FEE		
1. Line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report		

Part II – Mutual Fund Dealers

REVENUE SUBJECT TO PARTICIPATION FEE		
1. Line 12 of Statement D of the MFDA Financial Questionnaire and Report		

Part III – Advisers, Other Dealers, and Unregistered Investment Fund Managers

1. Gross Revenue as per the audited financial statements (note 1)		
Less the following items:		
2. Redemption Fees (note 2)		
3. Administration Fees (note 3)		
4. Advisory or Sub-Advisory fees paid to other Ontario registrant firms (note 4)		
5. Trailer fees paid to other Ontario registrant firms (note 5)		
6. Line 12 of Statement D (reported above if dually registered) (note 6)		
7. Total Deductions – sum of lines 2 to 6		
8. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 7)		

[See Notes and Instructions for Part III]

Notes and Instructions - Part III

1. Gross Revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements prepared in accordance with GAAP, or such equivalent principles applicable to the audited financial statements of international dealers and advisers and foreign investment fund managers, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation.

2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.

3. Administration fees permitted as a deduction from line 1 are limited solely to those that represent the recovery of costs from the mutual funds for operating expenses paid on their behalf by the registrant firm or unregistered investment fund manager. Operating expenses include legal, audit, trustee, custodial and safekeeping fees, registrar and transfer agent charges, taxes, rent, advertising, unitholder services and financial reporting costs.

4. Where the advisory services of **another Ontario registrant firm** are used by the registrant firm to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line.

5. Trailer fees paid to **other Ontario registrant firms** are permitted as a deduction on this line.

6. To the extent that a registrant firm is also registered under the category of a mutual fund dealer defined in subsection 98(7) of the Regulations in the *Securities Act* (Ontario) and to the extent that revenues attributable to this category of registration were already reported in Part II, this amount may be deducted from total revenue on this line.

Part IV – Calculation of Revenue Attributable to Ontario

Firm Name: _____

Participation Fee for the Financial Year Ending: _____

Gross Revenue subject to Participation Fee:	$
Line 1 from Part I	_____
Line 1 from Part II	_____
Line 8 from Part III	_____
Total	_____
Percentage attributable to Ontario (based on most recent tax return)	_____ %
Specified Revenue attributed to Ontario	_____
Total Fee payable (refer to Appendix B of the Rule)	_____

Part V - Management Certification

Registrant Firm Name: _____

We have examined the attached statements and certify that, to the best of our knowledge, they present fairly the revenues of the firm for the period ended _____ and are prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

Name and Title	Signature	Date
1. _____	_____	_____
_____		
2. _____	_____	_____
_____		

FEES RULE
FORM 13-502F4

ADJUSTMENT OF FILING OR FEE PAYMENT
UNDER SUBSECTION 3.3(4) OF RULE 13-502

Registrant Firm Name: _____

Participation Fee for the Calendar Year: _____

1. State the amount of the participation fee estimated under the filing of Form 13-502F3 previously made:_____
2. Show the amount of the participation fee based on the audited financial statements for the last completed financial year: _____
3. **[Include revised and completed Form 13-502F3.]**
4. Difference between 1 and 2: _____
5. Indicate refund due (balance owing): _____

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

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ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

PART 1 PURPOSE OF COMPANION POLICY

1.1 Purpose of Companion Policy - The purpose of this Companion Policy is to state the views of the Commission on various matters relating to Rule 13-502 Fees (the "Rule"), including

(a) an explanation of the overall approach of the Rule;

(b) explanation and discussion of various parts of the Rule; and

(c) examples of some matters described in the Rule.

PART 2 PURPOSE AND GENERAL APPROACH OF THE RULE

2.1 Purpose and General Approach of the Rule

(1) The general approach of the Rule is to establish a fee regime that accomplishes three primary purposes – to reduce the overall fees charged to market participants from what existed previously in Ontario, to create a clear and streamlined fee structure and to adopt fees that accurately reflect the Commission's costs of providing services.

(2) The fee regime implemented by the Rule is based on the concept of "participation fees" and "activity fees".

2.2 Participation Fees

(1) Participation fees generally are designed to represent the benefit derived by market participants from participating in Ontario's capital markets. Reporting issuers, registrant firms and unregistered investment fund managers are required to pay participation fees annually. The participation fee is based on a measure of the market participant's size, which is intended to serve as a proxy for the market participant's use of the Ontario capital markets. The amounts of the participation fees have been based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities. Participation fees replace most of the continuous disclosure filing fees and other activity fees formerly charged to market participants under the previous fees regime.

(2) The Rule provides for

(a) corporate finance participation fees, which are applicable to reporting issuers other than most investment funds; and

(b) capital markets participation fees, which are applicable to registrant firms and unregistered investment fund managers.

2.3 Activity Fees - Activity fees are designed to represent the direct cost of Commission staff resources expended in undertaking certain activities requested of staff by market participants, for example in connection with the review of prospectuses, applications for discretionary relief or the processing of registration documents. Market participants are charged activity fees only for activities undertaken by staff at the request of the market participant. Activity fees are charged for a limited number of activities only and are flat rate fees based on the average cost to the Commission of providing the service.

2.4 No Refunds

(1) Generally speaking, a person or company that pays a fee under the Rule is not entitled to a refund of that fee. For example, there is no refund available for an activity fee paid in connection with an action that is subsequently abandoned by the payor of the fee. Also, there is no refund available for a participation fee paid by a reporting issuer, registrant firm or unregistered investment fund manager that loses that status later in the financial year for which the fee was paid.

(2) An exception to the principle discussed in subsection (1) is provided for in subsection 2.3(3) of the Rule. This provision allows for the adjustment of a participation fee paid by a Class 2 or some Class 3 reporting issuers

based on a good faith estimate of its capitalization as at the end of a financial year if its financial statements are not available.

(3) The Commission will also consider requests for adjustments to fees paid in the case of incorrect calculations made by fee payors.

2.5 Indirect Avoidance of Rule -The Commission may examine arrangements or structures implemented by market participants and their affiliates that raise the suspicion of being structured for the purpose of reducing the fees payable under the Rule. In particular, the Commission will be interested in circumstances in which revenues from registrable activities carried on by a corporate group are not treated as revenues of a registrant firm, thereby possibly artificially reducing the specified Ontario revenue calculations used in determining fees payable under the Rule.

PART 3 CORPORATE FINANCE PARTICIPATION FEES

3.1 Application to Investment Funds - Section 2.1 of the Rule excludes investment funds from the application of Part 2 of the Rule, except if they do not have an investment fund manager. An investment fund that has an investment fund manager does not have to pay corporate finance participation fees because its manager will be paying the capital markets participation fees in respect of revenues generated from managing the investment fund. However, if the investment fund does not have an investment fund manager, the fund is made subject to the corporate finance participation fees to ensure that it does not have an unfair advantage over other reporting issuers that are required to pay such fees.

3.2 Fees Payable in Advance

(1) Section 2.2 of the Rule prescribes the annual payment of a participation fee by each reporting issuer other than those that are exempt from this fee under section 2.1 of the Rule. Subsection 2.2(1) of the Rule requires the payment of a fee, for each of its financial years, to be based on the capitalization of the reporting issuer as at the end of its previous financial year. Subsection 2.3(1) of the Rule requires the payment of this participation fee to be no later than the date on which the reporting issuer's annual financial statements are required to be filed.

(2) The Commission notes that the effect of sections 2.2 and 2.3 of the Rule is that a participation fee is payable in advance by a reporting issuer for its current financial year, even though the fee is based on the capitalization of the reporting issuer at the end of its previous financial year.

(3) Section 2.8 of the Rule pertains to the payment of a participation fee for a new reporting issuer. This section is consistent with the principle that a participation fee is payable in advance. A new reporting issuer is required to pay a participation fee when it becomes a reporting issuer for the remainder of its current financial year; the reporting issuer is required to calculate an annual participation fee in accordance with the requirements of section 2.8 of the Rule, and pay a proportionate amount based on the number of months left in the financial year.

(4) A person or company that ceases to be a reporting issuer in a financial year is not entitled to any refund of the participation fee payable for that financial year, as discussed in subsection 2.4(1) of this Policy.

3.3 Determination of Corporate Debt Market Value

(1) Section 2.5 of the Rule requires the calculation of the capitalization of a Class 1 reporting issuer to include the market value, at the end of the financial year for which a participation fee is being calculated, of each class or series or corporate debt or preferred shares of the reporting issuer or, if applicable, a subsidiary entity of the reporting issuer. It is noted that the requirement that corporate debt or preferred shares be valued in accordance with market value excludes from the calculation corporate debt or preferred shares that are not traded in a market and that therefore do not have a market. For instance, corporate debt of an issuer to its bankers generally would have no market value and would not be included in these calculations.

(2) The Commission recognizes that the determination of the market value of corporate debt or preferred shares is a more difficult task than the determination of the market value of equity securities, which are usually listed and for which trading prices are generally readily available. Therefore, the Commission wishes to allow reporting issuers to use the best available source for pricing its corporate debt and preferred shares. The Commission notes that, at the time of this Policy, the best available source may be one or more of

(a) pricing services;

(b) quotations from one or more dealers; or

(c) transaction prices on recent transactions.

3.4 Class 3 Reporting Issuers - Paragraph 2.7(b) of the Rule requires that the participation fee for a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world be determined by reference to the percentage of outstanding equity securities of any class of the Class 3 reporting issuer registered in the name of, or held beneficially by, Ontario persons. It is noted that this calculation would be made on the basis of the aggregate numbers of all outstanding equity securities of all classes of equity securities of the Class 3 reporting issuer.

3.5 "Green Shoes" and Over-Allotment Options - Paragraph 2.8(2)(b) of the Rule requires that the participation fee for Class 1 and Class 3 reporting issuers be based on the issue price of the securities being distributed under a prospectus. The Commission notes that this calculation should assume the issue of any securities under "green shoes" or over-allotment options.

PART 4 CAPITAL MARKET PARTICIPATION FEES

4.1 Fees Payable in Advance

(1) As with corporate finance participation fees, capital market participation fees are paid in advance by a registrant firm or an unregistered investment fund manager. The discussion contained in section 3.2 of this Policy is relevant to capital market participation fees as well as corporate finance participation fees.

(2) Subsections 3.2(1) and 3.3(1) of the Rule require each registrant firm to file its Form 13-502F3 respecting its participation fee by December 1, and to pay its participation fee by December 31, in each year. The fixing of one date for each of the filing and fee payment by a registrant firm is consistent with the National Registration Database ("NRD") system to be implemented by the Canadian securities regulatory authorities; the NRD system contemplates a common renewal date for all registrants of December 31 in each year. This participation fee is paid for the next calendar year, based on the specified Ontario revenues for its previous financial year, even if the financial year of the registrant firm ends on December 31. Therefore, a registrant firm with a financial year end of December 31 will, by December 1, 2002, file its Form 13-502F3, and pay its participation fee by December 31, 2002, in order to pay its participation fee for the 2003 calendar year. Even though that filing and payment will satisfy the registrant firm's obligations contained in Part 3 of the Rule for the 2003 calendar year, the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended December 31, 2002.

(3) A registrant firm with a financial year end of June 30, will, for instance, file a Form 13-502F3 by December 1, 2002 and pay its participation fee by December 31, 2002. That filing and payment will satisfy the registrant firm's obligations contained in Part 3 of the Rule for the 2003 calendar year, but the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended June 30, 2002.

(4) An unregistered investment fund manager must file its Form 13-502F3 and pay its participation fee within 90 days after the end of each of its financial years. The participation fee for an unregistered fund manager is for its current financial year, rather than for a calendar year, and is calculated on the basis of the audited financial statements of the unregistered investment fund manager for its previous financial year. Therefore, an unregistered investment fund manager having a financial year end of June 30, will in 2003 file its Form 13-502F3 and pay its participation fee by September 29, 2003. That payment will satisfy the unregistered investment fund manager's obligations contained in Part 3 of the Rule for its financial year of July 1, 2003 to June 30, 2004, but the calculation of the participation fee will be based on the specified Ontario revenues of the unregistered investment fund manager firm for the financial year ended June 30, 2003.

4.2 Late Fees - Section 3.7 of the Rule prescribes the payment of additional fees in case of overdue payment of fees. The Commission notes that it will, in appropriate circumstances, consider tardiness in the payment of fees as a matter going to the fitness for registration of a registrant firm in considering the registration status of that registrant firm. The Commission may also consider other appropriate measures in the case of late payment of fees by an unregistered investment fund manager, such as prohibiting the delinquent unregistered investment fund manager from continuing to manage any investment fund or cease trading the investment funds managed by that manager.

4.3 Form of Payment of Fees - Unregistered fund managers will not be participants in the NRD, so it will be necessary for them to make filings and pay fees under Part 3 of the Rule by paper copy. The filings and payment should be sent to the Ontario Securities Commission, Investment Funds.

4.4 **"Capital Market Activities" -** A number of the capital market participation fees involve consideration of the capital market activities undertaken by a person or company. The term "capital market activities" is defined in Section 1.1 of the Rule to include "activities for which registration under the Act or an exemption from registration is required". The Commission is of the view that these activities would include, without limitation, trading in securities, providing securities-related advice and portfolio management services. The Commission notes that corporate advisory services may not require registration or an exemption from registration and would therefore, in those contexts, not be capital markets activities.

4.5 **Owners' Equity -** A Class 2 reporting issuer and a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world, calculate its capitalization on the basis of certain items reflected in its audited balance sheet. One such item is "share capital or owners' equity". The Commission notes that "owners' equity" is designed to describe the equivalent of share capital for non-corporate issuers, such as partnerships or trusts.

PART 5 ACTIVITY FEES

5.1 Late Filing Fee

(1) Item M.1 of Appendix C of the Rule lists the documents the late filing of which will be subject to a fee of $100 per business day, up to a maximum of $5,000 for all documents within one financial year. The last item in the list refers to "any other notice, document, report or form required by Ontario securities law to be filed or submitted within a prescribed period".

(2) It is noted that the phrase "Ontario securities law" includes "a decision of the Commission or a Director to which [a] person or company is subject". Some orders or decisions of the Commission or a Director have granted exemptions to investment funds from certain conflict-of-interest provisions of the Act or National Instrument 81-102, on the condition that reports of certain transactions are filed on SEDAR within a prescribed period. The purpose of this condition would ensure transparency in such transactions. Market participants are reminded that the fee for late filing contained in the Rule would be applicable to those filings, as well as to filings required under the Act, the Regulation or the Rules.

5.2 Permitted Deductions

(1) For the purpose of calculating specified Ontario revenues that would be the basis for determining the participation fee payable by a registrant firm that is not a member of the IDA or MFDA or an unregistered investment fund manager, subsections 3.6(2) and (3) permit certain deductions to be made. These deductions are intended to prevent "double counting" of revenues that would otherwise occur in the absence of the deductions.

(2) It is noted that the permitted deduction of administration fees is limited solely to those that represent the recovery of costs from investment funds for operating expenses paid on their behalf's by the registrant firm or unregistered investment fund manager. No registrant firm or unregistered investment fund manager may make a deduction for more than the amount of administration fees it has paid on behalf of an investment fund managed by the registrant firm or unregistered investment fund manager.

5.3 **Investment Funds** - Section 4.2 of the Rule provides for the payment of only one fee for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund. It is contemplated that discretionary relief required by investment funds in an investment fund family in circumstances that are the same for all of them can be sought by way of a single application.

5.4 **Calculation Examples** - Appendices A through E contain some examples of how fees would be calculated under the Rule.

Appendix A
Reporting Issuer

Assume that:

- a reporting issuer is an Ontario corporation that was not previously a reporting issuer in Ontario
- the issuer's financial year-end is December 31
- the issuer obtains a receipt for the prospectus in connection with its initial public offering on August 17
- the issuer's capitalization on August 17, as determined in accordance with section 2.6 of the Rule, is $22 million, before taking into account the proceeds of an IPO
- the issuer becomes listed on the Toronto Stock Exchange in November, and its capitalization as of December 31 as determined in accordance with section 2.5 of the Rule is $55 million

Item	Participation Fee	Activity Fee
files an application pursuant to section 74 of the Act for relief from sections 25 and 53 of the Act prior to becoming a reporting issuer		$7,500[1] ($5,500 plus $2,000 because issuer does not pay a participation fee)
files a preliminary prospectus in connection with initial public offering, where the preliminary prospectus shows gross proceeds of $4 million		$1,000[2]
files a final prospectus		nil
becomes a reporting issuer under the Act upon the issuance of a receipt for a prospectus on August 17	$833.33[3] ($2,500 times 4 full remaining months divided by 12)	
files a material change report within prescribed period		nil
files application pursuant to section 38(3) of the Act		nil
files application for relief pursuant to clause 80(b)(iii) of the Act		$1,500
files application for relief pursuant to sections 104 and 121 of the Act		$5,500
files AIF pursuant to Rule 51-501		nil
files annual proxy materials		nil
timing - files annual financial statements on May 20 (within prescribed period)		nil
files a Notice of Intention to Make an Issuer Bid		nil
files a Form 42 Report of Issuer Bid		nil
files insider trading report within prescribed period		nil
files preliminary prospectus that does not disclose gross proceeds		$1,000[4]
files final prospectus with gross proceeds of $75 million		$6,500[5] ($7,500 less $1,000)
files initial AIF under National Instrument 44-101		$2,000[6]
files preliminary short form prospectus		$2,000
files short form prospectus		nil
files material change report 5 days late		$500[7]

1 See item E.1 of Appendix C of the Rule.

2 See item A.1(a) of Appendix C of the Rule.

3 See subsection 2.8(1) and Appendix A of the Rule.

4 See item A.1(a) of Appendix C of the Rule.

5 See item A.1(c) of Appendix C of the Rule.

6 See item H of Appendix C of the Rule.

7 See item M.1 of Appendix C of the Rule.

Appendix B
Dealer – Member of the Investment Dealers Association of Canada

Assume that:

- Financial year-end is December 31st
- Firm had specified Ontario revenues of $150 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F1 stating specified Ontario revenues of $150 million	$250,000[8]	
files annual financial statements		nil
1 renewal of registration		nil
3 appointments of new trading officers/directors		$400 x 3 = $1,200[9]
24 appointments of salespersons		$400 x 24 = $9,600[10]
28 new branches		Nil
4 branch closures		Nil
12 terminations of salespersons		Nil
1 termination of officer		Nil
2 requests for change in the status of officers from non-trading to trading		$400 x 2 = $800[11]

8 See Appendix B of the Rule.

9 See item I.3 of Appendix C of the Rule.

10 See item I.3 of Appendix C of the Rule.

11 See item I.4 of Appendix C of the Rule.

Appendix C
Mutual Fund Dealer ("MFD")

Assume that:

- MFD's financial year-end is March 31st
- MFD had specified Ontario revenues of $35 million as at March 31, 2001
- MFD currently has 12 sales representatives and 2 branch offices
- audited financial statements have to be filed
- MFD is applying for discretionary relief from a registration requirement in the Act

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $35 million	$75,000[12]	
files for discretionary relief of one requirement under the Act		$1,500[13]
files annual financial statements		Nil
1 renewal of registration		Nil
2 appointments of new officers/directors		$400 x 2 = $800[14]
8 appointments of new salespersons		$400 x 8 = $3,200[12]
3 new branches		Nil
change in business name		Nil
2 terminations of sales representatives		Nil
1 termination of officer		Nil
2 requests for change in the status of officers		$400 x 2 = $800[15]

12 See Appendix B of the Rule.

13 See item E.3 of Appendix C of the Rule.

14 See item I.3 of Appendix C of the Rule.

15 See item I.4 of Appendix C of the Rule.

Appendix D
Investment Counsel/Portfolio Manager ("ICPM")

Assume that:

- ICPM's financial year-end is December 31st
- ICPM had specified Ontario revenues of $600 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $600 million	$650,000[16]	
files annual financial statements		Nil
1 renewal of registration		Nil
5 appointments of new advising officers		$400 x 5 = $2,000[17]
1 appointments of new non-advising officer		Nil
1 application for exemption from Rule 31-502 requirements		$1,500[18]

16 See Appendix B of the Rule.

17 See item I.3 of Appendix C of the Rule.

18 See item E.3 of Appendix C of the Rule.

Appendix E
Unregistered Investment Fund Manager ("UIFM")

Assume that:

- UIFM's financial year-end is December 31st
- UIFM had specified Ontario revenues of $375 million as at December 31, 2001
- UIFM currently manages 40 investment funds, 38 (IF1-IF38) of which are in continuous distribution and subject to NI81-101, while 2 (IF39 and IF40) are listed and traded on the Toronto Stock Exchange
- UIFM is establishing 5 new investment funds (IF41-IF45) that are all going to be in continuous distribution and are subject to NI81-101
- IF41 and IF42 need exemption from one section of the Act
- IF43, IF44 and IF45 need exemptions from four sections of NI81-102
- UIFM is establishing one new investment fund (IF46) that will do a one-time offering and whose securities will be listed and traded on the Toronto Stock Exchange
- IF46 needs exemptions from six sections of NI81-102
- audited financial statements for IF1-IF40 have to be filed
- material changes occurred for IF39 and IF40
- current SP and AIF of IF1-IF38 have to be renewed

Item	Participation Fee	Activity Fee
Files Form 13-502F2 stating specified Ontario revenues of $375 million	$500,000[19]	
Files 1 application on behalf of IF41 and IF 42 for relief from one section of the Act		$1,500[20]
Files 1 application on behalf of IF43, IF44 and IF45 for relief from four sections of NI81-102		$5,500[21]
Files preliminary SP and AIF for IF41-IF45 in a single document		$600 x 5=$3,000[22]
Files annual financial statements for IF1-IF40 within prescribed period		Nil
Files application on behalf of IF46 for relief from six sections of NI81-102		$5,500
Files preliminary prospectus in Form 41-501F1 for IF46, with gross proceeds bulleted		$1,000[23]
Files pro forma SP and AIF for IF1-IF38 in a single document		$600 x 38=$22,800[24]
Files final SP and AIF for IF41-IF45 in a single document		Nil[25]
Files amendment to SP and AIF for IF1-IF20 in a single document		Nil
Files final prospectus in Form 41-501F1 for IF46, with gross proceeds of $75 million		$7,500-$1,000=$6,500[26]
Files material change report for IF39-IF40		Nil
Files final SP and AIF for IF1-IF38 in a single document		Nil

19 See Section 3.1 and Appendix B of the Rule.

20 See item E.3 of Appendix C and section 4.2 of the Rule of the Rule.

21 See item E.3 of Appendix C and section 4.2 of the Rule.

22 See item A.5(a) of Appendix C of the Rule.

23 See item A.1(a) of Appendix C of the Rule.

24 See item A.5(a) of Appendix C of the Rule.

25 See item A.5(d) of Appendix C of the Rule.

26 See item A.3(a), in conjunction with item A.1(c), of Appendix C of the Rule.

5.1.3 Multilateral Instrument 31-102, National Registration Database

MULTILATERAL INSTRUMENT 31-102

NATIONAL REGISTRATION DATABASE

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MULTILATERAL INSTRUMENT 31-102
NATIONAL REGISTRATION DATABASE

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this Instrument

"authorized firm representative" or "AFR" means, for a firm filer, an individual with his or her own NRD user ID and who is authorized by the firm filer to submit information in NRD format for that firm filer and individual filers with respect to whom the firm filer is the sponsoring firm;

"chief AFR" means, for a firm filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the firm filer;

"firm filer" means a person or company that is required under securities legislation to make an NRD submission in accordance with this Instrument and that is registered as, or has applied for registration as, a dealer, adviser, or underwriter;

"individual filer" means an individual that is required under securities legislation to make an NRD submission in accordance with this Instrument;

"MI 33-109" means Multilateral Instrument 33-109 Registration Information;

"National Registration Database" or "NRD" means the online electronic database of registration information regarding NRD filers and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means;

"NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit;

"NRD administrator" means CDS INC. or a successor appointed by the securities regulatory authority to operate NRD;

"NRD filer" means an individual filer or a firm filer;

"NRD format" means the electronic format for submitting information through the NRD website;

"NRD number" means the unique number first generated by NRD to identify an NRD filer, a non-registered individual, or a business location;

"NRD submission" means information that is submitted under securities legislation or securities directions in NRD format, or the act of submitting information under securities legislation or securities directions in NRD format, as the context requires;

"NRD website" means the website operated by the NRD administrator for the NRD submissions;

1.2 Interpretation - Terms defined in MI 33-109 and used in this Instrument have the respective meanings ascribed to those terms in MI 33-109.

PART 2 INFORMATION TO BE SUBMITTED IN NRD FORMAT

2.1 Registration Information - A person or company that is required to submit any of the following to the securities regulatory authority or regulator must make the submission in NRD format:

1. Form 33-109F1;
2. Form 33-109F2;
3. Form 33-109F3;
4. Form 33-109F4 or a change to any information previously submitted in respect of Form 33-109F4.

PART 3 MAKING NRD SUBMISSIONS

3.1 NRD Submissions

(1) An NRD filer that is required under securities legislation to submit information in NRD format must make that NRD submission

(a) through the NRD website,

(b) using the NRD number of the NRD filer, non-registered individual, or business location, and

(c) in accordance with this Instrument.

(2) A requirement in securities legislation relating to the format in which a document or other information to be submitted must be printed, or specifying the number of copies of a document that must be submitted, does not apply to an NRD submission required to be made in accordance with this Instrument.

(3) An NRD filer making an NRD submission must make the NRD submission through an AFR.

3.2 Ongoing Firm Filer Requirements – A firm filer must

(a) be enrolled with the NRD administrator to use NRD;

(b) have one and no more than one chief AFR enrolled with the NRD administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD administrator of the appointment of a chief AFR within 5 business days of the appointment;

(e) notify the NRD administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.

PART 4 PAYMENT OF FEES THROUGH NRD

4.1 Payment of Submission Fees

(1) If a fee is required with respect to an NRD submission, a firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.2 Payment of Annual Registration Fees

(1) If a firm filer is required to pay an annual registration fee, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.3 Payment of NRD User Fees - Annual

(1) If a firm filer is required to pay an annual NRD user fee, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

PART 5 TEMPORARY HARDSHIP EXEMPTION

5.1 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent an NRD filer from making a submission in NRD format within the time required under securities legislation, the NRD filer is exempt from the requirement to make the submission within the required time period, if the NRD filer makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.

(2) Form 33-109F5 is the paper format for submitting a notice of a change to Form 33-109F4 information.

(3) If unanticipated technical difficulties prevent an individual filer from submitting an application in NRD format, the individual filer may submit the application in paper format.

(4) If an NRD filer makes a paper format submission under this section, the NRD filer must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH SECTION 5.1 OF MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(5) If an NRD filer makes a paper format submission under this section, the NRD filer must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

PART 6 EXEMPTION

6.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

PART 7 TRANSITION

7.1 Definitions - In this Part

"NRD access date" means, for an NRD firm filer, the date the NRD firm filer receives notice that it has access to NRD to make NRD submissions; and

"transition firm" means every dealer, adviser and underwriter that

(a) is a registered firm on February 3, 2003, or

(b) is not a registered firm on February 3, 2003 and has applied for registration before March 31, 2003.

7.2 NRD Enrolment For Transition Firms - A transition firm must enroll to use NRD by the later of

(a) February 7, 2003, and

(b) the date that the firm has applied for registration.

7.3 NRD Submissions before NRD Access Date - Despite any requirement in this Instrument to submit information in NRD format, a transition firm may submit information in paper format before the NRD access date.

7.4 Accuracy of Business Location Information - If the information recorded on NRD for a business location of a transition firm is missing or inaccurate on the NRD access date, the transition firm must submit a completed Form 33-109F3 in NRD format in respect of that business location within 30 business days of the NRD access date.

7.5 Individuals Included in the Data Transfer

(1) Except as provided in subsection (2), in respect of individuals who were recorded on NRD as registered or non-registered individuals of a transition firm on the NRD access date, the transition firm must submit completed Forms 33-109F4 in NRD format for

(a) 5 percent of those individuals by the end of April 2004,

(b) 10 percent of those individuals by the end of May 2004,

(c) 15 percent of those individuals by the end of June 2004,

(d) 20 percent of those individuals by the end of July 2004,

(e) 25 percent of those individuals by the end of August 2004,

(f) 30 percent of those individuals by the end of September 2004,

(g) 35 percent of those individuals by the end of October 2004,

(h) 40 percent of those individuals by the end of November 2004,

(i) 45 percent of those individuals by the end of December 2004,

(j) 50 percent of those individuals by the end of March 2005,

(k) 55 percent of those individuals by the end of April 2005,

(l) 60 percent of those individuals by the end of May 2005,

(m) 65 percent of those individuals by the end of June 2005,

(n) 70 percent of those individuals by the end of July 2005,

(o) 75 percent of those individuals by the end of August 2005,

(p) 80 percent of those individuals by the end of September 2005,

(q) 85 percent of those individuals by the end of October 2005,

(r) 90 percent of those individuals by the end of November 2005,

(s) 95 percent of those individuals by the end of December 2005, and

(t) all of those individuals by the end of March 2006.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-109F4 in respect of an individual if another firm has submitted a completed Form 33-109F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-109F4 in respect of an individual must submit the individual's employment location information in NRD format by the end of March 2006.

7.6 Individuals not Included in the Data Transfer

(1) Except as provided in subsection (2), a transition firm must submit a completed Form 33-109F4 in NRD format within 30 business days of the NRD access date for each individual who was not recorded on NRD on the NRD access date as a registered or non-registered individual of the firm and for whom the transition firm was the sponsoring firm on the NRD access date.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-109F4 in respect of an individual if another firm has submitted a completed Form 33-109F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-109F4 in respect of an individual must submit the individual's employment location information in NRD format within 30 business days of the NRD access date.

7.7 Changes to Form 4 Information - Registered Individuals - A registered individual who has submitted a completed Form 33-109F5 under section 8.5 of MI 33-109, must submit a completed Form 33-109F4 in NRD format by the later of 15 business days after

(a) the NRD access date of the individual's sponsoring firm, and

(b) the date that the individual submitted the Form 33-109F5.

7.8 Changes to Form 4 Information - Non-registered Individuals

(1) Except as provided in subsection (2), a transition firm that has submitted a completed Form 33-109F5 for a non-registered individual under section 8.7 of MI 33-109, must submit a completed Form 33-109F4 for the individual in NRD format by the later of 15 business days after

(a) the NRD access date, and

(b) the date that the firm submitted the Form 33-109F5.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-109F4 in respect of an individual if another firm has submitted a completed Form 33-109F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-109F4 in respect of an individual must submit the individual's employment location information in NRD format by the later of 15 business days after

(a) the NRD access date, and

(b) the date that the firm submitted the Form 33-109F5.

7.9 Pending Application to Change Individual's Registration Category

(1) If an individual submitted an application in paper format to change his or her category of registration and the category of registration applied for is not recorded with the individual's record on NRD on the NRD access date, the individual must

(a) submit a completed Form 33-109F4 in NRD format within 30 business days after the NRD access date of his or her sponsoring firm, and

(b) resubmit the application to change his or her category of registration by submitting a completed Form 33-109F2 in NRD format within 1 business day of submitting the Form 33-109F4 under paragraph (a).

(2) Despite section 7.10, a Form 33-109F4 submitted under subsection (1) must contain the individual's categories of registration as they were recorded on NRD on the NRD access date.

7.10 Currency of Form 33-109F4 - For greater certainty, except as provided under subsection 7.9(2), a completed Form 33-109F4 that is submitted under this Part must be current on the date that it is submitted despite any prior submission in paper format.

7.11 Termination of Relationship - Despite a requirement under this Part to submit a completed Form 33-109F4, a transition firm is not required to submit a Form 33-109F4 in respect of an individual if the firm has submitted a completed Form 33-109F1 in respect of the individual in paper format before the firm's NRD access date or in NRD format after the firm's NRD access date.

PART 8 EFFECTIVE DATE

8.1 Effective Date

(1) Part 1, section 7.1 and section 7.2 come into force on February 3, 2003.

(2) Except for Part 1, section 7.1 and section 7.2, this Instrument comes into force on March 31, 2003.

COMPANION POLICY 31-102CP
TO MULTILATERAL INSTRUMENT 31-102
NATIONAL REGISTRATION DATABASE

PART 1 APPLICATION AND PURPOSE

1.1 **Application** - Multilateral Instrument 31-102 ("MI 31-102") has been implemented in all jurisdictions except Quebec.

1.2 **Purpose** - The purpose of MI 31-102 is to establish requirements for the electronic submission of registration information through NRD.

PART 2 PRODUCTION OF NRD FILINGS

2.1 The securities legislation of several jurisdictions contains a requirement to produce or make available an original or certified copy of information filed under the securities legislation. Each relevant securities regulatory authority or regulator, as applicable, considers that it may satisfy such a requirement in the case of information filed in NRD format by providing a printed copy or other output of the information in readable form that contains or is accompanied by a certification by the securities regulatory authority or regulator that the printed copy or output is a copy of the information filed in NRD format.

PART 3 DATE OF FILING

3.1 The securities regulatory authority or regulator takes the view that information filed in NRD format is, for purposes of securities legislation, filed on the day that the transmission of the information to NRD is completed.

PART 4 OFFICIAL COPY OF NRD FILINGS

4.1 For purposes of securities legislation, securities directions or any other related purpose, the securities regulatory authority or regulator takes the view that the official record of any information filed in NRD format by an NRD filer is the electronic information stored in NRD.

PART 5 AUTHORIZED FIRM REPRESENTATIVE AS AGENT

5.1 The securities regulatory authority or regulator is of the view that when making an NRD submission an AFR is an agent of the firm or individual to whom the filing relates.

PART 6 ONGOING FIRM FILER REQUIREMENTS

6.1 The securities regulatory authority or regulator expects that firm filers will follow the processes set out in the NRD Filer Manual to (a) enroll with the NRD administrator, (b) keep their enrolment information current, and (c) keep their NRD account information current.

PART 7 COMMODITY FUTURES ACT SUBMISSIONS

7.1 In Ontario, if a person or company is required to make a submission under both MI 31-102 and OSC Rule 31-509 (*Commodity Futures Act*) with respect to the same information, the securities regulatory authority is of the view that a single filing on a form required under either rule satisfies both requirements.

5.1.4 Ontario Securities Commission Rule 31-509, National Registration Database

ONTARIO SECURITIES COMMISSION RULE 31-509

NATIONAL REGISTRATION DATABASE

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ONTARIO SECURITIES COMMISSION RULE 31-509
NATIONAL REGISTRATION DATABASE

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this Rule

"authorized firm representative" or "AFR" means, for a firm filer, an individual with his or her own NRD user ID and who is authorized by the firm filer to submit information in NRD format for that firm filer and individual filers with respect to whom the firm filer is the sponsoring firm;

"chief AFR" means, for a firm filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the firm filer;

"firm filer" means a person or company that is required under Ontario commodity futures law to make an NRD submission in accordance with this Rule and that is registered as, or has applied for registration as, a dealer or adviser;

"individual filer" means an individual that is required under Ontario commodity futures law to make an NRD submission in accordance with this Rule;

"National Registration Database" or "NRD" means the online electronic database of registration information regarding NRD filers and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means;

"NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit;

"NRD administrator" means CDS INC. or a successor appointed by the securities regulatory authority to operate NRD;

"NRD filer" means an individual filer or a firm filer;

"NRD format" means the electronic format for submitting information through the NRD website;

"NRD number" means the unique number first generated by NRD to identify an NRD filer, a non-registered individual, or a business location;

"NRD submission" means information that is submitted under Ontario commodity futures law in NRD format, or the act of submitting information under Ontario commodity futures law in NRD format, as the context requires;

"NRD website" means the website operated by the NRD administrator for the NRD submissions;

"Rule 33-506" means "Rule 33-506 (*Commodity Futures Act*) Registration Information;

1.2 Interpretation - Terms defined in Rule 33-506 and used in this Rule have the respective meanings ascribed to those terms in Rule 33-506.

PART 2 INFORMATION TO BE SUBMITTED IN NRD FORMAT

2.1 Registration Information - A person or company that is required to submit any of the following to the Commission or the Director must make the submission in NRD format:

1. Form 33-506F1;

2. Form 33-506F2;

3. Form 33-506F3;

4. Form 33-506F4 or a change to any information previously submitted in respect of Form 33-506F4.

PART 3 MAKING NRD SUBMISSIONS

3.1 NRD Submissions

(1) An NRD filer that is required under Ontario commodity futures law to submit information in NRD format must make that NRD submission

(a) through the website,

(b) using the NRD number of the NRD filer, non-registered individual, or business location, and

(c) in accordance with this Rule.

(2) A requirement in Ontario commodity futures law relating to the format in which a document or other information to be submitted must be printed, or specifying the number of copies of a document that must be submitted, does not apply to an NRD submission required to be made in accordance with this Rule.

(3) An NRD filer making an NRD submission must make the NRD submission through an AFR.

3.2 Ongoing Firm Filer Requirements – A firm filer must

(a) be enrolled with the NRD administrator to use NRD;

(b) have one and no more than one chief AFR enrolled with the NRD administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD administrator of the appointment of a chief AFR within 5 business days of the appointment;

(e) notify the NRD administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.

PART 4 PAYMENT OF FEES THROUGH NRD

4.1 Payment of Submission Fees

(1) If a fee is required with respect to an NRD submission, a firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.2 Payment of Annual Registration Fees

(1) If a firm filer is required to pay an annual registration fee, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

4.3 Payment of NRD User Fees - Annual

(1) If a firm filer is required to pay an annual NRD user fee, the firm filer must pay the required fee by electronic pre-authorized debit through NRD.

(2) A payment under subsection (1) must be made from the firm filer's NRD account.

PART 5 TEMPORARY HARDSHIP EXEMPTION

5.1 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent an NRD filer from making a submission in NRD format within the time required under Ontario commodity futures law, the NRD filer is exempt from the requirement to make the submission within the required time period, if the NRD filer makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.

(2) Form 33-506F5 is the paper format for submitting a notice of a change to Form 33-506F4 information.

(3) If unanticipated technical difficulties prevent an individual filer from submitting an application in NRD format, the individual filer may submit the application in paper format.

(4) If an NRD filer makes a paper format submission under this section, the NRD filer must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH SECTION 5.1 OF ONTARIO SECURITIES COMMISSION RULE 31-509 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(5) If an NRD filer makes a paper format submission under this section, the NRD filer must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

PART 6 EXEMPTION

6.1 Exemption - The Director may grant an exemption from this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 TRANSITION

7.1 Definitions - In this Part

"NRD access date" means, for an NRD firm filer, the date the NRD firm filer receives notice that it has access to NRD to make NRD submissions; and

"transition firm" means every dealer and adviser that

(a) is a registered firm on February 3, 2003, or

(b) is not a registered firm on February 3, 2003 and has applied for registration before March 31, 2003.

7.2 NRD Enrolment For Transition Firms - A transition firm must enroll to use NRD by the later of

(a) February 7, 2003, and

(b) the date that the firm has applied for registration.

7.3 NRD Submissions before NRD Access Date - Despite any requirement in this Rule to submit information in NRD format, a transition firm may submit information in paper format before the NRD access date.

7.4 Accuracy of Business Location Information - If the information recorded on NRD for a business location of a transition firm is missing or inaccurate on the NRD access date, the transition firm must submit a completed Form 33-506F3 in NRD format in respect of that business location within 30 business days of the NRD access date.

7.5 Individuals Included in the Data Transfer

(1) Except as provided in subsection (2), in respect of individuals who were recorded on NRD as registered or non-registered individuals of a transition firm on the NRD access date, the transition firm must submit completed Forms 33-506F4 in NRD format for

(a) 5 percent of those individuals by the end of April 2004,

(b) 10 percent of those individuals by the end of May 2004,

(c) 15 percent of those individuals by the end of June 2004,

(d) 20 percent of those individuals by the end of July 2004,

(e) 25 percent of those individuals by the end of August 2004,

(f) 30 percent of those individuals by the end of September 2004,

(g) 35 percent of those individuals by the end of October 2004,

(h) 40 percent of those individuals by the end of November 2004,

(i) 45 percent of those individuals by the end of December 2004,

(j) 50 percent of those individuals by the end of March 2005,

(k) 55 percent of those individuals by the end of April 2005,

(l) 60 percent of those individuals by the end of May 2005,

(m) 65 percent of those individuals by the end of June 2005,

(n) 70 percent of those individuals by the end of July 2005,

(o) 75 percent of those individuals by the end of August 2005,

(p) 80 percent of those individuals by the end of September 2005,

(q) 85 percent of those individuals by the end of October 2005,

(r) 90 percent of those individuals by the end of November 2005,

(s) 95 percent of those individuals by the end of December 2005, and

(t) all of those individuals by the end of March 2006.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-506F4 in respect of an individual if another firm has submitted a completed Form 33-506F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-506F4 in respect of an individual must submit the individual's employment location information in NRD format by the end of March 2006.

7.6 Individuals not Included in the Data Transfer

(1) Except as provided in subsection (2), a transition firm must submit a completed Form 33-506F4 in NRD format within 30 business days of the NRD access date for each individual who was not recorded on NRD on the NRD access date as a registered or non-registered individual of the firm and for whom the transition firm was the sponsoring firm on the NRD access date.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-506F4 in respect of an individual if another firm has submitted a completed Form 33-506F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-506F4 in respect of an individual must submit the individual's employment location information in NRD format within 30 business days of the NRD access date.

7.7 Changes to Form 7 Information - Registered Individuals - A registered individual who has submitted a completed Form 33-506F5 under section 8.5 of Rule 33-506, must submit a completed Form 33-506F4 in NRD format by the later of 15 business days after

(a) the NRD access date of the individual's sponsoring firm, and

(b) the date that the individual submitted the Form 33-506F5.

7.8 Changes to Form 7 Information - Non-registered Individuals

(1) Except as provided in subsection (2), a transition firm that has submitted a completed Form 33-506F5 for a non-registered individual under section 8.7 of Rule 33-506, must submit a completed Form 33-506F4 for the individual in NRD format by the later of 15 business days after

(a) the NRD access date, and

(b) the date that the firm submitted the Form 33-506F5.

(2) Despite subsection (1), a transition firm is not required to submit a completed Form 33-506F4 in respect of an individual if another firm has submitted a completed Form 33-506F4 in respect of the individual.

(3) A transition firm that is exempt under subsection (2) from the requirement to submit a completed Form 33-506F4 in respect of an individual must submit the individual's employment location information in NRD format by the later of 15 business days after

(a) the NRD access date, and

(b) the date that the firm submitted the Form 33-506F5.

7.9 Pending Application to Change Individual's Registration Category

(1) If an individual submitted an application in paper format to change his or her category of registration and the category of registration applied for is not recorded with the individual's record on NRD on the NRD access date, the individual must

(a) submit a completed Form 33-506F4 in NRD format within 30 business days after the NRD access date of his or her sponsoring firm, and

(b) resubmit the application to change his or her category of registration by submitting a completed Form 33-506F2 in NRD format within 1 business day of submitting the Form 33-506F4 under paragraph (a).

(2) Despite section 7.10, a Form 33-506F4 submitted under subsection (1) must contain the individual's categories of registration as they were recorded on NRD on the NRD access date.

7.10 Currency of Form 33-506F4 - For greater certainty, except as provided under subsection 7.9(2), a completed Form 33-506F4 that is submitted under this Part must be current on the date that it is submitted despite any prior submission in paper format.

7.11 Termination of Relationship - Despite a requirement under this Part to submit a completed Form 33-506F4, a transition firm is not required to submit a Form 33-506F4 in respect of an individual if the firm has submitted a completed Form 33-506F1 in respect of the individual in paper format before the firm's NRD access date or in NRD format after the firm's NRD access date.

PART 8 EFFECTIVE DATE

8.1 Effective Date

(1) Part 1, section 7.1 and section 7.2 come into force on February 3, 2003.

(2) Except for Part 1, section 7.1 and section 7.2, this Rule comes into force on March 31, 2003.

COMPANION POLICY 31-509CP
TO ONTARIO SECURITIES COMMISSION RULE 31-509 (Commodity Futures Act)
NATIONAL REGISTRATION DATABASE

PART 1 PURPOSE

1.1 **Purpose -** The purpose of Ontario Securities Commission Rule 31-509 (*Commodity Futures Act*) ("Rule 31-509") is to establish requirements for the electronic submission of registration information through NRD.

PART 2 PRODUCTION OF NRD FILINGS

2.1 The *Commodity Futures Act* contains a requirement to produce or make available an original or certified copy of information filed under the Act. The Commission considers that it may satisfy such a requirement in the case of information filed in NRD format by providing a printed copy or other output of the information in readable form that contains or is accompanied by a certification by the Director that the printed copy or output is a copy of the information filed in NRD format.

PART 3 DATE OF FILING

3.1 The Commission takes the view that information filed in NRD format is, for purposes of Ontario commodity futures law, filed on the day that the transmission of the information to NRD is completed.

PART 4 OFFICIAL COPY OF NRD FILINGS

4.1 For purposes of Ontario commodity futures law, the Commission takes the view that the official record of any information filed in NRD format by an NRD filer is the electronic information stored in NRD.

PART 5 AUTHORIZED FIRM REPRESENTATIVE AS AGENT

5.1 The Commission is of the view that when making an NRD submission an AFR is an agent of the firm or individual to whom the filing relates.

PART 6 ONGOING FIRM FILER REQUIREMENTS

6.1 The Commission expects that firm filers will follow the processes set out in the NRD Filer Manual to (a) enroll with the NRD administrator, (b) keep their enrolment information current, and (c) keep their NRD account information current.

PART 7 SECURITIES ACT SUBMISSIONS

7.1 If a person or company is required to make a submission under both Multilateral Instrument 31-102 and Rule 31-509 with respect to the same information, the Commission is of the view that a single filing on a form required under either rule satisfies both requirements.

Chapter 6

Request for Comments

6.1.1 CSA Notice and Request for Comment 11-402 - Concept Proposal for Uniform Securities Legislation

CANADIAN SECURITIES ADMINISTRATORS NOTICE AND REQUEST FOR COMMENT 11-402

CONCEPT PROPOSAL FOR UNIFORM SECURITIES LEGISLATION

The Canadian Securities Administrators (the "CSA" or "we") are publishing for comment a concept proposal (the "Concept Proposal") for uniform securities legislation that accompanies this Notice and Request for Comment (the "Notice"). This Notice provides background information on the Uniform Securities Legislation Project (the "USL Project") and the Concept Proposal. It also outlines next steps for the project.

BACKGROUND

In March of 2002, the CSA announced an initiative to develop uniform securities legislation for adoption across Canada. This project, referred to as the USL Project, is the top priority of the CSA. Although the primary focus of the project is to achieve harmonization of legislation, we will also take the opportunity to simplify and streamline the regulatory system in areas where this complementary goal could be achieved within the project timeframe.

There are three distinct phases in this project: a study period, a drafting phase and a phase devoted to revising and finalizing.

During the study phase, staff examined all existing securities legislation (local, multilateral and national rules, national and local policies and blanket orders) in force in each of British Columbia (BC), Alberta, Manitoba, Ontario and Québec and made specific recommendations as to how the laws in each of these jurisdictions should be harmonized. The legislation of these jurisdictions was selected because it is representative of the legislation of the other jurisdictions of Canada. The study period has culminated in the completion of the accompanying Concept Proposal.

CONCEPT PROPOSAL

The Concept Proposal outlines proposals for the harmonization of securities legislation developed during the study period. In some areas, the Concept Proposal proposes substantive changes to current laws. For the most part, these proposed changes are either well-advanced CSA initiatives for which the USL Project presents an ideal opportunity to make necessary legislative amendments or the proposed changes would further the project's complementary goal of streamlining and harmonizing the system of securities regulation in Canada. The following are the most significant proposed policy changes:

- The ability for a securities regulator to delegate decision-making across all regulatory functions to another securities regulator.
- A streamlined system for inter-jurisdictional registration of firms and individuals.
- A civil liability regime for secondary market participants.
- A streamlined securities act with details largely contained in rules to allow future changes to securities laws to be made in a timely and harmonized manner through the rule making process.

NEXT STEPS

With the completion of the study phase and the release of the Concept Proposal, next steps will include:

- Review and analysis of comments on the Concept Proposal.
- Discussions with governments, SROs and industry participants.
- Review of all national instruments, multilateral instruments and national policies. Each jurisdiction will also conduct a review of its own local rules, local policies and blanket orders.

- Drafting of a uniform act (the "Uniform Act") and uniform rules (the "Uniform Rules")

The Uniform Act would contain "platform" legislation setting out fundamental rights and obligations, and Uniform Rules would contain detailed requirements. The drafting will reflect the comments on the Concept Proposal and discussions with governments, SROs, and industry participants. The draft Uniform Act and Uniform Rules will be published for another round of public comment.

The final stage of the project will be devoted to responding to comments on the draft Uniform Act and Uniform Rules, making necessary revisions and seeking policy and legislative approvals from each province and territory. The CSA objective is to have uniform legislation ready for consideration by each province and territory in Spring 2004.

REQUEST FOR COMMENTS

General Comments on the USL Project

Comments are welcome at any stage of the project. If you have any comments on the USL Project in general, please direct them to:

Stephen P. Sibold, Q.C.
Chair
Alberta Securities Commission
4th Floor, 300 – 5th Avenue S.W.
Calgary AB T2P 3C4
stephen.sibold@seccom.ab.ca

Specific Comments on the Concept Proposal

Interested parties are invited to make written submissions with respect to the Concept Proposal. Submissions received by April 30, 2003, will be considered. Submissions should be addressed to:

Jane Brindle
Legal Counsel
Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary AB T2P 3C4
jane.brindle@seccom.ab.ca

January 30, 2003

The text of the document follows or can be found on the CSA website (www.csa-acvm.ca).

6.1.2 CSA Uniform Securities Legislation Project

CANADIAN SECURITIES ADMINISTRATORS

UNIFORM SECURITIES LEGISLATION PROJECT

BLUEPRINT FOR UNIFORM SECURITIES LAWS FOR CANADA

January 30, 2003

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THE USL PROJECT STEERING COMMITTEE

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Alberta Securities Commission

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Nova Scotia Securities Commission

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Alberta Securities Commission

Reena Modha, Seconded Legal Counsel
Alberta Securities Commission

LETTER FROM THE USL PROJECT STEERING COMMITTEE

January 30, 2003

The Canadian Securities Administrators' ("CSA") Uniform Securities Legislation ("USL") Project Steering Committee is pleased to release this Concept Proposal for public comment. This Concept Proposal is the result of research and analysis of the securities laws in force in British Columbia, Alberta, Manitoba, Ontario and Québec. The decisions reflected in this Concept Proposal were made in many areas in which it has been previously difficult to reach consensus.

This Concept Proposal outlines proposals for the harmonization of securities laws across Canada. In some areas, substantive changes to current laws are proposed. For the most part, these proposed changes are either well-advanced CSA initiatives for which the USL Project presents an ideal opportunity to make necessary legislative amendments or the proposed changes would further the project's complementary goal of streamlining and harmonizing the system of securities regulation in Canada. The following are the most significant proposed policy changes:

- The ability of a securities regulatory authority to delegate decision-making across all regulatory functions to another securities regulatory authority. Please see our discussion at section II.2(d);
- A streamlined system for inter-jurisdictional registration of firms and individuals. Please see our discussion at section IV.5(b);
- A civil liability regime for secondary market participants. Please see our discussion at section XIV.2; and
- A streamlined securities act with details largely contained in rules to allow future changes to securities laws to be made in a timely and harmonized manner through the rule making process. Please see our discussion at section I.3 and XVII.1.

The USL Project presents a unique opportunity to shape Canada's securities laws to reflect the needs of industry participants. We invite you to participate by reading our Concept Proposal, considering its recommendations and providing your written comments. The comment period will run until **April 30, 2003**.

Please address comments to

Jane Brindle, Legal Counsel
Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary AB T2P 3C4
jane.brindle@seccom.ab.ca

Unless confidentiality is requested, submissions will be made public and posted on CSA websites.

Sincerely,

The USL Project Steering Committee

Stephen Sibold, Q.C., Chair	Paul Moore, Q.C.
Doug Hyndman	Claire Richer
Don Murray	Les O' Brien, Q.C.

I. INTRODUCTION

1. The Importance of Harmonized Securities Laws

Efficient and effective securities regulation is a pressing issue. The CSA recognize that co-operation and co-ordination among Canada's provincial and territorial jurisdictions are essential to a streamlined, seamless system of securities regulation.

The CSA have worked together for many years to co-ordinate Canada's decentralized system of securities legislation. In the past decade, the CSA have significantly harmonized securities laws and the administration of those laws through the following initiatives:

- The development and implementation of 25 national instruments and 24 national policies covering key areas such as prospectus requirements, mutual fund regulation, rights offerings, take-over bids, registration issues and marketplace operations;
- The mutual reliance review systems ("MRRS") for prospectus vetting and exemptive relief applications; and
- The System for Electronic Document Analysis and Retrieval ("SEDAR"), a centralized, on-line document depository for reporting issuers.

2. The Goals of the USL Project

Though many improvements have been made through the CSA process, the next fundamental step towards a more efficient, effective and competitive system of securities regulation is harmonized laws. The goal of the USL Project is to develop a uniform securities act (the "Uniform Act") and rules ("Uniform Rules") for adoption by each jurisdiction of Canada on a fast-tracked basis. The Uniform Act and Uniform Rules would be word-for-word uniform in each jurisdiction. Since the USL Project is a harmonization initiative, the resulting Uniform Act and Uniform Rules would contain few substantive differences from current securities laws.

The USL Project is the top priority of the CSA and is part of a larger framework of regulatory reform. We recognize that harmonized laws are an important first step, but there are numerous other reforms that we must consider to ensure the continued fairness and efficiency of our capital markets. Other potential reform initiatives will come from a variety of sources, including:

- The proposals developed and published under the BCSC Deregulation Project;
- The Draft Report of the Ontario Five Year Review Committee; and
- Stand-alone projects that are either underway and worthy of completion or new initiatives arising out of market events.

3. The Structure of Uniform Securities Laws

The USL[1] would provide a national framework for securities regulation. The Uniform Act would be "platform" legislation that would set out fundamental rights, powers and obligations. The Uniform Rules would contain detailed requirements. This regulatory framework would facilitate future reforms through the rule making process. Currently, it can take several years to amend all of the securities acts of Canada due to different legislative timetables.[2] The capital markets are on a much faster timetable. We are regularly faced with new products, market structures, enforcement priorities and policy issues that require us to respond in a timely manner if we are to regulate effectively. Our rule making process generally allows us to react more quickly to such changes.

Securities laws also contain administrative and procedural provisions that reflect the laws of a particular jurisdiction and cannot easily be harmonized. Examples include provisions relating to penalties and other remedies, rule making procedures and the constitution of securities regulatory authorities ("SRAs"). These provisions would be harmonized to the greatest extent possible and included in a Securities Administration Act (an "Administration Act") that each jurisdiction of Canada would enact.[3] Each

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1 A reference to the USL in this Concept Proposal is a reference to the body of law that would be implemented pursuant to the USL Project.

2 For a recent example, consider the Zimmerman amendments to the take-over bid rules which, though non-controversial, took 4 years to be passed by each jurisdiction's legislature.

3 Québec may not enact an Administration Act due to the enactment of Bill 107, ***An Act respecting the Agence nationale d'encadrement des services financiers***, that merges the Commission des valeurs mobilières du Québec with the Régie de l'assurance-dépots du Québec, the Bureau des services financiers and the Fonds d'indemnisation des services financiers. The

Administration Act would be based on a model Administration Act that would be developed under the USL Project. As a result, there would be uniformity of organization and presentation of these provisions.

The CSA recognize that there are local markets within Canada with their own policy imperatives. Where a harmonized approach may not be appropriate, the majority position would be set out in the Uniform Act or Uniform Rules. Local differences would be set out by way of exceptions in a local provincial or territorial rule ("Local Rule") or the relevant Administration Act. We anticipate that the use of Local Rules would be exceptional and infrequent. Local Rules would be reviewed regularly to ensure that they reflect obvious local needs rather than theoretical differences.

4. Methodology

During the past year, we have completed a detailed review of the securities laws of five jurisdictions of Canada: British Columbia, Alberta, Manitoba, Ontario and Québec. These jurisdictions were chosen because their securities laws are representative of the securities laws of the other jurisdictions of Canada. We have compared corresponding provisions and identified and analyzed differences. Where differences are not substantive, harmonization is merely a matter of redrafting the provision with uniform wording and harmonized definitions to ensure the clearest statement of the law. Therefore, these provisions are not discussed in detail in this Concept Proposal. Where differences between corresponding provisions are substantive, we have done one of two things:

1. Where the necessary policy debate has already been completed through other CSA initiatives, we have considered the advantages and disadvantages to the various jurisdictions' approaches and then made a decision as to which approach best reflects the goals of securities regulation and therefore should be included in the USL; or

2. Where the necessary policy debate has not been completed, we have recommended harmonizing existing provisions with a view to replacing them in the future with provisions that reflect the outcome of the ongoing policy development process.

The decisions in this Concept Proposal and the results of the public consultation process will form the basis for the Uniform Act, Uniform Rules and model Administration Act. All multilateral and national instruments would be reviewed and amended consequentially to achieve concordance with the Uniform Act.

We envision a Canadian securities law compendium that contains, in one easily referenced work, the Uniform Act, the Uniform Rules and each jurisdiction's Administration Act and Local Rules, with common section numbers and cross references.

5. Maintaining Uniformity

The CSA recognize that maintaining harmony is as important as achieving it. Currently, the CSA are making rules on a coordinated basis. We intend to strengthen the degree of cooperation and coordination between SRAs by introducing a more formal method of implementing policy initiatives. Although legislative sovereignty dictates that each jurisdiction must exercise its own discretion, CSA members would commit to bringing any contemplated amendments, Local Rules or new initiatives to the CSA table to canvass whether they can or should be developed on a uniform basis.

6. Measuring Success

Canadian securities laws should be comprehensive, comprehensible, harmonized and administered in an efficient manner, with a minimum of duplication and expense. They should respect provincial and territorial sovereignty, accommodate local needs and respond to necessary changes in a timely manner. Success should be measured not only by the degree of uniformity we may achieve but also by the degree to which concerns relating to complexity, duplication, costs, delays and conflicting policies have been alleviated and the degree to which we produce a system that better achieves the goals of protecting investors and market integrity without unduly burdening the market.

II. ADMINISTRATIVE PROVISIONS

1. Introduction

Currently, securities acts have both substantive and procedural components. Substantive laws apply to issuers, investors and intermediaries and are our top harmonization priority. Procedural laws are the laws that SRAs must follow in order to administer substantive laws. These are of more concern to SRAs themselves than to the regulated community. Procedural laws can differ without detracting from substantive uniformity. In some cases, procedural laws necessarily differ because they must fit within

merged entity would be called the Agence nationale d'encadrement du secteur financier and would administer all legislation governing the regulation of the financial sector.

the legal framework that applies to regulatory agencies in each province or territory. The USL would accommodate this need for local differences by dividing substantive and procedural provisions into separate enactments. We propose that each province and territory enact an Administration Act which would contain procedural provisions.

2. Content of Administration Acts

(a) Administration of SRAs

Each SRA has administrative provisions that must continue to fit within the procedural framework that applies to regulatory agencies in each province or territory. These provisions include:

- the formation and continuation of an SRA;
- an SRA's legal relationship to its provincial or territorial government;
- the appointment of members of an SRA;
- the powers and duties of officers and employees of an SRA;
- delegation from an SRA to its staff;
- the financial administration of an SRA;
- the powers of an SRA;
- the rulemaking process;
- quorum requirements for SRA meetings and hearings;
- powers and procedures respecting hearings; and
- appeals of SRA and SRO decisions.

(b) Investigations

Each SRA has its own powers and procedures respecting investigations, hearings and prosecutions. These powers are integral to an SRA's ability to fulfill its investor protection mandate. These provisions include:

- the power of an SRA or its staff to conduct an investigation;
- powers of an investigator under an investigation order;
- the appointment of experts;
- the ability of an SRA or its staff to order production of documents from industry participants;
- the ability of an SRA to execute a warrant issued in another jurisdiction;
- the appointment of receivers;
- the ability of an SRA to make a freeze order;
- the ability of an SRA to apply to a court of competent jurisdiction to obtain an order that a person comply with securities laws;
- the ability of an SRA to file an SRA decision with a court of competent jurisdiction so the decision is enforceable as an order of that court;
- reports of investigations;
- the confidentiality of investigations; and

- the recovery of costs.

We have studied these provisions and identified non-substantive modifications that would harmonize and simplify our laws and could be made without policy debate. We have also identified provisions that cannot be harmonized because existing differences reflect the fact that an SRA's investigative and prosecutorial powers cannot conflict with the laws of the province or territory from which the SRA derives its authority. These proposals are discussed in detail in **Appendix A**. This appendix also identifies provisions that we would not carry forward into the USL.

(c) Penalties Available to a Provincial Court

The penalties available to a Provincial Court on finding that an offence has been committed should be increased.

Effective and meaningful enforcement powers are essential to an SRA's ability to achieve the goals of securities regulation. Generally, more serious breaches of securities laws are prosecuted in Provincial Court. Although courts can impose substantially higher monetary penalties than an SRA and can also sentence an offender to a term of imprisonment, the current maximum penalties are not of sufficient consequence to punish offenders and deter potential offenders. The USL would adopt the provisions contained in recently passed but unproclaimed amendments to the Ontario Securities Act[4] which would result in the following changes to the penalties available on conviction of an offence:

- the maximum fine would be increased to $5,000,000;
- the maximum imprisonment term would be increased to five years less one day; and
- the maximum fine on conviction of an insider trading offence would be increased to not more than the greater of $5,000,000 and an amount equal to triple the profit made or loss avoided by the offender.[5]

(d) New Administrative Powers

To enable greater co-operation among SRAs and make our system of regulation easier to navigate, the Administration Act should modify existing provisions on information sharing, delegation and immunity as discussed below.

(i) Delegation Between SRAs

The USL should allow SRAs to delegate all regulatory functions among themselves, subject to restrictions that would preserve each SRA's autonomy and jurisdiction.

The CSA have significantly streamlined the regulatory approval process through MRRS for prospectuses and exemptive relief applications. Under MRRS, each SRA reviews and issues a decision on the prospectus or exemptive relief application, but the principal regulator handles the review and comment process on behalf of all SRAs and acts as the issuer's or applicant's point of contact. It is optional for SRAs to participate in MRRS, but all have chosen to do so.

The USL would increase the potential for regulatory streamlining in two significant respects:

1. The USL would contemplate comprehensive inter-SRA delegated decision-making of all regulatory functions: prospectus and exemptive relief applications, registration, compliance and enforcement;
2. The USL would allow an SRA to delegate a particular function, duty or power to another SRA. The delegate SRA would essentially stand in the place of the delegating SRA.

The delegated decision making system could create a virtually seamless system of securities regulation which would allow "one stop shopping" by industry participants. For example, an applicant for exemptive relief or a prospectus receipt would deliver a multi-jurisdictional application and fees to the principal regulator only and would receive one decision from that regulator. The decision would be the decision of all SRAs named in the multi-jurisdictional application. Therefore, a delegated decision model combined with harmonized securities laws across the country would simplify approval processes and reduce processing costs for both SRAs and industry.

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4 See *Keeping the Promise for a Strong Economy Act (Budget Measures, 2002)*, c. 22 S.O. 2002, formerly Bill 198, *An Act to implement Budget measures and other initiatives of the Government*, 3rd Sess., 37th Leg., Ontario, 2002, third reading given December 9, 2002 [hereinafter the "*Budget Measures Act*"].

5 See s. 194 of the *Budget Measures Act*.

We recognize that each SRA is a creature of, and is ultimately answerable to, its provincial or territorial legislature. Therefore, the following safeguards would be built into the delegation provisions to ensure the preservation of each SRA's autonomy and jurisdiction:

1. Delegation would be optional. Any agreement to do so would be capable of revocation at any time at the option of either the delegating or the delegate SRA;

2. SRAs would not be able to delegate their power to delegate;

3. SRAs would not be able to delegate their ability to make rules; and

4. SRAs would not be able to delegate their corporate governance powers.

(ii) Immunity

The immunity provisions in the USL should ensure that members, officers and employees of an SRA, whether acting for itself or for another SRA, are immune from any actions or other proceedings for damages.

Currently, securities legislation contains immunity provisions that prevent proceedings for damages being instituted against an SRA, its members and its staff for actions done in good faith and in the performance of any function or duty, exercise of any power or any related neglect, omission or default. However, a provincial or territorial legislature may only immunize against liability in its own jurisdiction.

The Administration Acts would therefore contain an immunity provision that would be uniform across jurisdictions. Each jurisdiction's provision would expressly confer immunity in that jurisdiction on every SRA, whether acting for itself or on behalf of one or more other SRAs and whether acting under the laws of that jurisdiction or under the laws of one or more other jurisdictions.

(iii) Information Sharing

The USL should facilitate inter-jurisdictional investigations by providing SRAs with the authority to collect and use personal information and to disclose that information to other securities and financial regulators, stock exchanges, self-regulatory organizations, law enforcement agencies and third party service providers.

Every jurisdiction has freedom of information and protection of privacy ("FOIPP") legislation that governs the collection, use and disclosure of personal information by public bodies. The securities legislation of some jurisdictions allows SRAs to share information with other regulators. Other SRAs have either no ability or a limited ability to share information. The ability to co-operate with other regulators is essential given that capital markets activities often cross provincial or national borders. SRAs must also have the ability to provide personal information filed with them to the third party service providers who administer electronic filing systems such as the National Registration Database ("NRD") and the proposed System for Electronic Disclosure by Insiders ("SEDI").

The USL would contain a provision allowing each SRA to exchange information with other SRAs, stock exchanges, self-regulatory organizations, law enforcement agencies and third party service providers.[6] The provision would also allow SRAs to share information with analogous entities outside Canada.

It is critical that the USL information sharing provision be paramount to provincial or territorial FOIPP legislation.[7] If FOIPP legislation were to apply to an SRA's decision to share information with one of the enumerated entities, the decision could be reviewed and reversed by the provincial or territorial privacy commissioner. This may discourage SRAs from sharing information with other regulators. It would also be possible that sensitive information obtained by an SRA could be ordered disclosed to the public by the privacy commissioner. This could frustrate the investigative purpose for which it was obtained. Finally, our fast paced markets require expedited procedures for determining whether sharing information is in the public interest in any particular circumstance. Such determinations are generally outside standard FOIPP tribunal procedures and therefore it is preferable for SRAs to make such determinations.

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6 In Québec, the communication of personal information to third party service providers without consent is not permitted under legislation respecting the protection of personal information.

7 Québec legislation respecting the protection of personal information has precedence over any contrary legislation. It is unlikely that the Québec legislature would consent to the USL provision having precedence.

III. SELF-REGULATION

1. Introduction

Many participants in the Canadian securities industry are regulated by self-regulatory organizations ("SROs"). Self-regulation is appropriate since SROs have the skill, expertise and ties to industry to regulate effectively. The functions of Canada's current SROs are, in broad terms, to regulate the activities of their members and to provide market regulation services.

Generally, each jurisdiction that regulates SROs does so in substantially the same way. Securities acts generally permit or require an SRA to recognize an SRO that is carrying on business in the SRA's jurisdiction.[8] Where that SRO is a stock exchange, recognition by an SRA is mandatory. Generally, securities acts also permit SRAs to exempt these entities from recognition. Once an SRO is recognized by an SRA, it must regulate the operations, standards of practice and business conduct of its members but is subject to oversight by that SRA. In addition, an SRA has the authority to review any direction, decision, order or ruling made by a recognized entity. An SRA's oversight of a recognized entity generally varies from its oversight of an exempted entity.

Under the USL, the basic framework for the regulation of SROs would remain substantially the same. However, there would be a few modifications to the current regime that are discussed below. In addition, new SROs are likely to emerge as the securities industry evolves. A flexible approach to regulation is therefore imperative.

2. Recognized Entities

The USL should recognize "marketplaces" rather than "stock exchanges" to reflect the diversity of ways in which securities are traded as well as to allow for flexibility.

Currently, securities acts require SRAs to recognize "stock exchanges" or "exchanges" that are carrying on business in the SRA's jurisdiction. However, these terms are dated and do not reflect current trading practices and products. "Marketplace" is a broader term which would include both securities and derivatives exchanges. This term would more accurately reflect current trading practices and provide flexibility for future trading systems.

The USL should specifically provide that entities recognized by an SRA are subject to that SRA's jurisdiction.

SRAs only have jurisdiction over entities that they recognize. The legislation in some jurisdictions provides that an SRA "may" recognize certain SROs. This language is unclear as it seems to give SROs the option of being subject to SRA oversight. The USL would specifically provide an SRA with the authority to require an SRO to be recognized if it is carrying on business in the jurisdiction.

The USL should define an SRO to mean a person or company whose objectives are related to, or consistent with, the purposes of securities legislation and that regulates the activities of its participants or participants of other recognized entities.

Currently, not all securities acts define the term "self-regulatory organization" and those that do have differing definitions. Under the USL, a "self-regulatory organization" would be defined to mean a person or company whose objectives are related to, or consistent with, the purposes of securities legislation and that regulates the activities of its participants or participants of other recognized entities. Reference to participants of other "recognized entities" would be necessary to enable an SRO to act as agent for another recognized entity.

The USL should include the concept of a "market participant". This concept should include, among other entities, a recognized entity.

In Ontario, "market participants" are required to comply with record-keeping and audit obligations contained in securities laws. This provides SRAs with jurisdiction to obtain information from entities that would otherwise not be subject to these obligations. This information is sometimes necessary to regulate effectively. "Market participants" include, in addition to a recognized entity:

- Reporting issuers;
- Directors, officers and promoters of reporting issuers;
- Mutual fund managers and custodians;

[8] In Québec recognition of all SROs is mandatory.

- Transfer agents;
- Control persons; and
- Entities exempted from recognition.

The USL definition of "market participant" would include these entities but may not be as broad as the current definition in the Ontario *Securities Act*.

3. Powers of Recognized Entities

The USL should grant recognized entities the power to regulate former members and the power to compel witnesses to attend and produce documents at a disciplinary hearing.

Securities acts require a recognized entity to regulate its participants and their employees or agents in accordance with its rules and policies. Currently, not all jurisdictions provide that recognized entities have jurisdiction over former members. It is important to ensure that members of a recognized entity are not able to avoid responsibility for breaches of its rules or policies by surrendering their membership in that recognized entity. The USL would provide that the authority of a recognized entity to regulate its members extends to former members and those acting on the former member's behalf.

The USL would also give recognized entities the power to compel witnesses to attend and produce documents at disciplinary hearings. Recognized entities need these powers to be able to properly regulate their members.

4. Voluntary Surrender of Recognition

The USL should authorize SRAs to accept a recognized entity's voluntary surrender of recognition.

Currently, some securities acts allow a recognized entity to voluntarily surrender its status as a recognized entity with approval from the relevant SRA. SRA approval is an appropriate condition of voluntary surrender in order to ensure that there is no adverse impact to the public. Under the USL, an SRA would have the ability to accept an application for voluntary surrender of recognized status provided that:

1. The SRA is satisfied that the surrender of recognition is not prejudicial to the public interest; and
2. The SRA's acceptance of the surrender of recognition is in writing and may be subject to such terms and conditions as the SRA may impose.

5. The Ability of SRAs to Enforce Rules of Recognized Entities

The USL should specifically authorize SRAs to enforce the rules and policies of recognized entities.

As part of their general oversight function, SRAs would continue to be able to enforce the rules, policies and other similar instruments of recognized entities. This would be accomplished by empowering SRAs to commence enforcement proceedings against the members of a recognized entity or issue compliance orders which require a person, company or the directors and senior officers of a company to comply with or cease contravening the requirements of a recognized entity.

IV. THE REGISTRATION REQUIREMENT

1. Introduction

Securities legislation generally requires both securities firms and the individuals working for them to be registered. There are a number of requirements that firms and individuals must meet to become and remain registered.

There are some inconsistencies among jurisdictions' registration systems. One of the most fundamental inconsistencies is the presence of the universal registration system in Ontario and Newfoundland & Labrador. The universal registration system requires a broader range of entities to register and is quite different from the registration systems in place in other Canadian jurisdictions. Upon implementation of the USL, Ontario and Newfoundland & Labrador would replace the universal registration system with the harmonized USL system. However, these jurisdictions may choose to enact local rules to continue some aspects of the universal registration system.

2. The Role of SRAs and SROs

The USL should incorporate the SRO model for the regulation of certain registrants.

The USL would continue the SRO model of regulation of registrants in those jurisdictions where it currently exists. Under the SRO model, dealers would meet requirements established and enforced by SRAs contained in the USL and additional requirements would be imposed at the SRO level based on the specific activities of SRO members. This model would enable SROs, subject to SRA oversight, to tailor their requirements to their members' activities. The CSA recognize that eliminating the overlap between SRA and SRO rules is an important objective and would continue to work with SROs to eliminate duplicative requirements.

Registrants such as advisers and restricted dealers who are not currently required to be members of an SRO would continue to be regulated by SRAs directly.

3. Triggering the Registration Requirement

The requirement to be registered should be triggered when a person or company trades in a security.

Under the USL, the requirement to be registered would arise when a person or company trades in a security (the "trade trigger"). This is the status quo in all jurisdictions except Québec. The Québec *Securities Act* requires registration when a person or company is carrying on business as a dealer or adviser (the "business trigger"), but the experience in Québec is that the business trigger is interpreted similarly to the trade trigger. Québec courts have held that the registration requirement applies to any activity that is part of a chain of events that could lead to a trade, whether or not the person or entity involved is running an ongoing trading business.

The trade trigger has been criticized as too broad, necessitating numerous registration exemptions for particular types of trades and particular individuals. However, to switch to a true business trigger, we would have to develop an appropriate definition of carrying on business that captures the appropriate range of activities and revise the existing exemption regime. The Ontario Five-Year Review Committee recommends the business trigger, but only if it can be adopted across Canada. More policy work and feedback from industry participants is required before we can determine whether this change would be appropriate.[9]

4. Categories of Registration

The USL should provide for one dealer category with three sub-categories (investment dealer, restricted dealer and mutual fund dealer) and one adviser category with two sub-categories (general adviser and restricted adviser).

The requirements that a registrant must satisfy depend on how its trading activities are categorized under securities laws. Currently, each jurisdiction has similar registration categories, but there are some differences. The USL would replace the categories in place in each jurisdiction with two general categories: dealer and adviser. **Appendix B** indicates how the proposed new categories of registration would affect the categories that currently exist in the comparator jurisdictions.

(a) The Dealer Category

The dealer category would be divided into three sub-categories: investment dealer, mutual fund dealer and restricted dealer. The individual registration requirement would continue to apply to trading representatives and trading partners and officers of dealers.

(i) Investment Dealer

Investment dealers are unrestricted in carrying out their trading activities and advising on the suitability of investments for their clients. The functions and characteristics of an investment dealer would be that it is:

- permitted to trade in all securities;
- permitted to provide advice concurrent with trading;
- permitted to act as an underwriter;
- permitted to exercise discretionary trading authority;

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[9] In Québec, a change to a trade trigger would also require that "trade" be defined. Such a definition would be introduced with the USL.

- required, where the requirement currently exists, to be a member of an SRO; and
- required to meet capital, supervisory, proficiency, sales conduct and other requirements established by SRAs and the applicable SRO.

(ii) Mutual Fund Dealer

The functions and characteristics of a mutual fund dealer would be that it is:

- permitted to trade only in mutual fund securities;
- permitted to provide advice concurrent with trading;
- not permitted to exercise discretionary trading authority;
- required, where the requirement currently exists, to be a member of an SRO; and
- required to be subject to capital, supervisory, proficiency, sales conduct and other requirements established by SRAs and the applicable SRO.

In some jurisdictions, mutual fund dealers are allowed to trade in certain exempt products. These exceptions are largely a function of local market conditions and would continue under Local Rules rather than being harmonized.

(iii) Restricted Dealer

The USL would provide that dealers that do not fit into either the investment dealer or mutual fund dealer categories would be required to register as restricted dealers (other than those listed in (iv) below). The activities of many of these registrants are local in nature and would be subject to Local Rules or locally imposed terms and conditions of registration. However, the activities of some restricted dealers are common to many jurisdictions. The USL would prescribe these registrants' obligations in specific sub-categories of the restricted dealer category. In general, however, the functions and characteristics of a restricted dealer would be that it is:

- permitted to trade only in certain products and/or to certain clients;
- required to meet capital, supervisory, proficiency and other requirements established by SRAs; and
- not required to be a member of an SRO.

(iv) Current Categories Which Would Not Be Included in the USL

The following registration categories would not be included in the USL:

- security issuer;
- financial intermediary dealer; and
- foreign dealer.

Currently, all jurisdictions have a registration category for security issuers. Under the USL, there would be a registration exemption for issuers distributing their own securities, subject to conditions. Therefore, the security issuer category would not be necessary under USL.

The financial intermediary and foreign dealer categories are not active categories in Ontario. It is not necessary to include them in the USL.

(b) Advisers

The current adviser categories are confusing and duplicative. There is a clear need for a simplified and harmonized system of adviser registration which is flexible enough to cover new activities in the market.

The USL would contain one adviser category that is divided into two sub-categories: a general adviser sub-category that merges the investment counsel and portfolio manager categories and a restricted adviser sub-category that would cover, securities advisers and international advisers. The USL provisions respecting international advisers would be similar to current OSC Rule

35-502 *Non-Resident Advisers*. The USL would continue to require advising representatives and advising partners and officers to register.

The functions and characteristics of a registrant in the general adviser category would be that it is:

- permitted to advise specific clients on investing, buying or selling specific securities;
- permitted to give continuous advice on investments based on a client's particular objectives;
- has discretionary authority to manage a client's investment portfolios; and
- required to meet qualification, proficiency and capital requirements.

Securities laws currently provide an exemption from the adviser registration requirement for certain persons or companies whose principal business is not the provision of advice. This exemption would be incorporated into the USL.

5. The Process for Registration, Renewal of Registration and De-registration

(a) Registration and De-registration

There are significant similarities between the procedures in place in most jurisdictions for the registration and de-registration of individuals and companies. The registration system in Québec is different but is based on substantially the same concepts as the registration systems in other jurisdictions. The goal under the USL is to harmonize the registration and de-registration regime.

(b) Streamlined National System for Registering Individuals

Currently, an individual that wishes to perform registerable activities must register in each province and territory where those activities would take place. This process can involve submitting up to 13 applications for registration to 13 SRAs. Harmonized registration categories and obligations as well as the ability of an SRA to delegate to another SRA proposed under USL would allow us to implement a national registration system whereby a registrant in one jurisdiction would become registered in another jurisdiction. Under this streamlined system, a registrant would simply be required to notify the SRA in its home jurisdiction that it wishes to do business in other jurisdictions and pay the appropriate fees for the other jurisdictions. NRD would provide a streamlined method of submitting an application for registration in multiple jurisdictions, thereby facilitating this system.

(c) Renewal of Registration

Most jurisdictions other than Québec require a registrant to renew its registration on an annual basis. In Québec, registrants are registered permanently but must supply specified information annually. Québec may consider adopting an annual renewal system, but there are many considerations that must be evaluated before such a decision can be made.

(d) Residency Requirements

Currently, some jurisdictions require certain dealers that are not individuals to be formed or created under the laws of Canada or a Canadian jurisdiction. This requirement would not be carried forward in the USL. Instead, non-resident registrants would be regulated through Local Rules or individual terms and conditions to ensure adequate investor protection. Some jurisdictions may require registrants to be residents of Canada. This result would be achieved through Local Rules or the requirement of membership in an SRO that in turn requires its members to be residents of Canada.

6. Obligations of Registrants

Registrants must meet a number of requirements that generally fall into one of four broad areas:

- Solvency;
- Integrity;
- Proficiency; and
- Regulatory oversight and enforcement.

(a) Solvency

(i) Capital Requirements

Under the USL, investment dealers and mutual fund dealers would be subject to the capital requirements of their governing SRO. The capital requirements applicable to non-SRO members (i.e., advisers and restricted dealers) would be prescribed in the USL.

(ii) Other Solvency Requirements

Other solvency requirements such as bonding and insurance requirements and margin requirements are substantively similar across jurisdictions and would be harmonized under the USL.

(b) Integrity

Registrants' obligations in this area include:

- know your client and suitability rules;
- rules respecting conflicts of interest between a registrant and its clients;
- record keeping;
- compliance systems and prudent business practices;
- segregation of assets; and
- client communications.

There are few substantive differences in the various jurisdictions' provisions. For SRO members, where appropriate, the SRA and SRO rules would be conformed. Integrity requirements for non-SRO members would be prescribed in the USL.

(c) Proficiency

The goal of the USL is to introduce harmonized proficiency requirements for all registrants and to conform them to SRO requirements where possible.

(d) Regulatory Oversight and Enforcement

The USL would incorporate the SRO model for regulating registrants who are members of an SRO. These registrants would be subject to SRA and SRO rules. Non-SRO members would be regulated directly by SRAs.

V. THE PROSPECTUS REQUIREMENT

1. Introduction

A fundamental characteristic of the current system of securities regulation is that issuers must qualify a distribution of securities with a prospectus unless an exemption is available. Under the USL, the existing prospectus trigger in most jurisdictions would be retained and no one would be permitted to distribute securities unless they:

1. File and obtain a receipt for a prospectus;
2. Comply with alternate requirements of an SRA; or
3. Have an exemption available.

The basic premise is that a prospectus provides sufficient information about an issuer and any offering of securities that it is making to allow a potential purchaser to make an investment decision. Therefore, it must contain full, true and plain disclosure.

The vast majority of trades occur in the secondary market rather than the primary market. Although there is a continuous disclosure record that a potential secondary market purchaser may review prior to making an investment decision, securities laws do not mandate that this disclosure be provided to the potential secondary market purchaser. The CSA is pursuing policy initiatives that would harmonize and strengthen rules for secondary market disclosure. In January 2000, the CSA published for

comment a proposed integrated disclosure system ("IDS") that would provide investors with more comprehensive and timely continuous disclosure. The USL would be drafted flexibly so that the move to an integrated disclosure system can be accommodated.[10]

2. Triggering the Prospectus Requirement

The requirement to file a prospectus should be drafted broadly enough to accommodate an integrated disclosure system for corporate issuers and alternative disclosure systems for investment funds.

The prospectus requirement contained in the USL would be drafted to accommodate a continuous disclosure-based system. Under such a system, a participating reporting issuer would be able to make a public offering without filing and clearing a prospectus so long as its continuous disclosure record is current. The issuer would file an alternative form of offering document that discloses the terms of the offering.

3. Form and Content of a Prospectus

Under the USL, rules relating to the form and content of prospectuses would be harmonized.

Rules relating to form and content of short form and shelf prospectuses have already been harmonized and would be included in the USL.[11] In addition, there is a CSA initiative underway to harmonize long form prospectus rules. It is anticipated that these rules would be finalized in time for incorporation into the USL. In the meantime, the CSA has already achieved a substantial degree of harmonization of long form prospectus rules. All jurisdictions allow issuers to elect to make a long form offering under either local rules or in accordance with the Ontario long form rule.[12]

The USL should allow an SRA to accept a prospectus that is prepared in accordance with the laws of a foreign jurisdiction.

To allow for greater flexibility, the USL would authorize an SRA to accept a prospectus prepared in accordance with the laws of a foreign jurisdiction if the SRA determines that the foreign prospectus contains full, true and plain disclosure.

VI. TRADING IN DERIVATIVES

1. Introduction

There are differing approaches to how jurisdictions regulate trading in derivative contracts. In some jurisdictions, securities legislation defines the term "futures contract" to include over-the-counter derivatives and "exchange contract" for derivatives traded on an exchange. Other jurisdictions have separate commodity futures legislation. In Québec, the legislation specifically provides that certain requirements apply to specified derivative contracts.

2. The Regulation of Exchange Traded Derivatives

The USL should adopt the concept of "exchange contract" to regulate derivative securities that are traded on an exchange. The "exchange contract" concept should not apply in jurisdictions which regulate commodity futures contracts and commodity futures options under a separate enactment.

The USL would adopt the Alberta and BC concept of "exchange contract". Under the USL, exchange contracts would be excluded from the definition of "security" and would be subject to the following requirements:

1. The registration requirement; and

2. The requirement that a prospective purchaser be given a risk disclosure statement prior to opening an account for trading in exchange contracts or any other disclosure that an SRA may require.

However, the USL would contain a carve out for jurisdictions with separate commodity futures legislation thereby preserving the *status quo* in Ontario and Manitoba.

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[10] See CSA Notice and Request for Comment 44-401 and 51-401 "Concept Proposal for an Integrated Disclosure System" (January 28, 2000).

[11] See National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 44-102 *Shelf Distributions*.

[12] See OSC Rule 41-501 *General Prospectus Requirements*.

3. Registration Exemptions for Exchange Contracts

The USL should provide certain registration exemptions for trades in exchange contracts.

Alberta and BC have comparable exemptions from the registration requirement for the following trades in exchange contracts that would be incorporated into the USL:

1. A trade made through a registered dealer;

2. A trade resulting from an unsolicited order placed with an individual who is not resident in the jurisdiction and carries on business outside the jurisdiction; and

3. A trade designated by regulation.

4. The Regulation of OTC Derivatives

The USL should exempt trades in over-the-counter derivatives from the registration and prospectus requirements where the transaction occurs between qualified parties.

In Alberta and BC, over-the-counter derivatives ("OTC derivatives") fall within the definition of "security". Both jurisdictions have exemptions from the registration and prospectus requirements for trades in OTC derivatives between "qualified parties". "Qualified parties" are generally institutional investors that use derivatives for commercial hedging purposes. In Ontario, Manitoba and Québec, certain OTC derivatives are governed by securities legislation and there are specific exemptions for these products. The USL would follow the Alberta and BC approach[13] and exempt trades in OTC derivatives between qualified parties from the registration and prospectus requirements.

VII. REGISTRATION AND PROSPECTUS EXEMPTIONS

1. Introduction

Securities laws provide exemptions from the prospectus and registration requirements where the goals of securities regulation can be accomplished without compliance with these requirements. There are a number of exemptions that are substantively similar in most jurisdictions which would be included in the USL. They are listed in **Appendix C.** Some jurisdictions have exemptions which are local in nature and scope and would be adopted as Local Rules. There are also a number of exemptions that would not be retained in the USL exempt market regime because they have been replaced by other exemptions or no longer reflect the needs of the exempt market. Finally, we have made certain recommendations which would substantially change the exemptions regime in some jurisdictions. They are discussed below.

2. Capital Raising Exemptions

Within the USL Project, the harmonization of capital raising exemptions is a top priority. The USL would reconcile Alberta and BC's capital raising exemptions contained in Multilateral Instrument 45-103 *Capital Raising Exemptions* ("MI 45-103")[14] with OSC Rule 45-501 *Exempt Distributions* ("OSC Rule 45-501")[15] and the regime in Québec.[16]

(a) The Prescribed Minimum Amount Exemption

Most jurisdictions exempt trades in securities where the purchase price of the security is not less than a prescribed minimum amount. Ontario removed this exemption with the adoption of OSC Rule 45-501. Alberta and BC have committed to maintain this exemption for one year from the implementation of MI 45-103 but to review it at that time to determine whether it remains necessary. Québec intends to maintain its prescribed minimum amount exemption pending a decision on whether it would adopt the accredited investor exemption.

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13 See Alberta Blanket Order 91-502 *Over the Counter Derivatives* and BC Instrument 91-501 *Over-the-Counter Derivatives*.

14 MI 45-103 was implemented in Alberta on March 30, 2002 and in BC in April 3, 2002. There is a multi-jurisdictional initiative underway to expand the application of MI 45-103 to Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Nunavut, the Northwest Territories and the Yukon Territory. A revised MI 45-103 that includes these jurisdictions has been published for comment. The comment period closed on November 19, 2002.

15 OSC Rule 45-501 was implemented on November 30, 2001.

16 Québec has published a concept paper called "Le financement de la PME au Québec", which discusses small business financing in Québec, for public consultation. Québec will then determine which exemptions are to be implemented.

The prescribed minimum amount exemption has drawbacks, some of which are:

1. The ability to make an investment of the prescribed minimum amount does not necessarily indicate that an investor is not in need of protection; and

2. Prescribing a minimum amount may cause an investor to invest more than he or she otherwise would in order to qualify for the offering.

In addition, the prescribed minimum amount exemption may prove to be unnecessary given the availability of the accredited investor exemption and the offering memorandum ("OM") exemption, which are discussed below.

(b) The Accredited Investor Exemption

Ontario, Alberta and BC have an exemption for "accredited investors". Generally, an "accredited investor" is an institutional investor or a high net worth individual. The inclusion of this exemption in the USL would represent a substantial change for jurisdictions where it is not currently available. However, most jurisdictions are likely to adopt the accredited investor exemption as part of an initiative to expand MI 45-103, and therefore the policy debate necessary to implement this change is well underway.

(c) The Private Issuer Exemption

Most jurisdictions exempt the securities of a "private issuer" from the registration and prospectus requirements. A "private issuer" is generally defined as an issuer that has no more than 50 beneficial security holders and does not allow its securities to be held by members of the public.

Uncertainty about who is and is not a member of "the public" has deterred issuers from relying on the statutory private issuer exemption. MI 45-103 modified the statutory private issuer exemption in Alberta and BC to provide additional guidance with respect to who is not a member of the public. It provides that the following persons may hold the securities of a private company:

1. Directors, officers, employees or control persons of an issuer;

2. Spouses, parents, grandparents, siblings or children of directors, senior officers or control persons of an issuer;

3. Close personal friends of directors, senior officers or control persons of an issuer;

4. Close business associates of directors, senior officers or control persons of an issuer;

5. Spouses, parents, grandparents, siblings or children of selling security holders;

6. Current holders of non-debt securities of an issuer;

7. Accredited investors;

8. Entities wholly owned by any combination of the entities listed in 1 through 7 above; and

9. Persons who are not members of the public.

With the implementation of OSC Rule 45-501, Ontario replaced its private issuer exemption with the closely-held issuer exemption. It permits an issuer to raise up to $3,000,000 as long as it has no more than 35 beneficial security holders, excluding accredited investors and employees.

The USL would reconcile these two approaches to the registration and prospectus exemption for issuers that have not issued securities to the public.

(d) The Family, Close Friends and Business Associates Exemption

MI 45-103 exempts trades to family members, close personal friends and close business associates of an issuer's directors, senior officers and control persons. The "accredited investor" exemption in OSC Rule 45-501 is available to family members of an issuer's directors, officers or promoters. However, there is no exemption in Ontario securities laws for the close friends or close business associates of the principals of an issuer.

The rationale for the close friends and business associates exemption in MI 45-103 is common to many exemptions that would be included in the USL: the relationship between the principals of an issuer and the prospective purchasers of securities allows the presumption that the prospective purchasers would be provided with the information necessary to make an investment decision.

(e) The Offering Memorandum Exemption

The OM exemption in MI 45-103 allows an issuer to issue securities under an offering memorandum to an unlimited number of purchasers without involving a registrant. In Alberta, a registrant must be involved for investments of over $10,000 unless the investor meets certain criteria intended to gauge his or her ability to withstand loss.

The OM exemption is currently in force in Alberta and BC only, but all jurisdictions except Ontario and Québec are participating in an initiative to implement MI 45-103. The offering memorandum exemption is still under consideration in Ontario and Québec. If Ontario and Québec choose to adopt the OM exemption under the USL, it would be included in a Uniform Exemptions Rule. Otherwise, it would be adopted in all jurisdictions of Canada except Ontario and Québec.

3. Certain Common Exemptions

(a) The Exemption for Mortgages

The USL should exempt trades in mortgages. If the mortgage is syndicated or on property that is not real property, the purchaser should be an institutional investor.

Most jurisdictions have an exemption for trades in mortgages or other encumbrances on property traded by a person registered or exempt from registration under provincial or territorial mortgage brokers legislation. The exemption does not apply to trades in mortgages or encumbrances on property that are contained in or secured by a bond. In BC,[17] this exemption is only available to purchasers who are institutional investors where the mortgage is syndicated or on property that is not real property. This restriction was adopted to prevent use of this exemption to sell risky investments to unsophisticated investors. The USL provision would contain this restriction.

(b) The Exemption for Short Term Debt

The USL should exempt trades to individuals in short-term debt subject to conditions.

Most jurisdictions exempt trades in short-term debt. Where the purchaser is an individual, the minimum investment must be $50,000. In BC, this exemption is not available for trades to individuals. This restriction prevents an issuer from circumventing the prescribed minimum amount exemption or lowering the minimum by issuing short-term debt rather than long-term debt or equity. It would be preferable to remove the prescribed minimum amount from this exemption and replace it with two conditions:

1. The debt is not convertible or exchangeable into or accompanied by a right to purchase another security other than the short-term debt in question; and

2. The short-term debt receives an acceptable rating by a recognized rating service.

The rating requirement would not apply to an offering restricted to institutional investors.

(c) The Exemption for Trades in Securities of an Issuer to its Employees, Officers and Directors

The USL should incorporate the final rule being developed by the CSA for trades by an issuer to employees, consultants, senior officers and directors.

Most jurisdictions have exemptions for trades by an issuer to its employees, senior officers and directors. Some jurisdictions also exempt trades to consultants and investor relations persons. The CSA have proposed to harmonize these exemptions across Canada.[18] The harmonized rule should be in place in time for incorporation into the USL.

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17 See sections 3 and 4 of BC Rule 45-501.

18 See CSA Notice and Request Comment Proposed Multilateral Instrument 45-105 *Trades to Employees, Senior Officers, Directors, and Consultants* (November 2, 2002).

(d) The Exemption for Distributions Outside the Local Jurisdiction

The USL should exempt a distribution made to purchasers outside Canada so long as specified steps are taken to ensure that the securities do not come to rest in Canada.

A person who trades a security must determine if the securities laws of a particular Canadian jurisdiction apply to the trade. Even if none of the initial purchasers of securities are located in that jurisdiction, there may be a distribution and therefore the securities laws of that jurisdiction may apply to the distribution.

This is a complex area of securities law which gives rise to different issues depending upon the location of the issuer and the purchasers.

(i) Private Placements to Purchasers in Other Canadian Jurisdictions

With the implementation of harmonized exemptions and resale rules, no special rules are needed for distributions or resales of securities privately placed within Canada. Since the resale rules would be the same no matter where in Canada the issuer and purchasers are located, a purchaser under a private placement need only comply with the hold period and other resale rules of his or her home jurisdiction to be in compliance throughout Canada.

The only exception to the harmonized resale rules would be in Manitoba, which intends to maintain its rules allowing purchasers of exempt securities of a non-reporting issuer to resell them through a Manitoba registrant after a hold period. However, Manitoba would require that the securities be legended to indicate that they cannot be traded outside Manitoba.

(ii) Private Placements by Canadian Issuers to Purchasers Outside Canada

Canadian issuers should be able to distribute securities to purchasers outside Canada without having to comply with Canadian registration and prospectus requirements. However, these distributions raise two regulatory concerns:

1. The securities might flow back to purchasers in Canada resulting in an indirect distribution to Canadian purchasers; and

2. A Canadian issuer might sell the securities in contravention of the laws in the purchasers' jurisdiction, potentially bringing Canada's regulatory system into disrepute.

To address these concerns, the USL would exempt such trades if the following conditions were satisfied:

1. The purchasers of the securities are outside Canada;

2. If an underwriter is participating in the distribution, the agreement between the issuer and the underwriter prohibits the sale of the securities to any person in Canada;

3. There are no directed selling efforts in Canada (i.e., actions taken for the purpose of, or reasonably expected to have the effect of, preparing the market or creating a demand for the securities);

4. Compliance with a restricted period during which the securities could not be resold to a person in Canada. The restricted period for equity would be four-months which must be shown in a legend on the certificate. The restricted period for debt would be 40 days during which the debt securities must be represented by a temporary global certificate;

5. The offering complies with the laws of the jurisdiction in which it is made; and

6. Disclosure is made that the distribution is exempted from the laws of the relevant Canadian jurisdiction.

(iii) Private Placements by Foreign Issuers to Purchasers Outside Canada

A private placement by a foreign issuer to a purchaser outside Canada would not be directly subject to Canadian law, but if the securities were re-sold into Canada or through a Canadian market, the private placement could be considered an indirect distribution. If the issuer's securities were listed on a Canadian exchange or for some other reason the issuer could reasonably expect that its securities might be resold into Canada, Canadian regulators would generally hold the issuer responsible for any indirect distribution.

The USL would provide that a foreign issuer listed in Canada or having significant Canadian market interest could protect itself from being found responsible for an indirect distribution by taking the following precautions:

1. Imposing offering restrictions. Specifically, if an underwriter participates in the distribution, the agreement between the issuer and the underwriter must prohibit the sale of the securities to any person in Canada;

2. Stating in any offering document that the securities are not qualified for sale in Canada;

3. Imposing restricted periods equivalent to the hold periods under Canadian securities laws and legending the certificates; and

4. Ensuring no directed selling efforts occur in Canada (i.e., actions taken for the purpose of, or reasonably expected to have the effect of, preparing the market or creating a demand for the securities).

Alternatively, if an issuer's home jurisdiction imposed equivalent or longer restricted periods than those required under Canadian securities law, compliance with the home jurisdiction's requirements would likely be sufficient to address potential flow back of the securities into Canada.

(iv) Distributions Qualified by a Prospectus

Where an issuer is distributing securities under a prospectus offering to purchasers outside the local jurisdiction, the USL would adopt the approach in proposed Multilateral Instrument 72-101 *Distributions Outside the Local Jurisdiction*. It provides for an exemption from the prospectus requirement where the following conditions are satisfied:

1. A public offering document is filed in a jurisdiction of Canada, the United States of America or the United Kingdom in connection with the distribution;

2. The purchasers of the securities are outside the local jurisdiction;

3. If an underwriter is participating in the distribution, the agreement between the issuer and the underwriter prohibits the sale of the securities to any person in the local jurisdiction; and

4. No actions are taken for the purpose of, or that could reasonably be expected to have the effect of, preparing the market in the local jurisdiction, or creating a demand in the local jurisdiction, for the securities being distributed.

(e) The Exemption for Dividend Reinvestment Programs

The USL should exempt trades by an issuer or an administrator in securities of the issuer under a dividend or interest reinvestment plan. The cash payment option should be restricted to listed issuers or reporting issuers not in default under securities laws.

Most jurisdictions have an exemption that allows existing security holders of an issuer who receive a distribution of earnings from the issuer to reinvest that amount into additional securities of the issuer. In most jurisdictions, a security holder may increase the amount of securities purchased by contributing cash ("cash payment option") provided that no more than 2% of the issuer's float is issued in this manner. In Ontario, use of the cash payment option is not permitted by issuers who are not non-defaulting reporting issuers and who are not listed issuers on certain exchanges. These restrictions prevent unlisted issuers or issuers who are not reporting issuers from indirectly distributing securities to the public. The USL provision would include these restrictions.

(f) The Exemption for Trades in Securities of an Investment Club

The USL should exempt trades in securities of investment clubs.

Most jurisdictions currently have an exemption for trades in securities of a "private mutual fund". The definition of "private mutual fund" includes both investment clubs and loan and trust pools. Loan and trust pools are mutual funds that are administered by a trust company but have no promoter other than the trust company. However, the "private mutual fund" definition does not apply to pooled funds managed by a portfolio manager. The regulatory issues are the same regardless of whether the pooled fund is managed by a loan and trust pool or a portfolio manager. The USL would therefore eliminate this discrepancy by replacing the exemption for a "private mutual fund" with an exemption for an "investment club", which would be defined as an issuer:

1. Whose securities are held by not more than 50 persons;

2. That has never sought to borrow money from the public;

3. That does not pay or give remuneration for investment, management or administration advice; and

4. All of whose members are required, for the purposes of financing its operations, to make contributions in proportion to the securities issued by it that each member holds.

(g) The Exemption for Trades in Securities of Mutual Funds and Non-Redeemable Investment Funds

The USL should exempt trades in securities of a mutual fund or non-redeemable investment fund if the purchaser would hold a prescribed minimum amount of securities at the completion of the trade. Existing holdings should be taken into account in determining whether the purchaser holds the prescribed minimum amount of securities.

Most jurisdictions have an exemption for trades in a security of a mutual fund or non-redeemable investment fund if:

1. The purchaser acquires the securities as principal; and

2. Either the net aggregate acquisition cost to the purchaser is at least a prescribed minimum amount or the purchaser would, upon completion of the transaction, hold securities with an aggregate acquisition cost or aggregate net asset value of not less than a prescribed minimum amount.

In Ontario, the exemption is only available to a fund that is not a reporting issuer. The Ontario exemption also requires the mutual fund to be managed by a portfolio manager or a trust corporation registered under applicable local legislation. Ontario may retain these additional requirements.[19]

4. Other Exemptions With National Scope

(a) The Exemption for Securities Issued to Satisfy a Debt

The USL should exempt trades by an issuer in its own securities to satisfy a genuine debt subject to conditions.

Currently, BC exempts trades in securities by persons to satisfy genuine debts. However, it is often possible to effect such an exempt trade in substance by using other available exemptions. Therefore, it seems preferable to develop an exemption that directly allows trades to satisfy debts provided appropriate requirements and limits are present to ensure adequate investor protection.

(b) The Exemption for Security Issuers

The USL should exempt issuances by an issuer of its own securities.

The security issuer registration category allows an issuer to act as a registrant for issuances of its own securities exclusively for its own account. Rather than requiring registration and all its attendant obligations, the USL would replace this registration category with an exemption for issuers distributing their own securities. The exemption would be subject to appropriate conditions.

VIII. CONTINUOUS DISCLOSURE REQUIREMENTS

1. Introduction

Securities laws require issuers that fall within the definition of "reporting issuer" to make two types of disclosure on a continuing basis:

1. Periodic disclosure of financial and business information; and

2. Timely disclosure of material changes in their affairs.

These requirements attempt to create an even playing field where all investors have access to the same information.

[19] For further background on the Ontario restrictions, see s. 2.4 of the Companion Policy to OSC Rule 45-501 *Exempt Distributions*.

2. Becoming a Reporting Issuer

The USL should harmonize the triggers for reporting issuer status.

Current definitions of "reporting issuer" contained in securities legislation are similar. However, there are two specific differences that would be addressed in the context of the USL.

First, in some jurisdictions, an issuer who lists its securities on an exchange that carries on business in a particular jurisdiction becomes a reporting issuer in that jurisdiction. However, in other jurisdictions, the listing must be on a recognized exchange for an issuer to become a reporting issuer. The USL would harmonize this discrepancy by providing that an exchange must be carrying on business within a jurisdiction and must be recognized or designated for reporting issuer purposes in that jurisdiction before a listing on that exchange results in reporting issuer status. Each jurisdiction would have the ability to exempt issuers who have a *de minimus* number or percentage of security holders in that jurisdiction. The threshold would not be harmonized since what is considered *de minimus* would vary with the size of the jurisdiction.

Second, only the Ontario *Securities Act* contains a provision allowing staff to apply to the SRA to deem an issuer to be a reporting issuer. The USL would include such a provision.

Therefore, under the USL, an issuer would become a reporting issuer in a jurisdiction if it:

1. Filed and obtained a receipt for a prospectus in that jurisdiction;

2. Became listed on an exchange that carries on business in and is recognized or designated in that jurisdiction, subject to a *de minimus* test for the percentage of shareholders within the jurisdiction;

3. Completed a business combination where one of the parties to the transaction is a reporting issuer in that jurisdiction; and

4. Was deemed to be a reporting issuer in that jurisdiction whether by order (on application by an issuer or at the request of an SRA) or rule.[20]

When an SRA deems an issuer to be a reporting issuer in the jurisdiction, it would have the ability to recognize the issuer's reporting issuer history in another jurisdiction.

3. Ceasing to be a Reporting Issuer

The USL should allow a reporting issuer with very few security holders in a particular jurisdiction to voluntarily surrender its reporting issuer status in that jurisdiction without making application to the relevant SRA.

Currently, most jurisdictions provide that a reporting issuer may cease to be a reporting issuer in a particular jurisdiction in one of two ways:

1. An SRA may revoke its reporting issuer status; or

2. A reporting issuer may apply for an order from an SRA deeming it to cease to be a reporting issuer.

These methods of ceasing to be a reporting issuer would continue under the USL. In addition, the USL would allow a reporting issuer to voluntarily surrender its reporting issuer status without making application to an SRA. The USL provision would be modeled after BC Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* and Alberta Policy 12-601 *Applications to the ASC* and would allow voluntary surrender if the following conditions were satisfied:

1. The reporting issuer has no more than 25 security holders, including holders of debt securities, in the jurisdiction in which it wants to cease to be a reporting issuer and no more than 50 security holders, including holders of debt securities, in Canada;

2. The reporting issuer's securities are not traded on a marketplace;

3. The reporting issuer is not in default of any of its obligations as a reporting issuer; and

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[20] In BC and Québec, an issuer can become a reporting issuer by filing a securities exchange take-over bid circular, provided, in BC that the take-over bid is completed. A similar provision was removed from the Alberta and Ontario Securities Acts in 1999 legislative amendments due to concerns over potential abuse. The jurisdictions that have retained this method of acquiring reporting issuer status may continue it by Local Rule or local order.

4. The reporting issuer notifies the market and regulators that it meets the above conditions and would cease to be a reporting issuer no earlier than 10 days from the date of the notice.

4. Continuous Disclosure Obligations

The USL should adopt the continuous disclosure rules being developed by the CSA for investment funds and other reporting issuers.

The CSA has published proposed national instruments that would harmonize and streamline continuous disclosure obligations and consolidate the various local requirements for both investment funds and other reporting issuers. We expect these instruments to be implemented prior to the completion of the USL Project.

Proposed National Instrument 51-102 *Continuous Disclosure Obligations* ("Proposed NI 51-102") would apply to reporting issuers that are not investment funds. In addition to harmonizing and streamlining continuous disclosure requirements, Proposed NI 51-102 would enhance the consistency of disclosure in the primary and secondary markets and facilitate future changes to the prospectus regime. Although it largely consolidates local laws, there are some significant enhancements of disclosure obligations.[21] For example, two significant changes are:

1. Reporting issuers would be under shorter filing deadlines for annual financial statements. Some reporting issuers would also be under shorter filing deadlines for interim financial statements; and

2. Financial statement information on significant business acquisitions would be required within 75 days after completion of the acquisition. Currently, this information need only be disclosed in a prospectus.

Proposed NI 51-102 also provides a harmonized regime for the regulation of proxies and proxy solicitation which would replace the proxy rules contained in securities laws.

Proposed National Instrument 81-106 *Investment Fund Disclosure* ("Proposed NI 81-106")[22] would apply to all types of investment funds including mutual funds, labour sponsored investment funds, exchange traded funds, split share corporations, closed end funds and scholarship plans.[23] Proposed NI 81-106 would require investment funds to make annual and quarterly management reports of fund performance, and would revise and update the requirements relating to annual and interim financial statements. In addition, fund holders would be able to consent to not receiving any or all of an investment fund's management reports of fund performance and financial statements.

The USL should authorize SRAs to conduct continuous disclosure reviews.

The *Budget Measures Act* would authorize the OSC or any of its members, employees or agents to conduct a review of the disclosures that have been made or that ought to have been made by a reporting issuer or mutual fund in Ontario. This provision is critical to an enhanced continuous disclosure regime because it would give SRAs jurisdiction to require an issuer to respond to identified deficiencies. Therefore, it would be included in the USL.

Under the USL, a reporting issuer should be subject to statutory civil liability for its continuous disclosure record in any Canadian jurisdiction.

Under the USL, the statutory civil liability of a reporting issuer relating to continuous disclosure obligations would apply to any issuer that is a reporting issuer in any jurisdiction of Canada.

IX. INSIDER REPORTING OBLIGATIONS

1. Introduction

"Insiders" of a reporting issuer must report their trades in voting securities of that issuer. The purposes of insider reporting obligations are to:

1. Provide the market with information about trades by those who have the best access to information about a reporting issuer;

2. Instill greater investor confidence in the market; and

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21 For further details, see CSA Notice and Request for Comment relating to Proposed NI 51-102 (June 21, 2002).

22 For further details, see CSA Notice and Request for Comment relating to Proposed NI 81-106 (September 20, 2002).

23 BC proposes not to impose some parts of Proposed NI 81-106 on labour sponsored funds and non-reporting mutual funds.

3. Deter insiders from trading on undisclosed material information.

This area is largely harmonized. All jurisdictions require insiders to file reports within 10 days of becoming an insider of a reporting issuer (assuming that the insider holds securities) and within 10 days after a change in their holdings. National Instrument 55-102 *System for Electronic Disclosure by Insiders* harmonized the requirements for the form of insider filings across Canada. Until SEDI is operational, insider reports are to be filed in paper format. Once SEDI is operational, insider reports would be filed on-line.

2. Definition of an Insider

A reporting issuer who holds its own securities should not be deemed to be an insider of itself for insider reporting purposes.

Although there are minor differences among jurisdictions, insiders of a reporting issuer generally include:

1. Directors and senior officers of the reporting issuer and it subsidiaries;

2. Directors and officers of a reporting issuer that itself is an insider of the reporting issuer;

3. Persons with an interest of more than 10% in the reporting issuer's voting securities; [24] and

4. A reporting issuer itself so long as it holds its own securities.

Except in Manitoba, a reporting issuer who holds its own securities is an insider of itself unless it intends to cancel them. However, generally, an issuer who acquires its own securities does so with the intention of canceling them rather than holding them. Therefore, the USL would not impose insider status on a reporting issuer that holds its own securities.

The USL should adopt a function-based approach for determining who the senior officers of a reporting issuer are for the purposes of insider reporting.

In most provinces, "senior officer" means a person holding one of a number of listed offices, a person performing the functions of those offices and an issuer's five highest paid employees. The Québec *Securities Act* defines insider solely on the basis of function.

The USL would take a function-based approach to determining who the insiders of a reporting issuer are. Under the current title-based approach, people who do not perform an executive function or have regular access to inside information may be required to file insider reports. The USL would contain a definition of "executive officer" which would include:

1. An individual performing the functions of the chief executive officer, chief financial officer or chief operating officer; or

2. An individual working for an issuer, or any of its affiliates, in an executive capacity whose usual responsibilities expose the individual to non-public material information about the issuer.

3. Disclosure Triggers

(a) Deemed Changes in Beneficial Ownership

The USL should require insiders to report the acquisition or disposition of any right or obligation to purchase or sell securities of the reporting issuer.

In most provinces, the acquisition or disposition of a put, call or other option by an insider of a reporting issuer is deemed to be a change in the beneficial ownership of the underlying security of the reporting issuer. The insider must report this deemed change in beneficial ownership. The *BC Securities Act* takes a more streamlined approach by requiring an insider to report an acquisition or disposition of any right or obligation to purchase or sell securities of a reporting issuer. The USL would adopt BC's approach because it is broad enough to capture many types of derivative securities and extracts the necessary information.

[24] Québec determines insider status on a per class basis (an insider is someone who holds 10% of any class). Québec may continue to determine insider status in this way.

(b) Transfer of Registered Ownership by an Insider

The USL should not require a transferee of registered ownership of securities beneficially held by an insider to report the transfer.

The Alberta, Ontario and Québec statutes all include provisions that require the registered owner of securities beneficially held by an insider to report the transfer from the insider to the registered owner to the relevant SRA if the registered owner knows that the insider did not report the transfer. These reporting requirements do not apply if the transfer is to give collateral for a genuine debt.

This provision would not be included in the USL. It creates an obligation on a registered owner to find out whether the beneficial owner is an insider and whether the insider filed the required report. The obligation to report such a transfer properly belongs to the insider only.

(c) Equity Monetization Transactions

The USL should adopt the rules relating to equity monetization transactions being developed by the CSA.

Equity monetization transactions unlock the cash potential of (or realize the economic benefit of) securities[25] thereby allowing the owner of the securities to redirect the liquidity to other uses. These transactions remove the owner's exposure to risk associated with the securities by transferring it to others. Where the owner is an insider, his or her disclosure of securities holdings is misleading. The USL would incorporate the CSA initiatives underway to ensure that equity monetization transactions trigger insider reporting obligations.

X. THE EARLY WARNING SYSTEM

The USL should contain an exemption from the early warning requirements for offerors that are acquiring securities under a formal bid.

Securities laws require security holders to give notice of changes in their holdings that may affect control of an issuer. These disclosure requirements, known as the "early warning system", provide that:

1. "Offerors"[26] that reach a certain percentage of security holdings in a reporting issuer (10% or more) must disclose their holdings immediately by press release and again two days later by filing a report; and

2. Offerors must make the same disclosure upon acquiring an additional 2% or more of the same class of securities or if there is a change in another material fact in a previously filed report.

Securities acts also impose a trading moratorium on an offeror who holds less than 20% of an issuer's securities that begins on the day an event requiring a report occurs and lasts until one day after the report is filed.

National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* provides an alternative monthly reporting system for institutional investors that do not intend to make a formal take-over bid.

In all jurisdictions except Ontario, offerors acquiring securities under a formal bid are exempt from the early warning requirements. If there is a formal bid, the offeror would be required to disclose any acquisition of securities under the take-over bid rules and therefore it is redundant to require them to do so under the early warning system. The USL would include an exemption from the early warning requirements for offerors acquiring securities under a formal bid.

XI. CONTROL PERSONS

1. Introduction

Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102"), which applies in all jurisdictions but Québec, harmonized rules relating to "control distributions".[27] A control distribution is a trade in a previously issued security from the holdings of a control person.

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25 The securities may be illiquid, immobilized or otherwise inaccessible or the securities may be tradable but the owner may not want to dispose of them.

26 An offeror is defined as anyone who acquires a security, whether or not in the course of a take over bid.

27 The CVMQ has issued a blanket order that permits a four-month hold for the resale of securities privately placed provided that the issuer is a reporting issuer in Québec.

Control persons are required to give advance notice of their intention to sell for two principal reasons:

1. To ensure the market receives advance warning of a trade potentially large enough to affect control of an issuer or to move the price of the issuer's securities; and

2. To help SRAs and SROs monitor the trading activity of major security holders.

Control persons must also file an insider report within three days of completing any trade under the prospectus exemption contained in MI 45-102, instead of the normal 10 days.

2. Definition of Control Person

The USL should contain a definition of "control person".

Currently, "control person" is specifically defined in Alberta and BC. In Ontario, Manitoba and Québec, the control person concept is buried in the definition of "distribution".[28] Generally, a "control person" is a person, company or group of persons or companies having sufficient control over voting rights of an issuer to materially affect control of that issuer. In Québec, the concept of control person is based on holdings of a class or series of securities rather than on outstanding voting securities of an issuer. Except in Manitoba, a holding of 20% of the voting securities of an issuer is deemed, in the absence of contrary evidence, to be sufficient to materially affect control of that issuer.[29]

The USL definition of "control person" would take the form of the current Alberta, BC and Ontario provisions and provide that the following are control persons:

1. Any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer; and

2. Any person or company that holds or is one of a combination of persons or companies that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence that the holding of those securities does not affect materially the control of that issuer.

3. Control Distributions

(a) Notice Requirements

The USL should require control persons to file a notice of intention to trade in securities held by them within the timelines currently mandated by MI 45-102.

As for any distribution, a person making a control distribution must either file a prospectus or rely on a prospectus exemption. MI 45-102 provides a prospectus exemption for a control distribution if the selling control person files a notice of its intention to sell securities at least seven and not more than 14 days before the first trade of securities contemplated by the notice. If the first trade is not made by the 14th day, the control person must file a new notice. Once the first trade is made, the control person can renew the notice indefinitely. The requirement to file the notice ceases once the control person has sold all of the securities or has filed a notice stating that the securities are no longer for sale.

In Québec, policy statements provide that a notice and press release are required by any person holding more than 10% of the securities subject to resale at least seven days before the distribution when the number of securities subject to resale represents at least 5% of the total number of securities.

Under the USL, a control person would be required to comply with the requirements contained in MI 45-102. If Québec adopts MI 45-102, the notice and timing requirements would be harmonized.

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28 In Manitoba, the control person concept is contained in the definition of "primary distribution to the public."

29 Québec adopted the same concept of control distribution in the recently passed but unproclaimed amendments to the Québec *Securities Act*. The threshold will be determined by regulation.

(b) Public vs. Private Transactions

The USL should require a control person of a reporting issuer who distributes securities from his or her control block under an exemption from the registration and prospectus requirements to comply with the control person notice and insider reporting requirements.

Most jurisdictions do not require a control person who trades in securities from his or her control block in reliance on an exemption from the prospectus and registration requirements to comply with the advance notice and insider reporting requirements. The *BC Securities Act* requires a control person who relies on an exemption to effect a control distribution to give advance notice of the trade and file an insider report within three days of the trade.[30] A potential change of control that occurs in an exempt market transaction is just as relevant to the market as one that would be effected through the facilities of an exchange. The USL would therefore provide that a control person who makes an exempt distribution must comply with the notice and accelerated insider reporting requirements.

(c) Filing Requirements

The USL should require control persons to file notices electronically.

The USL would require control persons to file notices electronically on SEDAR rather than the current method of filing such notices in paper format with an SRA. This change would make the information much more accessible. Control persons would also be required to file notices with the relevant exchange.

XII. INVESTMENT FUNDS

1. Introduction

The regulation of mutual funds is already substantially harmonized. The CSA have created harmony through a number of national instruments which have been adopted by each Canadian jurisdiction:

1. National Instrument 81-102 *Mutual Funds*;
2. National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;
3. National Instrument 81-104 *Commodity Pools*; and
4. National Instrument 81-105 *Mutual Fund Sales Practices*.

Further, CSA policy initiatives are currently underway that would impact the USL Project. They include:

1. Mutual fund governance and a proposed framework for regulating mutual funds and their managers;[31]
2. Updating continuous disclosure for all investment funds;[32]
3. A Joint Forum of Financial Market Regulators review of point of sale disclosure documents for mutual funds and segregated funds;
4. Developing a regulatory response for alternative investment fund products, including hedge funds; and
5. A revised regulatory regime for fund of funds investments.[33]

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30 See ss. 136 and 137 of the BC Rules. Note that the notice requirement only applies to distributions made pursuant to the exemptions listed in s. 136.

31 See CSA Concept Proposal 81-402 “Striking a New Balance: A Framework for Regulating Mutual Funds and Their Managers” (March 1, 2002).

32 See Proposed NI 81-106.

33 See proposed amendments to NI 81-102 *Mutual Funds* relating to clone funds.

2. Basic Definitions

The USL should contain definitions of "non-redeemable investment fund" and "investment fund".

Most securities acts contain a substantially similar definition of the term "mutual fund".[34] However, only Ontario defines "non-redeemable investment fund".[35] The USL would contain a harmonized definition of "mutual fund", a definition of "non-redeemable investment fund" and a definition of the term "investment fund"[36] which would be a blanket term for all types of regulated funds.

3. Loan and Trust Pools

The USL should treat loan and trust pools in the same manner as pooled funds of portfolio managers.

Currently, loan and trust pools are considered private mutual funds and exempted from the registration and prospectus requirements.[37] As noted above, the USL would limit the definition of "private mutual fund" to investment clubs only. This would ensure equal treatment of loan and trust pools and pooled funds offered by portfolio managers since they are equivalent products.

4. Continuous Disclosure Obligations

The USL should include the continuous disclosure obligations contained in Proposed NI 81-106.

As noted above, Proposed NI 81-106 would harmonize continuous disclosure requirements for investment funds and would be included in the USL.[38]

5. Self-Dealing and Conflict of Interest Provisions

The USL should include current securities laws related to mutual fund self-dealing and conflicts of interest.

Most jurisdictions have largely similar provisions governing the conduct of mutual funds and their managers aimed at reinforcing the responsibilities and duties that mutual fund managers have at law to act in the best interests of their mutual funds.[39] Additional safeguards are included to preserve mutual fund investors' interests against self-dealing transactions affecting the fund's portfolio. The regime relies on a number of restrictions and prohibitions against trades with, through or in the securities of defined related parties. The CSA may replace this legislative scheme as part of their work to develop a governance regime for mutual funds. In the interim, it is necessary to retain the scheme. These provisions would be harmonized among jurisdictions and amended, where appropriate, to resolve the technical interpretive issues noted in a 1995 report of staff of the OSC.[40]

XIII. TAKE-OVER AND ISSUER BIDS

1. Introduction

Take-over and issuer bid rules ensure that all offeree security holders have access to adequate information about an offer and benefit equally from it. Currently, eight jurisdictions regulate take-over and issuer bids.[41] The relevant provisions are essentially harmonized except in Québec where harmonized legislation has been adopted but is not yet in force. The USL would introduce take-over and issuer bid laws in the jurisdictions that do not currently regulate these transactions and would eliminate the differences that currently exist between Québec's provisions and those of the other jurisdictions. Since the CVMQ routinely issues exemption orders on a case-by-case basis that result in *de facto* uniformity, the proposed changes to Québec's take-over bid regime do not require policy debate.

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34 Québec legislation differentiates between unincorporated mutual funds and incorporated funds and mandates the redemption of units on request rather than within a specified period after demand as do the laws of other jurisdictions.

35 See OSC Rule 14-501 *Definitions*.

36 The *Budget Measures Act* defines an investment fund to mean a mutual fund or a non-redeemable investment fund.

37 A definition of "private mutual fund" does not exist in Québec.

38 BC proposes not to impose some parts of proposed NI 81-106 on labour sponsored funds and non-reporting mutual funds.

39 In Québec, standard of care and conflicts of interest provisions apply to registrants only. Managers are not registrants in Québec although newly enacted section 333.1(16) of the Québec *Securities Act* gives the CVMQ rulemaking power to regulate managers.

40 See "Regulating Conflicts of Interest in the Management of Mutual Funds: The Current Regime" (1995), 18 OSCB 1167.

41 New Brunswick, Prince Edward Island, the Northwest Territories, the Yukon Territory and Nunavut do not.

As noted above, the USL approach of introducing a "platform act" with detailed requirements contained in rules would accommodate future changes to take-over and issuer bid provisions. In general terms, the provisions defining a take-over bid and providing for its regulatory framework would be contained in the Uniform Act but the provisions relating to bid mechanics would be moved to a Uniform Rule.

2. Direct and Indirect Offers

The USL take-over and issuer bid provisions should apply to both direct and indirect offers.

The USL would provide that the take-over and issuer bid requirements apply to both direct and indirect offers so as to prevent an offeror from avoiding regulation by acquiring control of an entity that controls the ultimate target.

3. Exempt Bids

The USL should modify the take-over and issuer bid exemptions for de minimus bids and add a new exemption for modified Dutch auction issuer bids.

The USL would maintain existing take-over and issuer bid exemptions subject to the following modifications:

1. An exemption would be added for take-over bids for foreign offeree issuers provided that:
   - Less than 10% of shares of the issuer are held by registered holders resident in Canada;
   - The principal market for the offeree's securities is outside Canada;
   - Canadian holders are permitted to participate on terms that are at least as favourable as those offered to any other security holder and receive the same disclosure;
   - Documents would not have to be translated into French or English.
2. Existing *de minimus* exemptions for bids made for Canadian targets would be consolidated into one exemption that provides that a take-over bid made in compliance with the applicable rules of the principal jurisdiction is exempt in those jurisdictions in which fewer than 50 offeree security holders reside and where the offeree security holders resident in the jurisdiction beneficially hold less than 2% of the securities subject to the bid. There are two important elements of the *de minimus* exemption:
   - It clearly provides that the percentage threshold is based on beneficial rather than registered ownership; and
   - French translation would not be required if a bid is *de minimus* in Québec.
3. An exemption would be added for modified Dutch auction issuer bids, which are issuer bids where each security holder specifies a minimum price that he is willing to receive for his securities, but all security holders whose securities are taken up receive the same price.

4. Acting Jointly or In Concert

The USL should list the situations in which persons or companies are deemed to be acting jointly or in concert with the offeror, but the list would not be exhaustive. For circumstances not covered by the list, the USL would provide that it is a question of fact whether a person or company is acting jointly or in concert.

Under the USL, it would be a question of fact as to whether persons or companies are acting jointly or in concert with the offeror. In addition, the USL would prescribe circumstances in which persons or companies would be deemed to be acting jointly or in concert.

XIV. CIVIL LIABILITY

1. Introduction

Purchasers of securities have statutory rights of action against an issuer for fraud or misrepresentation. These statutory rights of action are much more powerful than their common law counterparts[42] because the plaintiff in a statutory action does not have to prove reliance on the misrepresentation,[43] and the right of action clearly applies where a misrepresentation results from an omission to state a material fact.

These provisions recognize the importance of information to the securities regulatory system. The documents to which primary market liability attaches are generally the basis for a purchaser's investment decision, and in the context of an initial public offering, they are also often the only publicly available information about the issuer. Statutory rights of action apply to misrepresentations contained in a prospectus, an offering memorandum and a take-over bid circular and related documents.

A right of action is also available to a purchaser against the dealer or offeror who fails to comply with the requirement to send a prospectus, an offering memorandum (in BC only), or a take-over or issuer bid circular. Finally, there is a right of action available to a purchaser or seller of securities for damages as a result of a trade with a person or company who is, at the time of the trade, in a special relationship with a reporting issuer and in possession of material undisclosed information about that issuer.

2. Secondary Market Liability

The USL should provide a right of action for secondary market trades that applies regardless of whether the issuer is a reporting issuer in the jurisdiction in which the security holder resides if the issuer is a reporting issuer in any jurisdiction of Canada.

Primary issuances of securities account for only about 6% of capital market trading. There are currently no rights of action available to secondary market purchasers even though their trading activities comprise approximately 94% of all market activity. Investors in the secondary market base their decisions on the issuer's continuous disclosure record but have no statutory right of action if the continuous disclosure record contains a misrepresentation.

There have been numerous calls for a statutory civil liability regime for continuous disclosure over the past three decades.[44] The strongest came from the final report of The Toronto Stock Exchange Committee on Corporate Disclosure (the "Allen Committee"), which was released in 1997. The Allen Committee recommended that investors have limited statutory rights of action against those responsible for misleading continuous disclosure.

The CSA have long supported the Allen Committee's recommendation and continue to do so. The CSA published and received comments on draft legislation that would implement the Allen Committee's recommendation for the first time in 1998 (the "1998 Proposal") and again in revised form in November 2000 (the "CSA Civil Remedies Proposal").[45] Most commenters to the 1998 Proposal were concerned that issuers and industry professionals would be exposed to frivolous, coercive and costly lawsuits. The CSA carefully considered these concerns and believe that the revised Civil Remedies Proposal would provide appropriate protections against unmeritorious litigation. By way of brief summary, the CSA Civil Remedies Proposal would:

- provide a limited right of action against an issuer, its directors, responsible senior officers, "influential persons", auditors and other responsible experts for damages suffered due to the issuer making and not correcting public disclosure (either written or oral) that contains an untrue statement of a material fact or for failure to make required material disclosure;
- deem an investor to have relied on the misrepresentation or failure to make timely disclosure;
- provide defendants with varying defences based on their responsibility for the disclosure;
- impose caps on defendants' exposure so as to create a deterrence regime rather than a compensation mechanism;

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42 In Québec, the counterpart provisions are contained in the Civil Code.

43 The Québec *Securities Act* does not deem reliance, but a plaintiff in Québec is nonetheless not required to prove reliance.

44 The various proposals for a secondary market civil liability regime are discussed in the Draft Report of the Five Year Review Committee at page 75.

45 See CSA Notice 53-302 "Report of the Canadian Securities Administrators – Proposal for a Statutory Civil Remedy for Investors in the Secondary Market and Response to the Proposed Change to the Definitions of 'Material Fact' and 'Material Change'" (November 3, 2000).

- discourage unmeritorious litigation by requiring plaintiffs to obtain leave of the court to bring an action and requiring the court to approve any proposed settlement of an action; and

- impose a measure of equity among defendants by apportioning liability in proportion to each defendant's share of responsibility for the misrepresentation or failure to make timely disclosure rather than on a joint and several basis. However, defendants would be jointly and severally liable if they knowingly made the misrepresentation or failed to make timely disclosure.

The Ontario government recently passed proposed amendments to the Ontario *Securities Act* that would add rights of action for secondary market purchasers that are substantially the same as those contained in the CSA Civil Remedies Proposal.[46] For other jurisdictions, the USL presents an ideal opportunity to add these rights of action.

3. Primary Market Liability

Subject to the modifications discussed below, the USL should substantially maintain the existing civil liability regime for primary market investors.

(a) Misrepresentation in a Prospectus

The USL would maintain the right of action for either damages or rescission that is available to an investor purchasing under a prospectus[47] in substantially the same form, with the following modifications:

1. The potential defendants in a rescission action would be the issuer or selling security holder and any underwriters involved in the offering, whether or not they signed the certificate. In an action for damages, the potential defendants would be the issuer or selling security holder, every underwriter required to sign the certificate, every director of the issuer at the time the prospectus was filed, every person whose consent was filed (generally experts), and every person who signed the certificate (generally officers and promoters). This broadens the current potential defendants in Manitoba and Québec but is not a change in other jurisdictions;[48]

2. The defences currently available in Alberta, BC and Ontario would be contained in the USL and would apply to both actions for damages and rescission.[49] Two additional defences would be added:

   (a) A defence would be available for forward-looking information. A person or company would not be liable for a misrepresentation in forward-looking information if it can prove that it had a reasonable basis for the information and included appropriate cautionary language in the offering document;

   (b) A defence would be available for derivative information.

(b) Liability for Misrepresentations in an Offering Memorandum

The USL would maintain the right of action for either damages or rescission that is available to an investor purchasing under an OM[50] with the following modifications:

1. The USL would provide investors who purchase under an offering memorandum with a two-day right of withdrawal. This right is currently available in BC, Alberta and Manitoba.[51] It would be a change in Ontario and Québec where there are currently no withdrawal rights for exempt distributions. This right is appropriate

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46 See the *Budget Measure Act*. As of the date of this Concept Proposal, these amendments have not been proclaimed.

47 If the plaintiff is granted rescission, he has no right to damages. The Québec *Securities Act* also provides for the right to have the price revised, in addition to damages and rescission. The right of rescission or revision of price can be exercised without prejudice to the action for damages.

48 In Manitoba, the defendants in a damages action are the directors of the issuer and those who sign the certificate. The CEO, CFO and promoter must sign the certificate. There is no statutory liability against the issuer itself, the underwriter, or experts. In Québec, the defendants include persons exercising the functions of certain named officers (regardless of whether they signed the certificate), and the liability of experts depends on whether the expert consented, not on whether a consent was filed.

49 In BC, the listed defences are only available for actions for damages.

50 If a plaintiff is granted rescission, he or she has no right to damages. The Québec *Securities Act* also provides for the right to have the price revised, in addition to damages and rescission. The right of rescission or revision of price can be exercised without prejudice to the action for damages in Québec.

51 In BC and Alberta, the right of withdrawal is provided in MI 45-103 whereas the Manitoba *Securities Act* requires issuers to provide a contractual right of action.

since there is no requirement that a registrant be involved in assessing suitability for a potential purchaser, unlike prospectus offerings;

2. The potential defendants in a damages action would be the issuer, every director of the issuer at the date of the OM, every person who signed the OM[52] and, if the issuer is a reporting issuer, any expert who consented to the inclusion of its report. The inclusion of experts acting for reporting issuers is a change in all jurisdictions except Québec.[53] This change would be of minimal impact because experts acting for reporting issuers would be liable to secondary market purchasers under the proposed secondary market liability system;

3. The USL would continue to provide a defence to both a damages and a rescission action if the purchaser had knowledge of the misrepresentation.[54] The defences to damages and rescission actions available for forward looking and derivative information would also be available in the offering memorandum context;

4. Four new defences would be added for defendants other than the issuer:[55]

   (a) Delivery of an offering memorandum without the knowledge or consent of the defendant and the defendant, on becoming aware of its delivery, giving written notice to the issuer that it was delivered without the defendant's knowledge and consent;

   (b) Withdrawal of consent and giving notice of withdrawal upon becoming aware of any misrepresentation;

   (c) The misrepresentation is contained in an expertised part of an OM; and

   (d) The defendant conducted due diligence.

(c) Take-over Bid and Issuer Bid Circulars and Notices of Change and Variation

The USL would maintain the existing right of action for damages or rescission that are available to an offeree security holder that receives a take-over bid circular, issuer bid circular, notice of change or notice of variation to sue for damages or rescission if the document contains a misrepresentation.[56] The USL would also maintain the existing right of action for damages available to an offeree security holder who receives a directors' circular that contains a misrepresentation. Both rights would be in relation to any issuer, not just a reporting issuer, and would exist regardless of whether securities were transferred in reliance on the document.

The class of defendants would remain unchanged with one exception: all directors would be liable in an action for damages relating to a misrepresentation in a directors' circular if the entire board approved the circular. Currently, only those persons who signed the circular or notice are liable.

The USL would impose liability on experts who consent to the inclusion of their reports or opinions in both take-over bid circulars and directors' circulars and all related documents. Currently, only Alberta imposes liability on experts and only with respect to reports contained in a directors' (or officers') circular.

The available defences would be the same as the proposed defences in the prospectus and OM contexts and would apply to both actions for damages and rescission.

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52 This approach reflects the OM liability regime in MI 45-103 which most jurisdictions have agreed to adopt. It would be a change for Ontario, where the current rights of action for damages are against the issuer only. In Québec, the defendants in a damages action are the same as in the prospectus context: the issuer or selling security holder, senior executives who are functioning as directors or certain officers, experts, and the underwriter.

53 In Québec, expert liability in the OM context already exists, but applies regardless of whether the expert is acting for a reporting or a non-reporting issuer.

54 In Ontario, there is an additional defence for the issuer if a selling security holder is offering the securities as long as the misrepresentation is not based on information from the issuer. The Québec offering memorandum defences parallel its prospectus defences (purchaser knowledge and acting with prudence and due diligence). In Manitoba, there is no defence for the purchaser having knowledge.

55 These defences are currently available in Manitoba and will be available in BC and Alberta once statutory amendments are passed and proclaimed.

56 Québec plaintiffs also have the right to sue to have the price revised.

(d) Liability for Failure to Deliver Documents Required to be Delivered

The USL would maintain the rights of action for non-delivery of required documents that are available to a purchaser of securities under a prospectus or offering memorandum and to a security holder of an offeree issuer. However, the USL provision would differ from current provisions in two respects.

First, the right would extend beyond a failure to deliver and include a failure to file required documents. This approach has two advantages. It recognizes that delivery obligations are no longer as important and it provides a right of action against a person who made an illegal distribution.

Second, the USL provision would also specify that the potential defendants in such an action would be the issuer (or selling security holder) and the dealer (or the offeror).

(e) Liability for Trading on Information Relating to Investment Programs

Most securities legislation provides investor remedies for what is colloquially known as "front-running", or trading with knowledge of the investment program of a mutual fund or a client of a portfolio manager. A person who trades with this knowledge must account to the mutual fund or client for any benefit or advantage received. The legislation of most jurisdictions provides that an SRA or a security holder can apply to court for an order requiring a mutual fund to seek an accounting from a person who has traded with knowledge of the fund's investment strategy. This right of action would be included in the USL but expanded to apply to exchange contracts and other derivative securities.

(f) Action to Enforce Issuer and Mutual Fund Rights

Each of the jurisdictions has similar remedies that allow either the SRA or a security holder of an issuer to apply to a court of competent jurisdiction to commence an action on behalf of an issuer to seek an accounting from the issuer's insiders, affiliates or associates for trading on inside information.[57] There are inconsistencies among the various provisions, and certain aspects of the remedy do not apply to mutual funds. The USL would adopt the BC provision[58] with modifications that would extend the remedy to security holders of mutual funds.

(g) Rights of Action Excluded from the USL

Most jurisdictions have the following additional rights that would not be included in the USL:

1. The right of a holder of relatively small amounts of securities of a mutual fund to rescind the purchase without wrongdoing on the part of others. This right is open to abuse since it entitles a purchaser to recover the net asset value at the time of rescission as opposed to the time of purchase. This right is also inappropriate since it provides mutual fund purchasers with rescission rights in addition to a two-day prospectus withdrawal right;

2. A right of a customer of a dealer to void a contract with that dealer if the dealer fails to ensure that it maintains adequate holdings of securities to satisfy margin contracts it has entered into with its customers; and

3. A right of rescission of any person or company on the other side of a trade with a registered dealer against that registered dealer for a failure to disclose the registered dealer's intention to act as principal.

(h) Limitation and other Time Periods for Investor Rights

The rights of action in the USL would be subject to the following harmonized limitation periods:

1. There would be a 180-day limitation period for all rights of action for rescission which would run from the date of the transaction that gave rise to the cause of action; and

2. The limitation period for rights of action for damages would be three years from the date on which the document containing the misrepresentation was sent or filed, unless a news release had been issued announcing that a class action had been commenced in a jurisdiction of Canada in respect of the misrepresentation. Where such a news release had been issued, the plaintiff would have six months from the date of its issuance to commence an action.

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57 In Manitoba, only a security holder of a corporation may bring such an application.

58 See s. 137 of the BC *Securities Act*.

Because each jurisdiction has its own Limitations Act,[59] the USL would provide that its limitation periods override those in other enactments.

XV. ENFORCEMENT

1. Introduction

Under the USL, a contravention of any provision of the act or rules would be an offence. This is a departure from the *status quo* in some jurisdictions whose legislation specifically lists those provisions that may, if contravened, be prosecuted as an offence. This change would give SRAs more flexibility in determining how to frame an enforcement action. It would also remove the need to amend legislation each time an SRA adds to the list of provisions that may be treated as an offence.

The penalties on conviction for an offence would not necessarily be harmonized. Local differences in amounts of penalties are appropriate and reflect the fact that jurisdictions with larger markets and issuers may need a higher penalty in order for their enforcement powers to be meaningful. Penalties would be contained in the Administration Act.

2. Prohibited Acts

The USL should prohibit fraud and market manipulation and engaging in unfair practices.

There are a number of prohibitions contained in securities legislation. Some relate to specific subject areas (e.g., insider trading and tipping, trading without being registered, distribution without a prospectus) while others are of a more general nature. Currently, general prohibitions are contained in various places in the legislation. The USL would consolidate them.

The following prohibitions would be carried forward into the USL:

1. The prohibition on representations as to resale and future value;

2. The prohibition on listing representations with a modification to provide an exception where conditional approval of an exchange has been obtained or the subject securities are currently listed or quoted;

3. The prohibition on holding out registration; and

4. The prohibition on representing that an SRA has approved, expressed an opinion or passed judgment on certain matters such as the financial standing of an issuer. Some jurisdictions also prohibit representing an Executive Director has granted approval. Given that the Executive Director is the decision maker in a number of circumstances (most notably on whether to issue a receipt for a prospectus), the USL provision would be broadened accordingly.

The following prohibited acts exist in some jurisdictions and would be added to the USL:

1. A prohibition on fraud and market manipulation. Market manipulation and fraudulent trading can create misleading price and trading activity which are detrimental to investors and the integrity of the market. Some jurisdictions currently have a statutory prohibition.[60] The existing statutory prohibitions have a transaction-based focus which tends to limit the reach of the prohibition to a specific trade. The anti-fraud and market manipulation provision contained in the *Budget Measures Act* is preferable. It prohibits any person or company from directly or indirectly engaging or participating in any act, practice or course of conduct that the person knows or ought to know would create a misleading appearance of trading activity or an artificial price. This provision is based on an existing section in National Instrument 23-101 *Trading Rules*, which has been in force since August 2001.

2. A prohibition on engaging in "unfair practices". Currently, the BC *Securities Act* contains this prohibition which was introduced in May 2002. An unfair practice includes putting unreasonable pressure on a person to purchase, hold or sell a security, taking advantage of the person's inability or incapacity to reasonably protect his or her own interests because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to purchase, hold or sell a security; and

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59 In Québec, limitation periods are contained in the Civil Code.

60 British Columbia, Alberta and Saskatchewan have an express statutory prohibition while Manitoba and Ontario do not. Québec has an indirect prohibition. Section 276(2) of the Québec *Securities Act* gives the CVMQ a broad jurisdiction to "protect investors against unfair, improper or fraudulent practices".

3. Misrepresentations and False or Misleading Statements

The USL should contain a harmonized definition of "misrepresentation".

The USL would contain a harmonized definition of "misrepresentation" that would include an omission to state a material fact that is necessary to be stated in order for a statement to not be misleading.

Currently, securities legislation distinguishes between a misrepresentation made to anyone with the intention of effecting a trade in a security, and a misrepresentation to an SRA or in a document required to be filed or furnished under securities legislation. The latter is considered more serious.

The USL would retain the distinction between general misrepresentations made to anyone and misrepresentations made to an SRA or in a required document. However, the general misrepresentation prohibition would no longer be qualified by the words "with the intention of effecting a trade".

The second type of misrepresentation i.e., making a misrepresentation to an SRA, its staff or in a document required to be filed or furnished under securities legislation, would be retained in the USL.

4. Limitation Periods

The USL should harmonize the period within which an enforcement proceeding must be commenced.

The period within which enforcement proceedings must be commenced varies among jurisdictions. The Uniform Act would adopt the limitation period that applies in most jurisdictions, which is six years from the date of the occurrence of the event that gives rise to the enforcement proceedings.

5. Administrative Penalties

SRAs should have the power to impose an administrative penalty upon finding a contravention of the USL. It is not essential that the amount be identical in all jurisdictions.

Most jurisdictions have the power to order a monetary administrative penalty after a hearing where an SRA has found a contravention of, or failure to comply with, the act, rules, regulations, a decision, or, in some jurisdictions, a written undertaking under the act.[61] The maximum amount of the administrative penalty an SRA may impose varies between jurisdictions.[62]

An administrative penalty is a regulatory sanction. To be an effective deterrent, an administrative penalty should fit the circumstances of the case, including the nature of the respondent. Jurisdictions with larger markets and issuers may need a higher maximum in order for the authority to impose an administrative penalty to be a meaningful enforcement power. Therefore, local variations are justifiable and acceptable.

Each jurisdiction's legislation stipulates, subject to wording variations, that the funds collected by an SRA pursuant to an administrative penalty are to be used to further the objectives of that SRA. Generally, these funds are used to educate investors or promote their interests as a group. Such a provision would be included in each Administration Act.

6. Public Interest Powers

The USL should harmonize the types of enforcement orders an SRA may issue after an enforcement hearing.

Each SRA has the power to issue an enforcement order after a hearing, whether or not there has been a specific contravention of legislation if it considers such an order to be in the public interest. While there are many similarities in the orders that can be made, there are also several very useful orders that only one or two jurisdictions can currently make. The USL would compile some of the less common but useful powers. SRAs would have the power to make the following orders:

1. An order that trading in or purchasing a security or securities by a person or company cease;

2. An order denying the use of exemptions;

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61 Currently, the OSC does not have the ability to impose an administrative penalty. The *Budget Measures Act* would authorize the OSC to order the payment of an administrative penalty of up to $1,000,000 and to order the disgorgement of amounts obtained as a result of non-compliance with Ontario securities law.

62 For example, the maximum in Québec is $1million for all contraventions (s. 273.1 of the *Québec Securities Act*). The maximum penalty in Alberta is $100,000 for individuals and $500,000 for corporations, which can be imposed for each contravention (s. 199 of the Alberta *Securities Act*).

3. An order that a person resign as a director or officer of an issuer, as a registrant or as manager of a mutual fund and prohibiting such person from acting as a director, officer or manager of an issuer, registrant or mutual fund or as a promoter;

4. An order that the registration or recognition granted to a person or company be suspended, cancelled, or subject to conditions;

5. An order against any person prohibiting or requiring dissemination of information or requiring amendments to disseminated information;

6. An order that a person or company (including a person or company registered or recognized under the relevant legislation) be reprimanded;

7. An order that a person or company comply with the act, rules or orders;

8. An order that a market participant submit to a review of his, her or its practices;

9. An order prohibiting a person from engaging in investor relations activities; and

10. A disgorgement power.

7. Temporary Orders

The USL should allow SRAs to make temporary orders without holding a hearing.

Most jurisdictions have the power to issue an order without holding a hearing on a temporary basis if it would be prejudicial to the public interest to allow the time required to hold a hearing to pass. The USL would contain a provision that allows the SRA to make any of the orders available following a hearing on a temporary basis if the amount of time required to hold a hearing and render a decision would be prejudicial to the public interest. The temporary order would take effect on a date determined by the SRA and would be in effect for a maximum of 15 days from the date it is made.

8. Orders for Failure to Comply with Filing Requirements

The USL should authorize SRAs to issue cease trade orders without a hearing where filing requirements have not been satisfied.

Under BC legislation, an SRA and the Executive Director may issue a cease trade order without a hearing where a person has not complied with the filing requirements in the legislation by not filing a record or not completing a record filed properly. The order remains in place until the record completed in accordance with the legislation is filed. This is an important enforcement tool and would be included in the USL.

XVI. JOINT HEARINGS

The USL should contain provisions relating to the hearing rules should apply to a joint hearing.

There is an initiative currently underway to develop rules for joint hearings. These rules would be included in the USL if they are finalized prior to the implementation of the USL. Otherwise, the delegation provision contained in the Administration Act would be drafted to permit the panel conducting the joint hearing to determine that one particular jurisdiction's laws apply to the proceedings.

XVII. GENERAL PROVISIONS

1. Rule Making Authority

The USL should harmonize rule making heads of authority.

The increasingly dynamic landscape of the modern capital markets requires that SRAs respond quickly and effectively to emerging issues. However, the legislative process is lengthy and therefore amendments to legislation can take several years to implement. This problem is further compounded by the fact that securities laws are complex and generally require a degree of expertise and industry knowledge.

SRAs are regularly faced with new products, market structures, enforcement priorities and policy issues that require a timely response. Rule making authority allows SRAs to respond more quickly to changing market circumstances. Most SRAs already

have the power to make rules that have the same force and effect as a regulation made by the Lieutenant Governor in Council of the province or territory. However, some do not. To achieve and maintain harmonization, it is imperative that the SRAs of all jurisdictions of Canada have rule making authority.[63]

It is nonetheless crucial to preserve political responsibility for the system of securities regulation. Rules created by SRAs must be subject to government oversight and should be developed through a transparent process. However, the government oversight process and the need for transparency should not obviate the fundamental benefits of a rule making power, namely, efficient and effective regulation. In its draft report, the Ontario Five Year Review Committee noted that it takes approximately 18 months to implement a national or multilateral rule. There should be clear and reasonable time periods associated with the processes for obtaining public comment and Ministerial approval.

The rule making provisions in the USL would assign the majority of rule making authorities to the SRA but would accordingly retain the Lieutenant Governor in Council's authority to make regulations in relation to the same rule making heads. The current provision that the regulations prevail in the event of conflict and authority for the Lieutenant Governor in Council to amend or repeal a rule would be maintained. There are also matters over which governments of certain jurisdictions have chosen to retain sole authority to make regulations. Under the USL, rule making authority relating to these matters would not be harmonized as they are matters of provincial or territorial sovereignty.

The matters on which SRAs have authority to make rules are specifically enumerated in legislation. In general, the heads of authority are similar. Most matters fit into one of the existing heads, but some do not, mainly for technical reasons. This approach sometimes results in undue attention being paid to the category of authority rather than the substance of the rule. A general head of authority that would allow SRAs to make those rules necessary for the administration of securities laws would be more congruous with the objectives of rulemaking.

2. Exemptive Relief

The USL should permit SRAs to exempt any person, company, trade or distribution from any or all provisions of securities laws.

Currently, all jurisdictions allow an SRA to exempt persons and companies from any requirement of securities laws by issuing an order of specific application. Currently, exempting powers vary in form between jurisdictions. The USL would consolidate all exempting provisions into one generally worded authority.

Some jurisdictions also have authority to issue a blanket order which applies generally to classes of trades, securities, companies, transactions and other matters. These jurisdictions have found that the authority to make blanket orders eliminates costs, delays and uncertainty caused by individual applications for discretionary relief and are a useful tool to address changes in the marketplace in a timely manner. The USL would therefore authorize SRAs to make blanket orders.

3. Filings

The USL should contain a provision allowing for the filing of documents that comply with the laws of a foreign jurisdiction whose laws are substantially the same as those under the USL.

Most securities laws allow the filing of documents that comply with the laws of another jurisdiction whose requirements are substantially similar. Under the USL, such a provision would not be necessary for jurisdictions within Canada but would be necessary for filings in compliance with the requirements of foreign jurisdictions.

The USL should contain a general execution and certification provision that applies to all filings.

Most jurisdictions prescribe the manner in which filings must be executed or certified. These provisions vary across jurisdictions. The USL would contain a harmonized provision that would also allow for flexibility in determining the appropriate means of executing and certifying documents.

4. Referral of Questions to an SRA

The USL should permit referral of a material question to an SRA.

Currently, some securities acts allow an applicant to refer a material question to an SRA. Some jurisdictions only permit the referral of questions relating to certain matters, for example, prospectuses. The USL would contain a general right of referral permitting the referral of a material or novel question to an SRA arising out of any application, filing or decision of an Executive Director.

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63 There should also be authority to make rules on an emergency basis. See, for example, ss. 3 and 4 of the Alberta General Rules.

APPENDIX A

INVESTIGATIONS

1. Provisions that Would be Modified Non-Substantively

(a) Production Orders

Before commencing an investigation, an SRA has the ability to order production of documents from various industry participants for certain specified purposes. This provision can be harmonized without detracting from local powers. The current BC provision makes the most effective statement of the scope of this power. The BC provision provides that production can be compelled from the following persons or entities:

(a) a clearing agency;

(b) a registrant;

(c) a person exempt (by order) from registration;

(d) a reporting issuer;

(e) a manager or custodian of assets, shares or units of a mutual fund;

(f) a general partner of a person referred to in (b)(c)(d)(g)(j) or (k);

(g) a person purporting to distribute securities in reliance on a prospectus exemption or an order exempting the distribution from the prospectus requirement;

(h) a transfer agent or registrar for securities of a reporting issuer;

(i) a director or officer of a reporting issuer;

(j) a promoter or control person of a reporting issuer;

(k) a person engaged in investor relations activities on behalf of a reporting issuer or security holder of a reporting issuer;

(l) the Canadian Investor Protection Fund; and

(m) a person providing record keeping services to a registrant.

The list of industry participants from whom production can be ordered would be broadened from the current BC provision to include anyone who has issued securities (not just reporting issuers) and any person or entity who was, at the relevant time (but is no longer), a person or entity identified in (a) through (m).

There are four purposes for which production can be ordered in the current BC provision: (a) for the administration of the *Securities Act*, (b) to assist in the administration of the securities or exchange contracts laws of another jurisdiction, (c) in respect of matters relating to intra-provincial trading in securities or exchange contracts, and (d) in respect of matters relating to inter-provincial trading in securities or exchange contracts. Each of these purposes should be incorporated into the uniform provision.

(b) Powers of Investigators under Investigation Order

Most jurisdictions' legislation places similar limits on the powers of an investigator acting under an investigation order. These limits can be harmonized by adopting a uniform provision based on the current BC provision.[64] That provision provides that an investigator may, with respect to the person or entity who is the subject of the investigation, investigate, inquire into, inspect and examine the affairs, records, property and assets of the person or entity.

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64 However, the current Québec provision places very few limitations on an investigator's powers. Section 240 of the Québec *Securities Act* provides that the CVMQ acting under an investigation has all the powers of a judge of the Superior Court, except to order imprisonment. It is expected that Québec will retain this provision in its Administration Act.

(c) Power to Search and Seize

The Administration Acts would contain a harmonized provision that allows the person conducting an investigation pursuant to an investigation order to apply to the court of superior jurisdiction to obtain an order allowing the investigator to search premises and seize items of relevance. As the current BC provision does, the Administration Acts would provide that an investigator may enter the business premises of a registrant, SRO or exchange named in the investigation order and inspect records, property, assets or things used in the business that relate to the investigation order.[65] Investigators in Ontario and Manitoba have the power to search without an order of the court or the SRA in certain circumstances. These are useful provisions that additional jurisdictions may choose to adopt.

(d) Powers of an Investigator to Summon and Compel Attendance and Testimony

In all jurisdictions, investigators under an investigation order have the same power as the court of superior jurisdiction to summon and enforce the attendance of witnesses and to compel witnesses to give evidence and produce records and other items of relevance. The Administration Acts would include this power. The Administration Acts would also stipulate that a witness cannot refuse to answer a question on the grounds of self-incrimination or exposure to a penalty or civil proceedings.

The law is clear that solicitor-client privilege applies to all requests for evidence and testimony. This would be explicitly stated in the Administration Acts. However, current detailed provisions on the procedures for claiming privilege[66] would not be retained.

(e) Obstruction of Justice

The Administration Acts would contain a provision modeled on the current BC provision[67] which makes it an offence to withhold, destroy, conceal or refuse to produce any record, in the face of an investigation order or a search and seize order. The offence would be expanded to include actions by persons who have knowledge of the investigation order but have not been served, and witnesses compelled under an investigation order or appearing at a hearing.

(f) Appointment of Experts

The Administration Acts would contain a provision modeled after the current Alberta provision[68] which allows an expert to be appointed both before and after an investigation order has been issued. Most jurisdictions do not currently have the power to appoint an expert before an investigation order has been issued. This is a useful power because there is often a benefit to obtaining the opinion of an expert on certain facts to assist in the decision of whether to take enforcement action.

(g) Reports to SRAs

All jurisdictions have a provision dealing with reports of investigators and experts appointed under an investigation order. Some jurisdictions require that all investigators and experts provide a report to the SRA as a matter of course[69] while others only require a report to the SRA on request[70]. To ensure that SRA resources are being used appropriately, a report should be produced only where an SRA thinks it is necessary. In the Administration Act, investigators and experts would be required to provide a report to the SRA if the SRA requests one. The report would be privileged.

(h) Confidentiality of Investigations

The Administration Acts would contain a harmonized provision that prohibits disclosure of the existence and details of any investigation (regardless of whether an investigation order has been issued). The prohibition would apply to SRA staff as well as to members of the public who are interviewed, requested to provide documents, or otherwise involved in the investigation. This prohibition would be subject to two exceptions: 1) a person or company can make disclosure to their counsel, and 2) the SRA[71] can order that the prohibition does not apply or that the information be released to other regulatory and law enforcement agencies.[72]

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65 The CVMQ is not likely to include this provision in its Administration Act because its power to search and seize comes from the *Code of Penal Procedure*.

66 For example, see ss. 57(2) to 57(8) of the Alberta *Securities Act*.

67 See s. 143(7) of the BC *Securities Act*.

68 See sections 28 and 43 of the Alberta *Securities Act*.

69 Under the Manitoba *Securities Act* (s. 22(10)) both investigators and experts must provide a report). In Alberta (s. 44 of the Alberta *Securities Act*) and Québec (s. 248 of the Québec *Securities Act*), only an investigator must provide a report.

70 See s. 15 of the Ontario *Securities Act* and s. 146 of the BC *Securities Act*.

71 Some Commissions may choose to delegate the authority to waive confidentiality to staff.

72 Ontario has a number of limits to the SRA's ability to order disclosure (for example, the person who gave the testimony must consent

(i) Recovery of Costs

The Administration Acts would contain a harmonized provision allowing an SRA to recover both the costs of an investigation and the costs of a hearing from a person or company who has been found by the SRA to have not complied with securities laws or to have acted contrary to the public interest. The provision would be modeled after the current Ontario provision[73] which provides that the SRA may, after conducting a hearing, order that a person or entity who was the subject of an investigation or a hearing to pay the related costs if the SRA is satisfied that the person or entity has not complied with securities laws or has not acted in the public interest. The Ontario provision also provides that the SRA can, after conducting a hearing, order a person or entity who is guilty of an offence to pay the costs of the related investigation. The Ontario provision also includes a non-exhaustive list of examples of the types of costs that a person or entity may be ordered to pay.

(j) Appointment of Receivers

The Administration Acts would contain a harmonized provision granting SRAs[74] the power to apply to the court to appoint a receiver to oversee the affairs of a person or entity who fails to comply with financial conditions applicable under securities laws (e.g., minimum capital or bonding requirements for a registrant) or who is proposed to be the subject of an investigation order, an SRA hearing or a prosecution for contravening the legislation.

(k) Freeze Orders

The Administration Acts would contain a harmonized provision allowing the SRA[75] to order that persons in possession of funds or securities that are the subject of an investigation order, refrain from disposing of or withdrawing them, if such order is made for the purpose of administering securities laws. This is the same test that must be met for the issuance of an investigation order. The provision would also include a power to order certain persons or entities to hold funds or securities in trust for receivers, custodians or trustees. The provision would require that once a freeze order is made, notice must be served on all persons named in the order. The provision would not require the SRA to seek court approval of a freeze order. This is an unnecessary requirement because as a matter of administrative law, the persons affected by the order can seek review of it by the SRA at any time. If they are dissatisfied with that review, they can then seek judicial review.

2. Provisions that Would Not be Harmonized

(a) Investigation Orders

Each SRA would continue to have the power to make an order appointing a person to make an investigation for the administration of its own securities laws or for the administration of the securities laws or the regulation of the capital markets in another jurisdiction. There are procedural differences among the provisions relating to who has the jurisdiction to make the order[76] and its required contents.[77]

(b) Report to a Minister

In some jurisdictions[78], the responsible Minister can request a report from an SRA where there is an investigation order. Other SRAs[79] are required to report to the Minister if the investigation was ordered by the Minister. These provisions would be contained in the Administration Acts of these jurisdictions. We do not propose to harmonize them.

(c) A Minister's Power to Order an Investigation

In some jurisdictions,[80] the Minister responsible for an SRA has the power to order an investigation. In other jurisdictions, the Minister does not have this power, presumably because local general inquiry legislation serves the same purpose. This provision would not be harmonized. Jurisdictions that require such a provision would include it in their Administration Act.

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to the giving of the disclosure to police) that it may retain in its Administration Act.

73 See s. 127.1(1) of the Ontario *Securities Act*.

74 In the Alberta *Securities Act*, the power to make application to court for an order appointing a receiver is currently delegated to staff (the Executive Director).

75 In Alberta, the power to issue a freeze order has been delegated to staff (the Executive Director).

76 The decision maker is an SRA in all jurisdictions except Alberta. In Alberta, the order can be issued at a staff level (by the Executive Director).

77 The current Québec provision does not specify the content of the investigation order. This is unlikely to change in Québec's Administration Act.

78 See s. 149 of the BC *Securities Act* and s. 303 of the Québec *Securities Act*.

79 See s. 25 of the Manitoba *Securities Act*.

3. Provisions that Would Not be Carried Forward into the USL

Most jurisdictions currently have a separate provision allowing an SRA[81] to order that a person's financial affairs be formally examined. Given that the threshold to obtain such an order is the same as that for obtaining an investigation order, a separate provision is unnecessary and such a provision would not be included in the Administration Acts.

80 See s. 147 of the BC *Securities Act*, s. 11(5) of the Ontario *Securities Act* and s. 23 of the Manitoba *Securities Act*.

81 In the Alberta *Securities Act*, this power is delegated to staff (the Executive Director).

APPENDIX B

REGISTRATION CATEGORIES

I. Existing Categories Which Would be Replaced by Proposed Categories

1. The Dealer Category

(a) Investment Dealer

The proposed investment dealer category would replace the following categories in each jurisdiction surveyed:

BC: investment dealer

Alberta: investment dealer, broker

Manitoba: investment dealer

Ontario: investment dealer, broker

Québec: unrestricted dealer, discount broker

(b) Mutual Fund Dealer

The introduction of the mutual fund dealer category would represent a change in Manitoba[82] and Québec.[83] It exists in all other jurisdictions surveyed and would not be modified under the USL.

(c) Restricted Dealer

(i) Existing Categories Common to More Than One Jurisdiction

The proposed restricted dealer category is a general category which would replace the following specific categories for limited or restricted dealers:

- Exchange contracts dealer
- Scholarship plan dealer

(ii) Existing Categories Unique to a Jurisdiction

The proposed restricted dealer category is a general category would replace the following specific categories for limited or restricted dealers:

BC: real estate securities dealer, special limited dealer, underwriter

Ontario: securities dealer, international dealer, limited market dealer

Québec: restricted dealer distributing QBIC shares or debt securities, independent trader

2. The Adviser Category

(a) Adviser

The proposed adviser category would replace the following categories in each jurisdiction surveyed:

BC: portfolio manager, investment counsel

Alberta: portfolio manager, investment counsel

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82 In Manitoba, mutual fund dealers are currently registered in the broker-dealer category and are restricted to dealing in mutual fund securities only.

83 In Québec, mutual fund dealers are not under the jurisdiction of the CVMQ or the Québec *Securities Act*.

Manitoba: investment counsel

Ontario: portfolio manager, investment counsel,

Québec: unrestricted adviser

(b) Restricted Adviser

The proposed restricted adviser category would replace the following categories in each jurisdiction surveyed:

BC: securities adviser

Alberta: securities adviser

Manitoba: investment adviser

Ontario: securities adviser and international adviser

Québec: restricted adviser

II. Current Categories Which Would Not Be Included in the USL

The following registration categories would not be included in the USL:

- security issuer (all jurisdictions);
- financial intermediary dealer (Ontario); and
- foreign dealer (Ontario).

APPENDIX C

EXEMPTIONS INCLUDED IN A UNIFORM EXEMPTIONS RULE

The following exemptions exist in most jurisdictions in substantially the same form and would be included in the USL in a Uniform Exemptions Rule.

1. Registration and Prospectus Exemptions

The following registration and prospectus exemptions would be included in the Uniform Exemptions Rule:

1. An exemption for trades by executors, trustees, receivers, liquidators, sheriffs or at a judicial sale.

2. An exemption for trades by a pledgee for the purpose of liquidating a genuine debt;[84]

3. An exemption for isolated trades;[85]

4. An exemption for trades by an issuer in securities of a reporting issuer as a dividend in kind.[86] This exemption would be modified to allow the dividend in kind to consist of securities of an issuer that is a reporting issuer in any jurisdiction, not just the exempting jurisdiction;

5. The exemption for trades by an issuer to existing security holders in rights to purchase additional securities of the issuer and the issue of securities pursuant to the exercise of the right.[87] This exemption would be modified to allow rights offerings for securities of an issuer that is a reporting issuer in any jurisdiction, not just the exempting jurisdiction and would specifically provide that the notice that is required to be filed covers both the issuance of the rights and the issuance of the securities underlying the rights upon their exercise;

6. An exemption for trades in connection with the purchase of assets with a prescribed minimum fair market value of $100,000;[88]

7. An exemption for charitable, religious and fraternal organizations;[89]

8. An exemption for trades in securities of an issuer as consideration for mining claims or oil and gas rights.[90] The exemption would not require that the vendor enter into an escrow agreement;

9. An exemption for trades in variable insurance contracts;[91]

10. An exemption for government strip bonds;[92]

11. An exemption for trades in bonds secured by financial institutions or governments;[93]

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84 See s. 45(2)(19) of the BC *Securities Act*; ss. 86(1)(f), 86(1)(g) and 131(1)(e) of the Alberta *Securtities Act*; s. 19(1)(d) of the Manitoba *Securtities Act*; ss. 35(1)(6), 35(1)(7) and 72(1)(e) of the Ontario *Securtities Act*; and s. 2.8 of MI 45-102.

85 See ss. 45(2)(3) and 74(2)(2) of the BC *Securities Act*, ss. 86(1)(b) and 131(1)(b) of the Alberta *Securities Act*; ss. 19(1)(b), 58(1)(b) and 58(3)(c) of the Manitoba *Securtities Act*, and ss. 35(1)(2) and 71(1)(b) of the Ontario *Securities Act*.

86 See ss. 45(2)(14) and 74(2)(13) of the BC *Securities Act*; ss. 86(1)(n) and 131(1)(g) of the Alberta *Securtities Act*; ss. 35(1)(13) and 72(1)(g) of the Ontario *Securities Act*; and ss. 52(2) of the Québec *Securities Act*.

87 See ss. 45(2)(8), 45(2)(12), 74(2)(7) and 74(2)(11) of the BC *Securities Act*; ss. 86(1)(m), 86(1)(o), 131(1)(f) and 86(1)(g) of the Alberta *Securities Act*; ss. 19(1)(h.2), 19(1)(h.3), 19(1)(i) and s. 58(1)(b) of the Manitoba *Securtities Act*; ss. 35(1)(12), 35(1)(14), 72(1)(f) and 72(1)(h) of the Ontario *Securities Act*; ss. 52(1) and 155.1(2) of the Québec *Securities Act*.

88 See ss. 45(2)(6) and 74(2)(5) of the BC *Securities Act*; and ss. 86(1)(s) and 131(1)(l) of the Alberta *Securities Act*.

89 See ss. 46(g) and 75(a) of the BC *Securities Act* ss. 87(g) and 143(a) of the Alberta *Securities Act*; ss. 19(2)(f) and 58(3)(a) of the Manitoba *Securtities Act*; ss. 35(2)(7) and 73(1)(a) of the Ontario *Securities Act*; and s. 3(3) of the Québec *Securities Act*.

90 See ss. 45(2)(21) and 74(2)(18) of the BC *Securities Act*; ss. 87(k) and 131(1)(m) of the Alberta *Securities Act*; ss. 19(1)(l)(iii), 19(2)(j) and 58(3)(a) of the Manitoba *Securtities Act*; and ss. 35(2)(14) and 72(1)(m) of the Ontario *Securities Act*.

91 See ss. 46(l) and 75(a) of the BC *Securities Act*; ss. 87(l) and 143(a) of the Alberta *Securities Act*; s. 2.2(1) of OSC Rule 45-501; and s. 3(13) of the Québec *Securities Act*.

92 See s. 3 of BC Instrument 91-504; s. 4 of Alberta Blanket Order 85/03/15; Manitoba Policy 3.17; s. 2.2 of OSC Rule 91-501; and decision of CVMQ dated May 1, 1998.

93 See ss. 46(a) and 75(a) of the BC *Securities Act*; ss. 87(a) and 143(a) of the Alberta *Securities Act*; ss. 19(2)(a) and 58(3)(a) of the Manitoba *Securtities Act*; ss. 35(2)(1) and 73(1)(a) of the Ontario *Securities Act*; and ss. 3(1), 3(15), 41 and 155.1(2) of the Québec

12. An exemption for trades in certificates or receipts issued by trust companies or credit unions;[94]

13. An exemption for trades in securities that evidence indebtedness due under a conditional sales contract;[95]

14. An exemption for a de minimus rights offering;[96]

15. The exemption for securities issued as stock dividend;[97]

16. An exemption for trades in connection with an amalgamation, merger, reorganization or arrangement.[98] This exemption would be drafted broadly enough to cover all statutory procedures including trades in connection with reorganizations and windings up as well as procedures where the appropriate disclosure document is delivered to each security holder whose approval of the procedure is required and the procedure is approved by such security holders;

17. The exemption for all trades necessary to effect a take-over or issuer bid.[99] This exemption would be drafted broadly enough to include circumstances where there is technically no take-over or issuer bid because the seller resides outside the relevant jurisdiction;

18. Exemptions for trades regarding RESPS, RRSPs and RRIFs;[100]

19. An exemption for trades relating to mutual fund reinvestment programs;[101]

20. An exemption for US broker-dealers and agents;[102]

2. Registration Exemptions

The following are the registration exemptions that would be included in the USL in a Uniform Exemptions Rule:

1. An exemption for occasional trades by non-trading employees of a registered dealer;[103]

2. An exemption for trades through registered dealers;[104]

3. An exemption for small security holder selling and purchase arrangements;[105]

Securities Act.

94 See ss. 46(b) and 75(a) of the BC *Securities Act*; ss. 87(b) and 143(a) of the Alberta *Securities Act*; ss. 19(2)(b) and 58(3)(a) of the Manitoba *Securtities Act*; and ss. 35(2)(2) and 73(1)(a) of the Ontario *Securities Act*.

95 See ss. 46(f) and 75(a) of the BC *Securities Act*; ss. 87(f) and 143(a) of the Alberta *Securities Act*; ss. 19(2)(e) and 58(3)(a) of the Manitoba *Securtities Act*; ss. 35(2)(6) and 73(1)(a) of the Ontario *Securities Act*; and s. 3(7) of the Québec *Securities Act*.

96 See s. 10.2 of NI 45-101.

97 See ss. 45(2)(12) and 74(2)(11) of the BC *Securities Act*; ss. 86(1)(m) and 131(1)(f) of the Alberta *Securities Act*; ss. 19(1)(h.1), 19(1)(h.2) and 19(1)(h.3) and 58(1)(b) of the Manitoba *Securtities Act*; ss. 35(1)(12) and 72(1)(f) of the Ontario *Securities Act*; and ss. 155.1(2) and 52(2) of the Québec *Securities Act*.

98 See ss. 45(2)(9) and 74(2)(8) of the BC *Securities Act*; ss. 86(1)(p) and 131(1)(i) of the Alberta *Securities Act*; ss. 19(1)(j) and 58(1)(b) of the Manitoba *Securtities Act*; ss. 35(1)(15) and 72(1)(i) of the Ontario *Securities Act*; and ss. 155.1(2) and 50 of the Québec *Securities Act*. Also, see ss. 45(2)(12) and 74(2)(11) of the BC *Securities Act*; ss. 86(1)(m) and 131(1)(f) of the Alberta *Securities Act*; ss. 19(1)(h.1), 19(1)(h.2) and 19(1)(h.3) and 58(1)(b) of the Manitoba *Securtities Act*; ss. 35(1)(12) and 72(1)(f) of the Ontario *Securities Act*; and ss. 155.1(2) and 52 of the Québec *Securities Act*.

99 See ss. 45(2)(24), 45(2)(28), 74(2)(21), 74(2)(24), 74(2)(25) and 74(2)(26) of the BC *Securities Act*; ss. 86(1)(q), 86(1)(r), 86(1)(ee), 131(1)(j), 131(1)(k) and 131(1)(aa) of the Alberta *Securities Act*; ss. 19(1)(k)(i), 19(1)(k)(ii) and 58(1)(b) of the Manitoba *Securtities Act*; ss. 35(1)(16), 35(1)(17), 72(1)(j) and 72(1)(k) of the Ontario *Securities Act*; and ss. 63 and 155.1(2.1) of the Québec *Securities Act*.

100 See s. 3 of BC Instrument 45-510; s. 2.2 of ASC Rule 45-502 and s. 3 of Alberta Blanket Order 91/10/10; s. 2.11 of OSC Rule 45-501, s. 2.1 and 2.2 of OSC Rule 46-501; and Part XI of Manitoba Policy 3.01.

101 See ss. 45(2)(25) and 74(2)(22) of the BC *Securities Act*; ss. 66(b) and 122(c) of the Alberta *Securities Act*; Part XIV of Manitoba Policy 3.01; s. 2.1 of OSC Rule 81-501; and s. 52(2) of the Québec *Securities Act*.

102 See NI 35-101.

103 See s. 86(1)(h) of the Alberta *Securities Act*; s. 19(1)(e) of the Manitoba *Securities Act*; and s. 35(1)(8) of the Ontario *Securities Act*.

104 See s. 45(2)(7) of the BC *Securities Act*; s. 86(1)(j) of the Alberta *Securities Act*; s. 19(1)(g) of the Manitoba *Securities Act*; s. 35(1)(10) of the Ontario *Securities Act*; and s. 155.1(1) of the Québec *Securities Act*.

105 See s. 2.1 of NI 32-101.

4. An exemption from the dealer registration requirement for a trade made by a US issuer of a right to purchase additional securities of its own issue to existing security holders and of the securities issued upon the exercise of the right;[106]

5. Advising exemptions for entities that provide advice solely incidentally to their main business and for non-specific advice contained in published materials.[107]

3. Prospectus Exemptions

The following prospectus exemptions would be included in the USL in a Uniform Exemptions Rule:

1. An exemption for trades between registered dealers;[108]

2. An exemption for control block distribution of securities issued by a reporting issuer made by an eligible institutional investor.[109]

106 See s. 9.1 of NI 71-101.

107 See s. 44(2) of the BC *Securities Act*, s. 85 of the Alberta *Securities Act*, s. 18 of the Manitoba *Securities Act*, s. 34 of the Ontario *Securities Act*; and ss. 156 and 156.1 of the Québec *Securities Act*.

108 See s. 74(2)(6) of the BC *Securities Act*; s. 131(1)(u) of the Alberta *Securities Act*; and s. 72(1)(q) of the Ontario *Securities Act*.

109 See s. 2.1 of NI 62-101.

6.1.3 OSC Notice - Proposed Repeal and Replacement of Multilateral Instrument 45-102 Resale of Securities, Forms 45-102F1, F2 and F3 and Companion Policy 45-102CP Resale of Securities and Proposed Amendments to National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) and Proposed Amendments to National Instrument 62-101 Control Block Distribution Issues and Proposed Amendments to Ontario Securities Commission Rule 45-501 Exempt Distributions

ONTARIO SECURITIES COMMISSION
NOTICE

PROPOSED REPEAL AND REPLACEMENT OF
MULTILATERAL INSTRUMENT 45-102 *RESALE OF SECURITIES*,
FORMS 45-102F1, F2 AND F3 AND
COMPANION POLICY 45-102CP *RESALE OF SECURITIES*
AND
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 13-101
***SYSTEM FOR ELECTRONIC DOCUMENT ANALYSIS AND RETRIEVAL* (SEDAR)**
AND
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 62-101
CONTROL BLOCK DISTRIBUTION ISSUES
AND
PROPOSED AMENDMENTS TO ONTARIO SECURITIES COMMISSION RULE 45-501
EXEMPT DISTRIBUTIONS

January 31, 2003

REQUEST FOR PUBLIC COMMENT

The Commission and certain other members of the Canadian Securities Administrators (the "CSA") are publishing for a 90-day comment period the following documents:

- Multilateral Instrument 45-102 *Resale of Securities (*"MI 45-102*");*
- Form 45-102F1 *Notice of Intention to Distribute Securities* under Section 2.8 of MI 45-102 *Resale of Securities* ("Form 1")
- Companion Policy 45-102CP (the "Companion Policy")

collectively, "Proposed MI 45-102".

The text of Proposed MI 45-102 is being published concurrently with this Notice and can be obtained on websites of CSA members, including the following:

- www.albertasecurities.com
- www.bcsc.bc.ca
- www.msc.gov.mb.ca
- www.osc.gov.on.ca
- www.ssc.gov.sk.ca

Proposed MI 45-102 is intended to replace the current resale rule, forms and companion policy (collectively, the "Current Resale Rule") that came into effect in all CSA jurisdictions, except Québec, on November 30, 2001. We are also proposing to make consequential amendments to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (*SEDAR*)*, National Instrument 62-101 *Control Block Distribution Issues* and Ontario Securities Commission Rule 45-501 *Exempt Distributions*. We request comments by **May 2, 2003**.

BACKGROUND

Current Resale Requirements

The Current Resale Rule harmonized certain provincial and territorial resale restrictions imposed on first trades of securities initially distributed under an exemption from the prospectus requirement. The Current Resale Rule also harmonized the regulation of distributions of securities from a control block and provides a prospectus exemption to permit the resale of securities of a non-reporting issuer with a minimal connection to Canada over a foreign exchange or market.

The Current Resale Rule imposes resale restrictions on

- the first trade of securities distributed under a prospectus exemption listed in Appendix D for which the issuer is required to have been a reporting issuer for a specified period of time and the seller is required to have held the securities for a specified period of time (a restricted period);
- the first trade of securities distributed under a prospectus exemption listed in Appendix E for which the issuer of the securities is required to have been a reporting issuer for a specified period of time (a seasoning period); and
- trades of securities from the holdings of a control person (control distributions).

Securities distributed under an exemption listed in Appendix D or E or as a control distribution are subject to restricted periods or seasoning periods of either four or twelve months under the Current Resale Rule, depending on whether the issuer of the securities is a qualifying issuer at the distribution date. If an issuer is not a reporting issuer in any jurisdiction, the securities of the issuer acquired by the purchaser will be subject to an indefinite hold period.

Impact of Continuous Disclosure Harmonization Initiatives on the Current Resale Rule

With the introduction of harmonized, enhanced continuous disclosure rules applicable to all reporting issuers[1], the CSA proposes to make substantive changes to the Current Resale Rule by eliminating the distinction between qualifying issuers and other reporting issuers. The adoption of harmonized continuous disclosure rules for all reporting issuers should lead to better disclosure and in turn eliminate the need to distinguish between qualifying and non-qualifying issuers and to require a current AIF. Better disclosure should enhance the ability of investors to make informed investment decisions and foster confidence in the Canadian capital markets.

PURPOSE AND SUBSTANCE OF PROPOSED MI 45-102

If adopted, Proposed MI 45-102 will further harmonize certain provincial and territorial resale restrictions imposed on first trades of securities initially distributed under an exemption from the prospectus requirement and control distributions. Proposed MI 45-102 also provides a prospectus exemption to permit the resale of securities of a non-reporting issuer with a minimal connection to Canada over a foreign exchange or market. Lastly, it provides an exemption from the seasoning requirements in sections 2.5, 2.6 and 2.8 if the issuer of securities becomes a reporting issuer after the distribution date by filing and obtaining a receipt for a prospectus in a jurisdiction listed in Appendix B.

Proposed MI 45-102 imposes resale restrictions on

- the first trade of securities distributed under a prospectus exemption listed in Appendix D for which the issuer is required to have been a reporting issuer for at least four months immediately preceding the trade and the seller is required to have held the securities for at least four months from the distribution date (the restricted period);
- the first trade of securities distributed under a prospectus exemption listed in Appendix E for which the issuer of the securities is required to have been a reporting issuer for at least four months immediately preceding the trade (the seasoning period); and
- trades of securities from the holdings of a control person (control distributions).

With the exception of the resale restrictions for control distributions, the resale restrictions in Proposed MI 45-102 do not apply in Manitoba, New Brunswick, or the Yukon Territory as these jurisdictions do not impose resale restrictions on securities distributed under a prospectus exemption. Prince Edward Island will impose resale restrictions on the implementation of Proposed MI 45-

[1] See proposed NI 51-102 *Continuous Disclosure Requirements* (applicable to reporting issuers other than investment funds), proposed NI 71-102 *Continuous Disclosure and Other Exemptive Relief for Foreign Issuers* (applicable to foreign reporting issuers) and proposed NI 81-106 *Investment Fund Continuous Disclosure* (applicable to investment fund reporting issuers).

102. If an issuer is not a reporting issuer in any jurisdiction, the securities of the issuer acquired by the purchaser will be subject to an indefinite hold period.

SUMMARY OF CHANGES TO THE CURRENT RESALE RULE

The Current Resale Rule continues to be in force in all jurisdictions, except Québec, in accordance with section 2.1 of the Current Resale Rule. If Proposed MI 45-102 is adopted, it will replace the Current Resale Rule. The most significant changes to the Current Resale Rule are summarized in the following outline:

- eliminating the concept of qualifying issuer,
- removing the current AIF requirement as all reporting issuers, except small business issuers, will be subject to a mandatory AIF requirement under the new harmonized continuous disclosure requirements,
- eliminating the concept of a qualified market,
- amending sections 2.5, 2.6 and 2.8 to provide for a four month restricted period, a four month seasoning period, or both, for all reporting issuers and revising the wording of the legend in section 2.5,
- repealing subsection 2.6(5) and Appendix F relating to employee trades,
- repealing section 2.7 dealing with the filing of Forms 45-102F1 and 45-102F2,
- repealing Form 45-102F1 (notice of ceasing to be a private company or private issuer),
- repealing Form 45-102F2 (certificate of qualifying issuer),
- amending and renumbering Form 45-102F3 as Form 45-102F1 to update and streamline the notice of intention to distribute securities required to be filed by a control person,
- adding language to the exemptions listed in Appendix D to clarify that (a) all underlying securities may be subject to hold periods and (b) the word "exemption" includes discretionary exemptions granted by a regulator, and
- adding a new exemption to permit the resale of securities without complying with the seasoning requirements in sections 2.5(2)1., 2.6(3)1. or 2.8(2)1. of MI 45-102 if the issuer of the securities becomes a reporting issuer after the distribution date by filing a prospectus in one of the jurisdictions listed in Appendix B to MI 45-102.

SUMMARY OF PROPOSED MI 45-102

Mandatory elements of Proposed MI 45-102 are set out in MI 45-102 and Form 1. Form 1 also contains instructions to guide users. The Companion Policy provides explanation and additional guidance on elements of Proposed MI 45-102.

MI 45-102

Part 1 of MI 45-102 identifies defined terms used in the proposed instrument. The number of defined terms has been significantly reduced by the proposed repeal of terms like AIF, approved rating, approved rating organization, CPC, CPC information circular, CPC instrument, current AIF, qualified market and qualifying issuer.

Part 2 of MI 45-102 deals with the application and scope of resale restrictions on first trades of securities acquired under private placement exemptions in securities legislation or applicable to control distributions.

Part 3 of MI 45-102 deals with the transition from the Current Resale Rule to MI 45-102. Section 3.1 provides for securities distributed between the effective date of the Current Resale Rule and its repeal that were subject to a restricted period and legending requirement under section 2.5(2) or (3) of the Current Resale Rule to continue to be subject to the legending requirement until the expiry of the restricted period.

Part 4 of MI 45-102 provides that exemptions from MI 45-102 may be granted by the securities regulatory authority or regulator (in Ontario, only by the regulator).

Part 5 of MI 45-102 deals with the coming into force of Proposed MI 45-102. Section 5.1 of MI 45-102 provides for the repeal of the Current Resale Rule while section 5.2 establishes the date MI 45-102 comes into force.

Form 45-102F1

Form 1 provides notice to the market of an intention to sell securities from a control block. The form has been renumbered and simplified to address privacy of personal information concerns.

The Companion Policy

The Companion Policy provides information relating to the manner in which the provisions of MI 45-102 are intended to be interpreted or applied by the securities regulatory authorities of the adopting jurisdictions.

RELATED AMENDMENTS

We intend to make consequential amendments to a number of national and multilateral instruments or local rules in conjunction with the implementation of Proposed MI 45-102. These consequential amendments will be published separately in some jurisdictions.

NI 13-101

We propose to amend National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR) in order to accommodate the electronic filing of Form 1 and the notice required under section 2.8(7)(b) of MI 45-102. We also plan to make revisions to the software and filer manual used under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR).

Proposed amendments to NI 13-101 are out in Appendix A to this Notice.

NI 62-101

We will amend National Instrument 62-101 *Control Block Distribution Issues* by repealing section 2.2 relating to pledgees and Appendix B and C. One of the purposes of NI 62-101 was to modify the application of hold periods imposed under securities legislation as they apply to pledgees disposing of securities that form part of a control block. These local resale provisions have been replaced in all jurisdictions, except Québec, by the harmonized resale restrictions in section 2.8 of MI 45-102. The repeal of section 2.2 and Appendix B and C will permit pledgees to look to one instrument for applicable resale restrictions.

Proposed amendments to NI 62-101 are out in Appendix B to this Notice.

OSC Rule 45-501

In Ontario, consequential amendments will be made locally to Ontario Securities Commission Rule 45-501 *Exempt Distributions.*

Proposed amendments to OSC Rule 45-501 are set out in Appendix C to this Notice.

COSTS AND BENEFITS

The CSA developed the Current Resale Rule to harmonize differing resale restrictions in local jurisdictions. Proposed MI 45-102 will further streamline the resale regime by

- providing for a four month restricted and seasoning period for all reporting issuers,
- eliminating the requirement to file a current AIF under MI 45-102,
- reducing filing requirements by eliminating the requirement to prepare and file current Forms 45-102F1 and 45-102F2, and
- exempting securities distributed prior to an initial public offering from the four month seasoning period that those securities would otherwise be subject to under section 2.6 of MI 45-102.

Issuers should see a decrease in their costs of compliance with MI 45-102 with the elimination of the requirement to have a current AIF and other qualifying issuer criteria because there will be no additional disclosure requirements imposed on issuers beyond those in the new harmonized continuous disclosure rules applicable to all reporting issuers.

REQUEST FOR COMMENT

We request your comments on MI 45-102, Form 1 and the Companion Policy as well as on the proposed amendments to NI 13-101 and NI 62-101 discussed above under the heading “Related Amendments.

In Ontario, we request your comments on the proposed amendments to OSC Rule 45-501 *Exempt Distributions* also discussed above under the heading “Related Amendments”.

HOW TO PROVIDE YOUR COMMENTS

Please provide your comments by May 2, 2003 by addressing your submission to the securities regulatory authorities listed below:

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Prince Edward Island Securities Office
Saskatchewan Securities Commission

You do not need to deliver your comments to all of the CSA member commissions. Please deliver your comments to the address that follows, and they will be distributed to all other jurisdictions by CSA staff.

Marsha Manolescu
Senior Legal Counsel
Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4
Fax: (403) 297-6156
marsha.manolescu@seccom.ab.ca

Comments on proposed amendments to OSC Rule 45-501 *Exempt Distributions* should be delivered to the address below.

Ilana Singer
Legal Counsel, Corporate Finance Branch
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-3683
Phone: (416) 593-2388
isinger@osc.gov.on.ca

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

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

QUESTIONS

Please refer your questions to any of:

Rosann L. Youck
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APPENDIX A

AMENDMENTS TO NATIONAL INSTRUMENT 13-101
***System For Electronic Document Analysis and Retrieval* (SEDAR)**

PART 1 AMENDMENTS TO NATIONAL INSTRUMENT 13-101

1.1 Amendments - Appendix A to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (*SEDAR*)* is amended by

(a) under *Other Issuers - Continuous Disclosure*,

(i) deleting item 15 Annual Information Form,

(ii) deleting item 16 Amended Annual Information Form (SHAIF System),

(iii) deleting item 17 Notice (SHAIF),

(iv) substituting the following items:

15. Form 1 (Resale Rule)

16. Notice (Resale Rule)

PART 2 EFFECTIVE DATE

2.1 Effective Date – This Amendment comes into force on •.

APPENDIX B

AMENDMENTS TO NATIONAL INSTRUMENT 62-101
Control Block Distribution Issues

PART 1 AMENDMENTS TO NATIONAL INSTRUMENT 62-101

1.1 Amendments - National Instrument 62-101 *Control Block Distribution Issues* is amended by

(a) deleting section 2.2 Pledgees;

(b) deleting Appendix B; and

(c) deleting Appendix C.

PART 2 EFFECTIVE DATE

2.1 Effective Date – This Amendment comes into force on •.

APPENDIX C
(ONTARIO ONLY)

AMENDMENTS TO ONTARIO SECURITIES COMMISSION RULE 45-501
Exempt Distributions

PART 1 AMENDMENTS TO ONTARIO SECURITIES COMMISSION RULE 45-501

1.1 Amendments – Ontario Securities Commission Rule 45-501 *Exempt Distributions* is amended by

(a) deleting "Form 45-102F3" in sections 2.4(1)(d) and 2.1(2) and replacing it with "Form 45-102F1";

(b) deleting "conditions in subsection (2) or (3) of section 2.8 of MI 45-102" in sections 6.1, 7.5(3) and 8.4 and replacing it with "conditions in subsection (2) of section 2.8 of MI 45-102"; and

(c) deleting "conditions in subsection (2) or (3) of section 2.5 of MI 45-102" in section 7.5(2) and replacing it with "conditions in subsection (2) of section 2.5 of MI 45-102".

PART 2 EFFECTIVE DATE

2.1 Effective Date - This Amendment comes into force on •.

6.1.4 Multilateral Instrument 45-102 Resale of Securities

MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

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MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

PART 1 DEFINITIONS

1.1 Definitions - In this Instrument

"control distribution" means a trade described in the provisions of securities legislation listed in Appendix A;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of the same issuer;

"distribution date" means

(a) in respect of a trade that is not a control distribution, the date the security that is the subject of the trade was distributed in reliance on an exemption from the prospectus requirement by the issuer or, in the case of a control distribution, by the selling security holder,

(b) in respect of a trade that is a control distribution, the date the security that is the subject of the trade was acquired by the selling security holder,

(c) in respect of a trade of an underlying security that is not a control distribution, the date the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed in reliance on an exemption from the prospectus requirement by the issuer or, in the case of a control distribution, by the selling security holder, or

(d) in respect of a trade of an underlying security that is a control distribution, the date the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was acquired by the selling security holder;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of another issuer;

"former MI 45-102" means Multilateral Instrument 45-102 *Resale of Securities* that came into force on November 30, 2001;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"private company" has the meaning ascribed to that term in securities legislation;

"private issuer" has the meaning ascribed to that term in securities legislation except in Ontario where "private issuer" means a person that

(a) is not a reporting issuer or a mutual fund,

(b) is an issuer all of whose issued and outstanding shares

(i) are subject to restrictions on transfer contained in the constating documents of the issuer or one or more agreements among the issuer and the holders of its securities; and

(ii) are beneficially owned, directly or indirectly, by not more than 50 persons or companies, counting any two or more joint registered holders as one beneficial owner, exclusive of persons

(A) that are employed by the issuer or an affiliated entity of the issuer, or

(B) that beneficially owned, directly or indirectly, shares of the issuer while employed by it or an affiliated entity of it and at all times since ceasing to be so employed have continued to beneficially own, directly or indirectly, at least one share of the issuer, and

(c) has not distributed any securities to the public;

"SEDAR" has the meaning ascribed to that term in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR); and

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security.

PART 2 FIRST TRADES

2.1 Application - Except for sections 2.1, 2.8 and 2.9, this Part does not apply in Manitoba, New Brunswick and the Yukon Territory.

2.2 Removal of Resale Provisions - The provisions in securities legislation listed in Appendix C do not apply.

2.3 Section 2.5 Applies - If a security was distributed under any of the provisions listed in Appendix D, the first trade of that security is subject to section 2.5.

2.4 Section 2.6 Applies - If a security was distributed under any of the provisions listed in Appendix E, the first trade of that security is subject to section 2.6.

2.5 Restricted Period

(1) Unless the conditions in subsection (2) are satisfied, a trade that is specified by section 2.3 or other securities legislation of a jurisdiction to be subject to this section is a distribution.

(2) The conditions are:

1. The issuer is and has been a reporting issuer in a jurisdiction for the four months immediately preceding the trade.

2. At least four months have elapsed from the distribution date.

3. If the distribution date is on or after [insert the effective date of this Instrument] and the security is subject to a restricted period in item (2)2., a certificate representing the securities was issued that carried a legend stating:

   "Unless permitted under securities legislation, the holder of the securities shall not trade the securities before the date that is 4 months and a day after the later of (i) [insert the distribution date], and (ii) the date the issuer became a reporting issuer in any province or territory."

4. The trade is not a control distribution.

5. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

6. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

7. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

2.6 Seasoning Period

(1) Unless the conditions in subsection (3) are satisfied, a trade that is specified by section 2.4 or other securities legislation of a jurisdiction to be subject to this section is a distribution.

(2) The first trade of securities issued by a private company or private issuer made after the issuer has ceased to be a private company or private issuer is a distribution unless the conditions in subsection (3) are satisfied.

(3) The conditions are:

1. The issuer is and has been a reporting issuer in a jurisdiction for the four months immediately preceding the trade.

2. The trade is not a control distribution.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

2.7 Exemption for a Trade if the Issuer Becomes a Reporting Issuer After the Distribution Date

(1) Despite item 2.5(2)1., if the issuer became a reporting issuer after the distribution date by filing a prospectus in a jurisdiction listed in Appendix B and is a reporting issuer in a jurisdiction at the time of the trade, the condition in item 2.5(2)1. does not apply.

(2) Despite item 2.6(3)1., if the issuer became a reporting issuer after the distribution date by filing a prospectus in a jurisdiction listed in Appendix B and is a reporting issuer in a jurisdiction at the time of the trade, the condition in item 2.6(3)1. does not apply.

(3) Despite item 2.8(2)1., if the issuer became a reporting issuer after the distribution date by filing a prospectus in a jurisdiction listed in Appendix B and is a reporting issuer in a jurisdiction at the time of the trade, the condition in item 2.8(2)1. does not apply.

2.8 Exemption for a Trade by a Control Person

(1) The prospectus requirement does not apply to a control distribution, or a distribution by a lender, pledgee, mortgagee or other encumbrancer for the purpose of liquidating a debt made in good faith by selling or offering for sale a security pledged, mortgaged or otherwise encumbered in good faith as collateral for the debt if the security was acquired by the lender, pledgee, mortgagee or other encumbrancer in a control distribution, if the conditions in subsection (2) are satisfied.

(2) The conditions are:

1. The issuer is and has been a reporting issuer in a jurisdiction for the four months immediately preceding the trade.

2. The selling security holder, or the lender, pledgee, mortgagee or other encumbrancer if the distribution is for the purpose of liquidating a debt, has held the securities for at least four months.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. The selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

(3) The selling security holder, or the lender, pledgee, mortgagee or other encumbrancer if the distribution is for the purpose of liquidating a debt, under subsection (2) shall

(a) sign and file Form 45-102F1 at the times set out in subsections (4) and (5), and

(b) file, within three days after the completion of any trade, an insider report prepared in accordance with either Form 55-102F2 or Form 55-102F6 under National Instrument 55-102 *System for Electronic Disclosure by Insiders* (SEDI).

(4) A person or company required to file Form 45-102F1 shall sign the form no earlier than one business day before its filing.

(5) Subject to subsection (6), a person or company required to file Form 45-102F1 shall file the form

(a) at least seven days and not more than 14 days before the first trade that forms part of the distribution,

(b) on the 60th day after the date of filing under paragraph (a), and

(c) thereafter at the end of each 28 day period.

(6) Subject to subsection (7), if a person or company has filed a Form 45-102F3 Notice of Intention to Distribute Securities under former MI 45-102 before the effective date of this Instrument, the person or company shall file Form 45-101F1

(a) on the 60th day after the date of filing of the Form 45-102F3 and thereafter at the end of each 28 day period, or

(b) on the 28th day after the filing of the renewal Form 45-102F3, and thereafter at the end of each 28 day period, if a renewal form has been filed before the effective date of this Instrument.

(7) A person or company is not required to file Form 45-102F1 under paragraph 5(b), 5(c), 6(a) or 6(b) if

(a) all of the securities specified under the initial form have been sold, or

(b) a notice has been filed in the jurisdictions in which the initial Form 45-102F1 or equivalent form was filed, which states that the securities specified in the initial form, or the unsold securities, are no longer for sale.

(8) The person or company required to file Form 45-102F1 under subsection (3) or (6), or the notice under paragraph 7 (b), shall file the form or the notice on SEDAR.

2.9 Determining Time Periods

(1) If an issuer was a party to an amalgamation, merger, continuation or arrangement, it may include the period of time that one of the parties to the amalgamation, merger, continuation or arrangement was a reporting issuer immediately before the amalgamation, merger, continuation or arrangement to determine the period of time it has been a reporting issuer in a jurisdiction for the purposes of section 2.5, 2.6 or 2.8.

(2) In determining the period of time that a selling security holder has held a security for the purposes of section 2.5 or 2.8, if the security was acquired by the selling security holder from an affiliate of the selling security holder, the period of time that the affiliate has held the security may be included.

(3) In determining the period of time that a selling security holder has held an underlying security for the purposes of section 2.8, the period of time the selling security holder has held the convertible security, exchangeable security or multiple convertible security may be included.

(4) In determining the period of time that a lender, pledgee, mortgagee or other encumbrancer has held a security under item 2.8(2)2., the period of time the debtor has held the security may be included.

(5) In determining the period of time that a lender, pledgee, mortgagee or other encumbrancer has held an underlying security under item 2.8(2)2., the period of time the debtor has held the convertible security, exchangeable security or multiple convertible security may be included.

2.10 Exemption for a Trade in an Underlying Security if the Convertible Security, Exchangeable Security or Multiple Convertible Security is Qualified by a Prospectus - Section 2.6 does not apply to a trade in an underlying security issued or transferred under the terms of a convertible security, exchangeable security or multiple convertible security if

(a) a receipt was obtained for a prospectus qualifying the distribution of the convertible security, exchangeable security or multiple convertible security;

(b) the trade is not a control distribution; and

(c) the issuer of the underlying security is a reporting issuer at the time of the trade.

2.11 Exemption for a Trade in a Security Acquired in a Take-over Bid or Issuer Bid - Section 2.6 does not apply to a trade of a security of an offeror if

(a) a securities exchange take-over bid circular or securities exchange issuer bid circular relating to the distribution of the security was filed by the offeror on SEDAR;

(b) the trade is not a control distribution; and

(c) the offeror was a reporting issuer on the date the securities of the offeree issuer were first taken up under the take-over bid or issuer bid.

2.12 Exemption for a Trade in an Underlying Security if the Convertible Security, Exchangeable Security or Multiple Convertible Security is Qualified by a Securities Exchange Take-over Bid Circular or Issuer Bid Circular - Section 2.6 does not apply to a trade in an underlying security issued or transferred under the terms of a convertible security, exchangeable security or multiple convertible security if

(a) a securities exchange take-over bid circular or a securities exchange issuer bid circular relating to the distribution of the convertible security, exchangeable security or multiple convertible security was filed by the offeror on SEDAR;

(b) the trade is not a control distribution;

(c) the offeror was a reporting issuer on the date the securities of the offeree issuer were first taken up under the take-over bid or issuer bid; and

(d) the issuer of the underlying security is a reporting issuer at the time of the trade.

2.13 Trades by Underwriters - A trade by an underwriter of securities distributed under any of the provisions listed in Appendix F is a distribution.

2.14 First Trades in Securities of a Non-Reporting Issuer Distributed under a Prospectus Exemption

(1) The prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if

(a) the issuer of the security

(i) was not a reporting issuer in any jurisdiction at the distribution date, or

(ii) is not a reporting issuer in any jurisdiction at the date of the trade;

(b) at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada

(i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series, and

(ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series; and

(c) the trade is made

(i) through an exchange, or a market, outside of Canada, or

(ii) to a person or company outside of Canada.

(2) The prospectus requirement does not apply to the first trade of an underlying security if

(a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed under an exemption from the prospectus requirement;

(b) the issuer of the underlying security

(i) was not a reporting issuer in any jurisdiction at the distribution date of the convertible security, exchangeable security or multiple convertible security, or

(ii) is not a reporting issuer in any jurisdiction at the date of the trade;

(c) the conditions in paragraph (1)(b) would have been satisfied for the underlying security at the time of the initial distribution of the convertible security, exchangeable security or multiple convertible security; and

(d) the condition in paragraph (1)(c) is satisfied.

PART 3 TRANSITIONAL PROVISION

3.1 Transitional Provision - Securities distributed between November 30, 2001 and the effective date of this Instrument that were subject to a restricted period and legending requirement under section 2.5(2) or (3) of former MI 45-102 continue to be subject to that requirement unless a new certificate is issued that complies with item 2.5(2)3.

PART 4 EXEMPTION

4.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

PART 5 EFFECTIVE DATE

5.1 Repeal of Former Instrument - Former MI 45-102 is repealed.

5.2 Effective Date of New Instrument - This Instrument comes into force on [•].

APPENDIX A
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

CONTROL DISTRIBUTIONS

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Definition of "control person" in section 1(l) and subclause (iii) of the definition of "distribution" contained in section 1(p) of the *Securities Act* (Alberta)
British Columbia	Paragraph (c) of the definition of "distribution" contained in section 1(1) of the *Securities Act* (British Columbia)
Manitoba	Paragraph (b) of the definition of "primary distribution to the public" contained in subsection 1(1) of the *Securities Act* (Manitoba)
Newfoundland and Labrador	Clause 2(1)(l)(iii) of the *Securities Act* (Newfoundland and Labrador)
Northwest Territories	Definition of "control person" and paragraph (iii) of the definition of "distribution" contained in subsection 1(1) of Blanket Order No. 1 of the Registrar of Securities.
Nova Scotia	Clause 2(1)(l)(iii) of the *Securities Act* (Nova Scotia)
Nunavut	Definition of "control person" and paragraph (iii) of the definition of "distribution" contained in subsection 1(1) of Blanket Order No. 1 of the Registrar of Securities.
Ontario	Paragraph (c) of the definition of "distribution" contained in subsection 1(1) of the *Securities Act* (Ontario)
Prince Edward Island	Clause (iii) of the definition of "distribution" in section 1 of the *Securities Act* (Prince Edward Island)
Saskatchewan	Subclauses 2(1)(r)(iii), (iv) and (v) of *The Securities Act, 1988* (Saskatchewan)

APPENDIX B
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

REPORTING ISSUER JURISDICTIONS

Alberta

British Columbia

Manitoba

Nova Scotia

Ontario

Quebec

Saskatchewan

APPENDIX C
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

NON-APPLICABLE RESALE PROVISIONS
(Section 2.2)

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Sections 131, 132, 133, 134, 135, 136, 137, 138, 139 with respect to underwriters and 140 of the *Securities Act* (Alberta)
Newfoundland and Labrador	Clause 54(5)(a), subsections 54(7), 54(9), 54(10), 73(4), 73(5), 73(6) as it relates to clause 72(1)(r), 73(7) but not as it relates to subsection 54(6) and 54(7), 73(12), 73(18), 73(19) and 73(24) of the Securities Act (Newfoundland and Labrador)
Nova Scotia	Subsections 77(5), 77(6), 77(7), 77(7A), 77(7B), 77(8), 77(9), 77(10)(a) and 77(11) of the *Securities Act* (Nova Scotia)
Ontario	Subsections 72(4), 72(5), 72(6) as it relates to clause 72(1)(r), and 72(7) of the *Securities Act* (Ontario)

APPENDIX D
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

RESTRICTED PERIOD TRADES
(Section 2.3)

Sections 131(1)(a), (b), (c), (d), (l), (m), (q), (r), (s), (t), (u) and (bb) of the *Securities Act* (Alberta), and section 131(1)(f)(iii) of the *Securities Act* (Alberta) if the right to purchase, convert or exchange was previously acquired under

(i) one of the above-listed exemptions under the *Securities Act* (Alberta),

(ii) section 122(b) or (d) of the Alberta Securities Commission Rules, or

(iii) under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Sections 128(a), (b), (c), (e), (f) and (h) of the *Securities Rules* (British Columbia)

Sections 74(2)(*11*)(ii) and 74(2)(*13)* of the *Securities Act* (British Columbia) if the security acquired by the selling security holder was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia), or the *Securities Rules* (British Columbia) referred to in this Appendix

Section 74(2)(*11*)(iii*)* of the *Securities Act* (British Columbia) if the right to purchase, convert or exchange or otherwise acquire was originally acquired under sections 74(2)(*1*) to (*6*), (*16*), (*18*), (*19*), (*23*) and (*25*) of the *Securities Act* (British Columbia), section 128(a), (b), (c), (e), (f) and (h) of the *Securities Rules* (British Columbia), or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Section 74(2)(*12)* of the *Securities Act* (British Columbia) if the security acquired by the selling security holder under the realization on collateral was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia) or the *Securities Rules* (British Columbia) referred to in this Appendix

Clauses 54(3)(f) and (g) and 73(1)(a), (b), (c), (d), (h), (l), (m), (p) and (q) of the *Securities Act* (Newfoundland and Labrador) and subclause 73(1)(f)(iii) of the *Securities Act* (Newfoundland and Labrador) if the right to purchase, convert or exchange was previously acquired under one of the above listed exemptions under the *Securities Act* (Newfoundland and Labrador) or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Paragraphs 3(a), (b), (c), (k), (l), (m), (r), (s), (t), (u), (w) and (z), and subparagraph 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories) if the right to purchase, convert or exchange was previously acquired under one of the above-listed exemptions under Blanket Order No. 1 of the Registrar of Securities (Northwest Territories) or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Clauses 77(1)(a), (b), (c), (d), (l), (m), (p), (q), (u), (w), (y), (ab) and (ad) of the *Securities Act* (Nova Scotia), and subclause 77(1)(f)(iii) of the *Securities Act* (Nova Scotia) if the right to purchase, convert or exchange was previously acquired under one of the above listed exemptions under the *Securities Act* (Nova Scotia) or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Paragraphs 3(a), (b), (c), (k), (l), (m), (r), (s), (t), (u), (w) and (z), and subparagraph 3(e)(iii) of Blanket Order No.1 of the Registrar of Securities (Nunavut) if the right to purchase, convert or exchange was previously acquired under one of the above-listed exemptions under Blanket Order No. 1 of the Registrar of Securities (Nunavut) or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Clauses 72(1)(a), (b), (c), (d), (l), (m), (p) and (q) of the *Securities Act* (Ontario) and subclause 72(1)(f)(iii) of the *Securities Act* (Ontario) if

(A) the right to purchase, convert or exchange was previously acquired under one of the above-listed exemptions under the *Securities Act* (Ontario), or

(B) the right to purchase, convert or exchange was previously acquired under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Clauses 13(1)(a), (b), (c), (g) and (i) and subclause 13(1)(e)(iii) of the *Securities Act* (Prince Edward Island) if the right to purchase, convert or exchange was previously acquired under one the above-listed exemptions under the *Securities Act* (Prince Edward Island)

Clauses 81(1)(a), (b), (c), (d), (m), (n), (s), (t), (v), (w), (z), (bb) and (ee) of *The Securities Act, 1988* (Saskatchewan)

Subclauses 81(1)(f)(iii) and (iv) of *The Securities Act, 1988* (Saskatchewan) if the convertible security, exchangeable security or multiple convertible security was acquired under one of the exemptions of *The Securities Act, 1988* (Saskatchewan) referred to in this Appendix or under an exemption from the prospectus requirement that specifies that the first trade is subject to section 2.5 of MI 45-102

Clause 81(1)(e) of *The Securities Act, 1988* (Saskatchewan) if the person or company from whom the securities were acquired obtained the securities under one of the exemptions of *The Securities Act, 1988* (Saskatchewan) referred to in this Appendix

APPENDIX E
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

SEASONING PERIOD TRADES
(Section 2.4)

Section 131(1)(f) if not included in Appendix D or F of this Instrument, sections 131(h), (i) if not included in Appendix F, (j), (k), (o) and (y) of the *Securities Act* (Alberta) and sections 107(1) (j.1) and (k.1) prior to their repeal by section 5 of the *Securities Amendment Act, 1989* (Alberta)

Section 74(2)(*11*)(iii*)* if not included in Appendix D or F and sections 74(2)(*7*), (*8*) if not included in Appendix F, (*9*) to (*11*), (*13*), (*22*) and (*24*) of the *Securities Act* (British Columbia)

Section 128(g) of the *Securities Rules* (British Columbia)

Section 74(2)(*12*) of the *Securities Act* (British Columbia), if the security acquired by the selling security holder under the realization on collateral was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia) or the *Securities Rules* (British Columbia) referred to in this Appendix

Clauses 54(3) and 73(1)(f) if not included in Appendix D or F of this Instrument, (i) if not included in Appendix F, (j), (k) and (n) of the *Securities Act* (Newfoundland and Labrador)

Paragraphs 3(e), (f), (g), (h), (i), (n), (x), (y) and (mm) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories), except for a trade made under subparagraph 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories) that is included in Appendix D or F of this Instrument or a trade made under paragraph 3(g) that is included in Appendix F of this Instrument

Clause 77(1)(f) of the *Securities Act* (Nova Scotia) if not included in Appendix D or F of this Instrument, and clauses 77(1)(h), (i) if not included in Appendix F, (j), (k), (n), (v), (va), (ac), (ae) and (af) of the *Securities Act* (Nova Scotia), and clause 78(1)(a) of the *Securities Act* (Nova Scotia) as it relates to clause 41(2)(j) of the *Securities Act* (Nova Scotia) and Blanket Order No. 27(revised), 37, 38, 46 and 45-501

Paragraphs 3(e), (f), (g), (h), (i), (n), (x), (y) and (mm) of Blanket Order No. 1 of the Registrar of Securities (Nunavut), except for a trade made under subparagraph 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities (Nunavut) that is included in Appendix D or F of this Instrument or a trade made under paragraph 3(g) that is included in Appendix F of this Instrument

Clauses 72(1)(f), (i) if not included in Appendix F, (j), (k) and (n) of the *Securities Act* (Ontario), except for a trade made under 72(1)(f)(iii) of the *Securities Act* (Ontario) that is:

(i) included in Appendix D or F of this Instrument; or

(ii) to an associated consultant or investor consultant as defined in Ontario Securities Commission Rule 45-503 *Trades to Employees, Executives and Consultants*; or

(iii) contemplated by section 6.5 of Ontario Securities Commission Rule 45-501 *Exempt Distributions*

Clauses 13(1)(e) if not included in Appendix D or F of this Instrument, (f) if not included in Appendix F, (h) and (k) of the *Securities Act* (Prince Edward Island) or section 3.1 or 3.2 of Rule 45-501, section 1.1 of Prince Edward Island Rule 45-502, section 2.1 or 2.2 of Prince Edward Island Rule 45-506 or section 2.1 or 2.2 of Prince Edward Island Rule 45-510

Clauses 81(1)(a.1), (e) if not included in Appendix D of this Instrument, (f) if not included in Appendix D or F of this Instrument, (f.1), (g), (h), (i) if not included in Appendix F, (i.1), (j), (k), (o), (cc) and (dd) of *The Securities Act, 1988* (Saskatchewan)

APPENDIX F
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

UNDERWRITERS
(Section 2.13)

Section 131(1)(v) of the *Securities Act* (Alberta) and section 131(1)(i) or 131(1)(f)(iii) of the *Securities Act* (Alberta) if the original security was acquired under section 131(1)(v) of the *Securities Act* (Alberta)]

Section 74(2)(*15*) of the *Securities Act* (British Columbia) and section 74(2)(*8*) or 74(2)(*11*)(iii) of the *Securities Act* (British Columbia) if the original security was acquired under section 74(2)(*15*) of the *Securities Act* (British Columbia)

Clause 73(1)(r) of the *Securities Act* (Newfoundland and Labrador) and section 73(1)(i) or 73(1)(f)(iii) of the *Securities Act* (Newfoundland and Labrador) if the original security was acquired under section 73(1)(r) of the *Securities Act* (Newfoundland and Labrador)

Paragraph 3(v) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories) and paragraph 3(g) or subparagraph 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories) if the original security was acquired under paragraph 3(v) of Blanket Order No. 1 of the Registrar of Securities (Northwest Territories)

Clause 77(1)(r) of the *Securities Act* (Nova Scotia) and clause 77(1)(i) or 77(1)(f)(iii) of the *Securities Act* (Nova Scotia) if the original security was acquired under clause 77(1)(r) of the *Securities Act* (Nova Scotia)

Paragraph 3(v) of Blanket Order No. 1 of the Registrar of Securities (Nunavut) and paragraph 3(g) or subparagraph 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities (Nunavut) if the original security was acquired under paragraph 3(v) of Blanket Order No. 1 of the Registrar of Securities (Nunavut)

Clause 72(1)(r) of the *Securities Act* (Ontario) and clause 72(1)(f)(iii) or 72(1)(i) if the original security was acquired under section 72(1)(r) of the *Securities Act* (Ontario)

Section 2.1 of Prince Edward Island Rule 45-509 and subclause 13(1)(e) (iii) or clause 13(1)(f) of the *Securities Act* (Prince Edward Island) or section 1.1 of Prince Edward Island Rule 45-502 if the original security was acquired under section 2.1 of Prince Edward Island Rule 45-509

Clause 81(1)(u) of *The Securities Act, 1988* (Saskatchewan) and clause 81(1)(i) or subclause 81(1)(f)(iii) of *The Securities Act, 1988* (Saskatchewan) if the original security was acquired under clause 81(1)(u) of *The Securities Act, 1988* (Saskatchewan)

FORM 45-102F1

Notice of Intention to Distribute Securities under Section 2.8 of MI 45-102 *Resale of Securities*

Reporting issuer

1. Name of reporting issuer:

Selling security holder

2. Your name:

3. The offices or positions you hold in the issuer:

4. Are you selling securities as a lender, pledgee, mortgagee or other encumbrancer?

5. Number and class of securities of the reporting issuer you beneficially own:

Distribution

6. Number and class of securities you propose to sell:

7. Will you sell the securities privately or on an exchange or market? If on an exchange or market, provide the name.

8. When do you propose to sell, or start selling, these securities?

Past Filings

9. If this form is not your initial filing,

   (a) when did you file your initial Form 45-102F1?

   (b) when did you file your most recent renewal of this form?

   (c) how many securities did you propose to sell in your initial form?

   (d) how many securities did you sell between your initial filing and this renewal filing?

   (e) how many of the securities you proposed to sell in your initial filing are no longer available for sale?

   (f) how many securities remain available for sale?

Warning

It is an offence to submit information that, in a material respect and in light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

I certify that

(1) I have no knowledge of a material fact or material change with respect to the issuer of the securities that has not been generally disclosed; and

(2) the information given in this form is true and complete.

Date .....

.....
Your name (Selling security holder)

.....
Your signature (or if a company, the signature of your authorized signatory)

.....
Name of your authorized signatory

INSTRUCTION:

File this form with the securities regulatory authority in each jurisdiction where you sell securities and with the Canadian exchange on which the securities are listed. Where the securities are being sold on an exchange, the form should be filed in every jurisdiction across Canada.

Notice to selling security holders - collection and use of personal information

The personal information required in this form is collected for and used by the listed securities regulatory authorities to administer and enforce securities legislation in their jurisdictions. This form is publicly available by authority of Multilateral Instrument 45-102 and the securities legislation in each of the jurisdictions. The personal information collected will not be used or disclosed other than for the stated purposes without first obtaining your consent. Corporate filers should seek the consent of any individuals whose personal information appears in this form before filing this form.

If you have questions about the collection and use of your personal information, or the personal information of your authorized signatory, contact any of the securities regulatory authorities listed below.

Alberta Securities Commission - Alberta
4th Floor, 300 - 5th Avenue SW
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

British Columbia Securities Commission - British Columbia
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, B.C. V7Y 1L2
Attention: Manager, Financial and Insider Reporting
Telephone: (604) 899-6730 or (800) 373-6393 (in B.C.)
Facsimile: (604) 899-6506

Securities Commission of Newfoundland and Labrador- Newfoundland and Labrador
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's NFLD A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187

Department of Justice, Northwest Territories - Northwest Territories
Legal Registries
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Director, Legal Registries
Telephone: (867) 873-7490
Facsimile: (867) 873-0243

Nova Scotia Securities Commission - Nova Scotia
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, NS B3J 3J9
Attention: Corporate Finance
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Department of Justice, Nunavut - Nunavut
Legal Registries Division
P.O. Box 1000 - Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Director, Legal Registries Division
Telephone: (867) 975-6190
Facsimile: (867) 975-6194

Ontario Securities Commission - Ontario
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Administrative Assistant to the Director of Corporate Finance
Telephone: (416) 593-8200
Facsimile: (416) 593-8177

Prince Edward Island Securities Office - Prince Edward Island
Consumer, Corporate and Insurance Services Division
Office of the Attorney General
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Registrar of Securities
Telephone: (902) 368- 4550
Fax: (902) 368-5283

Saskatchewan Securities Commission - Saskatchewan
6th Floor, 1919 Saskatchewan Drive
Regina, SK S4P 3V7
Attention: Deputy Director, Legal
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

COMPANION POLICY 45-102CP
TO MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

PART 1 APPLICATION

1.1 Application

(1) Multilateral Instrument 45-102 ("MI 45-102") has been implemented in all jurisdictions except Québec.

(2) Except for sections 2.1, 2.8 and 2.9, Part 2 of MI 45-102 does not apply in Manitoba, New Brunswick and the Yukon Territory.

1.2 Purpose

(1) MI 45-102 provides that first trades of securities distributed under certain exemptions from the prospectus requirement are distributions unless certain conditions are met. The conditions impose restrictions on the resale of the securities. If the securities were distributed under any of the provisions listed in Appendix D to MI 45-102 or under other securities legislation of any jurisdiction which specifies that the first trade is subject to section 2.5 of MI 45-102, the conditions include that the issuer is and has been a reporting issuer for a four month seasoning period and that a four month restricted period has elapsed from the date of the initial distribution. If the securities were distributed under any of the provisions listed in Appendix E to MI 45-102 or under other securities legislation of any jurisdiction which specifies that the first trade is subject to section 2.6 of MI 45-102, the conditions include that the issuer is and has been a reporting issuer for a four month seasoning period. MI 45-102 also provides an exemption for a control distribution and a sale by a pledgee of pledged securities if the sale would be a distribution for the purposes of securities legislation.

(2) Nothing in MI 45-102 is intended to restrict the ability of a purchaser to resell securities during the restricted period or seasoning period in reliance upon a prospectus or an exemption from the prospectus requirement.

1.3 Transition

(1) When former MI 45-102 came into force on November 30, 2001, that instrument imposed harmonized resale restrictions on the first trade of securities made on or after that date, even if the securities were distributed, or acquired by the selling security holder in the case of a trade that is a control distribution, prior to November 30, 2001. These securities were subject to prescribed restricted periods and seasoning periods of either four or twelve months under sections 2.5, 2.6 and 2.8 of former MI 45-102, depending on whether the issuer of the securities was a qualifying issuer. With the adoption of harmonized continuous disclosure requirements applicable to all reporting issuers, there is no need to continue to distinguish between qualifying issuers and other reporting issuers. As a result, the securities of all reporting issuers are now subject to four month restricted and seasoning periods under section 2.5 and 2.8 of MI 45-102 or four month seasoning periods under section 2.6 of MI 45-102. This means that any existing restricted period or seasoning period imposed under Part 2 of former MI 45-102 that exceeds four months will be reduced to four months under MI 45-102.

(2) Securities that were subject to a 12 month restricted period under subsection 2.5(3) or 2.8(3) of former MI 45-102 will now be subject to a four month restricted period under section 2.5(2) or 2.8(2) of MI 45-102. Section 2.5(2)3. of MI 45-102 imposes a condition that if the security that is the subject of the trade was distributed on or after the effective date of MI 45-102, the certificate representing the securities must carry a legend disclosing the resale restriction. Certificates representing securities distributed prior to November 30, 2001, the effective date of former MI 45-102, do not have to be legended. Issuers that issued certificates with legends in accordance with former MI 45-102 may cancel those certificates and replace them with a certificate containing a legend disclosing the new resale restrictions under section 2.5 or 2.8 of MI 45-102.

1.4 Open System Jurisdictions - Sections 2.5 and 2.6 of MI 45-102 do not apply in Manitoba, New Brunswick and the Yukon Territory as those jurisdictions do not impose restrictions on first trades in securities distributed under an exemption from the prospectus requirement in those jurisdictions unless the trade is a control distribution.

1.5 Example of Application of Section 2.5 - If an issuer distributes securities to a purchaser in British Columbia, the issuer must file a prospectus or rely upon a prospectus exemption under the securities legislation of British Columbia. If the issuer relies upon a British Columbia prospectus exemption listed in Appendix D to MI 45-102, section 2.3 of MI 45-102 applies and the first trade of the securities is subject to section 2.5 of MI 45-102. Similarly, if the issuer relies on certain exemptions in Multilateral Instrument 45-103 *Capital Raising Exemptions*, that instrument specifies that the first trade of those securities are subject to section 2.5 of MI 45-102. Section 2.5 provides that the first trade is a

distribution unless, among other conditions, a four month restricted period has elapsed. If the British Columbia purchaser seeks to resell the securities into Ontario, a prospectus must be filed in Ontario or a prospectus exemption relied upon unless the conditions in section 2.5(2) of MI 45-102 are satisfied.

1.6 Reporting Issuer Status - Reporting issuer status in any jurisdiction will satisfy the reporting issuer requirements in sections 2.5(2), 2.6(3) and 2.8(2) of MI 45-102. See section 1.10 for guidance if an issuer becomes a reporting issuer by filing a prospectus after the distribution date.

1.7 Legending of Securities - Section 2.5(2)3. of MI 45-102 requires that, for securities distributed under any of the provisions listed in Appendix D to MI 45-102 or another prospectus exemption of any jurisdiction subject to the resale restrictions in subsection 2.5(2) of MI 45-102, if the distribution date is on or after the effective date of MI 45-102 a certificate representing the securities must have been issued that carried a legend stating that, unless permitted under securities legislation, the holder of the securities shall not trade the securities before the expiry of the restricted period. Placing a restricted period legend on a share certificate is the most practical manner of providing certainty as to the applicable restricted period and of ensuring more effective regulation of the exempt market in the closed system jurisdictions. See section 1.9 for further guidance regarding the legending of convertible and underlying securities.

1.8 Calculation of Restricted and Seasoning Periods

(1) The restricted period in section 2.5(2)2. of MI 45-102 is calculated from the distribution date, that is, the date the securities were distributed in reliance on an exemption from the prospectus requirement by the issuer or a control person. For example, if an issuer or control person distributes securities under a private placement exemption to a purchaser in Saskatchewan and the private placee resells the securities during the restricted period to a purchaser in Alberta under a further private placement exemption, upon resale by the Alberta purchaser, that purchaser will determine whether the restricted period has expired by calculating the time period from the date the issuer or control person distributed the securities to the Saskatchewan purchaser.

(2) For the purposes of section 2.9(1) of MI 45-102, the reference to “amalgamation, merger, continuation or arrangement” includes demergers and other statutory procedures and, in Saskatchewan, reorganizations.

1.9 Underlying Securities - The restricted period or seasoning period applicable to trades in underlying securities is calculated from the distribution date of the convertible security, exchangeable security or multiple convertible security. If the applicable restricted period or seasoning period expired prior to the conversion or exchange, an issuer is not required to place a legend on the certificate representing the underlying securities under section 2.5(2)3. of MI 45-102.

1.10 Becoming a Reporting Issuer By Filing a Prospectus After the Distribution Date - If an issuer is not a reporting issuer at the distribution date but subsequently becomes a reporting issuer after the distribution date by filing and obtaining a receipt for a prospectus in one of the jurisdictions listed in Appendix B, section 2.7 of MI 45-102 provides that the seasoning requirement in sections 2.5, 2.6 and 2.8 of MI 45-102 will no longer apply. This means that the securities issued prior to the prospectus being filed may then be resold, provided that the restricted period under section 2.5 or 2.8 of MI 45-102 has expired.

1.11 Securities Exchange Take-over Bid or Issuer Bid - Section 2.11 of MI 45-102 provides relief from the seasoning requirement for a trade of securities issued in connection with a securities exchange take-over bid or securities exchange issuer bid if a securities exchange take-over bid circular or securities exchange issuer bid circular is filed by the offeror under securities legislation of the local jurisdiction. A bid circular may be filed for either a formal bid or an exempt bid. The basis for this exemption is that a securities exchange take-over bid circular or securities exchange issuer bid circular for a formal bid is required to contain prospectus disclosure for the offeror or other issuer whose securities are being offered in exchange for the securities of the offeree issuer. If a take-over bid circular or issuer bid circular is prepared in connection with an exempt bid, the circular must meet the disclosure standards in securities legislation relating to the form and content of a take-over bid circular or issuer bid circular, as the case may be, for a formal bid in order for the exemption in section 2.11 to be available.

1.12 Resales of Securities of a Non-Reporting Issuer

(1) For the purposes of section 2.14 of MI 45-102, in determining the percentage of the outstanding securities of the class or series that are directly or indirectly owned by residents of Canada and the number of owners directly or indirectly that are residents of Canada, an issuer should use reasonable efforts to

(a) determine securities held of record by a broker, dealer, bank, trust company or nominee for any of them for the accounts of customers resident in Canada;

(b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership; and

(c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

(2) Lists of beneficial owners of securities maintained by intermediaries pursuant to SEC Rule 14a-13 under the *1934 Act* or other securities law analogous to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* may be useful in determining the percentages referred to in subsection (1).

1.13 Filing of Form 45-102F1 - Section 2.8 of MI 45-102 provides that the prospectus requirement does not apply to a control distribution if the conditions in section 2.8 are met. Section 2.8(3) of MI 45-102 requires a person or company selling securities under section 2.8(2) of MI 45-102 to file Form 45-102F1. Form 45-102F1 must be filed whether the distribution date is before or after the effective date of MI 45-102. Form 45-102F1 should be filed on SEDAR under the issuer's profile under "*Continuous Disclosure – Resale of Securities* (MI 45-102) – Form 45-102F1" in the jurisdiction of the issuer's principal regulator under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and AIFs.* The notice required to be filed under section 2.8(7)(b) of MI 45-102 when these securities are no longer for sale should also be filed on SEDAR under the issuer's profile under *"Continuous Disclosure – Resale of Securities (*MI 45-102*) – Other*" in the jurisdiction of the issuer's principal regulator. Consult National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR) and the current CSA SEDAR Filer Manual (including code updates) for further information about filing documents electronically.

1.14 Exemptions for Certain Trades in the Local Jurisdiction - The exemption in section 2.10 of MI 45-102 is subject to a condition that the issuer of the underlying security was a reporting issuer in the local jurisdiction at the time of the trade. The exemptions in sections 2.11 and 2.12 of MI 45-102 are subject to a condition that the offeror was a reporting issuer in the local jurisdiction on the date securities of the offeree issuer are first taken up under the take-over bid or issuer bid and, in the case of the exemption in section 2.12, an additional condition that issuer of the underlying security was a reporting issuer in the local jurisdiction at the time of the trade. Issuers cannot rely on a prospectus filed in another jurisdiction nor can an offeror rely on a take-over bid circular or issuer bid circular filed in another jurisdiction to satisfy these conditions.

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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
02-Jan-2003	grace Brown	Acuity Funds Ltd. - Trust Units	150,000.00	10,422.00
23-Dec-2002	Stephanie Sebastiano	Acuity Pooled Fixed Income Fund - Trust Units	150,000.00	11,362.00
29-Nov-2002	Barbara Chiu	Acuity Pooled High Income Fund - Trust Units	100,000.00	7,023.00
09-Jan-2003	Albert Richard	Acuity Pooled High Income Fund - Trust Units	150,354.12	10,396.00
06-Jan-2003	Al Speirs;Preshiel Govind	Acuity Pooled High Income Fund - Trust Units	400,000.00	27,717.00
31-Dec-2002	Margaret Draper	Acuity Pooled High Income Fund - Trust Units	150,888.03	10,575.00
09-Jan-2003	Valley Heartland Community	Advanced Bioelectric Corporation - Shares	125,000.00	12,500.00
30-Dec-2002	12 Purchasers	AXMIN Inc. - Units	510,000.00	1,710,000.00
15-Jan-2002	Dennis Bernhard;Hall A. Tingley	Bioteq Environmental Technologies Inc. - Units	470,000.00	940,000.00
08-Nov-2002	Nortel networks Limited	Bookham Technology plc - Shares	25,679,150.00	23,789,415.00
29-Nov-2002	5 Purchasers	BPI American Opportunities Fund - Units	138,507.96	1,239.00
29-Nov-2002	Robert Ballow	BPI Canadian Opportunities RSP Fund - Units	25,610.28	274.00
29-Nov-2002	9 Purchasers	BPI Global Opportunites III Fund - Units	565,139.73	6,509.00
29-Nov-2002	Barbara Hanson;Maurice Wrightman	BPI Global Opportunites III RSP Fund - Units	58,201.69	629.00
16-Jan-2003	Hereschman Peter;Bednarz Len	Canadian Zinc Corporation - Units	12,000.00	12.00

22-Nov-2002	Allan Robinson	CI Multi-Manager Opportunites Fund - Units	29,410.42	310.00
31-Dec-2002	4 Purchasers	Coronation Minerals Inc. - Flow-Through Shares	285,000.00	1,900,000.00
03-Jan-2003	Gennaro Bisogno	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Terry Hewetson	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Fred Carter	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Joy & Danny Caudie	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Wayne Bowen	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Sergio Rita	Discovery Biotech Inc. - Common Shares	9,000.00	3,000.00
03-Jan-2003	Derek Hoar	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Stephen Dobson	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	Fulbert Yao	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Ronald Elliott	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Doug Miller	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2002	Brenda Bastian	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Scott Johnston	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Donald Albert	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Wycliffe Smith Design Inc.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Front Page Investments Ltd.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Rhonda Sadler	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Allen Consulting Ontario Limited	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Ronald Martin	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

03-Jan-2003	George & Regina Kopaczynski	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	Nancy Parr	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	John Warren	Discovery Biotech Inc. - Common Shares	3,000.00	500.00
03-Jan-2003	John A. Smith	Discovery Biotech Inc. - Common Shares	7,500.00	2,500.00
03-Jan-2003	Egan Animal Hospital	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
03-Jan-2003	Adam A. Garba	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Paul & Liisa Dickinson	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jan-2003	Denis Veillette	Discovery Biotech Inc. - Common Shares	4,200.00	1,400.00
03-Jan-2003	Margaret Rice	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Michael Cain	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Walter Huszczo	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	James E. Rainbird	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	Jaime Lynnette Soulliere	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Corlia Electrical and Mining Inc.	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jan-2003	Bina Aranha	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	434090 Ontario Ltd.	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Superior Wellness & Skin	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Ronald Martel	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Garry Thorne	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	Nicholas Benjamins	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Nicholas Benjamins	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

03-Jan-2003	Diana Benjamins	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Kim Engel	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Klaus Kruning	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Gerald Templeman	Discovery Biotech Inc. - Common Shares	21,000.00	7,000.00
03-Jan-2003	Marc Rivest	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Jason Zarnke	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	Ben Techroeb	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jan-2003	Hanh Nguygen	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Del Anderson	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
03-Jan-2003	Susan Asquith	Discovery Biotech Inc. - Common Shares	3,000.00	500.00
03-Jan-2003	Marcia Dye	Discovery Biotech Inc. - Common Shares	3,000.00	500.00
03-Jan-2003	Graham Wright	Discovery Biotech Inc. - Common Shares	6,900.00	2,300.00
03-Jan-2003	Sohag Patel	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	L.L. Otto	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
03-Jan-2003	Paul Ming	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
03-Jan-2003	David Edwards	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Dave Weber	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
03-Jan-2003	Steward Winter	Discovery Biotech Inc. - Common Shares	9,000.00	3,000.00
03-Jan-2003	David J.P. Crichton	Discovery Biotech Inc. - Common Shares	1,800.00	600.00
03-Jan-2003	Sharon Ann Lawson	Discovery Biotech Inc. - Common Shares	1,950.00	650.00
03-Jan-2003	Wendy Brown	Discovery Biotech Inc. - Common Shares	1,500.00	500.00

03-Jan-2003	County Investment Club	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
20-Dec-2002	Mayer Tchelebon;Tchelebon Foods Inc.	Discovery Drilling Funds II 2002 Limited Partnership - Units	55,000.00	55.00
01-Oct-2002	Dundee Capital Corporation	Dundee Wealth Management Inc. - Common Shares	818,050.20	155,741.00
02-Jan-2003	Dundee Capital Corporation	Dundee Wealth Management Inc. - Common Shares	818,050.20	142,269.00
20-Dec-2002	8 Purchasers	EdgeStone Affiliate 2002 Equity Fund II, L.P. - Limited Partnership Interest	383,333.00	383,333.00
20-Dec-2002	8 Purchasers	EdgeStone Affiliate 2002 Mezzanine Fund, L.P. - Limited Partnership Interest	479,166.00	479,166.00
20-Dec-2002	8 Purchasers	EdgeStone Affiliate 2002 Venture Fund, L.P - Limited Partnership Interest	287,500.00	287,500.00
05-Dec-2002	William J. McLauchlin	Eiger Energy Ltd. - Common Shares	30,000.00	40,000.00
09-Jan-2003	4 Purchasers	Fisher Scientific International Inc. - Notes	4,840,056.00	33.00
31-Dec-2002	Paul Gareau and Helen Gareau	Harbour Capital Canadian Balanced Fund - Trust Units	757,564.00	6,021.00
15-Jan-2003	Levfam Holdings Inc.	Headline Media Group Inc. - Shares	499,999.85	1,428,571.00
02-Jan-2003	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,500,000.00	149,799.00
31-Dec-2002	10 Purchasers	iPerformance Fund Inc. - Common Shares	728,000.00	214,433.00
20-Dec-2002	3 Purchasers	Illinois Power Company - Bonds	10,866,800.00	7,000,000.00
29-Nov-2002	4 Purchasers	Imark Corporation - Warrants	0.00	161,620.00
31-Dec-2002	13 Purchasers	Intrepid Minerals Corporation - Units	270,875.00	599,722.00
06-Jan-2003	TD Asset Management on behalf of the TD Precious Metals Fund	Ivanhoe Mines Ltd. - Special Warrants	450,000.00	150,000.00
29-Nov-2002 1/7/03	5 Purchasers	Jaguar Mining Inc. - Special Warrants	400,000.00	600,001.00
31-Dec-2002	28 Purchasers	JML Resources Ltd. - Units	304,000.00	3,040,000.00
31-Dec-2002	Jens Hansen	Kaieteur Resource Corporation - Units	15,000.00	60,000.00
13-Dec-2002	Jared Sable	Kingwest U.S. Equity Portfolio - Units	864,350.00	63,058.00

20-Dec-2002	Doug Thomson	Kinitos Inc. - Shares	34,985.02	76,054.00
08-Jan-2003	Kenneth G. Allan and Nerix V. Allan	Magenta Mortgage Investment Corporation - Shares	750,000.00	75,000.00
31-Dec-2001 9/30/02	John Deere Limited	Marvin & Palmer International Equity Fund - Units	10,127,080.00	1,182,333.00
01-Jan-2003	Arrow Global Multi-Strategy Fund	MMCAP Limited Partnership Fund - Limited Partnership Units	80,000.00	67.00
31-Dec-2002	8 Purchasers	Mustang Minerals Corp. - Units	344,267.50	1,377,070.00
01-Jan-2002 12/1/02	59 Purchasers	Nexus North American Balanced Fund - Trust Units	6,377,024.95	585,715.00
01-Jan-2002 12/1/02	11 Purchasers	Nexus North American Equity Fund - Trust Units	2,117,763.90	208,371.00
01-Sep-2002 12/1/02	55 Purchasers	Nexus North American Income Fund - Trust Units	20,902,672.27	2,250,035.00
13-Jul-2002 12/5/02	James Miller and Elizabeth Miller Renfrew	Orbis Africa Equity (Rand) Fund Limited - Shares	101,834.25	2,706.00
31-Oct-2002	Royal Bank of Canada	Orbis Japan Equity (US$) Fund Limited - Shares	780,000.00	34,200.00
31-Oct-2002	Royal Bank of Canada	Orbis Leveraged (US$) Fund Limited - Shares	780,000.00	6,293.00
04-Jun-2002 12/19/02	James Miller and Elizabeth Miller Renfrew	Orbis Optimal (Euro) Fund Limited - Shares	246,036.88	8,465.00
24-Jan-2002 7/4/02	James Miller and Elizabeth Miller Renfrew;Friedberg Skill-Based Mangers Fund	Orbis Optimal (US$) Fund Limited - Shares	663,051.98	9,232.00
31-Dec-2002	6 Purchasers	Orezone Resources Inc. - Flow-Through Shares	150,000.00	588,234.00
02-Jan-2003	HSBC Securities (Canada) Inc.;Canadian Medical Discoveries Fund Inc.	Pheromone Sciences Corp. - Units	260,000.00	1,040,000.00
31-Dec-2002	Radiant Americas B.V.	Phonetime Inc. - Common Shares	1,321,111.62	6,291,007.00
06-Jan-2003	3 Purchasers	Q1 Labs Inc. - Shares	62,100.00	902,032.00
31-Dec-2002	The VenGrowth II Investment Fund Inc. The Business;Engineering;Science & Technology Discovery Fund Inc.	Rev D Networks Inc. - Convertible Debentures	5,528,610.00	2.00
31-Dec-2002	3 Purchasers	R. A. Floyd Capital - Units	150,336.00	22,554.00
15-Jan-2003	Mosaic Capital Corporation;Clover Capital Corporation	Silvercreek Limited Partnership - Limited Partnership Units	3,200,000.00	59.00

02-Dec-2002	AGF Management Limited	Smith & Williamson Holdings Limited - Shares	69,733,106.00	9,692,756.00
07-Jan-2003	13 Purchasers	St Andrew Goldfields Ltd - Units	1,959,738.40	9,798,692.00
15-Jan-2003	7 Purchasers	Stealth Minerals Limited - Common Shares	375,000.00	15,000,000.00
14-Jan-2003	Bradley L Jones	Stealth Minerals Limited - Option	25,000.00	100,000.00
31-Dec-2002	4 Purchasers	TD Harbour Capital Balanced Fund - Trust Units	1,500,000.00	14,523.00
22-Nov-2002	Moya Favaretto	Trident Global Opportunities Fund - Units	25,000.00	235.00
29-Nov-2002	Anne Ritchie	Trident Global Opportunities Fund - Units	121,000.00	1,148.00
08-Jan-2003	Growmark Inc.	Truserv Canada Cooperative Inc. - Notes	2,614,000.00	26,121.00
31-Mar-2002 12/31/02	15 Purchasers	Twenty-First Century Funds Inc. - Bonds	2,150,036.32	77.00
31-Mar-2002 12/31/02	24 Purchasers	Twenty-First Century Funds Inc. - Units	1,571,172.45	145.00
31-Mar-2002 12/31/02	10 Purchasers	Twenty-First Century Funds Inc. - Units	3,466,242.37	47.00
31-Mar-2002 12/31/02	8 Purchasers	Twenty-First Century Funds Inc. - Units	572,487.19	44.00
23-Dec-2002	Canadian Medical Discoveries Fund Inc.	Twinstrand Therapeutics Inc. - Units	920,000.00	575,000.00
31-Dec-2002	5 Purchasers	Ursa Major International Inc. - Units	295,000.00	590,000.00
13-Jan-2003	Export Development Canada	ViXS Systems Inc. - Units	3,000,000.00	236,817.00
23-Dec-2002	CMP 2002 Resource Limited Partnership	VVC Exploration Corp. - Common Shares	280,000.00	1,000,000.00
30-Dec-2002	VenuteLink Financial Services Innovation Fund Inc.	Xceed Mortgage Corporation - Convertible Debentures	2,800,000.00	1.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
20-Jan-2002	Limited market Dealer Inc.	MineralFields 2002 Limited Partnership - Limited Partnership Units		10,000.00

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
Patrick A. Couveia	Atlas Cold Storage Income Trust - Trust Units	950,000.00
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	270,900.00
Discovery Captial Corporation	CardioComm Solutions Inc. - Common Shares	2,000,000.00
Chengfeng Zhou	China Ventures Inc. - Common Shares	7,948,500.00
Glen R. Estill	EMJ Data Systems Ltd. - Common Shares	9,334.00
Hector Davila Santos	First Silver Reserve Inc. - Shares	135,000.00
Stephen Shun	MedMira Inc. - Common Shares	282,000.00
Paros Enterprises Limited	Morguard Corporation - Common Shares	2,000,000.00
The Reko Family Corporation	Reko International Group Inc. - Common Shares	50,000.00
Thomas V. Hinke	Thermal Energy International Inc. - Common Shares	1,200,000.00
The Catherine and Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	124,500.00
Stanley Mourin	Western Troy Capital Resources Inc. - Common Shares	70,000.00
Great Pacific Capital Corp.	Westshore Terminals Income Fund - Trust Units	1,000,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AllBanc Split Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated January 24th, 2003
Mutual Reliance Review System Receipt dated January 27th, 2003
Offering Price and Description:
$ * - 897,444 Class A Preferred Shares @ $ * per Class A Preferred Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #509572

Issuer Name:
Calpine Power Income Fund
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Prospectus dated January 22nd, 2003
Mutual Reliance Review System Receipt dated January 23rd, 2003
Offering Price and Description:
$153,308,106 - 17,034,234 Warranted Units
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Dundee Securities Corporation
Promoter(s):
Calpine Corporation
Project #508406

Issuer Name:
DGC Entertainment Ventures Corp.
Type and Date:
Preliminary Prospectus dated January 22nd, 2003
Receipt dated January 23rd, 2003
Offering Price and Description:
Class A Shares
Continuous Offering Price - Net Asset Value per Class A Share
Minimum Initial Subscription -$500
Underwriter(s) or Distributor(s):
Promoter(s):
EVC Sponsor Inc.
Project #508928

Issuer Name:
First Calgary Petroleums Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 24th, 2003
Mutual Reliance Review System Receipt dated January 24th, 2003
Offering Price and Description:
$20,000,004 - 8,510,640 Common Shares @ $2.35 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Octagon Capital Corporation
Promoter(s):
-
Project #509480

Issuer Name:
Gaz Metropolitain, inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated January 28th, 2003
Mutual Reliance Review System Receipt dated January 28th, 2003
Offering Price and Description:
$125,000,000 - Series 1 First Mortgage Bonds guaranteed by
Gaz Metropolitain and Company, Limited Partnership
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #509993

Issuer Name:
Inter Pipeline Fund (formerly Koch Pipelines Canada, L.P.)
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 23rd, 2003
Mutual Reliance Review System Receipt dated January 23rd, 2003
Offering Price and Description:
$75,020,000 - 12,100,000 Class A Units @ $6.20 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Promoter(s):
-
Project #509179

Issuer Name:
Ivanhoe Mines Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated January 21st, 2003
Mutual Reliance Review System Receipt dated January 22nd, 2003
Offering Price and Description:
$60,000,000 - 20,000,000 Common Shares to be issued upon
the exercise of 20,000,000 Special Warrants @ $3.00 per Special Warrant
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #508730

Issuer Name:
Kinross Gold Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated January 22nd, 2003
Mutual Reliance Review System Receipt dated January 22nd, 2003
Offering Price and Description:
$ * - 46,414,663 Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #508745

Issuer Name:
Minefinders Corporation Ltd
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated January 24th, 2003
Mutual Reliance Review System Receipt dated January 24th, 2003
Offering Price and Description:
$14,000,000 - 2,000,000 Common Shares @ $7.00 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Yorkton Securities Inc.
Salman Partners Inc.
Promoter(s):
-
Project #509496

Issuer Name:
Niko Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 24th, 2003
Mutual Reliance Review System Receipt dated January 24th, 2003
Offering Price and Description:
$39,375,000 - 1,500,000 Common Shares @ $26.25 per Common Share
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Canaccord Capital Corporation
Yorkton Securities Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #509514

Issuer Name:
PrimeWest Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 27th, 2003
Mutual Reliance Review System Receipt dated January 27th, 2003
Offering Price and Description:
$128,750,000 - 5,000,000 Trust Units @ $25.75 per Trust Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Yorkton Securities Inc.
Promoter(s):
-
Project #509841

Issuer Name:
Sears Canada Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated January 28th, 2003
Mutual Reliance Review System Receipt dated January 29th, 2003
Offering Price and Description:
$500,000,000 - Medium Term Notes
(Unsecured)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #510039

Issuer Name:
Shiningbank Energy Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated January 22nd, 2003
Mutual Reliance Review System Receipt dated January 22nd, 2003
Offering Price and Description:
$50,100,000 - 3,340,000 Trust Units @ $15.00 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #508900

Issuer Name:
Clarington Asia Pacific Fund
Clarington Global Communications Fund
Clarington RSP Global Communications Fund
Clarington Global Communications Class
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated January 17th, 2003 to Simplified Prospectuses and Annual
Information Forms dated July 23rd, 2002
Mutual Reliance Review System Receipt dated 23rd day of January, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Promoter(s):
-
Project #460588

Issuer Name:
IPC US Income Commercial Real Estate Investment Trust
Type and Date:
Final Prospectus dated January 22nd, 2003
Receipt dated 22nd day of January, 2003
Offering Price and Description:
3,172,758 Unites issuable upon the exercise of 2,971,112 previously issued Special Warrants
3,172,758 Unites issuable upon the exercise of 2,971,112 previously issued Special Warrants
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
-
Project #505801

Issuer Name:
Skylon Global Capital Yield Trust II
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated January 22nd, 2003
Mutual Reliance Review System Receipt dated 24th day of January, 2003
Offering Price and Description:
$150,000,000 (Maximum)
6,000,000 Series 2012 Units
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scoita Capital Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
Promoter(s):
Skylon Capital Corp.
Project #503947

Issuer Name:
Working Ventures Canadian Fund Inc.
Working Ventures Opportunity Fund Inc. (formerly Working Ventures II Technology Fund Inc.)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated January 20th, 2003
Mutual Reliance Review System Receipt dated 24th day of January, 2003
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
Working Ventures Investment Services Inc.
GrowthWorks (WVIS) Ltd.
Promoter(s):
-
Project #501388

Issuer Name:
National Bank of Canada
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated January 22nd, 2003
Mutual Reliance Review System Receipt dated 22nd day of January, 2003
Offering Price and Description:
$200,000,000 - (8,000,000 Shares)
Non-Cumulative Fixed Rate First Preferred Shares Series 15
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
RBC Capital Markets Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Laurentian Bank Securities Inc.
Merrill Lynch Canada Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #507258

Issuer Name:
iProfile Money Market Pool
iProfile Global Equity RSP Pool
iProfile Fixed Income Pool
iProfile Emerging Markets Pool
iProfile International Equity Pool
iProfile U.S. Equity Pool
iProfile Canadian Equity Pool
Principal Regulator - Manitoba
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated January 20th, 2003
Mutual Reliance Review System Receipt dated 24th day of January, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Les Services Investors Limitee
Promoter(s):
-
Project #499124

Issuer Name:
Millennium Bullionfund
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 24th, 2003
Receipt dated 27th day of January, 2003
Offering Price and Description:
Mutual Fund Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #502531

Issuer Name:
Pursuit Canadian Bond Fund
Pursuit Canadian Equity Fund
Pursuit Money Market Fund
Pursuit Global Bond Fund
Pursuit Global Equity Fund
Pursuit Growth Fund
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated January 21st, 2003
Receipt dated 22nd day of January, 2003
Offering Price and Description:
Mutual Fund Units
Underwriter(s) or Distributor(s):
Pursuit Financial Services Corp.
Promoter(s):
Pursuit Financial Management Corporation
Project #501199

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Dacks Money Management Inc. Attention: Robert David Dacks 8 Fonthill Boulevard Markham ON L3R 1V6	Investment Counsel & Portfolio Manager	Jan 27/03
Change of Name	DZ Financial Markets LLC 609 Fifth Avenue New York NY 10017 USA	From: DG Financial Markets LLC To: DZ Financial Markets LLC	Oct 16/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Discipline Penalties Imposed on William Gerard Armstrong – Violations of Regulation 1300.4, 1300.1(c) and By-law 19.5

Contact:
Kenneth J. Kelertas
Enforcement Counsel
(416) 943-5781
kkelertas@ida.ca

BULLETIN # 3107
January 24, 2003

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON WILLIAM GERARD ARMSTRONG – VIOLATIONS OF REGULATION 1300.4, 1300.1(C) AND BY-LAW 19.5

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on William Gerard Armstrong, at the relevant time a Registered Representative of C.M. Oliver & Co. Ltd. (now Canaccord Capital Corporation), a Member of the Association.

By-laws, Regulations, Policies Violated

By written endorsement dated January 21st, 2003, the Ontario District Council found Mr. Armstrong to have:

a) engaged in discretionary trading, contrary to Association Regulation 1300.4;

b) failed to use due diligence to ensure that the recommendations made for a client account were appropriate for the client and in keeping with the client's investment objectives, contrary to Association Regulation 1300.1(c); and

c) failed or refused to comply with requests from the Association to attend and give information in relation to the investigation of a client complaint, contrary to Association By-law 19.5.

Penalty Assessed

The discipline penalties assessed against Mr. Armstrong were:

- a fine in the amount of $15,000 for discretionary trading;
- a fine in the amount of $15,000 for unsuitable investment recommendations;
- a fine in the amount of $50,000 for failing to cooperate with Association staff during the course of the investigation into his misconduct;
- disgorgement of profits and commissions in the amount of $5,200;
- the costs of the Association investigation and prosecution of this matter fixed at $20,000; and
- a permanent ban from serving as an employee of a Member firm in any capacity.

Summary of the Facts

The complainants were a middle aged married couple. They were unsophisticated investors. In January 1997, they opened accounts at the Waterloo, Ontario branch of C.M. Oliver & Co. Ltd. Their investment objectives were recorded as being 50% capital preservation and 50% moderate growth. The Association's investigation focused on Mr. Armstrong's management of the husband's RRSP account.

While Mr. Armstrong was the Registered Representative responsible for this account, the complainants agreed that Mr. Armstrong would handle all investment decisions. However, the account was never designated as a managed or discretionary account, and Mr. Armstrong was never authorized by his firm to open discretionary or managed accounts. From February 1997 to September 1999, Mr. Armstrong essentially managed the account as a discretionary trading account. He did not contact his client or

obtain his approval for making any trades in the account. Furthermore, Mr. Armstrong managed the RRSP account and conducted transactions in that account in such a way as to cause it to not conform to the client's stated investment objectives. Rather, between June 1997 and September 1999, the moderate growth portion of the account varied from 88% to 100% of the net assets, and speculative investments in the account during the same time period ranged from 0% to just under 10.5% of the net assets. Between February 1997 and September 1999, the client deposited $75,454.10 in cash and securities into his RRSP account. By the end of September 1999, the total net loss in the account was $45,591.12 or just over 60% of the net value invested.

Upon commencement of the Association's investigation into this complaint, Mr. Armstrong was personally served with a letter from Association staff compelling him to attend an interview. Mr. Armstrong ignored the letter and did not contact the Association to offer an explanation for his non-attendance or to reschedule the interview.

Mr. Armstrong did not provide a Reply upon being served with the Notice of Hearing and Particulars. Furthermore, Mr. Armstrong did not appear at the disciplinary hearing held before the Ontario District Council on January 21, 2003.

Upon receiving both oral and written submissions from counsel for the Association, the Ontario District Council accepted the facts and conclusions set out in the Notice of Hearing as proven.

In determining the penalty imposed, the Ontario District Council took into account Mr. Armstrong's pre-existing record of regulatory misconduct, given that he had been previously disciplined by the Ontario District Council on April 8th, 1999, and again on October 31st, 2001 for similar violations of the Association's By-laws and Regulations.

Mr. Armstrong left the industry in September 1999, and has not been registered in any capacity with a Member firm since that time.

Kenneth A. Nason
Association Secretary

13.1.2 IDA Definition of Approved Person

INVESTMENT DEALERS ASSOCIATION OF CANADA – DEFINITION OF APPROVED PERSON

I OVERVIEW

A -- Current Rules

Throughout the By-laws, Regulations, Policies and forms of the Association reference is made to Approved Person and as such a definition is required in order to provide guidance to Members as to what persons fit within the category and are therefore subject to the relevant By-laws, Regulations and Policies. Some examples of those that fall within the category of approved persons include all registered representatives and investment representatives, trading and non-trading partners, directors and officers, branch managers, Ultimate Designated Persons, Chief Compliance Officers and Alternate Designated Persons.

A definition also makes clear the difference between IDA approval and registration by a securities commission. Some IDA Approved Persons in non-trading categories do not require registration under securities acts and regulations in some provinces.

B -- The Issue

The BCSC requested that the Association define the term Approved Person in order to provide guidance to Member firms.

C -- Objective

The objective of the proposed definition is to provide guidance to Members of the Association.

D -- Effect of Proposed Rules

The Association has determined that the entry into force of the proposed amendments will have no impact on the rule as it is housekeeping in nature.

II -- DETAILED ANALYSIS

A -- Present Rules, Relevant History and Proposed Policy

The proposed definition was suggested by the BCSC due to the use of the word "approved person" in By-law 29.26 Leverage Disclosure. As such the Association has proposed a definition of approved person in order to provide guidance to Member firms when reviewing the Association's rule book.

III -- SOURCES

IDA By-law 1

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Deborah Wise, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:
Deborah Wise
Legal and Policy Counsel
Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6994
dwise@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

DEFINITION OF APPROVED PERSON

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 1 is amended by adding the following:

   "approved person" means, in respect of a Member, an individual who is a partner, director, officer employee or agent of a Member who is approved by the Association or another Canadian Self Regulatory Organization to perform any function required under any IDA By-law, Regulation, or Policy.

PASSED AND ENACTED BY THE Board of Directors this 22nd day of January 2003, to be effective on a date to be determined by Association staff.

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