The Ontario Securities Commission

OSC Bulletin

June 2, 2000

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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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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

June 2, 2000

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
19th Floor, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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- -

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Morley P. Carscallen, FCA	—	MPC
Robert W. Davis	—	RWD
John F. (Jake) Howard, Q.C.	—	JFH
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
R. Stephen Paddon, Q.C	—	RSP

SCHEDULED OSC HEARINGS

Date to be announced

YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths Mcburney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)

s. 127
Mr. I. Smith in attendance for staff.

Panel: HW / DB / MPC

Date to be announced

Richard Thomas Slipetz

s. 127
Mr. T. Moseley in attendance for staff.

Panel: TBA

Hearing will take place at:
Alcohol & Gaming Commission of Ontario
Atrium on Bay
20 Dundas Street West
7th Floor
Hearing Room "D"
Toronto, Ontario

Date to be announced

2950995 Canada Inc., 153114 Canada Inc., Micheline Charest and Ronald A. Weinberg

s. 127
Ms. S. Oseni in attendance for staff.

Panel: TBA

Hearing will take place at:
Alcohol & Gaming Commission of Ontario
Atrium on Bay
20 Dundas Street West
7th Floor
Hearing Room D
Toronto, Ontario

Date to be announced	**Amalgamated Income Limited Partnership and 479660 B.C. Ltd.** s. 127 & 127.1 Ms. J. Superina in attendance for staff. Panel: TBA Hearing will take place at: **Alcohol & Gaming Commission of Ontario** Atrium on Bay 20 Dundas Street West 7th Floor Toronto, Ontario
Jul 31/2000-Aug18/2000 10:000 a.m.	**Paul Tindall and David Singh** s. 127 Ms. M. Sopinka in attendance for staff. Panel: TBA

ADJOURNED SINE DIE

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

Irvine James Dyck

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

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

PROVINCIAL DIVISION PROCEEDINGS

Date to be announced	**Michael Cowpland and M.C.J.C. Holdings Inc.** s. 122 Ms. M. Sopinka in attendance for staff. Courtroom 122, Provincial Offences Court Old City Hall, Toronto
June 6/2000 2:00 p.m. Pre-trial conference Oct 10/2000 - Nov 3/2000 Trial	**Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall** s. 122 Ms. J. Superina in attendance for staff. Court Room No. 9 114 Worsley Street Barrie, Ontario

June 20/2000 July 21/2000 10:00 a.m.	**Glen Harvey Harper** s.122(1)(c) Mr. J. Naster in attendance for staff. Courtroom 121, Provincial Offences Court Old City Hall, Toronto
June 26/200 9:00 a.m.	**Einar Bellfield** s. 122 Ms. K. Manarin in attendance for staff. Courtroom C, Provincial Offences Court Old City Hall, Toronto
July 11/2000 July 18/2000 9:00 a.m.	**Arnold Guettler, Neo-Form North America Corp. and Neo-Form Corporation** s. 122(1)(c) Mr. D. Ferris in attendance for staff. Court Room No. 124, Provincial Offences Court Old City Hall, Toronto
Oct 16/2000 - Dec 22/2000 10:00 a.m.	**John Bernard Felderhof** Mssrs. J. Naster and I. Smith for staff. Courtroom TBA, Provincial Offences Court Old City Hall, Toronto
Dec 4/2000 Dec 5/2000 Dec 6/2000 Dec 7/2000 9:00 a.m. Courtroom N	**1173219 Ontario Limited c.o.b. as TAC (The Alternate Choice), TAC International Limited, Douglas R. Walker, David C. Drennan, Steven Peck, Don Gutoski, Ray Ricks, Al Johnson and Gerald McLeod** s. 122 Mr. D. Ferris in attendance for staff. Provincial Offences Court Old City Hall, Toronto

Reference: John Stevenson
Secretary to the
Ontario Securities Commission
(416) 593-8145

1.1.2 Proposed Rules and Companion Policies under the Securities Act

NOTICE OF PROPOSED CHANGES TO PROPOSED NATIONAL INSTRUMENT 81-104 AND COMPANION POLICY 81-104CP

COMMODITY POOLS

The Commission is publishing for comment in today's Bulletin a Notice of Proposed Changes regarding proposed National Instrument 81-104 Commodity Pools and Companion Policy 81-104CP Commodity Pools. The proposed National Instrument and Companion Policy, which follow the Notice, are a reformulation of Ontario Securities Commission Policy Statement No. 11.4 - Commodity Pools Programs, which they will replace. With the proposed National Instrument and Companion Policy, the Canadian Securities Administrators seek to regulate publicly offered commodity pools structured as mutual funds. The Notice also includes a table of comments (on the July 27, 1997 published version of the proposed rule) received by the Canadian Securities Administrators and responses to those comments.

The Notice and proposed National Instrument and Companion Policy can be found in Chapter 6 of this Bulletin.

1.1.3 Remarks by David A. Brown, Q.C. Chair, OSC - Canadian Investor Relations Institute

CHANGE BEGETS CHANGE: OUR MARKETS ARE TRANSFORMING, SHOULDN'T WE?

REMARKS BY
DAVID A. BROWN, Q.C.
CHAIR
ONTARIO SECURITIES COMMISSION

CANADIAN INVESTOR RELATIONS INSTITUTE
Royal York Hotel, Imperial Room

May 29, 2000

CHANGE BEGETS CHANGE: OUR MARKETS ARE TRANSFORMING, SHOULDN'T WE?

I'm delighted to participate in this conference. With the growth of middle-class investment in Canada, the Canadian Investor Relations Institute addresses issues that are vital to more and more Canadians.

Talking about the changes in the market to a group of IR professionals reminds me of a story about the man who survived the Johnstown flood. He spent the rest of his life telling people about how he made it through. When he died and went to heaven, he asked St. Peter if he could convene an audience so he could tell them about the great flood. St. Peter replied: "I'd be pleased to. But keep one thing in mind. Noah will be sitting in the front row."

When it comes to pioneers of investor relations, there are a number of Noahs in this room.

IR professionals like you and regulators like me have something in common. We deal with issues that matter to all stakeholders in the economy.

Obviously, the regulatory environment and corporate governance matter to investors. Their rights and expectations have been in a constant state of evolution since the growth of heavily-capitalized corporations separated ownership from management.

The same issues matter to corporations. Investor confidence helps to determine the capacity to attract the financial and human resources needed for growth.

And they matter to national economies. Confidence in both corporate and regulatory practices helps determine economic performance – a fact illustrated dramatically by the Asian financial crisis. The quality of corporate governance is becoming a valuable asset in global competition for capital.

This is especially important to Canada. As a relatively small marketplace competing for the international pool of investment dollars, Canada needs to distinguish itself among world markets. We need to establish a world-class reputation for corporate disclosure, transparency and corporate governance.

Our regulatory structure has to play its part. We have to keep up with change. Regulation cannot be static, because the market is not static.

For the next few minutes, I want to highlight some of the changes sweeping our financial markets, and then discuss how these forces are driving reforms to our approach to regulation.

First, consider how our markets are changing.

- The market is changing because investment is more widespread.

Investment was once a preserve of the wealthy few. Now it's an instrument of the middle-class. That is one of the factors that makes IR more important and challenging than ever. While bank deposits have declined, share ownership has climbed. A survey conducted for the TSE which is being released this morning found that almost 50% of Canadian adults own stocks, either directly or through mutual funds. This number has climbed from 37% just 4 years ago. The secondary market now accounts for 90 per cent of all securities transactions. A nation of savers is becoming a nation of investors.

- The market is changing because investment is more mobile.

Again that is one of the things that keeps people like you on your toes. If there is one thing recent investment history has demonstrated it is this: people are not about to restrict their investment decisions by jurisdiction. As the former chairman of Citibank, Walter Wriston, put it: "Money goes where it is welcome and stays where it is well-treated."

Borders exist on maps. They're quickly disappearing from the marketplace.

That was the driving trend even before the Internet burst on to our computer screens. Now, it's accelerating at cyberspeed. Jurisdiction has traditionally been based on geography. But you can't locate dot.com on a map. Increasingly, there is one market – the world.

- The market is changing because the average investor has direct access.

Just a few years ago, electronic trading was the exclusive preserve of professionals, with training, experience and dedicated terminals. Today, it's open to anyone with a computer and a modem, or even a cellphone or a Palm Pilot. With the click of a mouse, day or night, millions can buy or sell any stock in the world. The Investment Dealers Association estimates that by the end of this year online trading will account for about 40 per cent of retail stock trades in Canada. That's right – two out of every five trades. People are taking their investment strategy in their own hands.

Some people have no choice. We're seeing a shift from defined-benefit retirement plans to defined-contribution plans and group RRSPs. We're moving away from a society where

your retirement income depends on how long you worked for an employer and how much you earned. It depends more and more on how well the contributions are invested.

- The market is changing because investors have access to far more information.

It used to be that one of the most important distinctions between a broker and a client is that one of them had access to a great deal of information, and the other one didn't. That distinction is withering away.

Almost half of Canadians with access to the Net use it to research investments. You can browse the web sites of issuers, online brokers, and data banks. You can check out products, ratings information, anticipated earnings release dates, and company news releases the moment they are issued. The TSE survey also found that 27% of those who traded last year used the internet to do some of their transactions. Four years ago, when the last survey was done, internet trading didn't exist.

The trend is commoditizing the industry, driving down fees and forcing brokerages to compete based on advice. We're seeing a shift from fee-based transactions to asset-based transactions. Yet our regulatory structure is geared to trading and fees, rather than asset growth and advice.

- There are other catalysts of market change. Financial products are being developed and moved out to market more quickly than ever.

Planning horizons are narrowing, and traditional time frames are collapsing. Financial innovations are improving processing speed, lowering transaction costs, and unbundling, combining and creating new financial instruments. Technology is changing everything about the way we invest – from customer service, to the clearance and settlement of trades, to the very concept of what constitutes an exchange.

- At the same time, the market is changing because financial service providers are converging.

The four pillars have melded together. It's becoming difficult to say what the core business of a given financial provider really is. There are funds offered by insurance companies that are almost identical to investment funds offered by the securities industry. Banks are offering deposit products where the return depends on changes in the price of stock indexes or the value of a specified portfolio of assets. How is that different from a mutual fund?

The products are similar, the consumers are the same people. Only the regulatory authority has been divided – between securities regulators and our insurance and pension counterparts.

- And of course the market is changing because the stakes are so high.

With so much capital invested, a difference of a penny or two per share in earnings can lead to a difference of a billion or two in capitalization. Every company faces the same pressure every quarter. Did they meet expectations? How much were they off?. The quarterly report has become a quarterly report card – and the pressure to get straight As is enormous. Too often, a company that can't hit its numbers faces a tremendous temptation to fudge them.

There are powerful incentives to employ creative or aggressive accounting techniques to beat the analysts. But that also beats the investors. Ultimately, it only leads companies to beat themselves. Investor confidence takes a long time to build, but accounting sleight-of-hand can make it disappear in the blink of an eye.

So there are many forces driving change. Regulators and IR professionals both have responsibility for managing it. There are many steps to take to ensure that our regulatory structure, corporate governance policies, and accounting practices adjust to a market that is bigger, faster, more inclusive and more globalized. Let me suggest a few.

- Managing change includes recognizing that mass participation in the market demands mass education in the nature of investment.

When it comes to steering their portfolio, millions of people are moving from the passenger's seat to the driver's seat. They are entitled to some driver's ed.

This means that today's regulator must also be an educator. The best-protected investor is a well-informed investor.

For that reason, the Ontario Securities Commission is creating a Foundation for Investor Learning. It will have a clear mandate: To assist in raising the level of awareness of Canadians about financial matters, about saving, about debt and about planning for retirement. And to raise awareness starting at a very early age. It will pursue these goals through research, community partnerships, symposia, and educational products and support.

Funding will come from monies collected through settlements in OSC enforcement proceedings. The Foundation will be managed by a Board composed of representatives from the OSC, the financial services sector, and educational experts.

This is not going to be a top-down effort. The Foundation will work through community partners, to ensure that the information is tailored to make the most direct impact on people.

- Managing change includes adjusting regulations to address evolving investing patterns. A good example is the growth of the retail buy-side.

Securities regulation has been driven by the fact that securities was always a sell-side market. Sales generate commissions. Brokerage houses buy huge blocks of securities, and they have to sell them. Regulatory rules over the years have been designed to help balance the scales in favour of the customer. An example is the suitability rule, which requires a broker to determine that every trade is suitable, given the client's financial resources and investment objectives.

But when the chief function of discount brokers is to execute trades rather than recommend them, why should they be expected to assess suitability? In fact, how can you determine

suitability when investors are making their own trades online – or from a day-traders office?

That is why provincial regulators have decided to waive the suitability requirement for brokers who provide only order execution services, and don't provide investment advice.

- Managing change includes reshaping our regulatory structure to reflect the changes in the financial services sector.

When the regulated sectors are becoming increasingly intertwined, how long can the regulators remain separated? Ontario moved to address this question earlier this month, when the Minister of Finance announced in his budget that he would create a comprehensive financial services regulator, combining the Ontario Securities Commission with the insurance and pension regulator, the Financial Services Commission of Ontario.

The new entity will eliminate the mismatch between regulation and reality. A comprehensive financial services authority can ensure a consistent regulatory approach, eliminate public confusion as to who regulates what, offer one-window service for both consumers and providers, enhance the competitiveness of the financial services sector, and improve the overall investment climate.

Securities, insurance and pension regulators will no longer travel on different paths – no longer duplicating each other, no longer contradicting each other.

- Managing change includes addressing the needs prompted by the growth of a large secondary market. In fact, this fundamental reorientation of market dynamics demands a number of changes to the way we regulate.

First, it makes it increasingly important to mandate and monitor disclosure beyond the initial public offering. We have to ensure that all investors are included in the circle of disclosure.

You are in the business of ensuring close and positive relations between your companies and its shareholders. You know how important it is for investors to have confidence in your corporate decision-making process. You are intimately familiar with the growing demand for timely information.

For these reasons, the Canadian Securities Administrators are finalizing the introduction of a national system of integrated disclosure. A concept proposal was published for comment in January.

Under a system of integrated disclosure, reporting issuers will be able to access the capital markets quickly, at any time, by issuing a simple term sheet. There will be no restrictions on pre-marketing, and no expensive, time-consuming pre-requisite to file a prospectus.

In return, issuers will be required to maintain a record of continuous disclosure to the market of prospectus-quality information about the company.

This will benefit both investors and issuers. Investors would be guaranteed a continuous flow of timely, high-quality information. Issuers would obtain faster, more flexible access to capital markets on the basis of a term sheet setting out only the details of the securities offered.

The second impact of the growth of a secondary market is a need for increased emphasis on quarterly financial reporting.

In the United States, concern about corporate audit practices prompted the SEC to appoint a blue-ribbon panel drawn from the business and accounting communities to determine ways to improve the effectiveness of Corporate Audit Committees. Their report, released a little over a year ago, outlined a 10-point plan that included a revised definition of what constitutes an independent director, requirement of an independent audit committee for large listed companies, and criteria governing the size, responsibilities, and financial literacy of audit committees.

Two months ago, the OSC took an important step when we released for comment two proposed rules that will upgrade current quarterly reporting requirements. Interim financial statements would be required to include a balance sheet and enhanced note disclosure. Quarterly MD&A would be mandated, and the board of directors would be required to review interim financial statements before they are released to shareholders. So would the audit committee if an issuer has one. We're looking for response before finalizing these rules.

Lastly, the change to the market dynamics requires a fresh look at our corporate governance practices. When the size and nature of the investor class is changing so dramatically, it is necessary to examine how their interests are being represented on an ongoing basis.

During the last decade, the U.K. saw four major studies of corporate governance, most recently last year's Turnbull Report, which mandated boards to report to shareholders on the effectiveness of a company's risk management system, and its financial, operational, and compliance controls.
It has been six years since the release of the last major across-the-board study of Canadian corporate governance, the report of the TSE committee chaired by Peter Dey. The report issued several excellent guidelines. Its only specific requirement – which was adopted by the TSE – mandated companies to disclose and discuss their own corporate governance practices in their annual report, and compare them to the Dey Committee guidelines.

But compared to the level of study and policy development in the U.K. and the U.S., Canada faces the prospect of falling behind. This could open a corporate credibility gap – one that could erode confidence in Canadian board practices, and undermine investment in Canada.

Corporate governance issues have evolved. It's time to catch up. A high-profile task force, charged with a carefully focused mandate and a short timeframe, could have enormous impact.

The Toronto Stock Exchange and the Canadian Institute of Chartered Accounts have expressed an interest in conducting a study of corporate governance and reporting issues. Obviously there is a great deal that CIRI can contribute to this

process. You have a unique perspective that needs to be heard.

There are a number of issues to consider.

- For example, should we require board approval of interim financial statements in the same way as is required currently for annual financial statements?
- Should we mandate that external auditors review interim financial statements before they are distributed to shareholders?
- Looking beyond just quarterly reporting, should we require all issuers to have an audit committee?
- What about the qualifications required of audit committee members and the duties and responsibilities of audit committees?

It's time to check the pulse of Canadian corporate governance – and demonstrate that Canada continues to be a leader.

The issues are complex, but our rapidly integrating markets demand that we come to grips with them – as soon as possible. I look forward to your input.

Ladies and gentlemen, regulatory provisions, corporate governance and financial reporting make a great deal of difference to a growing legion of investors.

It makes a difference in how well Canada can attract investment capital, how efficiently the market can allocate it, and how quickly our economy can generate wealth and raise living standards.

When financial information and transactions moved at the speed of the steam engine, regulatory authorities could afford to chug along. But a modern economy demands an up-to-date approach. That is the formula to help foster economic growth and wealth creation, while ensuring efficient markets and investor protection. I believe that must be the regulatory formula for the 21st century.

Thank you.

1.1.4 Submissions of Susan Wolburgh Jenah General Counsel, OSC - Presentation to The Standing Committee on Banking, Trade and Commerce Respecting Bill S-19 Amendments to The Canada Business Corporations Act

PRESENTATION TO THE STANDING COMMITTEE ON BANKING, TRADE AND COMMERCE RESPECTING BILL S-19

AMENDMENTS TO THE CANADA BUSINESS CORPORATIONS ACT

SUBMISSIONS OF SUSAN WOLBURGH JENAH

GENERAL COUNSEL

ONTARIO SECURITIES COMMISSION

INTRODUCTION

The Ontario Securities Commission (the "Commission") would like to thank the Committee for the opportunity to comment on provisions of Bill S-19. The Commission has a keen interest in several areas of the Bill given the considerable degree of interplay that exists today between corporate and securities law. Given the breadth and scope of the proposed amendments, I have chosen to limit my remarks to a few specific areas including the proposed amendments to the *Canada Business Corporations Act* (the "CBCA") relating to (i) insider trading; (ii) take-over bids and going private transactions; (iii) shareholder communications and proxy rules; (iv) electronic communications; (v) the introduction of proportionate liability; and (vi) auditor independence.

The views expressed in these submissions are my own views based on discussion with certain of the Staff at the Commission and have not been formally considered or adopted by the Commission and should not be taken to necessarily represent the Commission's views.

As a general comment, we strongly support the efforts that have been made under the Bill to eliminate redundant and overlapping regulation and ultimately compliance costs in areas that are already regulated by provincial securities legislation. We also support the model of reform that has been used to effect many of the changes under the bill. By moving a number of the technical and mechanical details that are currently a part of the CBCA to the regulations, we believe that the Government will be better positioned to adapt to market changes and trends.

In the course of my comments I will be highlighting some recent legislative amendments and initiatives of the Commission which may of particular interest to the Committee given the subject matter of the proposed amendments before it today. In this context, it should be noted that the Ontario Minister of Finance recently appointed an Advisory Committee to review the legislation, regulations and rules relating to matters dealt with by the Commission and the legislative needs of the Commission. The Ontario *Securities Act* provides for legislative review at regular five-year intervals and this is

first of such reviews. The Chair of the Advisory Committee is Purdy Crawford Q.C., counsel to Osler, Hoskin & Harcourt LLP. Other members of the Committee are Carol Hansell, partner with Davies, Ward & Beck; William Riedl, president and CEO of Fairvest Securities Corporation; Helen Sinclair, CEO of BankWorks Trading Inc; David Wilson co-chairman and co-CEO at Scotia Capital; and myself.

As part of this process the Advisory Committee recently published for comment an "issues list" which contains a broad ranging list of questions which it proposes to consider and which, the Committee hopes, will stimulate thought and input on some or all of these issues. The list is intended as a catalyst for discussion and identifies broad areas where reform may be necessary and asks commenters to provide their views on these issues, or other matters that they believe fall within the Committee's mandate to consider. (The Securities Review Advisory Committee Issues List was published in the April 28, 2000 issue of the OSCB.) As will be seen the issues lists contains a number of topics which are related to the subject matter of today's reforms. Ultimately, I believe that the Advisory Committee will want to consider in greater detail the amendments that are being proposed to the CBCA and to make a concerted effort to ensure that its recommendations harmonize the federal and provincial requirements in these and other areas where overlap exists to the extent possible.

INSIDER TRADING

The Commission supports the decision to eliminate the insider reporting provisions of the CBCA and to leave the collection of such information to provincial securities regulators. The Committee's Corporate Governance Report issued in 1996 correctly noted that virtually all insiders who are required to file a report under the CBCA must also file such reports with the Commission. There is a considerable degree of overlap, albeit not complete, in the Ontario *Securities Act* and the CBCA definition of "insider" and the Ontario concept of "reporting issuer" and the CBCA notion of "distributing corporation". The proposed amendments will eliminate an unnecessary layer of duplication that presently exists between the federal and provincial statutes and regulations.

As many of you may be aware the Ontario *Securities Act* was recently amended in December 1999 to require, among other things, that insider reports be filed within 10 days of trades or whatever shorter period is prescribed by the rules or regulations, rather than within 10 days of the end of the month of the trade. This will ensure that the public has access to insider trading information on a more timely basis than is currently the case. The amendment was intended to harmonize with the requirements found in other provincial securities legislation. A corresponding amendment was also made to the rule-making provisions of the *Securities Act* and the heads of authority enumerated therein that will afford the Commission the necessary flexibility to vary this time period in the future without the need for legislative amendment.

In this context, the Canadian Securities Administrators (the "ACSA") have also begun working on an initiative to develop a national electronic insider trade reporting system. The objective of this reporting system is to allow insiders of reporting issuers to securely file their insider reports in electronic format over the Internet using commonly available web browsers. Furthermore, by filing its report once on the system, an insider would be able to simultaneously satisfy the requirements of the securities legislation of all CSA jurisdictions. Currently, insiders are required to file separately by paper or facsimile in each applicable jurisdiction. A corresponding objective is to make selected data from insider reports available on a public web site shortly after they are filed. Once the electronic system is in place and functioning effectively, the Commission, together with its CSA counterparts, may consider decreasing further the time period within which insiders must file insider reports.

It is also interesting to note that the CBCA currently prohibits insiders from selling shares that they do not own or have a right to own (short selling) and from buying or selling a call option or put option in respect of a share of a distributing corporation of which they are insiders. The Ontario *Securities Act*, on the other hand, captures such securities as well as securities "the market price of which varies materially with the market price of the securities of the issuer" for purposes of requiring insiders to report such trades but does not prohibit them outright. To the extent that the CBCA continues to regulate insider trading, harmonization between corporate law and securities law in terms of prohibited activities as well as definitions would of course be desirable.

As a final point, I would like to raise one general comment with respect to the proposed amendments to the civil liability provisions of the CBCA dealing with insider trading. It appears that the proposed amendments will expand the scope of the civil liability provisions. In this context, we question what impact such changes will have on the ability of a potential bidder to acquire a "Toehold position" in a potential takeover target. More specifically, the proposed amendments to section 131(4) appear on their face to be unduly restrictive as drafted. Under Ontario securities law, prior to the announcement of a tender offer, a bidder is legally allowed to acquire shares (up to 10%) in the open market, subject to some limitations. Toehold purchases facilitate the bid process because they reduce a bidder's acquisition cost by averaging the low cost of pre-announcement purchases with the high cost of shares purchased later at a premium. Some concerns have been raised, however, that the current regulatory regime has created an "unlevel playing field" because it permits the purchase and sale of securities to take place in an environment where there is asymmetrical information (i.e., uninformed seller versus an informed buyer). This is an area that Commission Staff intends to re-examine in the near future. To the extent that changes are recommended we hope that the proposed amendments to the CBCA will permit a harmonized approach between provincial and federal requirements.

TAKE-OVER BIDS AND GOING PRIVATE TRANSACTIONS

The Commission is supportive of the proposed amendments that will repeal the takeover bid provisions of the CBCA. The proposed amendments will reduce duplicative regulation of common subject matter that has traditionally placed a regulatory burden on corporations and individuals who were required to comply with provincial securities legislation as well as the CBCA. Provincial securities legislation currently provides a detailed and comprehensive code for the regulation of take-over bids. In this context, it should be noted that the Ontario *Securities Act* was recently amended to, among other things, extend the time periods required for take-over bids, to permit bids to be commenced by advertisement and certain

related matters. These amendments to the take-over bid provisions were all recommended in the *Report of the Committee of the Investment Dealers Association of Canada to review Take-Over Bid Time Limits* to appropriately balance the interests of target companies and their shareholders with those of acquiring companies. Such amendments have already been enacted by a number of other Canadian jurisdictions, including Ontario, but their proclamation is being deferred, pending legislative change in all jurisdictions.

It also appears that the proposed amendments to the CBCA will permit a distributing corporation to carry out a going-private transaction, subject to compliance with "prescribed requirements". While the proposed regulations are currently silent on the particulars of such requirements, the Government's press release announcing the introduction of Bill S-19 suggests that the fairness criteria set out in the applicable rules or policy statements issued by the Ontario and Quebec Securities Commissions will be incorporated by reference in the regulations. I believe that incorporation by reference is an approach that should promote harmonization and reduce regulatory inconsistencies and hence uncertainty in the regulated sector. It is an appropriate technique to use in these circumstances given that Ontario and Quebec have a fairly comprehensive regulatory regime that governs going-private transactions. In this context it should be noted that Commission Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions came into effect on May 1, 2000. Rule 61-501 replaces former OSC Policy 9.1 ("Policy 9.1") with respect to the regulation of insider bids, issuer bids, going private transactions and related party transactions. The protections afforded by Policy 9.1, including independent valuations, majority of minority approval and enhanced disclosure form the basis of Rule 61-501. (Rule 61-501 was published in the April 14, 2000 issue of the OSCB.) It is my understanding that the Quebec Securities Commission will be amending QSC Policy 27 to be consistent with Rule 61-501.

As a final point, the Committee may be particularly interested in knowing that in January 1999 the Commission created a specialized transactional and policy team which focuses exclusively on take-over/issuer bids and mergers and acquisitions. The M&A team was created in recognition of the significant volume of M&A activity in our capital markets and the need for expert and timely regulatory oversight in the area. This team is responsible for, among other things, administering Part XX of the Ontario *Securities Act* dealing with take-over/issuer bids; processing applications for relief under Rule 61-501 and; handling public inquiries and complaints relating to take-over/issuer bids, going private transactions and related party transactions. At the national level, the M&A team has begun working with staff of the other provincial securities commissions with a view to developing protocols to minimize the regulatory complexity faced by participants in M&A transactions that involve several Canadian provinces. The dedication of resources at the Commission to the M&A area has also allowed Commission Staff to commence a pro-active monitoring and compliance program.

SHAREHOLDER COMMUNICATIONS AND PROXY RULES

The Commission is supportive of the reforms that are being proposed to facilitate communications among shareholders. While this has been an area of the law that has received a significant amount of attention south of the border, reforms in Canada, until now, have lagged far behind. Critics of the current Canadian regulatory regime have correctly noted that, while the original intent of the proxy rules was to protect shareholders from being misinformed, misled or manipulated by proxy solicitation undertaken by management or outside investors, the framework has imposed major costs and procedural deterrents on anyone wishing to monitor management and induce corporate change. Experience has shown that while there is merit in regulating the quality of disclosures accompanying proxy solicitations, the level and breadth of regulation is a crucial issue that regulators must thoughtfully consider. In this context, the definition of "solicitation" has been particularly problematic and the proposed reforms appear to adequately address concerns by narrowing its scope and reach.

While the proposed reforms in Bill S-19 are laudable, we believe it would also be appropriate to ensure that appropriate checks and balances are in place to effectively deal with any potential abuses in the new system. Since this is an area that the Commission has not yet carefully studied, we do not have a specific view on what types of protections would be most appropriate. This is, however, an area that the Commission will undoubtedly want to consider more fully in the near future and the proposed amendments to the CBCA will serve as a useful guidepost. To the extent that reforms are proposed, harmonization between corporate law and securities law will of course be desirable. In this regard, it should be noted that the issue of encouraging and facilitating communications amongst shareholders is also being considered by the Finance Minister's Advisory Committee.

ELECTRONIC COMMUNICATIONS

The Commission is supportive of the reforms being made under the Bill to permit corporations to employ new technologies to communicate with shareholders. In this context, the CSA also recently adopted two national policies (National Policy 11-201 and National Policy 47-201) which deal with the delivery of documents and trading in securities by electronic means respectively. The CSA recognize that technology is an important tool and that the regulatory structure should facilitate developments that encourage innovation.

National Policy 11-201 ("NP 11-201") which deals specifically with the delivery of documents by electronic means may be of particular interest to this Committee given the nature of the proposed amendments to the CBCA. (NP 11-201 was published in the December 17, 1999 issue of the OSCB.) The purpose of NP 11-201 is to state the views of the CSA on how obligations imposed by Canadian securities legislation to deliver documents can be satisfied by electronic means. The policy recognizes that the use of electronic media can provide issuers with the ability to disseminate information in a more cost efficient, timely and widespread manner than the current "paper regime". At the same time, innovation should not be supported by compromising investor protection or investor confidence in the integrity of the markets.

Under the policy, the CSA indicate that, as a general principle, the delivery requirements of Canadian securities legislation may be satisfied by electronic means. NP 11-201 does not change, however, any substantive law requirements. The CSA

state their view that there are four components to electronic delivery that should be satisfied in order to show good delivery: notice of delivery to a recipient, access of the recipient to the document, evidence of delivery, and non-corruption or alteration of the document in the delivery process. The first three components can be satisfied through the use of a consent to electronic delivery delivered by a person or company to a proposed deliverer of documents by electronic means. This notion of a consent is consistent with the amendments being proposed under the CBCA. NP 11-201 goes further, however, and recommends what matters should be dealt with by a consent. Moreover NP 11-201 provides that an attempt to deliver documents by referring an intended recipient to a third party provider of the document, such as SEDAR, will likely not constitute valid delivery of the document, in the absence of consent given by the intended recipient to such method of delivery. It is unclear whether a similar consent would be required under the proposed amendments to the CBCA and I would recommend that this point be clarified.

In the course of trying to finalize NP 11-201, the CSA received several comment letters which raised concerns regarding the interaction of National Policy Statement No. 41, Communication with Beneficial Owners of Securities, with NP 11-201 and the fact that NP 11-201 does not specifically contemplate two-way communications between investors and market participants. Several commenters also suggested that the CSA ensure that all potential barriers to electronic communications be resolved coincidentally with the adoption of NP 11-201, including legislative changes to permit electronic delivery of proxy-related materials.

The CSA ultimately decided not to delay implementing NP 11-201 pending the reformulation of NP 41. The CSA have, however, liaised with the committee reformulating NP 41 to achieve integration of NP 11-201 and the replacement instrument to NP 41 in order to facilitate the use of electronic delivery methods in procedures established for communications with beneficial owners of securities. The CSA also intend to revisit the issue of two-way communications between investors and market participants after additional work is done to determine how best to address this matter. The CSA are also currently considering possible solutions to legislative impediments to electronic delivery, including permitting applications for exemptions from certain provisions in securities legislation that mandate delivery by "pre-paid mail". In this context, the Commission views the proposed amendments to the CBCA as an important step in the process of ultimately removing all legislative barriers to electronic methods of delivery.

MODIFIED PROPORTIONATE LIABILITY

The Bill proposes to introduce a regime of modified proportionate liability in respect of the provision of financial information required under the CBCA. More specifically, the amendments provide that every defendant found responsible for a financial loss arising out of an error, omission or misstatement in financial information that is required under the CBCA or the regulations would be liable to the plaintiff for the portion of the damages corresponding to the defendant's degree of responsibility. Reallocation of responsibility amongst parties is provided for in the event any part of the damages awarded against a responsible defendant is uncollectable. In cases of fraud, the defendant would always be subject to joint and several liability.

The Committee may be interested in knowing that the proposed amendments to introduce proportionate liability are generally consistent with what the CSA is proposing as part of its initiative to bring forward legislation which will provide a statutory civil remedy for investors in the secondary market. By way of background, in May 1998, the Commission and other members of the CSA first published for comment the proposed legislation. The proposal arose out of the CSA's review and support of the Final Report of the Toronto Stock Exchange Committee on Corporate Disclosure (the "Allen Committee") issued in March 1997. The draft legislation published in 1998 provided for, among other things, proportionate liability for misrepresentations rather than joint and several liability. This was consistent with the recommendations made by the Allen Committee. The Allen Committee's stated objective for allowing for proportionate liability was to deter "entrepreneurial litigation". Proportionate liability provides that deterrence by reducing the incentive to target "deep pocketed" defendants irrespective of their relative culpability. The majority of comment letters that the CSA received on its proposal were strongly in favour of proportionate liability.

The notion of proportionate liability is also consistent with the deterrent model upon which the CSA's draft legislation is based. Reflecting an effort to balance legitimate interests of various groups of market participants, the proposed secondary market civil remedy differs from the existing prospectus remedy in its focus on deterring misrepresentations and encouraging good disclosure practices without necessarily providing full compensation to aggrieved investors. This focus on deterrence rather than compensation of secondary market investors is in part a recognition of differences in who ultimately bears the economic burden of providing compensation. Compensation of a prospectus investor would generally involve the culpable issuer returning subscription money that it received from the aggrieved investor, restoring both issuer and investor to their respective original positions. By contrast, compensation of aggrieved secondary market investors (who trade with other investors, not the issuer) would generally involve a payment by a culpable issuer that did not in fact receive money from the secondary market investors; by diminishing the issuer's assets, the compensation payment would in effect come at the expense of other innocent investors, in particular the issuer's continuing shareholders. In this context proportionate liability appeared to be the preferable route versus the existing joint and several liability regime that currently exists for misrepresentations in prospectuses.

As the CSA proceeds to finalize its draft legislation we will continue to review the specific elements of the proportionate liability provisions included in Bill S-19. In particular, the CSA will be considering in greater detail the implications of introducing a provision similar to proposed section 237.3(2) of the CBCA which provides for the reallocation of responsibility amongst parties in the event one or more defendants is insolvent or unavailable to collect from.

As a final point I would like to raise two general comments with respect to the proposed amendments relating to proportionate liability. Firstly, it was not entirely clear to us on a reading of

Bill S-19 what the intent of the proposed amendments is. We assumed that the proposed amendments were not intended to create a statutory right of action but rather, were intended to apply where a right of action is otherwise established at common law for example. The proposed amendments would then simply direct a court to apply proportionate liability versus joint and several liability. We would recommend that if this was the intended result that the drafting of the Bill be clarified.

Secondly, we noted that under the proposed amendments the joint and several liability regime would continue to be applicable to designated categories of plaintiffs including individual plaintiffs whose investment in the corporation is below a prescribed threshold (currently defined in the proposed regulations as $20,000). Will this provision in practice undermine the concept of proportionate liability that the government is seeking to introduce?

AUDITOR INDEPENDENCE

Auditor independence is a matter of current concern to securities regulators around the world. We are seeing a significant expansion in the range of services provided by public accounting firms as well as changes in the nature of business relationships that those firms enter into. We note with interest the apparently minor amendments proposed to the definition of independence in the CBCA. We were unable to find any explanation of the purpose of the changes and what they are expected to achieve. Since this is an area we are continuing to consider more broadly in cooperation with securities regulators across Canada and in other countries, we do not have a specific view on the appropriateness of the changes proposed. It seems clear, at least from our perspective, that the changes are not a result of a comprehensive re-examination of the appropriate standard of independence for an auditor and there is some danger these limited changes may have unintended consequences, whether positive or negative. In an area such as this, where matters are evolving quickly, we believe it would be appropriate, and consistent with the general approach taken in this revision of the CBCA, to move the independence provisions to the regulations. This would allow greater flexibility to address needed changes in the future.

Thank you for the opportunity to submit these comments on Bill S-19 to the Committee.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 2950995 Canada Inc. - s. 127

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

AND

IN THE MATTER OF 2950995 CANADA INC., 153114 CANADA INC., ROBERT ARMSTRONG, JACK AUSTIN, SUZANNE AYSCOUGH, MARY BRADLEY, GUSTAVO CANDIANI, PATRICIA CARSON, STEPHEN CARSON, LUCY CATERINA, MICHELINE CHAREST, MARK CHERNIN, ALISON CLARKE, SUSANNAH COBBOLD, MARIE-JOSÉE CORBEIL, JANET DELLOSA, FRANÇOIS DESCHAMPS, MARIE-LOUISE DONALD, KELLY ELWOOD, DAVID FERGUSON, LOUIS FOURNIER, JEAN GAUVIN, JEFFREY GERSTEIN, BENNY GOLAN, MENACHEM HAFSARI, AMIR HALEVY, JERRY HARGADON, KAREN HILDERBRAND, JORN JESSEN, BRUCE J. KAUFMAN, MOHAMED HAFIZ KHAN, KATHY KELLEY, PHILLIP KELLEY, LORI EVANS LAMA, PATRICIA LAVOIE, MICHAEL LÉGARÉ, PIERRE H. LESSARD, CAROL LOBISSIER, RAYMOND MCMANUS, MICHAEL MAYBERRY, SHARON MAYBERRY, PETER MOSS, MARK NEISS, GIDEON NIMOY, HASANAIN PANJU, ANDREW PORPORINO, STEPHEN F. REITMAN, JOHN REYNOLDS, MARIO RICCI, LOUISE SANSREGRET, CASSANDRA SCHAFHAUSEN, ANDREW TAIT, LESLEY TAYLOR, KIM M. THOMPSON, DANIEL TIERNEY, BARRIE USHER, RONALD A. WEINBERG, LAWRENCE P. YELIN AND KATH YELLAND

ORDER
(Section 127)

WHEREAS on April 20, 2000, the Director of the Ontario Securities Commission ("the Commission") made a temporary order pursuant to subsection 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), that none of the Respondents shall trade in any securities of CINAR Corporation ("CINAR"), subject to the terms set out in the order, for a period of 15 days from the date of the order (the "Temporary Cease Trading Order");

AND WHEREAS on April 27, 2000 the Commission issued a Notice of Hearing pursuant to subsection 127(9) of the Act;

AND WHEREAS it appears to the Ontario Securities Commission ("the Commission") that:

1. CINAR Corporation ("CINAR") is incorporated under the laws of Canada and is a reporting issuer in the Province of Ontario;

2. Each of Jack Austin, Suzanne Ayscough, Stephen Carson, Lucy Caterina, Mark Chernin, Marie- Josee Corbeil , Francois Deschamps, Marie -Lousie Donald , Kelly Elwood, Louis Fournier, Jean Gauvin , Jeffrey Gerstein, Patricia Lavoie, Pierre H. Lessard, Raymond McManus, Michael Mayberry, Peter Moss , Hasanain Panju, Andrew Porporino, Stephen F. Reitman, Mario Ricci, Louise Sansregret Cassandra Schafhausen, Lesley Taylor, Barrie Usher, Ronald A. Weinberg , and Lawrence P. Yelin, (the "Respondents") is, or was during the financial year of CINAR ended November 30, 1999, a director, an officer or an insider of CINAR.

3. CINAR failed to file annual financial statements for its financial year ended November 30, 1999 (the "1999 financial statements") on or before April 18, 2000, contrary to subsection 78(1) of the Act.

4. As of the date of this order, CINAR has not filed its 1999 financial statements.

5. By virtue of their relationship to CINAR, each Respondent has, or has access to, information regarding the affairs of CINAR that has not been generally disclosed.

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

IT IS ORDERED pursuant to paragraph 2 of subsection 127(1) of the Act that all trading, whether direct or indirect, by the Respondents in the securities of CINAR shall cease until:

(a) two full business days following the receipt by the Commission of all filings CINAR is required to make pursuant to Ontario securities law; or

(b) further order of the Commission.

May 9th, 2000.

"J. A. Geller" "Morley P. Carscallen"

"R. Stephen Paddon"

2.1.2 AIM Funds Management Inc. ("AFMI") et al. - MRRS Decision

Headnote

Investment by mutual fund in securities of another mutual fund that is under common management for specified purpose exempted from the reporting requirements and self-dealing prohibitions of clauses 111(2)(b), 111(3), 117(1)(a) and (d) and 118(2)(a) subject to certain specified conditions.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c.S.5, as am. ss. 111(2)(b), 111(3), 117(1)(a) and (d) and 118(2)(a).

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

AND

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

AND

IN THE MATTER OF AIM FUNDS MANAGEMENT INC. ("AFMI")

AND

AIM RSP DENT DEMOGRAPHIC TRENDS FUND
AIM RSP GLOBAL AGGRESSIVE GROWTH FUND
AIM RSP INTERNATIONAL GROWTH FUND
(COLLECTIVELY, THE "RSP FUNDS")
AIM DENT DEMOGRAPHIC TRENDS CLASS
AIM GLOBAL AGGRESSIVE GROWTH CLASS
AIM INTERNATIONAL GROWTH CLASS
(collectively, the "Underlying Funds")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from AIM Funds Management Inc. ("AFMI" or the "Manager"), the RSP Funds and the Underlying Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

1. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making and holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder shall not apply in respect of certain investments to be made by the RSP Funds in their corresponding Underlying Funds;

2. the requirements contained in the Legislation requiring the management company to file a report relating to a purchase or sale of securities between the mutual fund and any related person or company, or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies, shall not apply in respect of certain investments to be made by the RSP Funds in their corresponding Underlying Funds; and

3. the requirements contained in the Legislation prohibiting the portfolio manager (or in the case of the *Securities Act* (British Columbia), the mutual fund or responsible person) from knowingly causing an investment portfolio managed by it (the mutual fund) to invest in the securities of an issuer in which a responsible person is an officer or director unless the specific fact is disclosed to the client, if applicable, and the written consent of the client to the investment is obtained before the purchase shall not apply in respect of certain investments to be made by the RSP Funds in their corresponding Underlying Funds;

The Legislation outlined above in paragraphs 1 through 3 will be referred to in this Decision Document as the "Applicable Legislation";

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

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

1. Each of the RSP Funds is an open-ended mutual fund trust established under the laws of the Province of Ontario. Each of the Underlying Funds is a separate class of shares of AIM Global Fund Inc., a mutual fund corporation established under the laws of the Province of Ontario. AFMI is a corporation established under the laws of the Province of Ontario and for the each of the RSP Funds will be the trustee, manager and promoter and for AIM Global Fund Inc. is the manager and promoter. The head office of AFMI is in Toronto, Ontario.

2. The RSP Funds and the Underlying Funds will be reporting issuers. The securities of each of the Underlying Funds and the RSP Funds will be qualified under a simplified prospectus and annual information form (collectively, the "Prospectus") filed in all provinces and territories.

3. Each of the RSP Funds seeks to achieve its investment objective while ensuring that securities of the RSP Fund do not constitute "foreign property" for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and similar plans ("Registered Plans").

4. To achieve its investment objective, each of the RSP Funds invests its assets in securities such that its units will, in the opinion of tax counsel to the RSP Funds, be "qualified investments" for Registered Plans and will not constitute foreign property in a Registered Plan. This

will primarily be achieved through the implementation of a derivative strategy. However, the RSP Funds also intend to invest a portion of their assets in securities of the Underlying Funds. This investment by the RSP Funds will at all times be below the maximum foreign property limit prescribed for Registered Plans (the "Permitted Limit").

5. The investment objectives of the Underlying Funds are achieved through investment primarily in foreign securities.

6. The direct investments by the RSP Funds in the Underlying Funds will be within the Permitted Limit (the "Permitted RSP Fund Investment"). The Manager and the RSP Funds will comply with the conditions of this Decision in respect of such investments. The amount of direct investment by each RSP Fund in its corresponding Underlying Fund will be adjusted from time to time so that, except for transitional cash, the aggregate of derivative exposure to, and direct investment in, the Underlying Fund will equal 100% of the assets of the RSP Fund.

7. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Instrument 81-102 Mutual Funds ("NI 81-102"), the investments by the RSP Funds in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

8. In the absence of this Decision, pursuant to the Legislation, each of the RSP Funds is prohibited from (a) knowingly making an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder; and (b) knowingly holding an investment referred to in subsection (a) hereof. As a result, in the absence of this Decision a RSP Fund would be required to divest itself of any investments referred to in subsection (a) hereof.

9. In the absence of this Decision, the Legislation requires the Manager to file a report on every purchase or sale of securities of the Underlying Funds by the RSP Funds.

11. By virtue of AFMI being the manager and promoter of the RSP Funds and AIM Global Fund Inc. and, therefore, an "associate" of each such mutual fund and because AFMI is the portfolio manager of the RSP Funds and certain of the directors and officers of AFMI are also directors and officers of AIM Global Fund Inc. and may be officers of the RSP Funds and as such, a "responsible person" pursuant to the Legislation, in the absence of this Decision, AFMI would be prohibited from causing the RSP Funds to invest in the Underlying Funds unless the specific fact is disclosed to investors and, if applicable, the written consent of investors is obtained before the purchase.

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 the Applicable Legislation shall not apply so as to prevent the RSP Funds from investing in, or redeeming the securities of, the Underlying Funds and such investment does not require further consent from or notice to securityholders of the RSP Funds or the Decision Makers.

PROVIDED IN EACH CASE THAT:

1. this Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with the matters in subsection 2.5(1) of NI 81-102; and

2. the foregoing Decision shall only apply in respect of investments in, or transactions with, the Underlying Funds that are made by the RSP Funds in compliance with the following conditions:

   a) the RSP Funds and the Underlying Funds are under common management and the Underlying Funds' securities are offered for sale in the jurisdiction of the Decision Maker pursuant to a prospectus which has been filed with and accepted by the Decision Maker;

   b) each RSP Fund restricts its aggregate direct investment in its corresponding Underlying Fund to a percentage of its assets that is within the Permitted Limit;

   c) the investment by the RSP Funds in the Underlying Funds is compatible with the fundamental investment objectives of the RSP Funds;

   d) the Prospectus will describe the intent of the RSP Funds to invest in a specified Underlying Fund;

   e) the RSP Funds may change the Permitted RSP Fund Investments only if they change their fundamental investment objectives in accordance with the Legislation;

   f) no sales charges are payable by the RSP Funds in relation to their purchases of securities of the Underlying Funds;

   g) there are compatible dates for the calculation of the net asset value of the RSP Funds and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;

   h) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the RSP Funds of securities

of the Underlying Funds owned by the RSP Funds;

i) the arrangements between or in respect of the RSP Funds and the Underlying Funds are such as to avoid the duplication of management fees;

j) no fees and charges of any sort are paid by a RSP Fund or by an Underlying Fund or by the manager or principal distributor of a RSP Fund or an Underlying Fund or by any affiliate or associate of any of the foregoing entities to anyone in respect of a RSP Fund's purchase, holding or redemption of the securities of the Underlying Fund;

k) in the event of the provision of any notice to securityholders of the Underlying Funds, as required by the constating documents of the Underlying Funds or by the laws applicable to the Underlying Funds, such notice will also be delivered to the securityholders of the RSP Funds; all voting rights attached to the securities of the Underlying Funds that are owned by the RSP Funds will be passed through to the securityholders of the RSP Funds; in the event that a securityholders' meeting is called for an Underlying Fund, all of the disclosure and notice material prepared in connection with such meeting will be provided to the securityholders of the corresponding RSP Fund and such securityholders will be entitled to direct a representative of the RSP Fund to vote that RSP Fund's holding in the Underlying Fund in accordance with their direction; and the representative of the RSP Fund will not be permitted to vote the RSP Fund's holdings in the Underlying Fund except to the extent the securityholders of the RSP Fund so direct;

l) in addition to receiving the annual and, upon request, the semi-annual financial statements, of the RSP Funds, securityholders of the RSP Funds will receive the annual and, upon request, the semi-annual financial statements, of the Underlying Funds in either a combined report, containing both the RSP Funds' and Underlying Funds' financial statements, or in a separate report containing the Underlying Funds' financial statements; and

m) to the extent that the RSP Funds and the Underlying Funds do not use a combined simplified prospectus and annual information form and financial statements containing disclosure about the RSP Funds and the Underlying Funds, copies of the simplified prospectus, annual information form and annual and semi-annual financial statements relating to the Underlying Funds may be obtained upon request by a securityholder of the RSP Funds.

May 25th, 2000.

"Howard I. Wetston" "J. F. Howard"

2.1.3 Alliance Atlantis Communications Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Waiver granted from the provisions of clauses 4.1(1)(c) and 4.1(3)(a) of NP 47, as read in conjunction with subsections 4.4(2) and 4.4(3) of NP 47, respectively, to enable an issuer to continue to effect distributions under NP 47 without having to file a new AIF as a result of a vertical short form amalgamation with two wholly-owned subsidiaries.

Applicable Ontario Statutory Provisions

National Policy Statement No. 47, ss. 4.1(1)(c), 4.1(3)(a), 4.4(2), 4.4(3), 4.5.

Applicable Rules

National Instrument 44-101 "Short Form Prospectus Distribution System".

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

AND

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

AND

IN THE MATTER OF
ALLIANCE ATLANTIS COMMUNICATIONS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application (the "Application") from Alliance Atlantis Communications Inc. ("AACI") for a waiver, pursuant to section 4.5 of National Policy Statement No. 47 ("NP 47"), from the provisions of clauses 4.1(1)(c) and 4.1(3)(a) of NP 47, as read in conjunction with subsections 4.4(2) and 4.4(3) of NP 47, respectively, so that the Filer may continue to effect distributions under NP 47 without having to file a new annual information form ("AIF") as a result of effecting an amalgamation with two of its wholly-owned subsidiaries;

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

AND WHEREAS AACI has represented to the Decision Makers that:

1. AACI is a major Canadian provider of film entertainment and was formed pursuant to articles of arrangement under the *Canada Business Corporations Act* (the "CBCA") on September 21, 1998. The registered and principal office of AACI is located at 121 Bloor Street East, Suite 1500, Toronto, Ontario, Canada, M4W 3M5.

2. AACI has been a reporting issuer or the equivalent in each of the provinces and territories of Canada for more than 12 months and a participant in the prompt offering qualification system (the "POP System") in each Jurisdiction. To the best of the knowledge, information and belief of its officers and directors, AACI is not in default under any requirements of the legislation of any of the Jurisdictions.

3. The Class A Voting Shares of AACI (the "Class A Shares") are listed on The Toronto Stock Exchange. The Class B Non-Voting Shares of AACI (the "Class B Shares") are listed on The Toronto Stock Exchange and the NASDAQ National Market. The current aggregate market value of the Class A Shares and the Class B Shares (calculated in the manner contemplated by NP 47) is in excess of $300 million.

4. On March 31, 2000, AACI amalgamated (the "Vertical Short Form Amalgamation") with two of its wholly-owned subsidiaries, Atlantis Communications Inc. and Atlantis Media Group Inc. (the "Amalgamating Subsidiaries"), pursuant to the provisions of the CBCA.

5. The Vertical Short Form Amalgamation constitutes a "Reorganization" as such term is defined in Part 3 of NP 47 because the financial results of the Amalgamating Subsidiaries have not been included in the audited financial statements of AACI for the last three years. AACI will therefore be a "Successor Issuer" as such term is defined in Part 3 of NP 47 after the Vertical Short Form Amalgamation.

6. Unless the waiver sought is granted, AACI would have to file, as a Successor Issuer, an Initial AIF pursuant to subsection 4.4(3) of NP 47 in order to satisfy the Current AIF requirement of clause 4.1(3)(a) of NP 47.

7. Unless the waiver sought is granted, the determination of whether AACI satisfies the $75 million equity requirement in clause 4.1(1)(c) of NP 47 would depend, pursuant to subsection 4.4(2) of NP 47, upon a calculation that is based on the closing prices for each of the 10 trading days prior to the filing of an Initial AIF.

8. The financial results of the Amalgamating Subsidiaries were included in the audited financial statements of AACI for the fiscal year ended March 31, 1999, and will be included in the financial statements of AACI for the fiscal year ended March 31, 2000.

9. The Vertical Short Form Amalgamation will not result in any change in the affairs of AACI which would be material to investors.

10. AACI is currently eligible to effect a distribution of its securities under the POP System. It filed its Renewal AIF dated August 18, 1999, which was accepted by the Jurisdictions on August 23, 1999.

11. Prior to the Vertical Short Form Amalgamation, AACI satisfied the eligibility criteria in section 4.1 of NP 47.

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 in the Jurisdictions pursuant to section 4.5 of NP 47 is that the requirements of subsections 4.1(1)(c) and 4.1(3)(a) of NP 47, as read in conjunction with subsections 4.4(2) and 4.4(3) of NP 47 are waived, so that AACI may continue to participate in and make distributions under the POP System without first having to file an Initial AIF as a result of the Vertical Short Form Amalgamation provided that:

(i) this Decision will terminate on the earlier of:

   (a) 140 days after the end of the Filer's financial year-end March 31, 2000; and

   (b) the date of filing of a renewal AIF by the Filer in respect of its financial year-end March 31, 2000; and

(ii) this Decision will automatically expire upon proposed National Instrument 44-101 "Short Form Prospectus Distribution System" coming into force and being adopted as a rule in each of the Jurisdictions.

May 25th, 2000.

"Iva Vranic"

2.1.4 Cadillac Fairview Corporation Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer deemed to have ceased to be a reporting issuer following completion of a plan of arrangement

Applicable Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF THE CADILLAC FAIRVIEW CORPORATION LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from The Cadillac Fairview Corporation Limited ("CFCL") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that CFCL be deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation.

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

AND WHEREAS CFCL has represented to the Decision Makers that:

1. CFCL was formed by articles of arrangement dated March 17, 2000, filed under the *Business Corporations Act* (Ontario) (the "Act") and has its head office in the city of Toronto. CFCL is the corporation existing following an arrangement (the "Arrangement") involving Cadillac Fairview Corporation ("CFC"), Ontario Teachers' Pension Plan Board ("Teachers") and 1384183 Ontario Inc. ("1384183").

2. Under the terms of the Arrangement, Teachers agreed to acquire, through its wholly-owned subsidiary 1384183, all of the issued and outstanding securities of CFC. Upon 1384183 acquiring all of the common shares of CFC, 1384183 was amalgamated with CFC to form CFCL. CFCL became a reporting issuer in each of the Jurisdictions as the continuing issuer of CFC. CFC had been a reporting issuer for more than twelve months in each of the Jurisdictions.

3. The authorized capital of CFCL consists of an unlimited number of common shares and an unlimited number of redeemable preferred shares, of which 711,937,622 common shares (the "Common Shares") and no redeemable preferred shares are issued and outstanding.

4. Teachers is the sole beneficial holder of the Common Shares.

5. Prior to the Arrangement, CFC had $100,000,000 principal amount of 5.70% convertible unsecured subordinated debentures (the "Debentures") outstanding. On February 23, 2000, 1384183 made an offer (the "Offer") to acquire the Debentures. More than $99,000,000 principal amount of the Debentures were tendered to the Offer. On March 17, 2000, 1384183 took up and paid for the Debentures tendered to the Offer and commenced a compulsory acquisition of the remaining Debentures pursuant to section 188 of the Act. The compulsory acquisition was completed on April 16, 2000.

6. CFCL has 7,653 warrants (the "Warrants") outstanding which are held by four registered holders. Prior to the Arrangement, each Warrant entitled the holder to receive one common share of CFC upon payment of $18.40. Upon completion of the Arrangement, each Warrant was converted into a right to receive $34.00 cash upon payment of the exercise price of $18.40. The Warrants expire on July 31, 2000.

7. The common shares of CFC traded on the Toronto Stock Exchange and the New York Stock Exchange but were delisted from such exchanges on March 28, 2000 and March 31, 2000, respectively. The Debentures were listed on the Toronto Stock Exchange but were delisted at the close of business on March 20, 2000.

8. CFC was, and as a result of the arrangement CFCL is, a reporting issuer or equivalent in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland. Aside from a failure to file its annual information form (which was required to be filed after completion of the Arrangement) in a timely manner, CFCL is not in default of any requirement under the Legislation.

9. As of the date hereof, the only registered security holders of CFCL are Teachers and the four Warrant holders.

10. No securities are outstanding in the capital of CFCL other than the Common Shares and Warrants.

11. CFCL does not intend to seek public financing by way of an issue of securities at this time.

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 CFCL is deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation.

May 18th, 2000.

"Margo Paul"

2.1.5 HSBC Securities (Canada) Inc. and Virtek Vision International Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Registrant is exempted from prohibition against the registrant acting as underwriter of common shares of an issuer that is a connected issuer (or the equivalent) of the registrant, without certain required participation of an other (independent) registrant(s) in respect of which the issuer is neither a related issuer (or the equivalent) nor a connected issuer (or the equivalent) – Issuer is not a "specified party" as defined in draft Multi Jurisdictional Instrument 33-105 *Underwriting Conflicts*.

Applicable Ontario Statutes

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

Applicable Ontario Regulations

Regulation made under the Securities Act, R.S.O. 1990, Reg. 1015, as am., ss. 219(1), 224(1)(b) and 233.

Applicable Ontario Rules

In the Matter of the Limitations on a Registrant Underwriting Securities of a Related Issuer or Connected Issuer of the Registrant, (1997) 20 OSCB 1217, as varied by (1999) 22 OSCB 58.

Proposed Multi-Jurisdictional Instrument Cited

Multi-Jurisdictional Instrument 33-105 *Underwriting Conflicts*, (1998), 21 OSCB 781.

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

AND

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

AND

IN THE MATTER OF
HSBC SECURITIES (CANADA) INC.,

AND

IN THE MATTER OF
VIRTEK VISION INTERNATIONAL INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia,

Alberta, Ontario, Québec and Newfoundland (the "Jurisdictions") has received an application from HSBC Securities (Canada) Inc. ("HSBC"), for a decision, pursuant to the securities legislation (the "Legislation") of each Jurisdiction, that the requirement (the "Independent Underwriter Requirement") contained in the Legislation which prohibits a registrant from acting as underwriter in connection with a distribution of securities of an issuer, made by means of prospectus, where the issuer is a "related issuer" (or the equivalent) of the registrant, or, in connection with the distribution, a "connected issuer" (or the equivalent) of the registrant, without certain required participation in the distribution by one or more other registrants, in respect of which the issuer is neither a related issuer (or the equivalent) of the registrant, nor, in connection with the distribution, a connected issuer (or the equivalent) of the registrant, shall not apply to HSBC in connection with a proposed public distribution (the "Offering") of common shares ("Common Shares") of Virtek Vision International Inc. (the "Company") to be made by means of a prospectus (the "Prospectus") expected to be filed with the securities regulatory authority or regulator (the "Securities Regulators") in each of the provinces of Canada;

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

AND WHEREAS HSBC has represented to the Decision Makers that:

1. The Company is a corporation incorporated under the laws of Ontario.

2. The Company is a reporting issuer in the Province of Ontario and does not appear on the list of defaulting reporting issuers maintained by the OSC.

3. In connection with the Offering, the Company has filed with each of the Securities Regulators a preliminary prospectus (the "Preliminary Prospectus") dated April 6, 2000, and has received a preliminary MRRS Decision Document in respect thereof dated April 7, 2000.

4. Pursuant to an underwriting agreement (the "Underwriting Agreement") to be made between the Company, HSBC, Yorkton Securities Inc. (Yorkton") and Brant Securities Inc. ("Brant") (HSBC, Yorkton and Brant being referred to, collectively, as the "Underwriters"), the Underwriters will purchase all of the Common Shares comprising the Offering from the Company as underwriters for resale pursuant to the Prospectus. The portion of the Offering to be underwritten by each of the Underwriters is expected to be approximately as follows.

HSBC Securities	75 per cent
Yorkton Securities Inc.	25 per cent
Brant Securities Inc.	5 per cent

5. HSBC is a wholly-owned subsidiary of HSBC Bank Canada (the "Bank"), a Canadian chartered bank. On November 23, 1999, the Bank entered into a term loan agreement (the "Loan Agreement") with the Company in connection with a $2,000,000 secured, non-revolving term loan (the "Term Loan").

6. The Term Loan is guaranteed by HSBC Capital (Canada) Inc., a wholly-owned subsidiary of the Bank and an affiliate of HSBC. In consideration for the guarantee, the Company has paid to HSBC Capital (Canada) Inc. a commitment fee in the amount of $100,000 and is obligated to pay a guarantee fee in the amount of 5 per cent per annum of the principal amount of the Term Loan then advanced and outstanding, which guarantee fee shall increase to 9 per cent per annum of the principal amount of the Term Loan outstanding after November 30, 2000. Additional fees totaling $125,000 may be payable by the Company to HSBC Capital (Canada) Inc. if the Term Loan is outstanding beyond the dates stipulated in the Loan Agreement.

7. In connection with the Term Loan, HSBC Capital (Canada) Inc. received common share purchase warrants (the "Guarantee Warrants") entitling it to purchase up to 500,000 Common Shares. The Guarantee Warrants are exercisable at a price of $1.71 per Common Share at any time on or before November 23, 2002.

8. Approximately $2,000,000 of the net proceeds of the Offering will be used to repay the indebtedness to the Bank.

9. The Company may, by virtue of the foregoing, be considered a "connected issuer" (or the equivalent) of HSBC under the Legislation of each Jurisdiction. The Company is not a "related issuer" (or the equivalent) of any of the Underwriters under the Legislation of any of the Jurisdictions.

10. HSBC and Yorkton are each registered as dealers in the categories broker/investment dealer (or other similar designations) under the Legislation of Ontario, Quebec, British Columbia, Alberta and Saskatchewan. Brant is registered as a dealer, in the category of broker/investment dealer under the Legislation of Ontario. The head office of HSBC is in Ontario.

11. The Company is neither a "related issuer" (or the equivalent), nor, in connection with the Offering, a "connected issuer" (or the equivalent), or either Yorkton or Brant for the purposes of the Legislation of each Jurisdiction.

12. The Company is a "connected issuer" of HSBC, but not a "connected issuer" of either Yorkton or Brant, as such term is defined in draft Multi-Jurisdictional Instrument 33-105: *Underwriting Conflicts* ("Draft Instrument 33-105"). The Company is not a "related issuer' of any of the Underwriters as such term is identified in Draft Instrument 33-105, and, each of Yorkton and Brant will, in connection with the Offering, be an "independent underwriter" as such term is defined in Draft Instrument 33-105

13. The Preliminary Prospectus contains, and the Prospectus will contain, the information specified in

Appendix "C" of the Draft Instrument, on the basis that the Company is a "connected issuer" of HSBC as such term is defined in Draft Instrument 33-105.

14. Yorkton and Brant have signed the underwriter's certificate in the Preliminary Prospectus and will sign the underwriter's certificate in the Prospectus.

15. The determination of the terms of the Offering will be made through negotiation between the Company and the Underwriters and neither the Bank nor HSBC Capital (Canada) Inc. has had, or will have, any involvement in such decision or determination.

16. The Company is in good financial condition and is not a "specified party" as defined in the Draft Instrument 33-105.

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 Jurisdictions to make the Decision has been met.

THE DECISION of the Decision Makers, pursuant to the Legislation, is that, in connection with the Offering, the Independent Underwriter Requirement shall not apply to HSBC.

May 24th, 2000.

"Howard I. Wetston" "J. F. Howard"

2.1.6 Legg Mason, Inc., Legg Mason Canada Holdings Ltd. and 3040692 Nova Scotia Company - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted, subject to certain conditions, from the prospectus and registration requirements in respect of trades in connection with a statutory arrangement where the Arrangement exemption is not available for technical reasons. Reporting issuer exempted from certain continuous disclosure and insider reporting requirements subject to certain conditions. Disclosure required to be provided by these provisions would not be meaningful to shareholders.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)15.i, 53, 72(1)(i), 72(5), 74(1), 75, 77, 78, 79, 80(b)(iii), 81(2), 107, 108, 109, 121(2)(a)(ii).

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s.21.

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

AND

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

AND

IN THE MATTER OF LEGG MASON, INC., LEGG MASON CANADA HOLDINGS LTD. AND 3040692 NOVA SCOTIA COMPANY

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island (collectively, the "Jurisdictions") has received an application from Legg Mason, Inc. ("Legg Mason"), Legg Mason Canada Holdings Ltd. ("Exchangeco") and 3040692 Nova Scotia Company ("NovaScotiaco") (collectively, the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(a) the trades of securities involved in connection with the proposed merger (the "Transaction") of Legg Mason and Perigee Inc. ("Perigee") to be

effected by way of an Arrangement (defined below) shall be exempt from the registration and prospectus requirements of the Legislation;

(b) Exchangeco be exempt from the requirements of the Legislation to issue a press release and report material changes, to file with the Decision Makers and deliver to shareholders interim financial statements and audited annual financial statements, to make an annual filing with the Decision Makers in lieu of filing an information circular, to file annual information forms and to file and deliver to shareholders management's discussion and analysis of the financial condition and results of operations of Exchangeco (the "Continuous Disclosure Requirements"); and

(c) each "insider" (as such term is defined in the Legislation) of Exchangeco be exempt from the insider reporting requirements of the Legislation (the "Insider Reporting Requirements");

all subject to certain conditions, as described below;

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

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

1. Legg Mason, Perigee and Exchangeco have entered into a merger agreement dated as of March 9, 2000 (the "Merger Agreement"). The Transaction is to be effected by way of an arrangement (the "Arrangement") under section 182 of the *Business Corporations Act* (Ontario) involving Perigee, holders of common shares of Perigee (the "Perigee Common Shares"), holders of Class M Shares of Perigee (together with the Perigee Common Shares, the "Perigee Shares"), holders of options to purchase Perigee Common Shares (the "Perigee Options"), NovaScotiaco and Exchangeco.

2. Legg Mason was incorporated in Maryland in 1981. Legg Mason is currently subject to the informational requirements of the United States Securities Exchange Act of 1934, as amended, and is not a "reporting issuer" under the Legislation. The common stock of Legg Mason is listed on the New York Stock Exchange ("NYSE"). Legg Mason's principal corporate offices are located in Baltimore, Maryland.

3. Legg Mason's authorized capital consists of 100,000,000 shares of common stock, par value U.S.$0.10 per share (the "Legg Mason Shares"), and 4,000,000 shares of preferred stock, par value U.S.$10.00 per share. The Legg Mason Shares are fully participating voting shares. As of February 28, 2000, there were no preferred shares and 57,746,463 Legg Mason Shares issued and outstanding.

4. As part of the Transaction, Legg Mason will issue one special voting share (the "Special Voting Share") to a trustee (the "Trustee") which will be appointed as trustee under a voting and exchange agreement (the "Voting and Exchange Agreement"), described below.

5. Exchangeco was incorporated under the *Business Corporations Act* (New Brunswick) on February 29, 2000. Exchangeco is an indirect subsidiary of Legg Mason and a direct subsidiary of NovaScotiaco. Exchangeco's registered office is located in Saint John, New Brunswick.

6. The authorized capital of Exchangeco will consist of an unlimited number of common shares and non-voting exchangeable shares (the "Exchangeable Shares"). As of March 9, 2000 there were 100 common shares issued and outstanding, all of which were indirectly beneficially owned by Legg Mason.

7. The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Exchangeable Shares, subject to satisfaction of customary requirements of the TSE, and the NYSE has authorized the listing upon official notice of issuance of the Legg Mason Shares issuable on exchange of the Exchangeable Shares.

8. Upon completion of the Transaction, Exchangeco will become or will be deemed to become a reporting issuer in certain of the Jurisdictions, or, where Exchangeco will not become a reporting issuer or the equivalent pursuant to the Legislation, Legg Mason will comply with the filing requirements of paragraph 2 of this Decision below.

9. NovaScotiaco is a direct, wholly-owned subsidiary of Legg Mason. NovaScotiaco was formed on February 28, 2000 as an unlimited liability company under the laws of the Province of Nova Scotia to hold all of the common shares of Exchangeco and to hold the various call rights related to the Exchangeable Shares.

10. The authorized capital of NovaScotiaco consists of 10,000,000 common shares. As of March 9, 2000, there was one common share issued and outstanding, which was held by Legg Mason.

11. Perigee was incorporated on January 1, 1998 under the *Canada Business Corporations Act* and was continued under the *Business Corporations Act* (Ontario) on May 13, 1998. Perigee has been a reporting issuer under the Legislation since May 8, 1998 and, to the best of the knowledge of Legg Mason, Exchangeco and NovaScotiaco, Perigee is not in default of any of the requirements thereunder.

12. Perigee's authorized capital consists of an unlimited number of first preferred shares, an unlimited number of Class M shares and an unlimited number of common shares. As of March 9, 2000, 8,687,736 Perigee Common Shares, 4,744,800 Class M shares and no first preferred shares were issued and outstanding. As of March 9, 2000, 48,000 Perigee Common Shares were reserved in the aggregate for issuance in respect of the Perigee Options. As of March 9, 2000, no debt securities of Perigee were outstanding.

13. Holders of Perigee Options will receive, in exchange for such options, a number of Exchangeable Shares equal to the fair value of the Perigee Options (determined using a Black-Scholes option pricing model) on March 8, 2000 divided by the closing price of a Legg Mason Share on the day immediately prior to the effective date of the Arrangement.

14. Subject to the terms of an interim order obtained from Ontario's Superior Court of Justice on April 13, 2000, the Arrangement must be approved by the holders of the Perigee Shares by way of special resolution by at least two-thirds of the votes cast by holders of the Perigee Common Shares and two-thirds of the votes cast by holders of the Class M Shares, each voting as a separate class, as required by law.

15. In connection with the shareholders' meeting to be held to consider the Transaction, Perigee delivered to the holders of the Perigee Shares a management information circular (the "Perigee Circular") on or about April 19, 2000. The Perigee Circular contains prospectus-level disclosure of the business and affairs of Legg Mason and of the particulars of the Transaction and the Arrangement.

16. Pursuant to the Transaction, holders of Perigee Shares (other than those held by dissenting holders and Perigee Shares held by Legg Mason or any subsidiary or affiliate thereof) will receive in exchange for each Perigee Share they own 0.387 of an Exchangeable Share in the capital of Exchangeco, subject to adjustments in certain circumstances, prior to the date of the meeting of holders of Perigee Shares at which approval for the Arrangement will be sought, relating to a movement in the Legg Mason share price outside a specified range. Upon completion of the Transaction, Legg Mason, through Exchangeco, will be the sole beneficial holder of all the issued and outstanding Perigee Shares.

17. No fractional Exchangeable Shares will be delivered in exchange for Perigee Shares pursuant to the Arrangement. In lieu of fractional shares, each holder of Perigee Shares who is otherwise entitled to a fractional interest in an Exchangeable Share will receive a cash payment equal to such holder's pro rata portion of the net proceeds received by the depository (after expenses) upon the sale of whole shares representing an accumulation of all fractional interests in Exchangeable Shares to which all such holders would otherwise be entitled.

18. The Exchangeable Shares, together with the Voting and Exchange Agreement to be entered into by Legg Mason, Exchangeco and the Trustee contemporaneously with the closing of the Transaction, will provide holders thereof with a security of a Canadian issuer having economic and voting rights which are, as nearly as practicable, equivalent to those of a Legg Mason Share. Each Exchangeable Share will be exchangeable by the holder, at any time, for one Legg Mason Share and will be required to be exchanged upon the occurrence of certain events. The Exchangeable Shares are subject to adjustment or modification in the event of a stock split or other change to the capital structure of Legg Mason so as to maintain at all times the initial one-to-one relationship between the Exchangeable Shares and the Legg Mason Shares.

19. The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares (the "Exchangeable Share Provisions") and the Exchangeable Share Support Agreement will provide that each Exchangeable Share will entitle the holder to dividends from Exchangeco equivalent to each dividend paid by Legg Mason on a Legg Mason Share, subject to applicable law.

20. The Exchangeable Shares will be non-voting (except as required by the Exchangeable Share Provisions or by applicable law) and will be retractable at any time. Subject to the overriding retraction call right of NovaScotiaco, upon retraction the holder will be entitled to receive from Exchangeco for each Exchangeable Share retracted an amount equal to the current market price (as defined in the Exchangeable Share Provisions) of a Legg Mason Share on the last business day prior to the retraction date, to be satisfied by the delivery of one Legg Mason Share (the "Purchase Price"), together with, on the designated payment date therefor, all declared and unpaid dividends on each such retracted Exchangeable Share held by the holder on any dividend record date prior to the date of retraction (the "Dividend Amount"). Upon being notified by Exchangeco of a proposed retraction of Exchangeable Shares, NovaScotiaco will have an overriding retraction call right to purchase from the holder exercising the retraction right all of the Exchangeable Shares that are the subject of the retraction notice for a price per share equal to the Purchase Price, plus an amount, to the extent not paid by Exchangeco, equal to the Dividend Amount.

21. Subject to applicable law and the overriding redemption call right of NovaScotiaco, Exchangeco will redeem all of the then outstanding Exchangeable Shares on the fifteenth anniversary of the effective date of the Arrangement, unless the board of directors of Exchangeco has accelerated the redemption date in the circumstances outlined in the Exchangeable Share Provisions (the "Redemption Date"). Upon such redemption, a holder will be entitled to receive from Exchangeco for each Exchangeable Share redeemed an amount equal to the current market price of a Legg Mason Share on the last business day prior to the Redemption Date, to be satisfied by the delivery of one Legg Mason Share (the "Redemption Purchase Price"), together with an additional amount equivalent to all declared and unpaid dividends on each such redeemed Exchangeable Share held by the holder on any dividend record date which occurred prior to the Redemption Date (the "Redemption Dividend Amount"). Upon being notified by Exchangeco of a proposed redemption of Exchangeable Shares, NovaScotiaco will have an overriding redemption call right to purchase on the Redemption Date all of the then outstanding Exchangeable Shares (other than Exchangeable Shares held by Legg Mason and its affiliates) for a price per share equal to the Redemption Purchase Price

plus, to the extent not paid by Exchangeco, an amount equivalent to the Redemption Dividend Amount. Upon the exercise of the overriding redemption call right by NovaScotiaco, holders will be obligated to sell their Exchangeable Shares to NovaScotiaco. If NovaScotiaco exercises its overriding redemption call right, Exchangeco's right and obligation to redeem the Exchangeable Shares on the Redemption Date will terminate.

22. Subject to the overriding liquidation call right of NovaScotiaco, in the event of the liquidation, dissolution or winding up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares will be entitled, subject to applicable law, to receive from the assets of Exchangeco, before any distribution among the holders of the common shares or any other shares ranking junior to the Exchangeable Shares, an amount per share equal to the current market price of a Legg Mason Share on the last business day prior to the effective date (the "Liquidation Date") of the liquidation, dissolution or winding up of Exchangeco, to be satisfied by the delivery of one Legg Mason Share, together with an additional amount equivalent to all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the Liquidation Date.

23. Subject to the overriding liquidation call right of NovaScotiaco, under the Voting and Exchange Agreement Legg Mason will grant to the Trustee for the benefit of the holders of the Exchangeable Shares a right (the "Exchange Right"), exercisable upon the insolvency of Exchangeco, to require Legg Mason to purchase from a holder of Exchangeable Shares all or any part of the Exchangeable Shares held by the holder. The purchase price for each Exchangeable Share purchased by Legg Mason under the Exchange Right will be an amount equal to the current market price (as defined in the Voting and Exchange Agreement) of a Legg Mason Share on the last business day prior to the day of closing the purchase and sale of such Exchangeable Share under the Exchange Right, to be satisfied by the delivery to the Trustee, on behalf of the holder, of one Legg Mason Share, together with an additional amount, to the extent not paid by Exchangeco, equivalent to the full amount of all declared and unpaid dividends on such Exchangeable Share held by the holder on any dividend record date which occurred prior to the closing of the purchase and sale.

24. Upon a proposed liquidation, dissolution or winding up of Exchangeco, NovaScotiaco will have an overriding liquidation call right to purchase from all of the holders of Exchangeable Shares (other than Exchangeable Shares held by Legg Mason and its affiliates) on the Liquidation Date all of the Exchangeable Shares held by each such holder for a price per share equal to the current market price of a Legg Mason Share on the last business day prior to the Liquidation Date, to be satisfied by the delivery of one Legg Mason Share, together with, to the extent not paid by Exchangeco, an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the date of purchase by NovaScotiaco.

25. Under the Voting and Exchange Agreement, upon the liquidation, dissolution or winding up of Legg Mason or any proceedings to effect any other distribution of assets of Legg Mason among its shareholders for the purpose of winding up its affairs (the "Liquidation Event Effective Date"), Legg Mason will be required to purchase each outstanding Exchangeable Share, and each holder will be required to sell the Exchangeable Shares held by that holder (the "Automatic Exchange Right"), for a purchase price per share equal to the current market price of a Legg Mason Share on the fifth business day prior to the Liquidation Event Effective Date, to be satisfied by the delivery of one Legg Mason Share, together with an additional amount, to the extent not paid by Exchangeco, equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share held by the holder on any dividend record date prior to the date of the exchange.

26. The Special Voting Share is authorized for issuance pursuant to the Merger Agreement and, pursuant to the Arrangement, will be issued to the Trustee for the benefit of the holders of the Exchangeable Shares outstanding from time to time (other than Legg Mason and its affiliates). Except as otherwise required by applicable law or the charter of Legg Mason, the Special Voting Share will be entitled to the number of votes, exercisable at any meeting of the holders of Legg Mason Shares and with respect to all written consents sought by Legg Mason from its shareholders, equal to the number of Exchangeable Shares outstanding from time to time not owned by Legg Mason and its affiliates. Each voting right attached to the Special Voting Share must be voted by the Trustee pursuant to the instructions of the holder of the related Exchangeable Share. In the absence of any such instruction from a holder as to voting, the Trustee will not be entitled to exercise the related voting rights. Upon the exchange of all of a holder's Exchangeable Shares for Legg Mason Shares, all rights of such holder of Exchangeable Shares to instruct the Trustee to exercise votes attached to the Special Voting Share will cease.

27. Contemporaneously with the closing of the Transaction, Legg Mason, Exchangeco and NovaScotiaco will enter into an Exchangeable Share Support Agreement which will provide that Legg Mason, among other things, so long as any Exchangeable Shares not owned by Legg Mason or its affiliates are outstanding: (a) will not declare or pay any dividends on the Legg Mason Shares unless Exchangeco is able to declare and pay, and simultaneously declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares; (b) will ensure that Exchangeco and NovaScotiaco will be able to honour the redemption and retraction rights and liquidation entitlements that are attributes of the Exchangeable Shares and the related redemption, retraction and liquidation call rights

described above; and (c) will not initiate the voluntary dissolution of Exchangeco.

28. The Transaction and the attributes of the Exchangeable Shares contained in the Exchangeable Share Provisions, the Voting and Exchange Agreement and the Exchangeable Share Support Agreement involve or may involve a number of trades of securities, as follows:

a. the issuance of Exchangeable Shares by Exchangeco to holders of Perigee Shares and the transfer of Perigee Shares by holders to Exchangeco, as part of the Arrangement;

b. the issuance of Exchangeable Shares in exchange for Perigee Options as part of the Arrangement and the transfer of Perigee Options by their holders to Exchangeco;

c. the grant by Legg Mason to the Trustee for the benefit of the holders of Exchangeable Shares, pursuant to the Voting and Exchange Agreement, of the Exchange Right, the Automatic Exchange Right and the voting rights pursuant to the Special Voting Share;

d. the creation of the redemption, retraction and liquidation call rights in favour of NovaScotiaco referred above;

e. the issuance by Legg Mason, pursuant to the Voting and Exchange Agreement, of the Special Voting Share to the Trustee for the benefit of the holders of the Exchangeable Shares;

f. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, from time to time to enable Exchangeco to deliver Legg Mason Shares to a holder of Exchangeable Shares upon a retraction of the Exchangeable Shares held by such holder, and the subsequent delivery thereof by Exchangeco upon such retraction;

g. the transfer of Exchangeable Shares by the holder to Exchangeco upon the holder's retraction of Exchangeable Shares;

h. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, from time to time to enable NovaScotiaco to deliver Legg Mason Shares to a holder of Exchangeable Shares in connection with NovaScotiaco's exercise of its overriding retraction call right, and the subsequent delivery thereof by NovaScotiaco upon the exercise of such overriding retraction call right;

i. the transfer of Exchangeable Shares by the holder to NovaScotiaco upon NovaScotiaco exercising its overriding retraction call right;

j. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, to enable Exchangeco to deliver Legg Mason Shares to holders of Exchangeable Shares upon the redemption of the Exchangeable Shares, and the subsequent delivery thereof by Exchangeco upon such redemption;

k. the transfer of Exchangeable Shares by holders to Exchangeco upon the redemption of Exchangeable Shares;

l. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, to enable NovaScotiaco to deliver Legg Mason Shares to holders of Exchangeable Shares in connection with NovaScotiaco's exercise of its overriding redemption call right, and the subsequent delivery thereof by NovaScotiaco upon the exercise of such overriding redemption call right;

m. the transfer of Exchangeable Shares by holders to NovaScotiaco upon NovaScotiaco exercising its overriding redemption call right;

n. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, to enable Exchangeco to deliver Legg Mason Shares to holders of Exchangeable Shares on the liquidation, dissolution or winding up of Exchangeco and the subsequent delivery thereof by Exchangeco upon such liquidation, dissolution or winding up;

o. the transfer of Exchangeable Shares by holders to Exchangeco on the liquidation, dissolution or winding up of Exchangeco;

p. the issuance and intra-group transfers of Legg Mason Shares and related issuances of shares of Legg Mason affiliates in consideration therefor, all by and between Legg Mason and its affiliates, to enable NovaScotiaco to deliver Legg Mason Shares to holders of Exchangeable Shares in connection with NovaScotiaco's exercise of its overriding liquidation call right, and the subsequent delivery thereof by NovaScotiaco upon the exercise of such overriding liquidation call right;

q. the transfer of Exchangeable Shares by holders to NovaScotiaco upon NovaScotiaco exercising its overriding liquidation call right;

r. the issuance and delivery of Legg Mason Shares by Legg Mason to a holder of Exchangeable Shares upon the exercise of the Exchange Right by such holder;

s. the transfer of Exchangeable Shares by a holder to Legg Mason upon the exercise of the Exchange Right by such holder;

t. the issuance and delivery of Legg Mason Shares by Legg Mason to holders of Exchangeable Shares pursuant to the Automatic Exchange Right; and

u. the transfer of Exchangeable Shares by a holder to Legg Mason pursuant to the Automatic Exchange Right

(collectively, the "Trades").

29. The fundamental investment decision to be made by a holder of Perigee Shares is made at the time when such holder votes in respect of the Arrangement. As a result of this decision, unless Exchangeable Shares are sold in the market, a holder (other than a dissenting holder) will ultimately receive Legg Mason Shares in exchange for the Perigee Shares held by such holder. The use of the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be, as nearly as practicable, the economic and voting equivalent of the Legg Mason Shares. As such, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision.

30. As a result of the economic and voting equivalency in all material respects between the Exchangeable Shares and the Legg Mason Shares, holders of Exchangeable Shares will have an equity interest determined by reference to Legg Mason, rather than Exchangeco. Dividend and dissolution entitlements will be determined by reference to the financial performance and condition of Legg Mason, not Exchangeco. Accordingly, it is the information relating to Legg Mason, not Exchangeco, that will be relevant to holders of the Exchangeable Shares. Certain information required to be provided in respect of Exchangeco as a reporting issuer under the Legislation or the equivalent under the Legislation would not be relevant to the holders of Exchangeable Shares.

31. Legg Mason will send concurrently to all holders of Legg Mason Shares resident in the Jurisdictions all disclosure material furnished to holders of Legg Mason Shares resident in the United States including, without limitation, copies of its annual financial statements and all proxy solicitation materials.

32. The Perigee Circular discloses that, in connection with the Arrangement, applications have been made for prospectus, registration and resale exemptions and exemptions from disclosure and insider reporting obligations. The Perigee Circular specifies the disclosure requirements from which Exchangeco has applied to be exempted and identifies the disclosure that will be made in substitution therefor if such exemptions are granted.

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

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

1. that the requirements contained in the Legislation to be registered to trade in a security, to file a preliminary prospectus and a prospectus and receive receipts therefor shall not apply to any of the Trades made in connection with or pursuant to the Arrangement, the Voting and Exchange Agreement and the Exchangeable Share Support Agreement provided that:

   a. the first trade in Exchangeable Shares acquired in the Transaction shall be a distribution under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless otherwise exempt thereunder or unless such a first trade is made in the following circumstances:

      i. Exchangeco is, or is deemed to be, a reporting issuer or the equivalent under the Applicable Legislation in the Jurisdiction in which such first trade is made or, if Exchangeco is not a reporting issuer or the equivalent pursuant to the Applicable Legislation, Legg Mason complies with the filing requirements of paragraph 2 below;

      ii. if the seller is in a special relationship with Exchangeco (if defined in the Applicable Legislation) the seller has reasonable grounds to believe that Exchangeco is not in default of any requirement of the Applicable Legislation;

      iii. no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares, and no extraordinary commission or consideration is paid in respect of such first trade; and

      iv. disclosure of the exempt trade is made to the Decision Maker(s) (the Decision Makers hereby confirming that the filing of the Perigee Circular with the Decision Makers at the time of mailing the Perigee Circular to holders of Perigee Shares constitutes disclosure to the Decision Makers of the exempt trade);

   then such a first trade is a distribution only if it is a trade made from the holdings of any person, company or combination of persons or companies holding a sufficient number of any

securities of Legg Mason to affect materially the control of Legg Mason but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Legg Mason shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Legg Mason (and for this purpose Legg Mason Shares and Exchangeable Shares are considered to be of the same class); and

b. the first trade in Legg Mason Shares acquired in the Transaction upon the exchange of Exchangeable Shares shall be a distribution under the Legislation unless such trade is executed through the facilities of a stock exchange or market outside of the Jurisdictions and such first trade is made in accordance with the rules of the stock exchange or market upon which the trade is made in accordance with all laws applicable to such stock exchange or market;

2. that the Continuous Disclosure Requirements shall not apply to Exchangeco, provided that:

a. Legg Mason sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Legg Mason Shares resident in the United States, including, without limitation, copies of its annual financial statements and all proxy solicitation materials;

b. Legg Mason files with the Decision Makers copies of all documents required to be filed by it with the United States Securities and Exchange Commission under the United States Securities Exchange Act of 1934, as amended, including, without limitation, copies of any Form 10-K, Form 10-Q, Form 8-K and proxy statements prepared in connection with Legg Mason's stockholders' meetings;

c. Legg Mason complies with the requirements of the NYSE in respect of making public disclosure of material information on a timely basis and forthwith issues in the Jurisdictions and files with the Decision Makers any press release that discloses a material change in Legg Mason's affairs;

d. prior to or coincident with the distribution of the Exchangeable Shares, Legg Mason shall cause Exchangeco to provide to each recipient or proposed recipient of Exchangeable Shares resident in the Jurisdictions a statement that, as a consequence of this Decision, Exchangeco and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers and their insiders in the Jurisdictions, and specifying those requirements Exchangeco and its insiders have been exempted from and identifying the disclosure that will be made in substitution therefor (which may be satisfied by the inclusion of such a statement in the Perigee Circular);

e. Exchangeco complies with the requirements of the Legislation in respect of making public disclosure of material information on a timely basis in respect of material changes in the affairs of Exchangeco that would be material to holders of Exchangeable Shares but would not be material to holders of Legg Mason Shares;

f. Legg Mason includes in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to Legg Mason and not in relation to Exchangeco, such statement to include a reference to the economic equivalency between the Exchangeable Shares and the Legg Mason Shares and the right to direct voting at Legg Mason's stockholders' meetings pursuant to the Voting and Exchange Agreement;

g. Legg Mason pays all filing fees that would otherwise be payable by Exchangeco in connection with the Continuous Disclosure Requirements;

h. Legg Mason remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of Exchangeco; and

i. Exchangeco has not had a public offering of securities other than the Exchangeable Shares; and

3. that the Insider Reporting Requirements shall not apply to any insider of Exchangeco provided that Legg Mason complies with the requirements of paragraph 2 above.

May 24th, 2000.

"Howard I. Wetston" "J. F. Howard"

THE FURTHER DECISION of the Decision Makers in Ontario and Saskatchewan is:

Provided that the conditions set out in paragraph 2 of this Decision have been complied with, staff of the Decision Makers in Ontario and Saskatchewan will not initiate any regulatory action by reason of Exchangeco not preparing and filing annual information forms (including management's discussion and analysis of the financial condition and results of operations).

May 24th, 2000.

"Iva Vranic"

2.1.7 National Service Industries, Inc. - MRRS Decision

Headnote

Subsection 74(1) - relief from the registration requirements of the Act to permit first trades out of the jurisdiction by employees, officers and directors of an Ontario affiliate of a foreign issuer in shares received on the exercise of options issued pursuant to stock incentive plans.

Clause 104(2)(c) - relief from the issuer bid requirements of the Act in respect of the purchase by the issuer of shares tendered by Ontario employees, officers and directors in payments of the exercise price including withholding taxes; exemption under the Act not available because of the calculation of market price under the plans.

Applicable Ontario Statutory Provisions

Securities Act. R.S.O, 1990, c.S.5, as am., 93(3)(d), 95 to 100, 104(2)(c).
Securities Exchange Act of 1934 (U.S.)

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 14(b)(ii), 151(a).

Rules Cited

Rule 72-501 - *Prospectus Exemption for First Trade Over a Market Outside Ontario* (1998), 21 OSCB 3688.

In the Matter of Trades by an Issuer in Securities of its Own Issue to Senior Officers, Directors, Personal Holding Companies and Registered Retirement Savings Plans and a Controlling Shareholder in Securities of an Issuer to Employees, Senior Officers, Directors, Personal Holding Companies and Registered Retirement Savings Plans (1997) 20 OSCB 1218 (March 1, 1997).

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

AND

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

AND

IN THE MATTER OF NATIONAL SERVICE INDUSTRIES, INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, North West Territories, Yukon and Nunavut (collectively, the Jurisdictions) have received an application from National Service Industries, Inc. (the Filer) for a decision pursuant to the securities legislation of the Jurisdictions (the Legislation) that (i) trades made to or by officers and key executives of the Filer or its subsidiaries (the Participants) in securities of the Filer pursuant to the Filer s Long-Term Achievement Incentive Plan (the Plan), (ii) including any resale of such securities, be exempt from the prospectus and registration requirements contained in the Legislation and (iii) the issuer bid requirements contained in the Legislation do not apply upon the cancellation of Shares (as defined below) in accordance with the provisions of the Plan.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the System), the Commission des valeurs mobilières du Québec is the principal regulator for this application since the head office of NSI Holdings Inc. (Holdings), a Canadian subsidiary of the Filer, is located in Montreal, Québec;

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

1. The Filer, an American service and manufacturing company, is a public corporation incorporated in 1928, of which a total of 40,690,942 voting and participating shares (Shares) are listed on the New York Stock Exchange (the NYSE).

2. The Filer is a holding company and its assets consist primarily of investments in its subsidiaries. The Filer, through its subsidiaries, occupies leadership positions in four markets: lighting equipment, chemicals, textile rental and envelopes.

3. The address of the Filer's principal executive offices is 1420 Peachtree Street, N.E., Atlanta, Georgia.

4. The Filer is not a reporting issuer within the meaning of the Legislation in any of the Jurisdictions.

5. Holdings is a Canadian subsidiary of the Filer.

6. Holdings was incorporated under Part IA of the *Companies Act* (Québec), and has its head office located at 1170 Peel Street, 5th Floor, Montreal, Québec, H3B 4S8.

7. Holdings is not a reporting issuer within the meaning of the Legislation in any of the Jurisdictions. Holdings has employees located in all provinces of Canada.

8. The Filer may issue various securities to the Participants whose substantial contributions are essential to the continued growth and profitability of the Filer s businesses, to strengthen this commitment to the Filer and its subsidiaries, to further motivate those Participants to perform their assigned responsibilities diligently and skillfully, and to attract and retain competent and dedicated individuals whose efforts will result in the long term growth and profitability of the Filer

and, over time, appreciation in the market value of its stock.

9. To accomplish these purposes, the Plan provides that the Filer may grant Incentive Stock Options, Nonqualified Stock Options, Aspiration Achievement Incentive Awards, Restricted Stock, Performance Units and Performance Shares (as such terms are defined in the Plan) (collectively, the Awards).

10. The Plan is administered by a committee (the Committee) consisting of two or more members of the Board of Directors who are appointed by the Board to administer the Plan and to perform the functions thereunder. Not more than 30% of the maximum number of Shares that may be issued or transferred pursuant to Awards under the Plan may be in the form of Awards of Restricted Stock, Aspiration Achievement Incentive Awards, Performance Shares, and Performance Units.

11 The Committee will (i) select those Participants to whom Awards will be granted and (ii) determine the type, size and terms and conditions of Awards, including the exercise price per Share for each Stock Option and the restrictions or performance criteria relating to Aspiration Achievement Incentive Awards, Restricted Stock, Performance Units and Performance Shares. The Committee will administer, construe, and interpret the Plan. Members of the Committee will be ineligible to participate in the Plan.

12. 5,750,000 Shares of the Corporation may be issued or transferred pursuant to the Plan. In the event of any Change in Capitalization (as defined in the Plan), the Committee may adjust the maximum number and class of Shares with respect to which Awards may be granted, the number and class of Shares which are subject to outstanding Awards (subject to limitations imposed under Section 422 of the International Revenue Code of 1986 (the Code) in the case of Incentive Stock Options), and the purchase price therefor, if applicable.

13. *Stock Options.* Both Incentive Stock Options and Nonqualified Stock Options may be granted pursuant to the Plan. The maximum number of Shares subject to Stock Options which can be granted under the Plan to any Participant during a fiscal year of the Corporation is 500,000 Shares. All Stock Options granted under the Plan will have an exercise price per Share equal to at least the fair market value of a Share on the date the Stock Option is granted. The maximum term for all Stock Options granted under the Plan is ten years. Unless the Committee provides otherwise in the agreement evidencing the Stock Options granted, Stock Options are nontransferable other than by will or the laws of descent and distribution and during an optionee s lifetime may be exercised only by the optionee or his guardian or legal representative. Stock Options are exercisable at such time and in such installments as the Committee may provide at the time the Stock Option is granted. The Committee may accelerate the exercisability of any Stock Option at any time, subject to any limitations required by Section 162(m) of the Code. The purchase price for Shares acquired pursuant to the exercise of a Stock Option must be paid, as determined by the Committee, in cash, by check, or by transferring Shares to the Corporation or attesting to ownership of shares upon such terms and conditions as may be determined by the Committee. The terms and conditions of the Stock Options relating to their treatment upon termination of the optionees employment will be determined by the Committee at the time the Stock Options are granted.

14. Upon a Change in Control (as defined in the Plan), all outstanding Stock Options under the Plan on the date of a Change in Control will become immediately and fully exercisable and the optionee may, during the 60-day period following the Change in Control, surrender for cancellation any Stock Option (or portion thereof) for a cash payment in respect of each Share covered by the Stock Option, or portion thereof surrendered, equal to the excess of (i)(a) in the case of an Incentive Stock Option, the per-Share Fair Market Value (as defined in the Plan) on the date of surrender or (b) in the case of a Nonqualified Stock Option, the higher of (x) the highest per-share price at which Shares traded during the 90-day period preceding the date of the Change in Control or (y) the price per Share paid in any transaction (or series of transactions) constituting or resulting in a Change in Control or (z) the per-Share Fair Market Value on the date preceding the date of surrender, over (ii) the purchase price of each Share.

15. *Aspiration Achievement Incentive Awards.* Aspiration Achievement Incentive Awards (Aspiration Awards) granted by the Committee will be payable based on the level of achievement of the performance measure or measures specified by the Committee, selected from the performance measures listed on Appendix A of the Plan, over the performance period specified by the Committee (the Performance Cycle). The performance measure may relate to the performance of the Corporation or its subsidiaries or divisions, or any combination of the foregoing, and the Performance Cycle will equal or exceed two years. Performance measures and the length of the Performance Cycle will be determined by the Committee at or near the beginning of the Performance Cycle when the Aspiration Award is granted. Performance levels may be absolute or relative and may be expressed in terms of a progression within a specified range. The agreement setting forth the grant of an Aspiration Award may provide for such adjustments to performance as the Committee deems appropriate and are not inconsistent with Section 162(m) of the Code. Aspiration Awards may also include performance levels that relate to individual achievements or goals. Except with respect to Named Executive Officers (as defined in the Plan), the Committee may establish performance measures in addition to those specified in the Plan; moreover, the Committee may establish additional performance measures with respect to Named Executive Officers without stockholder approval if laws change to give the Committee that discretion. No Participant may receive an Aspiration Award in excess of $4 million with respect to a single Performance Cycle.

After the applicable Performance Cycle has ended, the Committee may adjust the achieved performance levels to exclude the effects of unusual charges or income items or other events, such as acquisitions or

divestitures, which are distortive of financial results for the Performance Cycle; provided that with respect to Named Executive Officers, the Committee must, and can only, exclude items with the effect of increasing the Aspiration Award payable if such items constitute extraordinary or unusual events or items under generally accepted accounting principles. The Committee will also adjust performance calculations to exclude the unanticipated effect on financial results of changes in tax laws or regulations. The Committee is allowed to decrease the Aspiration Award otherwise payable if the performance during the Performance Cycle justifies such adjustment, regardless of the extent to which the applicable performance measure was achieved. The agreement evidencing the granting of an Aspiration Award may provide the Committee with the right to revise performance levels and Aspiration Awards payable if unforeseen events occur which have a substantial effect on financial results and which in the Committee's judgment make the application of the performance levels unfair; provided that for Named Executive Officers such changes must be made in a manner not inconsistent with Section 162(m) of the Code. Payment of an earned Aspiration Award will be made in cash, in Shares, or in some combination of cash and Shares, as determined by the Committee. The agreement evidencing the grant will also set forth the terms and conditions of the Aspiration Award applicable in the event of termination of the Participant's employment and in the event of a Change in Control.

16. *Restricted Stock*. The aggregate maximum number of Shares that may be awarded under a Restricted Stock Award and an Award of Performance Shares and Units to a Participant during any fiscal year of the Corporation is 100,000. The terms of a Restricted Stock Award, including the restrictions placed on such Shares and the time or times at which such restrictions will lapse, shall be determined by the Committee at the time the Award is made. The Committee may determine at the time an Award of Restricted Stock is granted that dividends paid on Shares may be paid to the grantee or deferred. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Shares of Restricted Stock or forfeited upon the forfeiture of Shares of Restricted Stock. The agreements evidencing Awards of Restricted Stock shall set forth the terms and conditions of such Awards upon a grantee's termination of employment. Unless the Committee provides otherwise in the agreements, all restrictions on outstanding Shares of Restricted Stock will lapse upon a Change in Control.

17. *Performance Units and Performance Shares*. Each Performance Unit will represent one Share and payments in respect of vested Performance Units will be made in cash, Shares, or Shares of Restricted Stock or any combination of the foregoing, as determined by the Committee. Performance Shares are awarded in the form of Shares of Restricted Stock. The vesting of Performance Units and Performance Shares is based upon the level of achievement of the performance measure or performance measures specified by the Committee, selected from the performance measures listed on Appendix A of the Plan, over the performance period specified by the Committee (the Performance Cycle). The performance measure may relate to the performance of the Corporation or its subsidiaries or division, or any combination of the foregoing. Performance measures and the length of the Performance Cycle for Performance Units and Performance Shares (which shall not be less than two year) will be determined by the Committee at the time the Award is made. The Committee may make adjustments to achieved performance levels and changes to performance measures to the same extent described under Aspiration Achievement Incentive Awards above. The agreements evidencing Awards of Performance Units and Performance Shares will set forth the terms and conditions of such Awards, including those applicable in the event of the grantee's termination of employment. The aggregate maximum number of Performance Units, Performance Shares, and Restricted Stock a Participant may be awarded for any fiscal is 100,000.

At the time an Award is made, the Committee will determine the total number of Performance Shares subject to an Award and the time or times at which the Performance Shares will be issued to the grantee. In addition, the Committee will determine (a) the time or times at which the awarded but not issued Performance Shares shall be issued to the grantee and (b) the time or times at which awarded and issued Performance Shares shall become vested in or forfeited by the grantee, in either case based upon the attainment of specified performance objectives within the Performance Cycle. At the time the Award of Performance Shares is made, the Committee may determine that dividends be paid or deferred on the Performance Shares issued. Deferred dividends (together with any interest accrued thereon) will be paid upon the lapsing of restrictions on Performance Shares and forfeited upon the forfeiture of Performance Shares. Upon a Change in Control, unless the Committee provides otherwise in the agreement evidencing the Award, (x) a percentage of Performance Units, as determined by the Committee at the time an Award of Performance Units is made, will become vested and the grantee will be entitled to receive a cash payment equal to the per Share adjusted Fair Market Value multiplied by the number of Performance Units which become vested, and (y) with respect to Performance Shares, all restrictions shall lapse on a percentage of the Performance Shares, as determined by the Committee at the time the Award of Performance Shares is made.

18. The provisions of the Plan specify that (i) the Filer may, in certain circumstances, accept payment of the exercise price of an Award to purchase the underlying Shares by way of remittance by a Participant of Shares of the Filer, (ii) a Participant may surrender an Award for cancellation upon a Change in Control, and (iii) a Participant may make a written election, which may be accepted or rejected in the discretion of the Committee, to have withheld a portion of the underlying Shares issuable to him having an aggregate Fair Market Value equal to the applicable withholding taxes.

19. Awards under the Plan and the resale of the underlying shares by Participants are distributions that are subject to the prospectus and registration requirements provided in

the Legislation. Certain forms of exemptive relief from these registration and prospectus requirements are provided in Ontario legislation

20. Participation in the Plan is voluntary and Participants are not induced to participate in the Plan by expectation of employment or continued employment.

21. A copy of a Plan prospectus will be distributed to all Participants in connection with the registration of the Shares under the Plan pursuant to the United States Securities Act of 1933;

22. There is no market in the Jurisdictions for the Shares and none is expected to develop;

23. The Shares are listed on the NYSE and any resale of Shares by a Participant may be made through a U.S. broker-dealer in accordance with applicable U.S. securities laws through the facilities of such exchange.

24. The Plan satisfies the requirements of applicable U.S. securities laws.

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to grant the Decision;

The Decision of the Decision Makers pursuant to the Legislation is that

(i) except in the province of Ontario, the prospectus and registration requirements contained in the Legislation shall not apply to future distributions of securities of National Service Industries Inc. made by Participants pursuant to the Plan;

(ii) the prospectus and registration requirements provided in the Legislation shall not apply to the resale of securities distributed to Participants of National Service Industries. Inc. by the Filer;

(iii) a copy of a document written in French explaining the terms of the Plan shall be given to every Participant residing in Québec;

(iv) a copy of information documents respecting the standards established by regulatory authorities in the United States of America shall be given to each Participant in Québec contemplated by the distribution; and

(v) the issuer bid requirements contained in the Legislation shall not apply upon cancellation of Shares as provided in the Plan.

This decision is rendered on condition that the first alienation of Shares of National Service Industries, Inc. by the individual Participants is subject to the prospectus requirement unless such alienation takes place through an Exchange outside Canada, takes place in accordance with the rules of the Exchange on which it takes place and knowingly involves, wholly or in part, a person or company that is a resident of Canada or acts on behalf of a resident of Canada.

Done at Montreal, on April 19, 2000.

"Viateur Gagnon" "Guy Lemoine"

DANS L'AFFAIRE DE LA LÉGISLATION SUR LES VALEURS MOBILIÈRES DE LA COLOMBIE-BRITANNIQUE, LA SASKATCHEWAN, LE MANITOBA, L'ONTARIO, LE QUÉBEC, LE NOUVEAU-BRUNSWICK, L'ÎLE-DU-PRINCE-EDOUARD, LA NOUVELLE-ÉCOSSE, TERRE-NEUVE, LES TERRITOIRES DU NORD-OUEST, LE YUKON ET LE NUNAVUT

ET

DANS L'AFFAIRE DU RÉGIME D'EXAMEN CONCERTÉ DES DEMANDES DE DISPENSE

ET

DANS L'AFFAIRE DE NATIONAL SERVICE INDUSTRIES, INC.

DOCUMENT DE DÉCISION DU REC

CONSIDÉRANT QUE l'autorité canadienne en valeurs mobilières ou l'agent responsable canadien (le "décideur") respectif de la Colombie Britannique, de la Saskatchewan, du Manitoba, de l'Ontario, du Québec, du Nouveau-Brunswick, de l'Île-du-Prince-Edouard, de la Nouvelle-Écosse, de Terre-Neuve, des Territoires du Nord-Ouest, du Yukon et du Nunavut (collectivement, les "territoires") ont reçu une demande de National Service Industries, Inc. (le "déposant") pour une décision en vertu de la législation sur les valeurs mobilières des territoires (la "législation") selon laquelle i) les opérations effectuées aux dirigeants et aux membres clés de la direction du déposant ou de ses filiales (les "participants") ou effectuées par ces derniers dans les titres du déposant aux termes du régime incitatif à long terme du déposant (le "régime"), ii) y compris toute revente de ces titres, sont dispensées des exigences de prospectus et d'inscription prévues dans la législation et iii) les exigences d'offre publique de rachat prévues dans la législation ne s'appliquent pas à l'annulation des actions (au sens défini ci-après) conformément aux dispositions du régime;

QUE, selon le régime d'examen concerté des demandes de dispense (le "régime"), la Commission des valeurs mobilières du Québec est l'autorité principale pour la présente demande étant donné que le siège social de NSI Holdings Inc. ("Holdings"), filiale canadienne du déposant, est situé à Montréal, au Québec;

QUE le déposant a déclaré aux décideurs ce qui suit:

1. Le déposant, société de service et de fabrication américaine, est une société ouverte constituée en 1928, don't un total de 40 690 942 actions votantes et participantes ("actions") sont inscrites à la cote de la bourse de New York.

2. Le déposant est une société de portefeuille don't son actif se compose principalement d'investissements dans ses filiales. Le déposant, par l'intermédiaire de ses filiales, occupe des positions dominantes dans quatre marchés, l'équipement d'éclairage, les produits chimiques, la location de textiles et les enveloppes.

3. L'adresse des principaux bureaux d'administration du déposant est le 1420 Peachtree Street, N.E., Atlanta, Georgie.

4. Le déposant n'est un émetteur assujetti ou l'équivalent au sens de la législation dans l'un ou l'autre des territoires.

5. Holdings est une filiale canadienne du déposant.

6. Holdings a été constituée aux termes de la Partie IA de la Loi sur les compagnies (Québec) et a son siège social au 1170, rue Peel, 5ième étage, Montréal, Québec, H3B 4S8.

7. Holdings n'est pas un émetteur assujetti ou l'équivalent au sens de la législation dans l'un ou l'autre des territoires. Holdings compte des employés dans toutes les provinces du Canada.

8. Le déposant peut émettre divers titres aux participants don't l'apport important est essentiel à la croissance et à la rentabilité continue des entreprises du déposant, en vue de renforcer cet engagement envers le déposant et ses filiales, de motiver plus amplement ces participants à s'acquitter de leurs responsabilités assignées avec diligence et habileté et d'intéresser et de conserver des personnes compétentes et dévouées don't les efforts entraîneront une croissance et une rentabilité à long terme du déposant et, au fil des ans, une appréciation de la valeur marchande de son capital.

9. En vue de réaliser ces objectifs, le régime prévoit que le déposant peut octroyer des options d'achat d'actions d'encouragement, des options d'achat d'actions non admissibles, des octrois d'encouragement de réalisation souhaitée, des actions subalternes, des unités de rendement et des actions de rendement (termes qui sont définis dans le régime) (collectivement, les "octrois").

10. Le régime est administré par un comité (le "comité") qui se compose de deux ou plusieurs membres du conseil d'administration qui sont nommés par le conseil en vue d'administrer le régime et d'exécuter les fonctions aux termes de ce régime. Au plus 30% du nombre maximal d'actions qui peuvent être émises ou transférées aux termes des octrois prévus au régime peuvent être sous forme d'octroi d'actions subalternes, d'octroi d'encouragement de réalisation souhaitée, d'actions de rendement et d'unités de rendement.

11. Le comité i) choisira les participants à qui des octrois seront effectués et ii) déterminera le type, la taille ainsi que les modalités et conditions des octrois, y compris le prix de levée par action pour chaque option d'achat d'actions ainsi que les restrictions ou critères de rendement ayant trait aux octrois d'encouragement de réalisation souhaitée, aux actions subalternes, aux unités de rendement et aux actions de rendement. Le comité administrera et interprétera le régime. Les membres du comité ne pourront pas participer au régime.

12. 5 750 000 actions de la société peuvent être émises ou transférées aux termes du régime. Dans le cas d'une "modification de la structure du capital" (au sens défini au régime), le comité peut rajuster le nombre maximal et la

catégorie d'actions à l'égard desquelles les octrois peuvent être effectués, le nombre et la catégorie d'actions qui font l'objet des octrois en cours (sous réserve des limites imposées aux termes de l'article 422 du International Revenue Code of 1986 (le "code") dans le cas des options d'achat d'actions d'encouragement), et le prix d'achat, le cas échéant.

13. Option d'achat d'actions. Les options d'achat d'actions d'encouragement et les options d'achat d'actions non admissibles peuvent être octroyées aux termes du régime. Le nombre maximal d'actions assujetties aux options d'achat d'actions qui peuvent être octroyées aux termes du régime à tout participant au cours d'un exercice financier de la société est de 500 000 actions. Toutes les options d'achat d'actions octroyées aux termes du régime comporteront un prix de levée par action correspondant au moins à la juste valeur marchande d'une action à la date d'octroi de l'option d'achat d'actions. La durée maximale de toutes les options d'achat d'actions octroyées aux termes du régime est de dix ans. À moins que le comité ne le prévoit autrement dans une convention attestant les options d'achat d'actions octroyées, les options d'achat d'actions sont incessibles sauf par testament ou les lois sur les successions et distribution et au cours de la vie du titulaire d'options peuvent être levées uniquement par le titulaire d'options ou son tuteur ou représentant personnel. Les options d'achat d'actions peuvent être levées au moment et selon les versements que le comité peut prévoir au moment de l'octroi de l'option d'achat d'actions. Le comité peut devancer le moment de la levée de toute option d'achat d'actions, sous réserve des limites prévues à l'article 162(m) du code. Le prix d'achat des actions acquises à la levée d'une option d'achat d'actions doit être réglé, comme le détermine le comité, au comptant, par chèque ou en transférant des actions à la société ou en attestant la propriété d'actions selon les modalités et conditions que peut déterminer le comité. Les modalités et conditions des options d'achat d'actions relativement à leur traitement lors de la cessation d'emploi du titulaire d'options seront déterminées par le comité au moment de l'octroi des options d'achat d'actions.

14. Lors d'un changement de contrôle (au sens défini dans le régime), toutes les options d'achat d'actions en cours aux termes du régime à la date d'un changement de contrôle devront être immédiatement et entièrement levées et le titulaire pourra, au cours de la période de 60 jours suivant le changement de contrôle, remettre à des fins d'annulation toutes options d'achat d'actions (ou partie de celles-ci) contre un paiement au comptant à l'égard de chaque action visée par l'option d'achat d'actions ou toute partie de celle-ci remise, correspondant à l'excédent de i) a) dans le cas de l'option d'achat d'actions d'encouragement, la juste valeur marchande par action (au sens défini dans le régime) à la date de remise ou b) dans le cas d'une option d'achat d'actions non admissibles, le plus élevé de x) le prix par actions le plus élevé auquel les actions ont été négociées pendant la période de 90 jours précédant la date du changement de contrôle ou y) le prix par action versé dans toute opération (ou série d'opérations) constituant ou entraînant un changement de contrôle ou z) la juste valeur marchande par action à la date précédant la date de remise, sur ii) le prix d'achat de chaque action.

15. *Octroi d'encouragement de réalisation souhaitée.* Les octrois d'encouragement de réalisation souhaitée ("octroi d'encouragement") accordés par le comité seront payables en fonction du niveau de réalisation de la ou des mesures de rendement précisées par le comité, choisi des mesures de rendement figurant à l'annexe A du régime, sur la période de rendement précisée par le comité (le "cycle de rendement"). La mesure de rendement peut avoir trait au rendement de la société et de ses filiales ou divisions, ou toute combinaison de ce qui précède, et le cycle de rendement correspondra ou sera supérieur à deux ans. Les mesures de rendement et la durée du cycle de rendement seront déterminées par le comité vers le début du cycle de rendement lorsque l'octroi d'encouragement est effectué. Les niveaux de rendement peuvent être absolus ou relatifs et peuvent être exprimés en terme de progression dans une gamme précisée. La convention indiquant un octroi d'encouragement peut prévoir les rajustements aux rendements que le comité peut juger à propos et qui ne sont pas conformes à l'article 162(m) du code. Les octrois d'encouragement peuvent aussi comprendre les. niveaux de rendement qui ont trait aux réalisations ou objectifs individuels. Sauf à l'égard des dirigeants désignés (au sens défini dans le régime), le comité peut établir des mesures de rendement en sus de celles précisées dans le régime; de plus, le comité peut établir des mesures de rendement supplémentaires à l'égard des dirigeants désignés sans l'approbation des actionnaires si les lois accordent ce pouvoir discrétionnaire au comité. Aucun participant ne peut recevoir un octroi d'encouragement en excédant de 4 millions de dollars à l'égard d'un seul cycle de rendement.

Après que le cycle de rendement applicable ait pris fin, le comité peut rajuster les niveaux de rendement réalisés en vue d'exclure les effets des charges inhabituelles ou des éléments de revenus ou autres événements, tels que les acquisitions ou des investissements, qui peuvent dénaturer les états financiers du cycle de rendement; pourvu qu'à l'égard des dirigeants désignés, le comité puisse, et puisse uniquement, exclure les éléments ayant l'effet d'augmenter l'octroi d'encouragement payable si ces éléments constituent des événements ou éléments "extraordinaires" ou "inhabituels" aux termes des principes comptables généralement reconnus. Le comité rajustera aussi le calcul du rendement pour exclure les faits non prévus sur les résultats financiers des changements dans les lois ou règlements fiscaux. Le comité est autorisé à diminuer l'octroi d'encouragement autrement payable si le rendement au cours du cycle de rendement justifie ce rajustement, sans égard à la portée dans laquelle la mesure de rendement applicable a été réalisée. La convention attestant un octroi d'encouragement peut accorder au comité le droit de réviser les niveaux de rendement et les octrois d'encouragement payables si des événements imprévus se produisent qui ont un effet important sur les résultats financiers et qui, de l'avis du comité, rendent l'application des niveaux de rendement non équitables; pourvu qu'à l'égard des dirigeants désignés, ces changements

puissent être effectués d'une manière conforme à l'article 162(m) du code. Le paiement d'un octroi d'encouragement gagné sera effectué au comptant, en actions, ou toute combinaison de comptant et d'actions, que détermine le comité. La convention attestant l'octroi indiquera en outre les modalités et conditions de l'octroi d'encouragement applicable en cas de cessation d'emploi du participant et en cas d'un changement de contrôle.

16. *Actions subalternes.* Le nombre maximal total d'actions qui peuvent être accordées aux termes d'un octroi d'actions subalternes ou d'un octroi d'actions et d'unités de rendement à un participant au cours d'un exercice financier de la société est de 100 000. Les modalités d'un octroi d'actions subalternes, y compris les restrictions sur ces actions et le ou les moments auxquels ces restrictions cesseront, sont déterminées par le comité au moment de l'octroi. Le comité peut déterminer au moment de l'octroi d'actions subalternes que les dividendes versés sur ces actions peuvent être versés au titulaire de l'octroi ou différé. Les dividendes différés (ainsi que tout intérêt couru sur ces dividendes) seront versés à l'expiration des restrictions sur les actions subalternes ou à la déchéance des actions subalternes. Les conventions attestant les octrois d'actions subalternes doivent indiquer les modalités et conditions de ces options lors de la cessation d'emploi du titulaire de l'octroi. À moins que le comité ne le prévoit autrement dans les conventions, toutes les restrictions sur les actions subalternes en circulation cesseront lors d'un changement de contrôle.

17. *Unités de rendement et actions de rendement.* Chaque unité de rendement représentera une action et les paiements à l'égard des unités de rendement acquises seront effectués au comptant, en actions, ou en actions subalternes ou toute combinaison de ce qui précède, comme le détermine le comité. Les actions de rendement sont octroyées sous forme d'actions subalternes. L'acquisition d'unités de rendement ou d'actions de rendement se fonde sur le niveau de réalisation de la mesure de rendement ou des mesures de rendement précisées par le comité, choisi des mesures de rendement figurant à l'annexe A du régime, sur la période de rendement précisée par la comité (le "cycle de rendement"). La mesure de rendement peut avoir trait au rendement de la société ou de ses filiales ou divisions, ou toute combinaison de ce qui précède. Les mesures de rendement et la durée du cycle de rendement à l'égard des unités de rendement et des actions de rendement (qui ne peuvent être inférieures à deux ans) seront déterminées par le comité au moment de l'octroi. Le comité pourrait effectuer des rajustements au niveau de rendement réalisé et des modifications aux mesures de rendement dans la même mesure décrite sous les octrois d'encouragement de réalisation souhaitée ci-dessus. Les conventions attestant les octrois d'unités de rendement et d'actions de rendement indiqueront les modalités et conditions de ces octrois, notamment celles applicables dans le cas de la cessation d'emploi du titulaire de l'octroi. Le nombre maximal total des unités de rendement, des actions de rendement et des actions subalternes qu'un participant peut recevoir au cours de tout exercice financier est de 100 000.

Au moment où un octroi est effectué, le comité déterminera le nombre total d'actions de rendement assujetti à un octroi au moment auquel les actions de rendement seront émises au titulaire. En outre, le comité déterminera a) le ou les moments auxquels les actions de rendement accordées mais non émises seront émises au titulaire et b) le ou les moments auxquels les actions de rendement octroyées et non émises seront acquises ou refusées par le titulaire, dans l'un ou l'autre des cas selon la réalisation des objectifs de rendement précisés dans le cycle de rendement. Au moment de l'octroi des actions de rendement, le comité peut déterminer que les dividendes seront versés ou différés sur les actions de rendement émises. Les dividendes différés (ainsi que tout intérêt couru sur ces dividendes) seront versés à la cessation des restrictions sur les actions de rendement et à la déchéance des actions de rendement. Lors d'un changement de contrôle, à moins que le comité ne le prévoit autrement dans la convention attestant l'octroi, x) un pourcentage des unités de rendement, déterminé par le comité au moment de l'octroi des unités de rendement, deviendra acquis et le titulaire aura le droit de recevoir un paiement au comptant correspondant à la juste valeur marchande rajustée par action multipliée par le nombre d'unités de rendement qui deviendront acquises, et y) à l'égard des actions de rendement, toutes les restrictions cesseront sur un pourcentage des actions de rendement, déterminé par le comité au moment de l'octroi des actions de rendement.

18. Les dispositions du régime précisent que i) le déposant peut, dans certaines circonstances, accepter le paiement du prix d'exercice d'un octroi permettant l'achat des actions sous-jacentes par voie de remise par un participant d'actions du déposant, ii) un participant peut remettre un octroi à des fins d'annulation lors d'un changement de contrôle, et iii) un participant peut faire un choix écrit, qui peut être accepté ou refusé au gré du comité, pour qu'une partie des actions sous-jacentes qui lui sont émissibles ayant une juste valeur marchande totale correspondant à la retenue d'impôt applicable lui soit retenue.

19. Les octrois en vertu du régime et la revente des actions sous-jacentes par les participants constituent des placements qui sont sujets aux exigences de prospectus et d'inscription prévues dans la législation. Certaines dispenses d'inscription et d'exigences de prospectus prévues sont prévues dans la législation ontarienne.

20. La participation au régime est facultative, et on n'incite pas les participants à y participer en vue d'un emploi ou d'un emploi continu.

21. Un exemplaire du régime sera distribué à tous les participants relativement à l'inscription des actions aux termes du régime prévu à la loi des États-Unis intitulée Securities Act of 1933.

22. Il n'y a aucun marché dans les territoires pour la négociation des actions et on ne prévoit pas qu'un tel marché se matérialisera.

23. Les actions sont inscrites à la bourse de New York et toute revente des actions par un participant peut être effectuée par un courtier américain conformément aux

lois américaines applicables en valeurs mobilières par l'intermédiaire de cette bourse.

24. Le régime respecte les exigences des lois américaines applicables en valeurs mobilières.

QUE, selon le régime, le présent document de décision du REC confirme la décision de chaque décideur (collectivement, la "décision");

ET QUE les décideurs sont d'avis que la décision ne porterait pas préjudice à l'intérêt public;

LA DÉCISION des décideurs en vertu de la législation est que :

i) à l'exception de la province de l'Ontario, les exigences de prospectus et d'inscription prévues dans la législation ne s'appliquent pas aux placements éventuels de titres de National Service Industries, Inc. effectuées aux participants aux termes du régime;

ii) les exigences de prospectus et d'inscription prévues dans la législation ne s'appliquent pas à la revente des titres placés auprès des participants de National Service Industries, Inc. par ces derniers;

iii) une copie d'un document établi en français expliquant les modalités du régime soit transmise à chaque participant résidant au Québec;

iv) une copie des documents d'information respectant les normes établies par les autorités réglementaires aux États-Unis d'Amérique soit remise à chaque participant résidant au Québec et visé par le placement; et

v) les exigences d'offre publique de rachat prévues dans la législation ne s'appliquent pas à l'annulation des actions conformément aux dispositions du régime.

Cette décision est rendue à la condition que la première aliénation des titres de National Service Industries, Inc. par les participants individuels soit sujette à l'exigence de prospectus à moins que cette première aliénation ne soit effectuée par l'entremise d'une bourse à l'extérieur du Canada, qu'elle ne soit effectuée conformément aux règles de la bourse par l'entremise de laquelle elle est effectuée et qu'elle ne soit pas faite sciemment, en tout ou en partie, à une personne ou compagnie qui est un résident du Canada ou qui agit pour le compte d'un résident du Canada.

Fait à Montréal, le 19 avril 2000.

"Viateur Gagnon" "Guy Lemoine"

2.1.8 Nova Canadian Equity Fund et al. - MRRS Decision

Headnote

MRRS Exemptive Relief Application-Extension of lapse date.

Statutes Cited

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

Rules Cited

National Policy 43-201 entitled: Mutual Reliance Review System for Prospectus and AIF's.
National Instrument 81-101 entitled: Mutual Fund Prospectus Disclosure.
National Instrument 81-102 entitled: Mutual Funds.

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

AND

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

AND

IN THE MATTER OF NOVA CANADIAN EQUITY FUND, NOVA INTERNATIONAL EQUITY FUND, NOVA BALANCED FUND, NOVA BOND FUND, NOVA SHORT TERM FUND (collectively, the "Nova Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from Nova Bancorp Investment Management Ltd. (the "Applicant") on behalf of the Nova Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits prescribed by the Legislation for filing a simplified prospectus and annual information form ("AIF") in respect of the Nova Funds be extended;

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

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

1. The Applicant is the manager of the Nova Funds;

2. Navigator Fund Company Ltd. ("NFCL"), an affiliate of the Applicant, is the manager of the Navigator Funds which comprise ten open-end mutual fund trusts, some of which are established under the laws of the Province of Manitoba and some of which are established under the laws of the Province of British Columbia. Specifically, the funds are the Navigator American Value Investment Fund, Navigator Asia-Pacific Fund, Navigator Canadian Focused Growth Portfolio, Navigator Canadian Growth Fund, Navigator Canadian Income Fund, Navigator Canadian Technology Fund, Navigator European Equity Fund, Navigator Japan Fund, Navigator Money Market Fund and Navigator SAMI Fund (collectively, the "Navigator Mutual Funds").

3. The Nova Funds comprise five open-end mutual fund trusts, each of which was established under the laws of the Province of Ontario.

4. Each of the Nova Funds is a reporting issuer in the Jurisdictions, and is not in default of any requirements of the applicable securities act, regulation or rule of the Jurisdictions.

5. The Navigator Mutual Funds comprise ten open-end mutual fund trusts, some of which are established under the laws of Manitoba and some of which are established under the laws of the Province of British Columbia.

6. Each of the Navigator Mutual Funds is a reporting issuer in Ontario, British Columbia, Manitoba, Saskatchewan, Alberta, New Brunswick, Nova Scotia and Quebec ("Navigator Jurisdictions").

7. A simplified prospectus and an annual information form for the Nova Funds dated June 15, 1999 were filed with the securities regulatory authorities in the Jurisdictions.

8. A simplified prospectus and annual information form for the Navigator Mutual Funds dated August 24, 1999 were filed with the securities regulatory authorities in the Navigator Jurisdictions.

9. Pursuant to the Legislation of the Jurisdictions, the lapse date in the Jurisdictions for the distribution of units under the current simplified prospectus for the Nova Funds in British Columbia, Alberta, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island and Saskatchewan is June 15, 2000. In Ontario and New Brunswick the lapse date is June 16, 2000.

10. Pursuant to the Legislation of the Navigator Jurisdictions, the lapse date in the Jurisdictions for the distribution of units under the current simplified prospectus for the Navigator Mutual Funds in British Columbia, Alberta, Manitoba, Nova Scotia and Saskatchewan is August 24, 2000. In New Brunswick the lapse date is August 26, 2000. In Ontario the lapse date is August 27, 2000 and in Quebec, August 30, 2000.

11. The Applicant, together with its affiliate, NFCL is in the process of integrating the operation and administration of the Nova Funds and the Navigator Mutual Funds and proposes to consolidate the disclosure materials of the Nova Funds with those of the Navigator Mutual Funds.

12. The Applicant seeks to extend the lapse date for the simplified prospectus for the Nova Funds to August 24, 2000 in order to facilitate the simultaneous renewal of the simplified prospectuses for all of the Nova Funds and the Navigator Mutual Funds, and thereby allow the unitholders of both the Nova Funds and the Navigator Mutual Funds to benefit from the reduced costs attributable to the economies of scale associated with such a renewal.

13. There have been no material changes to the affairs of the Nova Funds since the date of the current simplified prospectus and annual information form.

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of units under the current simplified prospectus for the Nova Funds are hereby extended to the time periods that would be applicable if the lapse date for the distribution of units under the current simplified prospectus was August 24, 2000.

May 12th, 2000.

"Rebecca Cowdery"

2.1.9 SMED International Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - decision declaring issuer to cease to be a reporting issuer following the acquisition of all of its outstanding equity securities by another issuer .

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
SMED INTERNATIONAL INC.

MRRS DECISION DOCUMENT

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

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 SMED has represented to the Decision Makers that:

1. SMED was formed on July 1, 1996 by an amalgamation under the *Business Corporations Act* (Alberta)(the "ABCA").

2. The issued and outstanding securities of SMED consist of senior guaranteed notes with an aggregate principal value of US$42.5 million (the "Notes") and 8,573,678 common shares (the "Common Shares").

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

4. SMED is not in default of any of its obligations as a reporting issuer, or the equivalent, under the Legislation.

5. SMED is subject to the reporting requirements of the *Securities Exchange Act,* 1934 (the "1934 Act") in the United States of America (the "U.S.").

6. Pursuant to an offer to purchase dated January 31, 2000 and a subsequent compulsory acquisition under the provisions of the ABCA, Haworth Acquisition Corp. became the holder of all of the issued and outstanding Common Shares.

7. The Common Shares were delisted from The Toronto Stock Exchange on March 20, 2000 and discontinued from quotation on the National Association of Securities Dealers Automated Quotation System on March 14, 2000.

8. SMED's periodic reporting obligations under the 1934 Act were suspended as of April 25, 2000.

9. The Notes are held by six institutional investors resident in the U.S.

10. The Notes were issued on a private placement basis in reliance on exemptions from the requirement to file a registration statement under the *Securities Act of 1933* (the "1933 Act") in the U.S.

11. The Notes may only be traded in a transaction registered under the 1933 Act or in reliance on an exemption from the requirement to file a registration statement under the 1933 Act.

12. Holders of Notes are entitled under the terms of the Notes to receive from SMED interim and annual financial statements, information concerning compliance with certain financial covenants and such other business or financial information that the note holder may reasonably request.

13. There are no securities of SMED, including debt obligations, currently issued and outstanding other than the Notes and the Common Shares.

14. There are no securities of SMED listed on any stock exchange or traded over the counter in Canada or elsewhere.

15. SMED does not intend to seek public financing by way of an offering of securities.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the determination 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 SMED is deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation.

May 19th, 2000.

"Patricia Johnston"

2.1.10 Timberwest Forest Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Dutch Auction Issuer Bid - With respect to securities tendered at or below the clearing price, offer providing for full take-up and payment for shares tendered by odd lot holders - Offeror exempt from the requirement in the legislation to take up and pay for securities proportionately according to the number of securities deposited by each securityholder and the associated disclosure requirement - Offeror also exempt from the requirement to disclosure the exact number of shares it intends to purchase - Offeror also exempt from the valuation requirement on the basis that there is a liquid market for the securities.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 95(7) and 104(2)(c).

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 189(b) and item 9 of Form 33.

Applicable Ontario Rules

Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions

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

AND

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

AND

IN THE MATTER OF TIMBERWEST FOREST CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland (collectively, the "Jurisdictions") has received an application from TimberWest Forest Corp. ("TimberWest") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed purchase by TimberWest of a portion of its outstanding stapled units (the "Units") under an issuer bid (the "Offer"), TimberWest is exempt from the requirements contained in the Legislation to:

1. take up and pay for securities proportionately according to the number of securities deposited by each securityholder (the "Proportionate Take-up and Payment Requirement");

2. provide disclosure in the issuer bid circular (the "Circular") of such proportionate take-up and payment (the "Associated Disclosure Requirement");

3. state the number of securities sought under the Offer (the "Number of Securities Requirement"); and

4. obtain a valuation of the Units and provide disclosure in the Circular of such valuation, or a summary thereof (the "Valuation Requirement");

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

AND WHEREAS TimberWest has represented to the Decision Makers that:

1. TimberWest has its head office in Vancouver, British Columbia, is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation;

2. the authorized capital of TimberWest consists of 10,069,608,359 common shares without par value (the "Common Shares"), 10,000,000,000 preferred shares with a par value and redemption amount of $0.24456 per share (the "Preferred Shares"), 1,600,000 Class A preferred shares and 5,000,000,000 Class B preferred shares; each Unit consists of one Common Share, 100 Preferred Shares and a subordinate note receipt which represents a unit of the Subordinate Notes of TimberWest having an aggregate face amount of approximately $8.98;

3. the Units are listed and posted for trading on The Toronto Stock Exchange (the "TSE"); on April 14, 2000, the last full trading day prior to the announcement of the Offer, the closing price of the Units on the TSE was $9.75;

4. during the 12 months ended April 14, 2000:

   (a) the number of outstanding Units was at all times at least 43,700,000, excluding Units that either were beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties of TimberWest or were not freely tradeable;

   (b) the aggregate trading volume of the Units on the TSE was approximately 24,800,000 Units;

   (c) there were approximately 8,900 trades in Units on the TSE; and

   (d) the aggregate trading value based on the price of the trades referred to in section 4(c) above was approximately $249,700,000;

5. the market value of the Units described in section 4(a) above was approximately $421,800,000 for the month of March 2000;

6. under the proposed Offer, TimberWest proposes to acquire Units in accordance with the following modified Dutch auction procedure (the "Procedure"), as disclosed in the Circular sent by TimberWest to each holder of Units (collectively, the "Unitholders") on April 19, 2000:

   (a) the Circular specifies that the maximum amount that TimberWest will expend under the Offer is $75,000,000 (the "Specified Amount"), excluding the amount that TimberWest will spend to purchase Units in accordance with the procedures described in section 6(j) below;

   (b) the Circular specifies the range of prices (the "Range") within which TimberWest is prepared to purchase Units under the Offer;

   (c) any Unitholder wishing to tender to the Offer will have the right to either: (i)specify the lowest price within the Range at which he, she or it is willing to sell the tendered Units (an "Auction Tender"); or (ii) elect to be deemed to have tendered the Units at the Purchase Price determined in accordance with section 6(e) below (a "Purchase Price Tender");

   (d) all Units tendered by Unitholders who fail to specify any tender price for such tendered Units and fail to indicate that they have tendered their Units under a Purchase Price Tender will be considered to have been tendered under a Purchase Price Tender;

   (e) (the purchase price (the "Purchase Price") of the Units tendered to the Offer will be the lowest price within the Range that will enable TimberWest to purchase the largest number of Units having an aggregate purchase price not exceeding the Specified Amount, and will be determined based upon the number of Units tendered under an Auction Tender at each price within the Range and tendered under a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price within the range for the purpose of calculating the Purchase Price;

   (f) all Units tendered at prices above the Purchase Price will be returned to the appropriate Unitholders;

   (g) all Units tendered by Unitholders who specify a tender price for such tendered Units that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Purchase Price, will not be purchased by TimberWest and will be returned to the appropriate Unitholders;

   (h) if the aggregate Purchase Price for Units validly tendered to the Offer and not withdrawn is less than or equal to the Specified Amount, TimberWest will purchase all Units so deposited;

   (i) if the aggregate Purchase Price for Units validly tendered to the Offer and not withdrawn exceeds the Specified Amount (an "Over-Subscription"), TimberWest will take up and pay for tendered Units on a *pro rata* basis according to the number of Units tendered by each Unitholder; subject to section 6(j) below, any Units tendered but not taken up and paid for by TimberWest in accordance with this procedure will be returned to the appropriate tendering Unitholders;

   (j) if, after giving effect to TimberWest's purchase of Units in accordance with procedure described in section 6(i) above, a Unitholder who had properly tendered all of his, her or its Units to the Offer at or below the Purchase Price were to hold fewer than 100 Units (an "Odd Lot"), TimberWest also will purchase any such Odd Lot at the Purchase Price; in determining whether a Unitholder would hold an Odd Lot, all of the Units held by the Unitholder under separate certificates or in different accounts or tendered by the Unitholder under separate Auction Tenders or Purchase Price Tenders and that otherwise would be retained by the Unitholder after giving effect to the purchase of Units in accordance with the procedure described in section 6(i) above will be aggregated;

   (k) the aggregate amount that TimberWest will expend under the Offer will not be determined until the number of Units, if any, to be purchased in accordance with the procedure described in section 6(j) is determined;

7. prior to the Offer's expiry, all information regarding the number of Units tendered and the prices at which such Units are tendered will be kept confidential, and the depositary will be directed by TimberWest to maintain such confidentiality until the Purchase Price is determined;

8. since the Offer is for fewer than all the Units, if the number of Units tendered to the Offer at or below the Purchase Price exceeds the maximum number of Units that could be purchased for the Specified Amount, the Legislation would require TimberWest to take up and pay for deposited Units proportionately, according to the number of Units deposited by each Unitholder; in addition, the Legislation would require disclosure in the Circular that TimberWest would, if Units tendered to the Offer exceeded the maximum number of Units that could be purchased for the Specified Amount, take up such Units proportionately according to the number of Units tendered by each Unitholder;

9. taking into account the information contained in section 4 above, and because it is reasonable to conclude that, following completion of the Offer, there will be a market for the beneficial owners of Units who do not tender to the Offer that is not materially less liquid than the market that existed at the time the Offer was made, TimberWest

is able to rely upon the exemption from the Valuation Requirement in Ontario contained section 3.4(3) of Ontario Securities Commission Rule 61-501 (the "Presumption of Liquid Market Exemption");

10. to TimberWest's knowledge, no person or company other than SouthEastern Asset Management, Inc. ("SouthEastern") holds more than 10% of the issued and outstanding Units;

11. SouthEastern beneficially owns or exercises control or direction over 15,030,000 Units, representing approximately 21.6% of the outstanding Units; SouthEastern has advised TimberWest that it has not determined yet whether it will tender any Units to the Offer;

12. the Circular:

(a) discloses the mechanics for the take-up of and payment for, or the return of, Units as described in section 6 above;

(b) explains that, by tendering Units at the lowest price in the Range, a Unitholder reasonably can expect that the Units so tendered will be purchased at the Purchase Price, subject to pro ration as described in section 6 above;

(c) describes the background to the Offer;

(d) discloses every prior valuation of TimberWest that has been made in the 24 months before the date of the Offer and the existence of which is known after reasonable enquiry to TimberWest or any of its directors or senior officers, if any;

(e) discloses any *bona fide* prior offer that relates to the Units or is otherwise relevant to the Offer, if any, where such prior offer was received by TimberWest in the 24 month period preceding the date the Offer was publicly announced, together with a description of such prior offer and the background to it;

(f) describes the review and approval process adopted by the board of directors of TimberWest (the "Board") for the Offer, including any materially contrary view or abstention by a director;

(g) includes a statement of the intention, if known to TimberWest after reasonable enquiry, of every person or company, other than a *bona fide* lender, that, whether alone or in combination with others, holds or would reasonably be expected to hold, upon successful completion of the Offer, securities of TimberWest sufficient to affect materially its control (an "Interested Party") to accept or not accept the Offer;

(h) includes a description of the effect that TimberWest anticipates the Offer, if successful, will have on the direct or indirect voting interest of every Interested Party; and

(i) discloses the facts supporting TimberWest's reliance on the Presumption of Liquid Market Exemption;

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, in connection with the Offer, TimberWest is exempt from the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirement, the Number of Securities Requirement and the Valuation Requirement, provided that Units tendered to the Offer are taken up and paid for, or returned to the Unitholders, in the accordance with the Procedure.

May 9th, 2000.

"Brenda Leong"

2.1.11 Trimark Fund et al. - MRRS Decision

Headnote

MRRS Exemptive Relief Application-Extension of lapse date.

Statutes Cited

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

Rules Cited

National Policy 43-201 entitled: Mutual Reliance Review System for Prospectus and AIF's.
National Instrument 81-101 entitled: Mutual Fund Prospectus Disclosure.
National Instrument 81-102 entitled: Mutual Funds.

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND, 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 TRIMARK FUND, TRIMARK SELECT GROWTH FUND, THE AMERICAS FUND, TRIMARK INDO-PACIFIC FUND, TRIMARK DISCOVERY FUND, TRIMARK EUROPLUS FUND, TRIMARK CANADIAN FUND, TRIMARK RSP EQUITY FUND, TRIMARK SELECT CANADIAN GROWTH FUND, TRIMARK CANADIAN RESOURCES FUND, TRIMARK CANADIAN SMALL COMPANIES FUND, TRIMARK ENTERPRISE FUND, TRIMARK ENTERPRISE SMALL CAP FUND, TRIMARK INCOME GROWTH FUND, TRIMARK SELECT BALANCED FUND, TRIMARK INTEREST FUND, TRIMARK GOVERNMENT INCOME FUND, TRIMARK CANADIAN BOND FUND, TRIMARK ADVANTAGE BOND FUND (individually a "Trimark Fund" and collectively, the "Trimark Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian 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, Yukon Territory, Northwest Territories and Nunavut Territory (the "Jurisdictions") has received an application from Trimark Investment Management Inc. ("Trimark") in its capacity as trustee, manager, investment adviser and principal distributor of the Trimark Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the lapse date of the units offered by each Fund pursuant to the simplified prospectus and annual information form dated June 2, 1999 be extended to August 2, 2000;

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

AND WHEREAS Trimark has represented to the Decision Makers that:

1. Trimark is a wholly-owned subsidiary of Trimark Financial Corporation ("TFC");

2. the Trimark Funds consist of 19 open-end mutual fund trusts established under the laws of Ontario by declarations of trust;

3. the Trimark Funds are qualified for distribution in the Jurisdictions by means of a simplified prospectus and annual information form dated June 2, 1999 (the "June 1999 Disclosure Documents") that were amended and restated by amended and restated simplified prospectuses and amended and restated annual information forms dated October 18, 1999 and January 20, 2000 that have been prepared and filed in accordance with the Legislation;

4. pursuant to the Legislation the lapse date for the units of the Trimark Funds qualified under the June 1999 Disclosure Documents is June 11, 2000 in Quebec, June 7, 2000 in Ontario and June 2, 2000 in all of the other Jurisdictions;

5. pursuant to the Legislation *pro forma* versions of the June 1999 Disclosure Documents (the "Renewal Documents") must be filed with the securities regulatory authority in Quebec by May 12, 2000, in Ontario by May 6, 2000, in Manitoba by May 12, 2000 and in each of the other Jurisdictions by May 3, 2000 in the absence of the exemptive relief granted hereby;

6. the Renewal Documents are required to be filed in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure* ("NI 81-101"), Form 81-101F1, Form 81-101F2, Companion Policy 81-101CP and National Instrument 81-102 *Mutual Funds* ("NI 81-102"), (NI 81-101 and NI 81-102 collectively referred to as the "New Rules"), which collectively implement a new regulatory regime governing the required disclosure provided by mutual funds under securities legislation in Canada. The New Rules came into force on February 1, 2000. In accordance with NI 81-101, Trimark must prepare the Renewal Documents in accordance with Forms 81-101F1 and 81-101F2 which prescribe new detailed disclosure requirements for a simplified prospectus and annual information form of a mutual fund;

7. in the circumstances, the preparation of the Renewal Documents under the New Rules requires more time and human resources than in other years;

8. on April 24, 2000, TFC publicly announced that it had been approached and was in discussions concerning a transaction that may affect control of TFC. On May 9,

2000 TFC and Amvescap PLC ("Amvescap") announced that they had entered into a merger agreement contemplating the acquisition of all of the common shares of TFC by Amvescap (the "Pending Transaction");

9. the Pending Transaction was unforeseen and has interfered with the ability of Trimark to complete the Renewal Documents in conformity with the New Rules prior to the filing deadline for the Renewal Documents;

10. each Trimark Fund is a reporting issuer in each of the Jurisdictions and is not in default of any of the requirements of the securities laws of such Jurisdictions;

11. there have been no material changes in the affairs of the Trimark Funds, other than concerning the Pending Transaction, since the date of the Disclosure Documents in respect of which an amendment to the Disclosure Documents has not been prepared and filed in accordance with the Legislation. The Trimark Funds will file an amendment to the June 1999 Disclosure Documents disclosing the Pending Transaction no later than May 19, 2000;

AND WHEREAS Trimark has represented to the Decision Makers that the completion of the Renewal Documents has been delayed due to the Pending Transaction and the New Rules;

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation for the filing of the pro forma annual information form, pro forma simplified prospectus, final annual information form and final simplified prospectus and the receipting thereof, in connection with the distribution of securities of the Funds are hereby extended to the times that would be applicable if the lapse date for the distribution of securities under the June 1999 Disclosure Documents was August 2, 2000.

May 24th, 2000.

"Rebecca Cowdery"

2.1.12 TVA Acquisition Inc. and the Offer to Purchase All of the Outstanding Class A Multiple Voting Shares of Motion International Inc. - MRRS Decision

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

AND

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

AND

IN THE MATTER OF
TVA ACQUISITION INC.

AND

IN THE MATTER OF
THE OFFER TO PURCHASE ALL OF THE OUTSTANDING
CLASS A
MULTIPLE VOTING SHARES OF MOTION INTERNATIONAL
INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec, Saskatchewan and Newfoundland (the "Jurisdictions") has received an application from TVA Acquisition Inc. (formerly 3701131 Canada Inc.) ("Bidco") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that in connection with the offer (the "Offer") to purchase all of the Class A Multiple Voting Shares (the "Shares") of Motion International Inc. ("Motion") at a price of $5.45 per share (the "Offer Price"), payable in cash :

(1) despite the provision in the Legislation that prohibits an offeror who makes or intends to make a take-over bid or issuer bid and any person or company acting jointly or in concert with the offeror (a «Joint Actor») from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing the holder or owner a consideration of greater value than that offered to other holders of the same class of securities or create disparity among holders of that class (the «Prohibition on Collateral Agreements»):

(a) the agreement, dated March 28, 2000 (the «Domestic Sale Agreement»), pursuant to which Motion will (i) dispose, at or prior to the Offer, of the Canadian domestic production portion of its business (the «Domestic Assets») to 9088-4180 Quebec Inc. («Acquisico»), a company whose

voting shares are to be held by certain members of management of Motion (the «Management»), Telesystem Financial Corporation («TFC») and Capital Communications CDPQ Inc. («CDPQ») (collectively, the «Acquisico Shareholders»), and (ii) grant to Acquisico at the same time a license (the "License") to distribute in exclusivity the productions not included in the Domestic Assets for three consecutive periods of 25 years, is made for purposes other than to increase the value of the consideration paid to TFC and Management for their Shares and such agreement may be entered into; and

(b) the arrangements (the «Financial Arrangements») pursuant to which Acquisico will finance the purchase of the Domestic Assets and the Acquisico Shareholders will finance their purchase of voting shares of Acquisico are made for purposes other than to increase the value of the consideration paid to TFC and Management for their Shares and may be entered into; and

(2) despite the provision in the Legislation that prohibits an offeror, any Joint Actor, any securityholder of the offeror who, alone or in combination with others, holds a sufficient number of the offeror's securities to affect materially its control (a «Control Person») and any associate or affiliate of a Control Person from acquiring, in the period beginning with the expiry of the bid and ending at the end of the twentieth business day thereafter, securities of the same class subject to the bid by way of a transaction that is not generally available on identical terms to holders of that class of securities (the «Post-Bid Purchase Restrictions»), CDPQ may purchase for cash at the Offer Price all of the Shares held by TFC (the «TFC Block») and transfer such Shares together with the Shares already owned by CDPQ (the «CDPQ Block») to Bidco immediately prior to Bidco's take up of and payment for the Shares deposited under the Offer (the «Post-Bid Purchase and Transfer»);

AND WHEREAS pursuant to the Mutual Reliance System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

AND WHEREAS Bidco has represented to the Decision Makers that:

1. TVA Group Inc. ("TVA") was incorporated pursuant to the laws of Quebec and is a reporting issuer in all the Jurisdictions;

2. CDPQ was incorporated pursuant to the laws of Québec and is a wholly-owned subsidiary of the Caisse de dépôt et de placement du Québec;

3. Bidco was incorporated pursuant to the laws of Canada specifically for the purpose of making the Offer. The head office of Bidco is located in the province of Quebec;

4. Bidco is presently a wholly-owned subsidiary of TVA. Immediately before the take up and payment of the Shares tendered under the Offer, TVA will own 70% of the voting shares of Bidco and CDPQ will own 30% of the voting shares of Bidco;

5. Motion was continued under the laws of Canada and is a reporting issuer in Québec, Ontario and British Columbia;

6. The Shares are listed on the Toronto Stock Exchange under the symbol "MOT.A";

7. Bidco and TVA do not own any Shares;

8. CDPQ beneficially owns 3,595,264 Shares, representing approximately 14% of the outstanding shares (calculated on a fully diluted basis);

9. Acquisico was incorporated pursuant to the laws of Québec specifically to make the acquisition of the Domestic Assets;

10. On March 30, 2000, TVA announced is intention to launch the Offer through Bidco, with the participation of CDPQ, in order to purchase all the Shares (other than the Shares beneficially owned or controlled by Bidco, TVA, CDPQ and their affiliates) for cash at the Offer Price;

11. On April 12, 2000, Bidco launched the Offer;

12. The Offer is conditional upon certain events, including, without limitation, the valid deposit of at least 66 2/3% of the Shares issued and outstanding (calculated on a fully diluted basis), other than the Shares beneficially owned or controlled by Bicdo, TVA, CDPQ and their affiliates. For the purposes of determining whether the 66 2/3% minimum deposit condition has been satisfied, the TFC Block acquired by Bidco outside of the Offer pursuant to the Post-Bid Purchase and Transfer shall be deemed to have been validly deposited under the Offer;

13. The Offer is conditional upon the disposition by Motion of the Domestic Assets to Acquisico and the grant of the License to Acquisico, at or prior to the expiry of the Offer;

14. On March 29, 2000, TVA entered into a support agreement with Motion, pursuant to which Motion, in particular, (i) represented having received a favorable fairness opinion from CIBC World Markets Inc. regarding the Offer, (ii) represented having determined that the Offer is in the best interest of Motion and its shareholders and (iii) agreed to recommend the acceptance of the Offer to its shareholders;

15. On March 29, 2000, TVA also entered into lock-up agreements (the «Lock-up Agreements») with each of TFC, Royal Bank Capital Corporation, Placement Gestmo Inc. and Astral Media Inc. (collectively, the «Locked-up Shareholders») in respect of all of their Shares being, respectively, on a fully diluted basis, 5,179,995 Shares, 1,345,910 Shares, 1,300,000 Shares and 1,143,174 Shares, and representing 45% of the outstanding Shares (calculated on a fully-diluted basis) not including the CDPQ Block. Pursuant to the Lock-up Agreements, TFC irrevocably agreed to sell the TFC Block to CDPQ for cash consideration equal to the Offer Price per Share and the other Locked-up Shareholders irrevocably agreed to tender under the Offer all of their Shares;

16. On or about March 17, 2000, the Board of Directors of Motion was informed of the potential transaction and appointed a committee of independent directors (the "Independent Committee") to review the proposed Offer and make its recommendation to the Board of Directors. The Independent Committee retained legal counsel, as well as retaining CIBC World Markets Inc. to act as its financial adviser, prepare a formal valuation of the Shares (the «Valuation»), provide an opinion to the Independent Committee as to the fairness from a financial point of view of the consideration to be offered to holders of Shares (the «Motion Shareholders») under the Offer and provide an opinion to the Independent Committee as to the consideration to be received by TFC and the Management in the Offer;

17. Upon the advice and recommendation of the Independent Committee, the Board of Directors of Motion has determined that the Offer is in the best interests of the shareholders and fair from a financial point of view. The Independent Committee has received a fairness opinion from CIBC World Markets Inc. dated March 29, 2000 to the effect that (a) the consideration offered under the Offer is fair from a financial point of view to the Motion Shareholders (other than TFC and CDPQ) and (b) the Management and TFC are not receiving for their Shares under the Offer a consideration greater than that offered to the other Motion Shareholders (other than CDPQ, TFC and the Management);

18. On March 28, 2000, TVA entered into (the Domestic Sale Agreement with Acquisico pursuant to which Motion will dispose of the Domestic Assets for an aggregate consideration of $10 million. These transactions are made in order to preserve the rights of the Domestic Assets' owner to claim the full tax credits normally available in respect of the Domestic Assets and its entitlement to other government funding (such as Telefilm Canada) and to consolidate the exploitation of all domestic productions in one entity. If control of Motion were acquired by TVA, certain tax credits and other grants would be lost or reduced because of TVA's status as a broadcaster, therefore reducing the value of the Domestic Assets and jeopardizing their profitable operations;

19. The Financial Arrangements contemplate that (i) the Management will subscribe for 50% of the voting shares of Acquisico at a price of $1 million, of which $500,000 will be financed by TFC through loans to members of Management guaranteed by their voting shares of Acquisico, such loans bearing an annual interest rate of "prime" plus 2%; (ii) TFC will subscribe for the other 50% of the voting shares of Acquisico at a price of $1 million; (iii) TFC will lend $4 million to Acquisico under a subordinated unsecured debenture bearing an annual interest rate of 15% (out of this $4 million, $500,000 will be used for cash flow purposes) (the "TFC Loan"); (iv) another lender (the "Lender") will finance $4.5 million with a secured loan to Acquisico bearing an annual interest rate of 6% (the "Secured Loan"), which will further provide that in case Acquisico proceeds with an offering of securities, 50% of the proceeds will be used to repay the Secured Loan and (v) following the closing of the Offer, CDPQ will acquire 50 % of the equity and debt participations of TFC in Acquisico and thereafter, Management will remain with 50 % of the voting rights and equity of Acquisico and TFC will own the remaining 25 % of the voting rights and equity. Furthermore, the loan of $4 million of TFC to Acquisico will be reduced to 2$ million, the other $2 million being provided by CDPQ;

20. Furthermore, one or more secured operating credit facilities totaling $10 to $11 million (the "Bank Facilities") will be provided to Acquisico by one or more yet to be identified Canadian chartered banks. In terms of ranking, the Bank Facilities will rank first and the Secured Loan second. TFC, therefore, will rank last among such creditors as an unsecured and subordinated creditor. Furthermore, the principal amount of $4 million of the debenture will not be reimbursed before the principal and interest payable under the Secured Loan and the Bank Facilities are fully reimbursed and no interest will be paid to TFC on the TFC Loan unless interest is paid to the banks and the Lender under the Secured Loan and the Bank Facilities;

21. TFC holds (on a fully diluted basis) 5,179,995 Shares and Management holds (on a fully diluted basis) less than 1% of the issued and outstanding Shares;

22. The Domestic Sale Agreement and the Financial Arrangements have been or will be entered into for a valid business purpose unrelated to the ownership by TFC and the Management of Shares and not for the purpose of providing TFC or the Management with greater consideration for their Shares than the consideration to be received by the other Motion Shareholders;

23. It was initially contemplated that TVA and CDPQ were to fund Bidco with the necessary cash to pay for the Shares deposited under the Offer. However, any structure involving a cash investment by CDPQ in Bidco would create a significant tax adverse situation for Bidco. The transaction was thus structured in order that CDPQ's entire 30% participation in Bidco be provided through the transfer of Shares to Bidco;

24. More specifically, it has been determined that the only way of providing CDPQ with its 30% participation interest in Bidco (and therefore funding its part of the purchase price) would be to have CDPQ purchase and transfer into Bidco a sufficient number of Shares to finance its 30% interest in Bidco. Therefore, during the discussions between TVA, CDPQ and TFC in connection with the execution of the lock-up agreement of TFC, TFC irrevocably agreed to sell for cash, at the Offer Price, the TFC Block to CDPQ which will then immediately transfer the TFC Block, along with the CDPQ Block to Bidco in consideration for shares of Bidco, thereby funding its 30% participation interest in Bidco. Bidco would then immediately take up and pay for the Shares tendered under the Offer;

25. Such purchase by CDPQ of the TFC Shares and immediate transfer thereof (along with the CDPQ Shares) to Bidco will be made immediately and conditionally upon

Bidco's take up of and payment for the Shares tendered under the Offer;

26. The Post-Bid Purchase and Transfer will not occur unless and until Bidco issues a news release disclosing that all of the terms and conditions of the Offer have been fulfilled or waived and disclosing the approximately number of Shares that have been deposited to the Offer and that will be taken up (the «News Release»);

27. The Motion Shareholders will in no way be prejudiced by the Post-Bid Purchase and Transfer and by the granting of the relief sought, as their Shares will be taken up and paid for at the same price and on the same day at almost the same time as the purchase of the TFC Block by CDPQ and the TFC Block's immediate subsequent transfer to Bidco (along with the CDPQ Block);

28. The sale of the TFC Block to CDPQ and the transfer thereof (along with the CDPQ Block) to Bidco immediately prior to the take-up and payment by Bidco of the Shares deposited under the Offer is necessary for business purposes related to the structuring and the making of the Offer and not for the purpose of increasing the value of the consideration to be paid to TFC for its Shares will not provide TFC with a benefit or other advantage not provided to other Motion Shareholders;

29. The take-over bid circular to be sent on Bidco's behalf in connection with the Offer to the Motion Shareholders will:

(i) include the Valuation and a summary thereof; and

(ii) disclose the particulars of the transactions contemplated by the Domestic Sale Agreement, the Financing Arrangements, the Lock-up Agreements and the Post-Bid Purchase and Transfer.

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 authority to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that (i) the Domestic Sale Agreement and the Financial Arrangements are made for purposes other than to increase the value of the consideration paid to TFC and the Management for their Shares and may be entered into notwithstanding the Prohibition on Collateral Agreements, and (ii) notwithstanding the Post-Bid Purchase Restrictions, CDPQ may effect the Post-Bid Purchase and Transfer, provided that (i) such Post-Bid Purchase and Transfer occurs after Bidco has issued and filed with the Decision Makers the News Release and (ii) immediately thereafter, Bidco takes up and pays for all of the Shares validly tendered under the Offer.

Me Guy Lemoine
Viateur Gagnon
May 2, 2000.

DANS L'AFFAIRE DE LA LÉGISLATION SUR LES VALEURS MOBILIÈRES DE L'ALBERTA, DE LA COLOMBIE-BRITANNIQUE, DU MANITOBA, DE LA NOUVELLE-ÉCOSSE, DE L'ONTARIO, DU QUÉBEC, DE LA SASKATCHEWAN ET DE TERRE-NEUVE

ET

DANS L'AFFAIRE DU RÉGIME D'EXAMEN CONCERTÉ DES DEMANDES DE DISPENSE

ET

DANS L'AFFAIRE DE TVA ACQUISITION INC.

ET

DANS L'AFFAIRE DE L'OFFRE PUBLIQUE D'ACHAT VISANT LA TOTALITÉ DES ACTIONS à DROIT DE VOTE MULTIPLE CATÉGORIE A DE MOTION INTERNATIONAL INC.

DOCUMENT DE DÉCISION DU REC

ATTENDU QUE l'autorité canadienne en valeurs mobilières ou l'agent responsable local (le « décideur ») de l'Alberta, de la Colombie-Britannique, du Manitoba, de la Nouvelle-Écosse, de l'Ontario, du Québec, de la Saskatchewan et de Terre-Neuve (les « juridictions ») ont reçu une demande de TVA Acquisition Inc. (auparavant 3701131 Canada Inc.) (« Bidco ») pour qu'une décision soit rendue en vertu de la législation sur les valeurs mobilières des juridictions (la « loi ») relativement à l'offre (l'« Offre ») d'achat visant la totalité des actions à droit de vote multiple catégorie A (les « Actions ») de Motion International Inc. (« Motion ») au prix de 5,45 $ l'action (le « Prix offert »), payable comptant à l'effet que:

1. Malgré les dispositions de la loi interdisant à un offrant, qui fait ou a l'intention de faire une offre publique d'achat ou une offre publique de rachat et toute personne agissant conjointement ou de concert avec l'offrant (une "Personne agissant de concert"), de conclure une convention accessoire, un engagement ou une entente avec tout porteur ou propriétaire véritable d'actions de l'émetteur qui est visé par l'Offre, ayant pour effet d'octroyer à un porteur ou à un propriétaire véritable une considération supérieure à celle offerte aux autres porteurs d'actions de la même catégorie (l'« Interdiction visant la conclusion de conventions accessoires »):

(a) la convention datée du 28 mars 2000 (la "Convention de vente des Actifs Nationaux"), en vertu de laquelle Motion va (i) céder, à ou avant l'expiration de l'Offre, la partie nationale de ses activités de production canadienne (les « Actifs Nationaux ») à 9088-4180 Québec inc. (« Acquisico »), une compagnie dont les actions votantes seront détenues également par certains membres du management de Motion (le « Management ») et Corporation Financière Telesystème (« CFT ») (les « Actionnaires

d'Acquisico ») et (ii) octroyer à Acquisico au même moment une licence (la « Licence ») de distribution exclusive à l'égard des productions qui ne sont pas incluses dans les Actifs Nationaux pour trois périodes consécutives de 25 ans, est intervenue pour des raisons autres que celle d'augmenter la valeur de la considération payable à CFT et au Management pour leurs Actions et une telle convention peut être conclue;

(b) les arrangements (les "Arrangements financiers") aux termes desquels Acquisico financera l'achat des Actifs Nationaux, le paiement de l'avance sur la Licence et que les Actionnaires d'Acquisico vont financer l'achat des Actions Ordinaires d'Acquisico, sont effectués pour des raisons autres que celles d'augmenter la valeur de la considération payable à CFT et au Management pour leurs Actions et qu'ils peuvent être conclus; et

2. Malgré les dispositions de la loi qui interdisent à un offrant, une Personne agissant de concert, tout porteur de titres de l'offrant qui, seul ou avec d'autres, détient un nombre suffisant de titres de l'offrant pour exercer une emprise importante sur le contrôle (une « Personne de contrôle ») et toute personne qui a des liens avec une Personne de contrôle ou qui fait partie du même groupe que celui d'une Personne de contrôle, d'acquérir, durant la période commençant avec l'expiration de l'Offre et se terminant le 20e jour ouvrable suivant, des titres de la même catégorie que celles visée par l'Offre à des conditions qui ne sont pas offertes à l'ensemble des porteurs de la catégorie d'actions (les « Restrictions concernant les acquisitions d'actions à la suite d'une offre »), Capital Communication CDPQ Inc. (« CDPQ ») peut acheter au Prix offert, payable comptant, toutes les Actions qui sont détenues par CFT (le « Bloc de CFT ») et transférer cesdites Actions, de même que les Actions déjà détenues par CDPQ (le « Bloc de CDPQ »), à Bidco immédiatement avant la prise de livraison et le paiement par Bidco des Actions déposées aux termes de l'Offre (l'« Achat et le Transfert Post-Offre».

ET ATTENDU QUE, conformément au régime d'examen concerté des demandes de dispense (le « régime d'examen concerté »), la Commission des valeurs mobilières du Québec est l'autorité principale de cette demande;

ET ATTENDU QUE Bidco a fait les déclarations suivantes :

1. TVA a été constituée en vertu des lois du Québec et est un émetteur assujetti dans toutes les juridictions;

2. CDPQ a été constituée en vertu des lois du Québec et est une filiale à part entière de Caisse de dépôt et de placement du Québec;

3. Bidco a été constituée en vertu des lois du Canada spécifiquement pour procéder au lancement de l'Offre;

4. Bidco est présentement une filiale à part entière de TVA. Immédiatement avant la prise de livraison et le paiement des Actions qui seront déposées aux termes de l'Offre, TVA détiendra 70 % des actions votantes de Bidco et CDPQ détiendra 30 % des actions ordinaires de Bidco;

5. Motion a été continuée en vertu des lois du Canada et est un émetteur assujetti au Québec, en Ontario et en Colombie-Britannique;

6. Les Actions sont inscrites à la cote de la Bourse de Toronto sous le symbole « MOT.A »;

7. Bidco et TVA ne sont propriétaires d'aucune Action;

8. CDPQ détient 3 595 264 Actions, représentant approximativement 14 % des Actions émises (calculées sur une base pleinement diluée);

9. Acquisico a été constituée en vertu des lois du Québec spécifiquement pour procéder à l'acquisition des Actifs Nationaux;

10. Le 30 mars 2000, TVA a annoncé son intention de lancer l'Offre par l'intermédiaire de Bidco, avec la participation de CDPQ, afin d'acheter toutes les Actions (à l'exception des Actions détenues ou contrôlées par Bidco, TVA, CDPQ et les personnes qui leurs sont liées) au Prix offert, payable comptant. Le 12 avril 2000, Bidco a lancé l'Offre;

11. L'Offre est conditionnelle à la réalisation de certains événements, incluant notamment, le dépôt valable d'au moins 66 2/3 % des Actions émises et en circulation (calculées sur une base pleinement diluée), à l'exception des Actions détenues ou contrôlées par Bidco, TVA, CDPQ et les personnes qui leurs sont liées. Aux fins de déterminer si la condition du dépôt minimale de 66 2/3 % des Actions a été satisfaite, le Bloc de CFT, qui sera acquis par Bidco à l'extérieur de l'Offre aux termes de l'Acquisition et le Transfert Post-Offre, sera considéré comme ayant été validement déposé aux termes de l'Offre;

12. L'Offre sera également conditionnelle à la vente par Motion, à ou avant l'expiration de l'Offre, des Actifs Nationaux et l'octroi de la Licence à Acquisico;

13. Le 29 mars 2000, TVA a conclu une convention de soutien avec Motion aux termes de laquelle, Motion a notamment: (i) représenté avoir reçu de CIBC World Markets Inc., un avis favorable sur le caractère équitable de l'Offre d'un point de vue financier; (ii) représenté avoir déterminé que l'Offre est équitable, d'un point de vue financier, pour les actionnaires de Motion et est dans l'intérêt des actionnaires de Motion; et (iii) a accepté de recommander l'acceptation de l'Offre à ses actionnaires;

14. Le 29 mars 200, TVA a conclu des conventions de blocage (les « Conventions de blocage ») avec chacune de CFT, Royal Bank Capital Corporation, Placements, Gestmo Inc. et Astral Média Inc. (les « Actionnaires bloqués ») visant la totalité de leurs Actions soit, respectivement, sur une base pleinement diluée, 5 179 995 Actions, 1 345 910 Actions, 1 300 000 Actions et 1 143 174 Actions, représentant approximativement 45 % des Actions en circulation (calculées sur une base pleinement diluée), mais excluant le Bloc de CDPQ. Aux termes des Conventions de blocage, CFT a convenu

irrévocablement de vendre le Bloc de CFT à CDPQ pour une contrepartie au comptant égal au Prix offert par Action et les autres Actionnaires bloqués ont convenu irrévocablement de déposer leurs Actions en réponse à l'Offre ;

15. Le ou vers le 17 mars 2000, le conseil d'administration de Motion a été informé de l'éventualité de la transaction et a nommé un comité indépendant d'administrateurs (le « Comité Indépendant ») pour examiner les termes de l'Offre et faire sa recommandation au conseil d'administration. Le Comité Indépendant a retenu les services de conseillers légaux et de CIBC World Markets Inc. pour agir à titre de conseiller financier et préparer une évaluation des Actions (l'« Évaluation »), et fournir au Comité Indépendant un avis quant au caractère équitable d'un point de vue financier de la contrepartie offerte aux porteurs d'Actions (les « Actionnaires de Motion ») aux termes de l'Offre et de fournir au Comité Indépendant un avis quant à la contrepartie à être donnée à CFT et le Management dans l'Offre ;

16. En considérant l'avis et la recommandation du Comité Indépendant, le conseil d'administration de Motion a déterminé que l'Offre était équitable, d'un point de vue financier, pour les Actionnaires de Motion et que l'Offre était dans l'intérêt des Actionnaires de Motion. Le Comité Indépendant a reçu un avis de CIBC World Markets Inc. daté du 29 mars 2000 concluant que (a) la considération offerte aux termes de l'Offre est équitable d'un point de vue financier pour les actionnaires de Motion (autres que CFT et CDPQ); et (b) le Management et CFT ne recevront pas pour leurs Actions une considération qui est supérieure à celle offerte aux autres Actionnaires de Motion (autres que CDPQ, CFT et le Management);

17. Le 28 mars 2000, TVA a conclu la Convention de vente des Actifs Nationaux avec Acquisico aux termes de laquelle Motion vendra les Actifs Nationaux pour une considération totale de 8 million $ et Motion accordera à Acquisico la Licence pour une avance au comptant de 2 million $. Motion affectera immédiatement la somme de 10 million $ qu'elle recevra au remboursement de ses dettes bancaires. Ses opérations ont pour but de préserver le droit du propriétaire des Actifs Nationaux de se prévaloir de la totalité des crédits d'impôt habituellement applicables à l'égard des Actifs Nationaux et ainsi que son droit d'obtenir d'autres subventions publiques, (notamment de Téléfilm Canada) et de regrouper l'exploitation de toutes les productions nationales au sein d'une même entité. Si TVA prend le contrôle de Motion, certains crédits d'impôt et certaines subventions seraient perdus ou réduits du fait du statut de radiodiffuseur de TVA, ce qui réduirait la valeur des Actifs Nationaux et mettrait en péril la rentabilité de leur exploitation ;

18. Les Arrangements financiers prévoient que: (i) le Management souscrira à 50 % des actions votantes d'Acquisico au prix de 1 000 000 $, de ce montant 500 000 $ sera financé par CFT par des prêts aux membres du Management qui seront garantis par leurs actions votantes d'Acquisico, ces prêts porteront intérêts annuellement au taux préférentiel plus 2 %; (ii) CFT souscrira à l'autre 50 % des actions votantes d'Acquisico au prix de 1 000 000 $; (iii) CFT prêtera 4 000 000 $ à Acquisico en vertu d'une débenture subordonnée non garantie portant intérêts au taux annuel de 15 % (de ce montant de 4 000 000 $, 500 000 $ sera utilisé pour le fonds de roulement) (le « Prêt CFT »); (iv) un autre prêteur (le « Prêteur ») octroiera un prêt garanti de 4 500 000 $ à Acquisico qui portera intérêts au taux annuel de 6 % (le « Prêt garanti »). Ce prêt prévoira que dans l'éventualité où Acquisico procéderait à une émission d'actions, 50 % de l'emploi du produit sera utilisé pour repayer le Prêt garanti et (v) après la clôture de l'offre, CDPQ fera l'acquisition de 50 % de la participation en actions et en créances de CFT dans Acquisico, de sorte qu'après cette opération, la direction conservera 50 % des droits comportant droit de vote et des actions d'Acquisico, CDPQ et CFT ayant chacun la propriété de 25 % des actions comportant droit de vote et des actions d'Acquisico. De plus, le prêt de 4 millions de dollars que CFT a consenti à Acquisico sera ramené à 2 millions de dollars, les 2 millions de dollars restants étant fournis par CDPQ;

19. De plus, une ou plusieurs marge de crédit garantit d'un montant total de 10 000 000 $ à 11 000 000 $ (les « Facilités bancaires ») sera fourni par une ou plusieurs banques à charte canadiennes à être déterminée. Au niveau de la priorité des créances, les Facilités bancaires seront au premier rang, et le Prêt garanti sera au deuxième rang. CFT viendra donc au dernier rang entre les créanciers à titre de créancier non garanti et subordonné. De plus, le capital de 4 000 000 $ du Prêt CFT ne pourra être repayé avant que le capital et les intérêts du Prêt garanti et des Facilités bancaires ne soient complètement remboursés et aucun intérêt ne sera payable à CFT sur le prêt CFT à moins que les intérêts n'aient été payés aux banques et au Prêteur en vertu du Prêt garanti et des Facilités bancaires;

20. CFT détient (sur une base pleinement diluée) 5 179 995 Actions et le Management détient (sur une base pleinement diluée) moins de 1 % des Actions émises et en circulation;

21. La Convention de vente des Actifs Nationaux et les Arrangements financiers ont été ou seront conclus pour des raisons d'affaires valables non reliées à la propriété de CFT et du Management dans les Actions et pour des fins autres que de procurer à CFT ou au Management une contrepartie pour leurs Actions plus grande que la contrepartie reçue par les autres actionnaires de Motion;

22. Il était initialement prévu que TVA et CDPQ fourniraient à Bidco l'argent nécessaire pour procéder au paiement des Actions déposées aux termes de l'Offre. Cependant, toute structure en vertu de laquelle un paiement au comptant serait fait à Bidco par CDPQ créerait une situation ayant des conséquences fiscales néfastes considérables. La transaction a donc été structurée de façon à ce que la participation de 30 % de CDPQ dans Bidco soit atteinte en procédant par un transfert d'Actions de Motion à Bidco;

23. De façon plus spécifique, il a été déterminé que la seule façon de conférer à CDPQ une participation de 30 % dans le capital de Bidco (et donc de contribuer à sa part

du prix d'achat) serait de permettre que CDPQ achète et transfère à Bidco un nombre suffisant d'Actions en contrepartie d'une participation de 30 % dans le capital de Bidco. Donc, à la suite des discussions entre TVA, CDPQ et CFT en relation avec la conclusion de la convention de blocage de CFT, CFT a accepté de façon irrévocable de vendre à CDPQ au Prix offert, payable comptant, le Bloc de CFT. Par la suite, CDPQ transférera immédiatement à Bidco le Bloc de CFT alors acheté, avec le Bloc de CDPQ, en échange d'actions de Bidco, contribuant ainsi à sa participation de 30 % dans le capital de Bidco. Ensuite Bidco procédera immédiatement à la prise de livraison et au paiement des Actions déposées aux termes de l'Offre;

24. Un tel achat par CDPQ du Bloc de CFT et son transfert immédiat à Bidco (avec le Bloc de CDPQ) sera fait immédiatement avant et conditionnellement à la prise de livraison et au paiement par Bidco des Actions déposées aux termes de l'Offre;

25. L'Achat et le Transfert Post-Offre ne sera pas effectué à moins que Bidco n'émette auparavant un communiqué de presse indiquant que tous les termes et conditions de l'Offre ont été remplis ou renoncés et indiquant le nombre approximatif d'Actions qui ont été déposées aux termes de l'Offre et qui seront prises en livraison (le « Communiqué de presse »);

26. Les Actionnaires de Motion ne seront aucunement désavantagés par l'Achat et le Transfert Post-Offre et par l'octroi de la décision demandée, puisque leurs Actions seront prises en livraison et payées au même prix, le même jour et presque au même moment que l'achat du Bloc de CFT par CDPQ et le transfert immédiat subséquent du Bloc de CFT à Bidco (avec le Bloc de CDPQ);

27. La vente du Bloc de CFT à CDPQ et son transfert subséquent à Bidco (avec le Bloc de CDPQ), immédiatement avant la prise de livraison et le paiement par Bidco des Actions déposées aux termes de l'Offre, est nécessaire pour des raisons d'affaires relatives à la structure et au lancement de l'Offre et non afin d'augmenter la valeur de la considération payable à CFT pour ses Actions. Aucun avantage ou autre bénéfice quelconque qui ne serait pas par ailleurs octroyé aux autres Actionnaires de Motion ne sera octroyé à CFT;

28. La note d'information acheminée pour le compte de Bidco aux actionnaires de Motion dans le cadre de l'Offre va:

    (i) comprendre l'Évaluation et un résumé de celle-ci; et

    (ii) divulguer le détail des transactions visées par la Convention de vente des Actifs Nationaux, les Arrangements financiers, les Conventions de blocage et l'Achat et le Transfert Post-Offre.

ET ATTENDU QUE, conformément au régime d'examen concerté, le présent document de décision du REC confirme la décision de chaque décideur (collectivement, la « décision »);

ET ATTENDU QUE chacun des décideurs est d'avis que le test contenu dans la législation en vertu de laquelle le décideur a juridiction pour rendre la décision a été rencontré;

LA DÉCISION des décideurs conformément à la loi est que (i) la Convention de vente des Actifs Nationaux et les Arrangements financiers sont faits pour des raisons autres que l'augmentation de la valeur de la considération payable à CFT et au Management pour leurs Actions et peuvent être conclus, indépendamment de l'Interdiction visant la conclusion de conventions accessoires et (ii) CDPQ peut effectuer l'Achat et le Transfert Post-Offre en autant que (a) l'Achat et le Transfert Post-Offre soit effectué après que Bidco ait émis et déposé auprès des Décideurs le Communiqué de presse et qu' (b) immédiatement après, Bidco prenne livraison et règle toutes les Actions valablement déposées aux termes de l'Offre.

Me Guy Lemoine

Viateur Gagnon

Le 2 mai 2000

2.2 Orders

2.2.1 All-Canadian CapitalFund, All-Canadian ConsumerFund and All-Canadian Resources Corporation - ss. 62(5)

Headnote

MRRS Exemptive Relief Application-Extension of lapse date.

Statutes Cited

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

Rules Cited

National Policy 43-201 entitled: Mutual Reliance Review System for Prospectus and AIF's.
National Instrument 81-101 entitled: Mutual Fund Prospectus Disclosure.
National Instrument 81-102 entitled: Mutual Funds.

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

AND

IN THE MATTER OF
ALL-CANADIAN CAPITALFUND,
ALL-CANADIAN CONSUMERFUND
AND ALL-CANADIAN RESOURCES CORPORATION
(COLLECTIVELY, THE "FUNDS")

ORDER
(Subsection 62(5))

WHEREAS the Ontario Securities Commission (the "Commission") has received an application made on behalf of the Funds for an order pursuant to subsection 62(5) of the Act that the lapse date of the current simplified prospectus of the Funds be extended to August 7, 2000;

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

AND UPON All-Canadian Management Inc. (the "Manager") having represented as follows:

1. The Manager is the manager, trustee and principal distributor of the Funds.

2. All-Canadian Capital Fund ("CapitalFund") is an open-ended unincorporated mutual fund trust that was organized on October 1, 1954 under the laws of British Columbia and is presently governed by an Amended, Consolidated and Restated Trust Indenture dated November 1, 1997.

3. All-Canadian ConsumerFund ("ConsumerFund") is an open-ended unincorporated mutual fund trust that was organized on January 19, 1968 under the laws of Alberta and is presently governed by an Amended, Consolidated and Restated Trust indenture dated November 1, 1997.

4. All-Canadian Resources Corporation ("Resources Corp.") is a mutual fund corporation that was incorporated under the laws of Alberta on April 27, 1959 and continued under the laws of Canada on February 1, 1980.

5. Each of the Funds is a reporting issuer in all of the provinces and territories of Canada (the "Jurisdictions"), and no Fund is in default of any requirements of the securities legislation of the Jurisdictions or the rules or regulations made thereunder.

6. The units of CapitalFund and ConsumerFund and the special shares of Resources Corp. are presently offered for sale on a continuous basis in the Province of Ontario (and not in any other jurisdiction) pursuant to a simplified prospectus and annual information form dated June 6, 1999, a receipt for which was issued by the Commission on June 7, 1999 (the "Current Prospectus").

7. Pursuant to subsection 62(1) of the Act, the lapse date for the distribution of units or special shares, as the case may be, of the Funds under the Current Prospectus is June 7, 2000 (the "Lapse Date").

8. The Current Prospectus is required to be filed in accordance with National Instrument 81-101 Mutual Fund Prospectus Disclosure ("NI 81-101"), Form 81-101F, Form 81-101F2 and Companion Policy 81-101CP, which collectively implement a new regulatory regime governing the required disclosure provided by mutual funds under securities legislation in Canada.

9. In connection with the renewal of the Current Prospectus the Manager has encountered some unexpected delays in the completion of its NI 81-101 new form prospectus. The Manager does not believe that it is appropriate to file a nominally compliant document for review when further revisions would substantially improve each document's readability and compliance.

10. There have been no material changes to the affairs of the Funds since the date of the Current Prospectus.

AND UPON the undersigned being of the opinion that to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to subsection 62(5) of the Act that the time periods provided by subsection 62(2) of the Act, as they apply to the distribution of the units or special shares, as the case may be, of the Funds under the Current Prospectus are hereby extended to the time periods that would be applicable if the Lapse Date was August 7, 2000.

May 23rd, 2000.

"Rebecca Cowdery"

2.2.2 Canadian Scholarship Trust Millennium Plan - s. 144(1)

Headnote

Subsection 144(1) - Varying a prior order of the Commission under 80(b)(iii) to include the termination clause required under OSC Policy 2.6 Part 1 Subsection C.

Statutes Cited

Securities Act, R.S.O. 1990, c S.5, 80(b)(iii), and 144(1).

Rulings Cited

In the matter of Canadian Scholarship Trust Millennium Plan (1997)
In the matter of Canadian Scholarship Trust Millennium Family Plan (1999)

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

AND

IN THE MATTER OF CANADIAN SCHOLARSHIP TRUST MILLENNIUM PLAN

ORDER
(Section 144(1))

UPON the application (the "Application") of the Executive Director pursuant to Section 144(1) of the Act that the order (the "Prior Order") of the Commission dated July 8, 1999 be varied;

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

AND UPON the Executive Director having represented to the Commission that:

1. the Canadian Scholarship Trust Millennium Plan (the "Plan") received the Prior Order which exempted it from the requirement to file and deliver first and third quarter financial statements on the basis that the cost of distributing the quarterly financial statements represented a material financial burden to the subscribers which was not justified because the investment fluctuates minimally in value, is a long term investment and is not liquid in nature.

2. the Prior Order inadvertently omitted to state that the exemption pursuant to subclause 80(b)(iii) of the Act be granted provided that the exemption be terminated thirty days after the occurrence of a material change in the affairs of the Plan, unless the Commission is satisfied that the exemption should continue;

3. Staff has advised the Canadian Scholarship Trust Foundation (the "Foundation"), the sponsor and administrator of the Plan, of the variation to the Prior Order and the Foundation has not objected.

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

IT IS ORDERED pursuant to section 144(1) of the Act that the Prior Order be varied by adding to the end of the decision paragraph the following words "provided that this exemption shall terminate thirty days after the occurrence of a material change in the affairs of the Plan unless the Commission is satisfied that the exemption should continue".

April 14th, 2000.

"J. A. Geller" "Theresa McLeod"

2.2.3 MDC Corporation Inc. - cl. 104(2)(c)

Headnote

Clause 104(2)(c) - exemption from the formal take-over bid requirements - offeror exempt from the requirements of sections 95-100 of the Act in connection with proposed "normal course" purchases of the offeree's shares, provided that such purchases comply with clause 93(1)(b) but for the fact that offeror acquired shares of the offeree in connection with a reorganization transaction effected prior to the offeree's initial public offering

Statutes Cited

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

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

AND

IN THE MATTER OF MDC CORPORATION INC.

ORDER (Clause 104(2)(c))

UPON the application (the "Application") of MDC Corporation Inc. ("MDC") to the Ontario Securities Commission (the "Commission") for an order pursuant to clause 104(2)(c) of the Act exempting certain purchases by MDC of common shares (the "Shares") of Maxxcom Inc. ("Maxxcom") from the provisions of sections 95 to 100 of the Act;

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

AND UPON MDC having represented to the Commission as follows:

1. MDC is a corporation amalgamated under the *Business Corporations Act* (Ontario) (the "OBCA"). It is a reporting issuer in each of the provinces of Canada and is not on the list of defaulting reporting issuers maintained pursuant to subsection 72(9) of the Act.

2. Maxxcom was incorporated under the OBCA on November 2, 1998. Its assets consist primarily of interests in companies (the "Transferred Companies") transferred by MDC to Maxxcom pursuant to a reorganization (the "Reorganization"), which took effect on March 1, 2000, in exchange for securities convertible into Shares (the "Convertible Securities"), promissory notes in the aggregate principal amount of $90,000,000 payable on demand and bearing no interest (the "Indebtedness") and other consideration. Prior to the Reorganization, Maxxcom did not carry on any operations.

3. Maxxcom became a reporting issuer in each of the provinces in Canada as a consequence of its initial public offering (the "IPO") of 5,800,000 Shares at a price of $10.75 per Maxxcom Share (the "IPO Price"). The IPO closed on March 23, 2000 and the distribution of Maxxcom Shares pursuant to the IPO is complete.

4. The outstanding Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE").

5. Prior to the closing of the IPO and while Maxxcom was a wholly-owned subsidiary of MDC, MDC acquired: (i) an aggregate of 17,004,000 Shares from treasury upon conversion of the previously-issued Convertible Securities; and (ii) one Share from treasury in consideration of the conversion of $28,802,175 of the Indebtedness. Maxxcom subsequently paid $52,500,000 of the net proceeds of the IPO to MDC in partial payment of the Indebtedness.

6. In addition, on April 19, 2000, MDC converted the balance of the Indebtedness into 870,000 Shares at a conversion price of approximately $9.9975 per Share. The closing price of the Shares on April 18, 2000 was $7.40 per Share.

7. As at April 20, 2000, there were 24,828,913 Shares issued and outstanding.

8. MDC beneficially owns 17,874,001 Shares (the "MDC Block") representing approximately 72% of the class. All of the Shares beneficially owned by MDC were acquired directly from treasury.

9. The Shares currently are trading at less than the IPO Price. The closing price of the Shares on the TSE on May 23, 2000 was $8.75.

10. MDC believes that the Shares are undervalued at a trading price less than the IPO Price. If the Shares should continue to trade at less than the IPO Price, MDC would like to be in a position to purchase them in the market, as it believes they would be an attractive investment. As a promoter of the IPO, MDC believes that any purchase of Shares that it would make would demonstrate such belief, in a tangible fashion, and likely would have the effect of providing a measure of support for the Shares, which would be of benefit to Maxxcom's minority shareholders. MDC has no current intention of making a bid for all of the Shares or proposing a going-private transaction in respect of Maxxcom.

11. MDC proposes to purchase Shares in the market from time to time, as it considers appropriate. Any such proposed purchase (a "Normal Course Purchase"), when aggregated with other acquisitions of Shares by MDC in the twelve-month period preceding the proposed purchase, other than the acquisitions of the Shares comprising the MDC Block, would not exceed 5% of the Shares outstanding at the commencement of such twelve-month period.

12. Since MDC owns 72% of the outstanding Shares, any additional purchase of Shares by MDC would constitute a take-over bid.

13. Because MDC recently acquired the MDC Block, it cannot rely upon the exemption in clause 93(1)(b) of the Act from the formal take-over bid requirements in Part XX

of the Act to effect the proposed Normal Course Purchases.

14. MDC will not purchase Shares at any time when MDC has knowledge of any material fact or material change about Maxxcom that has not been generally disclosed.

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

IT IS ORDERED pursuant to clause 104(2)(c) of the Act that MDC is exempt from the requirements of sections 95-100 of the Act in respect of any Normal Course Purchases, provided that such Normal Course Purchases meet the requirements of clause 93(1)(b) of the Act, except that, for purposes of determining the number of Shares acquired by MDC and/or persons or companies acting jointly or in concert with it within the twelve-month period preceding the date of any such Normal Course Purchase, MDC will be considered as not having acquired any of the Shares constituting the MDC Block in such twelve-month period.

May 26th, 2000.

"Howard I. Wetston" "R. Stephen Paddon"

2.2.4 Nexus Group of Funds - s. 147

Headnote

Section 147 - trades in units of pooled funds not subject to subsection 72(3) of the Act provided Form 45-501F filed and fees paid annually.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 72(3) and 147.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015 as am., Schedule 1.

Rules Cited

Ontario Securities Commission Rule 45-501 *Exempt Distributions*, (1998) 21 OSCB 6548.

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

AND

IN THE MATTER OF THE NEXUS GROUP OF FUNDS

ORDER (Section 147 of the Act)

UPON the application made on behalf of Nexus Investment Management Inc. ("Nexus"), the Manager of certain pooled investment funds established or to be established from time to time pursuant to a trust agreement entered into as of the 31st day of July, 1997 between Nexus and The Royal Trust Company (the "Funds") to the Ontario Securities Commission (the "Commission") for an order pursuant to Section 147 of the Act, that trades in the Funds be exempt from the requirement to file a Form 45-501F1 and to pay the appropriate filing fee within 10 days after each trade of Units (as defined below) of the Funds, subject to conditions;

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

AND UPON Nexus having represented to the Commission as follows:

1. Nexus is a corporation incorporated under the laws of Ontario. Nexus is registered with the Commission as an adviser in the categories of investment counsel and portfolio manager and as a dealer in the category of limited market dealer.

2. The Funds were created pursuant to a trust agreement dated as of the 31st day of July 1997 between Nexus and The Royal Trust Company ("Royal Trust"), a trust company continued under the laws of Canada, carrying on business in the Province of Ontario.

3. Units of the Funds (the "Units") are distributed in Ontario only pursuant to the exemption from the prospectus requirements contained in clause 72(1)(d) of the Act or pursuant to a ruling of the Commission dated July 4, 1997. The Units are not transferable.

4. None of the Funds is, or proposes to become, a reporting issuer under the Act. Each Fund is or will be a mutual fund in Ontario as defined in subsection 1(1) of the Act.

5. Purchases of the Funds can be made as frequently as twice a month.

6. Section 72(3) of the Act and Section 7.1 of Ontario Securities Commission Rule 45-501 - *Exempt Distributions* ("Rule 45-501") require a report to be filed in duplicate in accordance with Form 45-501F1 within 10 days of any trade. Section 7.3 of Rule 45-501 requires a fee to be paid equal to the greater of $100 and 0.02% of the gross proceeds realized in Ontario from the distribution of securities. Section 1.1 of Schedule 1 to the Regulation made under the Act (the "Regulation") reduces this fee by 10%.

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 Funds are exempt from the requirement to file a Form 45-501F1 and to pay the applicable filing fee within 10 days after each trade of Units provided that:

(a) by January 31 in each year, the Funds file a report in accordance with Form 45-501F1 in respect of all trades in Units of the Funds during the previous calendar year; and

(b) by January 31 in each year, the Funds pay the fee prescribed by Schedule 1 to the Regulation in respect of the trades of Units referred to under clause (a).

May 30th, 2000.

"Howard I. Wetston" "Robert W. Korthals"

2.2.5 Pelangio-Larder Mines, Inc. - cl. 51(2)(b), Regulation

Headnote

Consent given to OBCA corporation to continue under the laws of New Brunswick.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, s. 181
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, R.R.O. 1990, as am., s. 51(2)(b)

IN THE MATTER OF
R.R.O. 1990, REGULATION 62, AS AMENDED
(The"Regulation")
MADE UNDER THE BUSINESS CORPORATIONS ACT,
R.S.O. 1990, CHAPTER B-16 (The "OBCA")

AND

IN THE MATTER OF
PELANGIO-LARDER MINES, INC

CONSENT
(Clause 51(2)(b) of the Regulation)

UPON the application (the "Application") of Pelangio-Larder Mines, Inc. ("Pelangio") to the Ontario Securities Commission (the "Commission") for the consent of the Commission to the continuance of Pelangio as a corporation in another jurisdiction pursuant to clause 51(2)(b) of the Regulation;

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

AND UPON Pelangio having represented to the Commission as follows:

1. Pelangio is proposing to submit to the Director under the OBCA an application pursuant to section 181 of the OBCA (the "Application for Continuance") for authorization to continue as a corporation under the laws of the Province of New Brunswick (the "Continuance").

2. Pelangio intends to change its name to PL Internet Inc. prior to the Continuance.

3. Pursuant to clause 51(2)(b) of the Regulation, where a corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission.

4. Pelangio is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Act").

5. Pelangio is not in default under any of the provisions of the Act or the regulation made under the Act.

6. Pelangio is not a party to any proceeding nor, to the best of its knowledge, information and belief, any pending proceeding under the Act.

7. The shareholders of Pelangio approved the Continuance at the Annual and Special Meeting of Shareholders of Pelangio (the "Meeting") held on May 8, 2000 by passing a special resolution authorizing the Continuance.

8. The management Information Circular dated April 4, 2000 provided to all shareholders of Pelangio in connection with the Meeting advised that pursuant to Section 185 of the OBCA, if any shareholder of Pelangio objected to the Continuance by way of written notice to Pelangio at or prior to the Meeting, and the Continuance was nevertheless given effect, then in accordance with Section 185 of the OBCA, the dissenting shareholder would be entitled to be paid the fair value of the shares held by the shareholder. Pelangio confirms that no written objections from any shareholders were received with respect to their dissent rights as set out herein.

9. The Continuance has been proposed so that Pelangio may conduct its affairs in accordance with *Business Corporations Act* (New Brunswick), [R.S.A. 1981, c. B-15] (the "NBCA"). Under the NBCA, unlike the OBCA, there is no requirement that a majority of the board of directors of a corporation be resident Canadians. The Board of Directors of Pelangio has determined that it is in the best interests of Pelangio to have a majority of directors who are non-residents of Canada in order to facilitate its transition from a mineral exploration company to an internet-based company.

10. The material rights, duties and obligations of a corporation governed by the NBCA are similar to those under the OBCA. The material differences between the rights and obligations of security holders under NBCA versus the OBCA was disclosed in the Information Circular.

11. Following the Continuance, Pelangio intends to remain a reporting issuer in the Province of Ontario.

THE COMMISSION HEREBY CONSENTS to the Continuance.

May 19th, 2000.

"Howard I. Wetston" "R. Stephen Paddon"

2.3 Rulings

2.3.1 Barclays Global Investors UK Holdings Limited - ss. 74(1)

Headnote

Subsection 74(1) - first trade relief for trades of shares obtained by participation in equity ownership plan to purchasers not resident in Ontario.

Statutes Cited

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

Rules Cited

Rule 45-503 *Trades to Employees, Executives and Consultants* (1998), 21 OSCB 6569, ss. 2.2, 3.2.

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

AND

IN THE MATTER OF BARCLAYS GLOBAL INVESTORS UK HOLDINGS LIMITED

RULING (Subsection 74(1))

UPON the application (the "Application") of Barclays Global Investors UK Holdings Limited ("BGI UK") for a ruling pursuant to subsection 74(1) of the Act that certain trades in shares of BGI UK by Ontario resident Employees (as defined below) pursuant to BGI UK's Equity Ownership Plan (the "Plan") and BGI UK's Articles are not subject to sections 25 and 53 of the Act;

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

AND UPON BGI UK having represented to the Commission that:

1. BGI UK is organized under the laws of England and Wales;

2. Barclays Global Investors Canada Limited ("BGIC") is incorporated under the laws of the Province of Ontario;

3. The shares of BGI UK are not listed on any stock exchange;

4. BGIC is an indirect wholly-owned subsidiary of BGI UK;

5. BGI UK is a wholly-owned subsidiary of Barclays Bank PLC (the "Bank"), which is a wholly-owned subsidiary of Barclays PLC;

6. The authorized capital of BGI UK consists of 20,000,000 "A" Ordinary Shares (the "A" Ordinary Shares being hereinafter referred to as the "Shares") and 80,000,000 "B" Ordinary Shares. As of May 2, 2000, there are no Shares issued and outstanding and all of the "B" Ordinary Shares outstanding are owned by the Bank;

7. BGI UK has established the Plan which allows Shares to be issued to certain eligible officers and employees of BGI UK and its subsidiaries (the "Participants"). The Plan was created by BGI UK to retain, attract and motivate officers and employees of the Barclays Group;

8. Certain officers and employees of BGIC (the "Employees") will be eligible to receive Options under the Plan;

9. The Plan was approved by the Board of Directors of BGI UK and by the Bank as shareholder on April 13, 2000. The Plan was also approved by the shareholders of Barclays PLC on April 26, 2000;

10. Options granted under the Plan (the "Options") are exercisable for Shares;

11. Transfers of Options and Shares by Employees are restricted by the terms of the Plan and by BGI UK's New Articles of Association which were adopted on April 13, 2000 (the "Articles");

12. Options issued under the Plan are not exercisable until the first anniversary of the date of grant, and thereafter one-third of the Options become exercisable after each anniversary of the date of grant during certain window periods (the "Exercise Period") which are specified in the Articles;

13. Details of the Plan and the Articles will be made available to the Employees prior to the time of the grant of Options;

14. Participation in the Plan by Employees is voluntary and is not a term or condition of employment;

15. BGI UK is relying upon the registration and prospectus exemptions contained in sections 2.2 and 3.2 of *Ontario Securities Commission Rule 45-503 Trades to Employees, Executives and Consultants* (the "Rule") in connection with the initial trade of Options to Ontario resident Employees and the subsequent exercise of the Options for Shares; and

16. The exemptions from registration and prospectus requirements contained in the Act or the Rule are not available for subsequent trades of Shares made by Ontario resident Employees in accordance with the provisions contained in the Plan or the Articles.

17. Under the terms of the Plan and the Articles, trades of Shares by Ontario resident persons are only permitted in the following circumstances:

    (a) where the Employee serves BGI UK with a notice of his/her intention to transfer the Shares (a "Transfer Notice") during the two-month period (the "Exercise Period") after the fair market value of the Shares (the "Fair Value") is determined by the auditors of BGI UK, in which case the Shares may be transferred to a trust for the benefit of employees or directors, or offered for sale to and be purchased by the holders of "B" Ordinary Shares, provided that such holders of "B" Ordinary Shares are not residents of Ontario (the Bank is currently the only holder of "B" Ordinary Shares);

(b) where an Employee's Shares are not purchased by the "B" Ordinary Shareholders pursuant to a Transfer Notice issued in subparagraph (a) then they may be transferred or sold to another party only with the consent of a committee of BGI UK which has been established to administer the Plan, provided that such other party is not a resident of Ontario;

(c) where an Employee dies or ceases to be employed by BGI UK or any of its subsidiaries then a Transfer Notice will be deemed to have been issued and the Employee, or his/her legal representatives or beneficiaries, as the case may be, will be compelled to offer the Shares for sale in accordance with the provisions described in subparagraph (a) above;

(d) where an offer is made to purchase the "B" Ordinary Shares (an "Offer"), and where the Offer has been accepted by the holders of "B" Ordinary Shares in respect of eighty percent (80%) or more of the equity shares of BGI UK, then the Offer may be extended to the holders of Shares and Options, and the holders of Shares or Options will be deemed to have accepted the Offer and will be compelled to sell their Shares or Options to the offeror in accordance with the terms of the Offer;

(e) an Employee may put all of his/her Shares to the Bank (or to the Bank's nominee) in the event that (i) there has been a change of control (as defined in section 840 of the *Taxes Act* (UK)) of Barclays PLC (a "Barclays Change of Control), or (ii) there has been a sale of all or substantially all of BGI UK's business to a person who is not a member of the Barclays Group (an "Asset Sale"); and

(f) an Employee's Shares are callable by the Bank (or its nominee) in the event of (i) a Barclays Change of Control, (ii) an Asset Sale, or (iii) a change in legislation relating to the percentage of shares, or rights attaching to such shares, which are required to be held by a parent company in a subsidiary company in order for both to form a group for the purposes of corporation tax (including corporation tax on chargeable gains), stamp duty, value added tax or other applicable taxes.

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

IT IS RULED pursuant to subsection 74(1) of the Act that trades of Shares acquired on the exercise of Options made by Ontario resident Employees in accordance with the methods described in paragraph 17 above shall not be subject to sections 25 and 53 of the Act.

May 16, 2000.

"Howard I. Wetston" "Robert W. Korthals"

2.3.2 Brears Trucking Ltd. - ss. 74(1)

Headnote

Subsection 74(1) - first trade in securities to be acquired pursuant to a securities exchange take-over bid exempt from the requirements of section 53 of the Act, subject to certain conditions

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 72(1)(j), 72(5), 72(5)(a), 74(1)

Rules Cited

Ontario Securities Commission Rule 45-501, Exempt Distributions (1999), 22 OSCB 127
Ontario Securities Commission Rule 14-501, Definitions (1998), 21 OSCB 7509

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

AND

**IN THE MATTER OF
BREARS TRUCKING LTD.**

**RULING
(Subsection 74(1))**

UPON the application of Brears Trucking Ltd. (the "Issuer") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act that the first trade in certain common shares of the Issuer (the "Exchange Shares") proposed to be issued to shareholders of Allnet Secom Corp. ("Allnet") pursuant to an offer (the "Offer") to purchase all of the issued and outstanding securities of Allnet will not be subject to the requirements of section 53 of the Act;

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

AND UPON the Issuer having represented to the Commission that:

1. The Issuer was incorporated under the laws of the Province of Alberta on August 20, 1997 and has been a reporting issuer in the Province of Alberta since June 19, 1998. The Issuer is not a reporting issuer in the Province of Ontario but filed a preliminary non-offering prospectus (the "Non-Offering Prospectus") with the Commission on March 24, 2000. The Issuer is not in default of any requirement of the Act or the *Securities Act* (Alberta) (the "Alberta Act") or any of the rules or regulations made under either such statutes.

2. The authorized share capital of the Issuer consists of an unlimited number of common shares and an unlimited number of preferred shares, of which 3,700,000 common shares are issued and outstanding, 360,000 common shares are reserved for issuance under directors' and

officers' stock options and 100,000 common shares are reserved for issuance under an agent's option granted in connection with the Issuer's initial public offering. No preferred shares are outstanding.

3. The Issuer is a junior capital pool company in accordance with Policy No. 7 of The Alberta Stock Exchange ("ASE"), a predecessor of the Canadian Venture Exchange ("CDNX"), and with the Alberta Securities Commission ("ASC") Rule 46-501. The common shares of the Issuer have been listed and posted for trading on the Junior Capital Pool Board of the CDNX since August 11, 1998 under the trading symbol "BTL".

4. Allnet is a company incorporated under the laws of Canada and is not a reporting issuer under the Act. Allnet, through its subsidiaries, is in the telecommunications, remote video surveillance and computer components business, specializing in sales, service and distribution of proprietary and non-proprietary products, software, and installation services.

5. The authorized capital of Allnet consists of an unlimited number of common shares of which 1,066,064 common shares are issued and outstanding.

6. By a commitment agreement dated September 3, 1999, as amended on February 11, 2000 (the "Commitment Agreement"), the Issuer agreed with Allnet and its major shareholders to make the Offer. Pursuant to the Offer, the Issuer proposes to purchase all the issued and outstanding common shares of Allnet on the basis of eleven common shares of the Issuer for each one common share of Allnet.

7. The minority shareholders of the Issuer approved the Offer and proposed acquisition of Allnet at a meeting of shareholders of the Issuer held on April 25, 2000 (the "Meeting").

8. In connection with the Meeting, and in order to comply with the Alberta Act, an information circular (the "Information Circular") dated March 23, 2000 containing prospectus level disclosure on the Issuer, Allnet and on the proposed business combination of the Issuer and Allnet, was reviewed by CDNX, mailed to securityholders of the Issuer and filed with the ASC and CDNX.

9. A take-over bid circular (the "TOB Circular") dated March 28, 2000, prepared in accordance with the Act, the *Securities Act* (British Columbia), the Alberta Act and the *Securities Act* (Saskatchewan) containing prospectus level disclosure on the Offer, the Issuer and Allnet was distributed to all of the holders of common shares of Allnet in connection with the Offer. The TOB Circular contained the audited financial statements of the Issuer as at July 31, 1999, the Issuer's interim unaudited financial statements for the 6 months ended January 31, 2000, the audited financial statements of Allnet as at September 30, 1999, the unaudited financial statements of Allnet for the first quarter ended December 31, 1999 and the pro forma consolidated financial statements of Allnet as at September 30, 1999.

10. CDNX has required that a total of 7,217,000 Exchanged Shares be subject to escrow restrictions. Of these escrowed shares: (i) 1,818,000 will be subject to a three year timed release escrow, pursuant to which one third will be released on each of the first, second, and third anniversaries of the Closing of the Offering; and (ii) 5,399,000 will be subject to a performance release escrow, pursuant to which one share will be released for each $0.20 of cash flow generated from the combined entity to a maximum of one third on each of the first, second and third anniversaries of the closing of the Offering.

11. Rule 45-501 (the "Rule") provides that section 53 of the Act does not apply to a first trade in a security previously acquired under the exemption contained in subsection 72(1)(j) of the Act if: (i) when such exemption was relied on, a securities exchange take-over bid circular for the securities was filed by the offeror; (ii) the trade is not a control person distribution; and (iii) the issuer of the securities was a reporting issuer before the securities exchange take over bid circular was filed.

12. The issuer filed a securities exchange take-over bid circular in connection with the Offer. However, as the Issuer was not a reporting issuer in the Province of Ontario at the time the TOB Circular was filed, absent this ruling, Offeree Shareholders resident in the Province of Ontario will only be able to resell the Exchange Shares in compliance with subsection 72(5) of the Act, resulting in an effective hold period of one year from the date that the Issuer becomes a reporting issuer in the Province of Ontario.

13. The Issuer expects to receive a final receipt for the Non-Offering Prospectus prior to closing the Offer. The Issuer has made an undertaking to the Commission which provides that if a final receipt is issued for the Non-Offering Prospectus but the Offer does not close as planned, it will apply to the Commission to be deemed to have ceased to be reporting issuer in the Province of Ontario.

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

IT IS RULED, pursuant to section 74(1) of the Act, that the first trade by an Offeree Shareholder (a "Vendor") of Exchange Shares shall not be subject to the requirements of section 53 of the Act, provided that:

a. prior to such trades, a final receipt for the Non-Offering Prospectus has been issued by the Director; and

b. such trade is made in accordance with the provisions of 72(5) of the Act, other than the requirement in clause 72(5)(a) of the Act that the Issuer has been a reporting issuer for at least twelve months, except that for the purposes herein it shall not be necessary to satisfy the requirement in clause 72(5)(a) of the Act that the Issuer not be in default of any requirement of the Act or the regulations, if the Vendor is not in a special relationship with the Issuer, or, if the Vendor is in a special relationship with the Issuer, the Vendor has reasonable grounds to believe that the Issuer is not in default under

the Act or the rules or regulations, where for these purposes "special relationship" shall have the same meaning as in Rule 14-501 *Definitions*.

April 25th, 2000.

"J. A. Geller" "Morley P. Carscallen"

2.3.3 Noranda Inc. and Nexfor Inc. - ss. 59(1), Schedule 1 to Regulation 1015

Headnote

Subsection 59(1) of Schedule 1 - issuers exempt from payment of fees calculated pursuant to sections 23 and 32 of the Schedule subject to certain conditions, which would otherwise be payable as a result of an arrangement and related amalgamations for restructuring purposes - no change in beneficial ownership of securities and issuers did not receive any proceeds from the distributions of securities.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 35(1)15, 72(1)(i), 74(1), 104(2)(c).

Regulations Cited

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

Rules Cited

In the matter of trades by issuers in connection with securities exchange issuer bids and In the matter of trades by holders of securities of a company to another company in connection with an amalgamation, an arrangement or a specified statutory procedure (1996), 19 OSCB 6942; (1997), 20 OSCB 1218; (1998), 21 OSCB 2331.

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

AND

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

AND

IN THE MATTER OF NORANDA INC. AND NEXFOR INC.

RULING
(Subsection 59(1) of Schedule 1 to Regulation 1015)

UPON the application (the "Application") of Noranda Inc. ("Noranda") and Nexfor Inc. ("Nexfor") to the Ontario Securities Commission (the "Commission") for: (i) an order pursuant to subsection 59(1) of Schedule 1 to the Regulation made under the Act (the "Schedule") that Noranda be exempt from fees payable pursuant to sections 23 and 32 of the Schedule in connection with the plan of arrangement pursuant to section 182 of the *Business Corporations Act* (Ontario) (the "Arrangement") involving Noranda, NFI Forest Holdings Ltd. ("NFI"), 804296 Alberta Ltd. ("Hunter Holdco") and Canadian Hunter Exploration Ltd.; and (ii) an order pursuant to subsection 59(1) of the Schedule that Nexfor be exempt from fees payable pursuant to

section 23 of the Schedule in connection with the amalgamation of Noranda Forest Inc. and NFI, subject to certain conditions;

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

AND UPON Noranda and Nexfor having represented to the Commission that:

1. Noranda is a corporation amalgamated under the laws of the Province of Ontario.

2. Noranda is a reporting issuer under the Act and, to the best of its knowledge, is not in default of any of the requirements of the Act or the rules or regulations made thereunder.

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

4 The Noranda Common Shares are listed on The Toronto Stock Exchange and the Paris Stock Exchange.

5. Nexfor is a corporation formed under the laws of Canada pursuant to the amalgamation of Noranda Forest Inc. ("Noranda Forest") and NFI on December 31, 1998.

6. Nexfor is a reporting issuer under the Act and, to the best of its knowledge, is not in default of any of the requirements of the Act or the rules or regulations made thereunder.

7. The common shares of Nexfor are listed on The Toronto Stock Exchange.

8. Prior to the Arrangement:

   (i) Noranda was a diversified natural resources company which operated three major businesses: mining and metals; forest products and oil and natural gas;

   (ii) Noranda conducted its forest products business through Noranda Forest;

   (iii) Noranda owned approximately 67% of the common shares of Noranda Forest;

   (iv) Noranda conducted its oil and natural gas business through its Canadian Hunter Division (the "Canadian Hunter Division"); and

   (v) Noranda owned all of the voting securities of Kerr Addison Mines Limited ("Kerr Addison") and Kerr Addison owned 7,921,777 common shares of Noranda and 44.1% of the exchangeable shares of Battle Mountain Canada Inc.

9. Pursuant to the Arrangement and certain related transactions, Noranda distributed its interests in Noranda Forest and the Canadian Hunter Division to holders of its common shares as follows:

   (i) Noranda and Kerr Addison amalgamated and continued as "Noranda Inc.";

   (ii) each common share of Noranda was exchanged for: (a) one new common share of Noranda; (b) one new Class A preferred share of Noranda (a "New Noranda Class A Share"); and (c) one new Class B preferred share of Noranda (a "New Noranda Class B Share");

   (iii) each New Noranda Class A Share was immediately exchanged for one common share of NFI (an "NFI Common Share"), a corporation incorporated under the laws of Canada to facilitate the Arrangement which, pursuant to the Arrangement, acquired the common shares of Noranda Forest held by Noranda;

   (iv) each New Noranda Class B Share was exchanged for 0.25 of a common share of Hunter Holdco, a corporation incorporated under the laws of the Province of Alberta to facilitate the Arrangement which, pursuant to the Arrangement, acquired all of the assets of and became liable for the obligations associated with, the Canadian Hunter Division;

   (v) immediately following completion of the Arrangement, NFI and Noranda Forest amalgamated under the *Canada Business Corporations Act* (the "Noranda Forest Amalgamation") and continued as "Nexfor Inc.";

   (vi) pursuant to the Noranda Forest Amalgamation each NFI Common Share was converted into approximately 0.436 of a common share of Nexfor;

   (vii) immediately following completion of the Arrangement, Hunter Holdco and Canadian Hunter Exploration Ltd., a wholly-owned subsidiary of Noranda, the shares of which were transferred to Hunter Holdco pursuant to the Arrangement, amalgamated (the "Canadian Hunter Amalgamation") and continued as "Canadian Hunter Exploration Ltd." (such amalgamated entity being referred to herein as "Canadian Hunter"); and

   (viii) pursuant to the Canadian Hunter Amalgamation, each Canadian Hunter Holdco common share was converted into one common share of Canadian Hunter.

10. Each of the issuances or exchanges of securities described in paragraph 9 above were made in reliance upon the exemptions from the registration and prospectus requirements of the Act contained in sections 35(1)(15) and 72(1)(i) of the Act and the Rule of the Commission entitled *In the matter of trades by issuers in connection with securities exchange issuer bids and In the matter of trades by holders of securities of a company to another company in connection with an amalgamation, an arrangement or a specified statutory procedure*

(1996), 19 OSCB 6942; (1997), 20 OSCB 1218; (1998), 21 OSCB 2331.

11. On December 15, 1998, the Commission granted certain relief pursuant to subsection 74(1) and clause 104(2)(c) of the Act in connection with the Arrangement, the Noranda Forest Amalgamation and the Canadian Hunter Amalgamation.

12. Noranda obtained an advance income tax ruling (the "Tax Ruling") from Revenue Canada which confirmed that the distribution of Noranda's interests in Noranda Forest and the Canadian Hunter Division to its shareholders would be generally effected on a tax-deferred basis to holders of common shares of Noranda resident in Canada who hold their shares as capital property.

13. Noranda or Nexfor Inc. did not receive any proceeds from the distribution of securities pursuant to the Arrangement, the Noranda Forest Amalgamation or the Canadian Hunter Amalgamation.

14. The Arrangement, the Noranda Forest Amalgamation and the Canadian Hunter Amalgamation did not result in a change in beneficial ownership of the securities of or held by Noranda immediately prior to the Arrangement because the beneficial owners of the common shares of Noranda immediately prior to the Arrangement were the same as the beneficial owners of the common shares of Noranda, the common shares of Canadian Hunter and the common shares of Nexfor (formerly held by Noranda) immediately after the Arrangement, the Canadian Hunter Amalgamation and the Noranda Forest Amalgamation.

15. Noranda and Noranda Forest have paid all applicable fees in respect of the issuance of the common shares of Noranda and Noranda Forest, respectively, outstanding immediately prior to the Arrangement and, given the nature and purpose of the transactions comprising the Arrangement, Noranda Forest Amalgamation and Canadian Hunter Amalgamation, the payment of fees in respect of the trades contemplated by the Arrangement would, in effect, result in Noranda and Nexfor paying fees twice in respect of the distribution of the same securities.

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

IT IS RULED, pursuant to subsection 59(1) of the Schedule that:

(i) Noranda shall be exempt from the payment of fees pursuant to subsection 32(1) of the Schedule in respect of: (i) to the extent that the amalgamation of Kerr Addison and Noranda constituted an issuer bid or a take-over bid, the fee calculated pursuant to clause 32(1)(b) of the Schedule in connection with a Form 42 filing in respect of such issuer bid or take-over bid; and (ii) with respect to the acquisition by NFI of the common shares of Noranda Forest held by Noranda pursuant to the Arrangement, the fee calculated in connection with the Form 42 filing in respect of such take-over bid, provided that, in each case, the minimum fee required by clause 32(1)(a) of the Schedule is paid;

(ii) Noranda shall be exempt from the payment of fees pursuant to subsection 23(2) of the Schedule in respect of the distribution of securities of Noranda, NFI and Hunter Holdco pursuant to the Arrangement in reliance upon the exemption from the prospectus requirements of the Act set forth in clause 72(1)(i) of the Act, provided that the minimum fee required by clause 23(2)(a) of the Schedule is paid; and

(iii) Nexfor shall be exempt from the payment of fees pursuant to subsection 23(2) of the Schedule in respect of the distribution of common shares of Nexfor to holders of common shares of Noranda Forest and holders of common shares of NFI pursuant to the Noranda Forest Amalgamation provided that the minimum fee required by clause 23(2)(a) of the Schedule is paid.

May 30th, 2000.

"Howard I. Wetston" "Robert W. Korthals"

Chapter 3

Reasons: Decisions, Orders and Rulings

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Chapter 4

Cease Trading Orders

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Chapter 5

Rules and Policies

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Chapter 6

Request for Comments

6.1 Request for Comments

6.1.1 NI 81-104 - Commodity Pools

NOTICE OF PROPOSED CHANGES TO PROPOSED NATIONAL INSTRUMENT 81-104 AND COMPANION POLICY 81-104CP COMMODITY POOLS

Substance and Purpose of Proposed National Instrument and Companion Policy

Background

On June 27, 1997, the Canadian Securities Administrators (CSA) published for comment proposed National Instrument 81-104 Commodity Pools and proposed Companion Policy 81-104CP (the 1997 Draft NI and the 1997 Draft CP or the 1997 Drafts).[1]

The CSA received one comment letter during the comment period for the 1997 Drafts (which ended on October 31, 1997). This comment letter focussed on one section of the 1997 Drafts and did not address any of the questions posed by the CSA in their publication of the 1997 Drafts for comment.

Since the end of the comment period, the CSA have concentrated on ensuring that the proposed National Instrument is appropriate for the regulation of commodity pools in Canada. CSA staff met with each sponsor or manager of the commodity pools managed and sold in Canada to ensure that the proposed regulatory regime addresses the regulatory issues associated with commodity pools, yet permits the continued viability of these specialized investment products. CSA staff also met with representatives of dealers who wish to be able to recommend commodity pools to their clients.

Additional written comments were received as a result of the CSA's efforts. A list of the commentators and a summary of their comments is attached as Appendix A to this Notice of Proposed Changes.

After considering these comments and continuing to assess the 1997 Drafts, the CSA are proposing amendments to the 1997 Drafts. The CSA are therefore publishing for a second time the proposed National Instrument and Companion Policy.

The proposed National Instrument and Companion Policy are a reformulation of Ontario Securities Commission Policy Statement No. 11.4 - Commodity Pools Programs (Policy 11.4), which they will replace. Through the proposed National Instrument, the CSA seek to regulate publicly offered commodity pools structured as mutual funds.

The proposed National Instrument and Companion Policy are initiatives of the CSA, and the proposed National Instrument is expected to be adopted as a rule in each of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and Newfoundland, as a Commission regulation in Saskatchewan and as a policy in all the other jurisdictions represented by the CSA. The proposed Companion Policy is expected to be implemented as a policy in all of the jurisdictions represented by the CSA.

This Notice of Proposed Changes summarizes the material changes made in the proposed National Instrument and Companion Policy from the 1997 Drafts. As described above, Appendix A to this Notice of Proposed Changes outlines the comments received in respect of the 1997 Drafts, together with the CSA responses. Further background and explanation of changes are contained in the footnotes contained in the proposed National Instrument and Companion Policy.

National Instrument 81-102 Mutual Funds and National Instrument 81-101 Mutual Fund Prospectus Disclosure

The proposed National Instrument is intended to regulate publicly offered commodity pools and is designed to act in conjunction with the mutual fund regulatory regime established by National Instrument 81-102 Mutual Funds (NI 81-102). NI 81-102 came into force on February 1, 2000. The proposed National Instrument will exempt commodity pools from provisions in NI 81-102 where deemed appropriate and will impose additional requirements on commodity pools where deemed necessary.

The new simplified prospectus disclosure regime for conventional mutual funds established by National Instrument 81-101 Mutual Fund Prospectus Disclosure (NI 81-101), which also came into force on February 1, 2000, does not apply to commodity pools. Commodity pools must file a prospectus using the mutual fund "long form" prospectus forms in force in the jurisdictions (in Ontario, Form 15 to the Regulation made under the Act) and currently must comply with Policy 11.4. The proposed National Instrument also imposes additional disclosure requirements.

Substance and Purpose of Proposed Instrument

As was proposed by the 1997 Draft NI, the proposed National Instrument is designed to replace Policy 11.4 and will regulate all publicly offered commodity pools, which are a specialized type of mutual fund that invest in, or use, commodities and/or derivatives beyond the scope permitted in NI 81-102. Commodity pools are subject to the ordinary mutual fund rules unless those rules are specifically excluded or varied by the proposed National Instrument.

[1] In Ontario, at (1997) 20 OSCB (Supp2)109.

The underlying purpose for the regulation of commodity pools put forth by the proposed National Instrument and Companion Policy is discussed in the Notice published with the 1997 Drafts (the 1997 Notice). Additional background information is also provided in the 1997 Notice.

The purpose of the proposed Companion Policy is to state the views of the CSA on various matters relating to the proposed National Instrument. Terms used in the proposed Companion Policy that are defined or interpreted in the proposed National Instrument or a definition instrument in force in the jurisdiction and not otherwise defined in the proposed Companion Policy should be read in accordance with the proposed National Instrument or that definition instrument, unless the context otherwise requires.

Summary of Changes to the Proposed National Instrument from the 1997 Draft NI

This section describes changes made in the proposed National Instrument from the 1997 Draft NI. Changes of a minor nature, or those made only for purposes of clarification or drafting reasons are generally not discussed. Certain changes were made to ensure that the proposed National Instrument reflects the changes made by the CSA to NI 81-102 since that instrument's first publication for comment, also in June 1997.

For a detailed summary of the contents of the 1997 Draft NI, reference should be made to the 1997 Notice. Unless otherwise indicated, all section references in this section pertain to the proposed National Instrument.

Section 1.1

Changes to the definitions contained in section 1.1 of the proposed National Instrument reflect changes made to the operative sections.

The CSA changed the definition of "commodity pool" to better reflect and articulate the CSA's views on the nature of a commodity pool and how it differs from a conventional mutual fund. The CSA are of the view these changes are of a clarification nature only and do not change the substance of the definition or the types of investment products to which the proposed National Instrument applies.

Section 1.3

Subsection 1.3(2) is new. It excludes certain over-the-counter forwards and options from the "illiquid assets" restrictions of NI 81-102. Commodity pools are subject to the rule in NI 81-102 restricting mutual funds from investing more than 10 percent of their net assets in "illiquid assets" (as defined in NI 81-102[2]). The term "public quotation" (used in the illiquid assets restrictions in NI 81-102) is proposed to be broadened for commodity pools. Subsection 1.3(2) of the proposed National Instrument expressly deems forwards and options traded on the interbank market for which there is a counterparty prepared to and capable of making a market to be those for which there is a "public quotation in common use" within the meaning of NI 81-102.

The change was made in response to a comment that the rules in NI 81-102 regarding "illiquid assets" might restrict the operations of a commodity pool. Commodity pools generally make extensive use of forwards and options traded on the interbank market in their investment strategies. The CSA agree, for commodity pools, derivatives that can be considered to be "liquid" in a non-technical sense in that they can be sold at any time should not be subject to the illiquid asset restrictions in NI 81-102.

Section 3.2

Section 3.2 has been modified to permit the issuance of units of a new commodity pool to those persons providing seed capital to the pool. Section 3.2 in the 1997 Draft NI technically prohibited the issuance of any units in the new pool, including units issued to the promoters or manager of the pool, until subscriptions aggregating not less than $500,000 were received. This was an unintended result and the modification corrects the technical prohibition.

Section 3.3

Section 3.3 is new. It imposes on new commodity pools a direct prohibition on commencing distribution until the subscriptions described in the prospectus, together with the payment for the securities subscribed for, have been received. This provision corresponds to section 3.2 of NI 81-102.

Part 4 of the 1997 Draft NI

Part 4 of the 1997 Draft NI has been deleted from the proposed National Instrument. The 1997 Draft NI incorporated the Policy 11.4 prohibition on commodity pools paying fees to their advisers and managers if those parties or their affiliates received, directly or indirectly, brokerage commissions from trades made by the commodity pools. This prohibition reflected the concern that a manager would "churn" (that is, increase asset turnover) in order to earn additional brokerage commissions. Comments were received which questioned the rationale for this prohibition, especially in the case where a manager has delegated the investment decisions to an unrelated portfolio adviser.

The CSA have reconsidered Part 4 of the 1997 Draft NI and deleted the prohibition on the basis that commodity pools should be treated in a similar manner to conventional mutual funds unless a reason exists to treat them differently. Investors in commodity pools can evaluate the performance of their investments in commodity pools and redeem those investments if the pool is not performing after all expenses and fees (including brokerage commissions) are paid.

Part 4 (formerly, Part 5 of the 1997 Draft NI)

Part 5 of the 1997 Draft NI has been renumbered as Part 4. Part 4 of the proposed National Instrument contains the proficiency and supervisory requirements for participating dealers selling commodity pools. The proficiency requirements for both salespersons and supervisors of those salespersons have been changed from the 1997 Draft NI in response to comments.

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2 "Illiquid asset" means (a) a portfolio asset that cannot be readily disposed of through market facilities on which public quotations in common use are widely available ....".

The 1997 Draft NI departed from the dual registration provisions outlined in Policy 11.4 that necessitated both the salesperson and the dealer selling a commodity pool interest to be registered under the *Commodity Futures Act* (Ontario) and the *Securities Act* (Ontario). As mentioned in the 1997 Notice, staff of the Ontario Securities Commission (OSC) currently administer Policy 11.4 to require only that the participating dealer be registered under both statutes. The 1997 Draft NI proposed increased proficiency standards for salespersons and their supervisors rather than dual registration of the participating dealer for reasons that are outlined in the 1997 Notice.

Two exams offered by the Canadian Securities Institute were proposed in the 1997 Draft NI . The 1997 Draft NI required salespersons to pass the Canadian Futures Examination and their supervisors to pass the Canadian Commodity Supervisors Examination. Since 1997, the Canadian Futures Examination has been split into two parts: the Derivatives Fundamentals Course and the Futures Licensing Course.

In response to the comments received on Part 5 of the 1997 Draft NI and after reviewing the Derivatives Fundamentals Course, the CSA are of the view that the regulatory approach to ensure increased proficiency for salespersons selling commodity pools and their supervisors will be achieved by requiring these individuals to successfully attain a passing grade in the Derivatives Fundamentals Course.

Section 12.3 of the proposed National Instrument delays the coming into force of the new proficiency requirements until six months after the effective date of the proposed National Instrument. The Derivatives Fundamentals Course is a self-study course which is to be written within 12 months of enrollment. The CSA expect that the six month delay will allow those salespersons and supervisors affected to complete the new proficiency standard without incurring undue hardship.

Part 6 of the 1997 Draft NI

The CSA have deleted Part 6 of the 1997 Draft NI. Part 6 of the 1997 Draft NI brought forward provisions from Policy 11.4 which dealt with liability of investors in a commodity pool structured as a limited partnership. The CSA re-considered whether they need to make rules in this area and concluded that the statutory and common law applicable to limited partnerships should prevail. Accordingly Part 6 has been deleted, but the CSA have addressed the questions surrounding limited partnerships through an expanded discussion in the proposed Companion Policy and expanded disclosure requirements. Subsection 3.1 (4) of proposed Companion Policy now highlights the CSA's views that pools should be structured so as to limit the liability of securityholders to the amount initially invested. Paragraph 10.2(l) of the proposed National Instrument sets out the enhanced disclosure requirements.

Part 6

Part 6 is new and sets out the parameters for managers of commodity pools who propose to charge an incentive fee to commodity pools. Part 6 modifies the requirements in section 7.1 of NI 81-102 relating to incentive fees charged to commodity pools. An incentive fee is a fee paid by a mutual fund which is based on some measure of performance of the manager of that mutual fund.

The 1997 Draft NI required commodity pools and their managers to comply with section 7.1 of NI 81-102 without any modification. Section 7.1 of NI 81-102 permits a manager to charge a mutual fund an incentive fee, among other requirements, so long as the fee is calculated with reference to a representative benchmark or index that reflects the market sectors in which the fund invests.

Commodity pool managers commented that no benchmark or index exists in respect of commodity pools that would meet the requirements in section 7.1 of NI 81-102. The CSA noted this issue in the 1997 Notice. Also, commentators claimed that without the ability to charge an incentive fee, managers of commodity pools would be at a significant disadvantage in attracting successful commodity futures advisers to sub-manage the assets of commodity pools. These commentators point out that, particularly, United States-based commodity futures advisers expect to be compensated based on performance.

The CSA are of the view that the performance of fund managers for the purposes of incentive fee calculations must be measured against the performance of an appropriate objective benchmark or index. However, in recognition of the difficulties in determining an appropriate benchmark or index for commodity pools, the CSA propose that commodity pool managers may levy an incentive fee in respect of commodity pools, in circumstances no other appropriate benchmark exists, where the pools' performance is benchmarked against the 90-day Canadian or United States government treasury bill rate. One rationale for permitting this benchmark is that commodity pools generally hold 60 percent to 80 percent of their assets in treasury bills (as cover for derivatives transactions).

The CSA have considered the issues of incentive fees charged to commodity pools very carefully and have determined that incentive fees charged to commodity pools should be regulated in the fashion proposed by the proposed National Instrument. However, the CSA are aware that commodity pools require specialized management that may only be available if the portfolio adviser or manager receives compensation that is based on the performance of that adviser or manager, without regard to an objective benchmark or index. The CSA are seeking specific comment on whether alternatives exist to section 6 of the proposed National Instrument.

Section 9.4

Section 9.4 is new and requires commodity pools to file and deliver a modified statement of portfolio transactions. Section 9.1 of the proposed National Instrument clarifies that commodity pools must comply with applicable securities legislation regarding financial statements except as varied by the proposed National Instrument.

Section 9.4 will require a commodity pool's statement of portfolio transactions to contain summary disclosure of all trades, through listing on an aggregate basis all purchases and sales of each contract (or investment) entered into by the pool during the applicable quarter. The CSA believe that this aggregate disclosure will help investors evaluate the level of trading activity, the trading patterns and the types of contracts traded by the pool. The statement gives information on asset turnover and can be used to analyse the liquidity of the positions traded by the pool.

The CSA propose this change in response to comments received, questioning the rationale for requiring commodity pools to prepare full statements of portfolio transactions in the form required by securities legislation. The CSA agree that the current form of a statement of portfolio transactions would not give meaningful information to an investor in a commodity pool (due to extensive use of derivatives and higher levels of asset turnover). The modified statement mandated by section 9.4 is designed to address this concern.

Section 10.2 (formerly, section 10.3 of the 1997 Draft NI)

Clause 10.2(g) of the proposed National Instrument will require a commodity pool to provide in its prospectus past performance disclosure in the format contemplated by NI 81-101 for conventional mutual funds, modified for commodity pools. Commodity pools will be required to disclose: (1) in a bar chart, the quarterly returns of the pool (conventional mutual funds show these returns on an annual basis); (2) the performance of the pool in a line graph as compared to the 90-day Canadian or US treasury bill rate (conventional mutual funds must use an "appropriate broad based securities market index"); and (3) the annual compound returns of the pool for the 10, five, three and one year periods ended on December 31. The CSA believe that these graphic and numerical presentations of past performance will help investors evaluate a pool's average returns over a period of time and the volatility of the pool's returns on a quarterly basis.

The CSA are of the view that these graphic depictions of a commodity pool's performance over time will give investors a sense of the inherent risks associated with investing in these investment vehicles. The CSA have not required at this time, that either conventional mutual funds or commodity pools provide investors with a standardized and accepted measure of risk. Since commodity pools are specialized mutual funds with a very different risk profile to conventional mutual funds, as described below, the CSA seek specific comment on whether a standardized risk measure should be disclosed by commodity pools.

Subclause 10.2(l)(ii) has been added. As outlined above, Part 6 of the 1997 Draft NI which dealt with loss of limited liability for securityholders of a commodity pool organized as a limited partnership has been deleted from the proposed National Instrument. Subclause 10.2(1)(ii) has been added to alert investors to any issues related to limited partnerships. The CSA ask commentators for their views on whether this disclosure should be included also on the front page of the prospectus for a commodity pool.

Section 10.3 of the 1997 Draft NI

Clause 10.3(e) of the 1997 Draft NI has been deleted. The 1997 Draft NI required (as did Policy 11.4) a commodity pool to disclose whether the proposed fees charged by the portfolio adviser to the pool are higher or lower than those charged to other pools that are advised by the portfolio adviser, together with any information concerning brokerage charges to those other pools that the pool considers relevant.

Similarly, clause10.3(g) of the 1997 Draft NI has been deleted. The 1997 Draft NI required a commodity pool with a history of less than three years to disclose the total return of the portfolio adviser (or manager, as the case may be) for all other commodity pools for which the portfolio adviser has acted in that capacity for a specified time period.

The CSA believe that no continuing regulatory purpose exists to require the above disclosure, which the CSA notes is not required of conventional mutual funds. Instead, the CSA propose clause 10.2(g), which they consider more meaningful and relevant disclosure.

Section 11.2 of the 1997 Draft NI

The CSA have deleted section 11.2 of the 1997 Draft NI in order to conform the exemptive provisions to the comparable provisions contained in NI 81-102.

Summary of Changes to the Proposed Companion Policy from the 1997 Draft CP

This section describes the material changes made to the proposed Companion Policy from the 1997 Draft CP. Changes made in order to ensure that the proposed Companion Policy conforms to the proposed National Instrument are not described here. For a detailed summary of the contents of the 1997 Draft CP, reference should be made to the 1997 Notice. Unless otherwise indicated, all section references in this section of this Notice of Proposed Changes pertain to the proposed Companion Policy.

Section 2.2

Section 2.2 is new. The CSA discuss the use of derivatives by commodity pools and clarify that commodity pools are excluded from the rules of NI 81-102 governing specified derivatives, but remain subject to the other investment restrictions in NI 81-102. For example, commodity pools remain subject to the restrictions on purchasing securities on margin and the prohibition on selling securities short.

Specific Questions of the CSA

In addition to welcoming submissions on any provision of the proposed National Instrument and the proposed Companion Policy, the CSA seek comment on the three matters referred to below.

Incentive Fees

As noted above, Part 6 of the proposed National Instrument addresses the levying of incentive fees against assets of commodity pools when no benchmark or index exists that would meet the requirements in section 7.1 of NI 81-102. The CSA seek comment on whether the proposed National Instrument should completely exempt commodity pools from the operation of section 7.1 of NI 81-102 and require only disclosure of the incentive fee and the basis on which it is calculated. In responding to this issue, commentators should address whether disclosure alone would provide consumers with enough information to make informed decisions and whether market forces would be able to adequately regulate incentive fees charged by commodity pools. In other words, why should commodity pools be treated differently in this respect than conventional mutual funds? The CSA note that the primary regulatory purpose in mandating a benchmark or index is to ensure that investors will be able to properly assess whether the fees being charged in respect of their investment are appropriate

having regard to the performance of the pool. The CSA have traditionally required that a manager of mutual funds inform investors that it will attempt to out-perform a specified recognized and widely used benchmark or index and if it does so, it will be entitled to fees based on that performance. Will investors be able to make informed decisions about the performance of the commodity pool's performance without any measure of performance?

Risk Measures

The CSA are proposing that commodity pools provide in their prospectuses, graphic depictions of past performance which are consistent with the requirements for conventional mutual funds set out in NI 81-101. The CSA seek specific comment on whether commodity pools are sufficiently different from conventional mutual funds in their risk profile to warrant the CSA requiring disclosure of a standardized measure of risk. Commentators believing that this disclosure would be appropriate should explain which measure would be appropriate, with a focus on whether this risk measure would be comprehensible to the average commodity pool investor. Does a common measure of risk exist in the commodity pool industry in Canada? In the United States?

Risk of Loss of Limited Liability

The proposed National Instrument requires that a commodity pool address the possibility of loss of limited liability in specialized circumstances in its prospectus. Is this risk sufficiently important and material that front page disclosure should be given?

Authority for Proposed National Instrument (Ontario)

In those jurisdictions in which the proposed National Instrument is to be adopted or made as a rule or regulation, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the proposed National Instrument.

In Ontario, the following provisions of the *Securities Act* (Ontario) provide the OSC with authority to make the proposed National Instrument. Paragraph 143(1)23 of the Act authorizes the OSC to make rules exempting reporting issuers from any requirement of Part XVIII (Continuous Disclosure) among other things, under circumstance that the OSC considers justify the exemption. Paragraph 143(1)34 of the Act authorizes the OSC to make rules regulating commodity pools, including certain matters specified in the paragraph. Paragraph 143(1)35 of the Act authorizes the OSC to make rules regulating or varying the Act in respect of derivatives, including prescribing requirements that apply to mutual funds and commodity pools.

Anticipated Costs and Benefits

The 1997 Notice describes the anticipated costs and benefits to commodity pools of the proposed National Instrument. The CSA are of the view that none of the proposed changes outlined in this Notice of Proposed Changes will serve to increase costs to commodity pools, and may, reduce the costs of commodity pools and industry participants. The proposed change to the proficiency requirements for sales representatives and supervisors is expected to reduce the impact of the proposed National Instrument on the distribution of commodity pools through participating dealers when compared with the rules proposed in the 1997 Draft NI.

Regulations to be Revoked or Amended

The Ontario Securities Commission will amend section 87 of the Regulation to the Act in conjunction with the making of the proposed National Instrument as a rule by adding the following subsection 87(7):

> "(7) Subsections (1) to (6) do not apply to a commodity pool subject to National Instrument 81-104 Commodity Pools.".

Comments

Interested parties are invited to make written submissions with respect to the proposed National Instrument and Companion Policy. Submissions received by August 4 , 2000 will be considered.

Submissions should be sent to all of the Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
Registrar of Securities, Government of Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

Submissions should also be addressed to the Commission des valeurs mobilières du Québec as follows:

Claude St. Pierre, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3
E-mail: claude.stpierre@cvmq.com

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in certain provinces requires that a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Comments may also be sent via e-mail to the above noted e-mail addresses of the respective Secretaries of the OSC and to the Commission des valeurs mobilières du Québec, and also to any of the individuals noted below at their respective e-mail addresses.

Questions may be referred to any of:

Noreen Bent
Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6741
or 1-800-373-6393 (in B.C.)
E-mail: nbent@bcsc.bc.ca

Wayne Alford
Legal Counsel
Alberta Securities Commission
(403) 297-2092
E-mail: wayne.alford@seccom.ab.ca

Dean Murrison
Deputy Director, Legal
Saskatchewan Securities Commission
(306) 787-5879
E-mail: dean.murrison.ssc@govmail.gov.sk.ca

Bob Bouchard
Director, Capital Markets and Chief Administrative Officer
The Manitoba Securities Commission
(204) 945-2555
E-mail: bbouchard@cca.gov.mb.ca

Rebecca Cowdery
Manager, Investment Funds
Capital Markets
Ontario Securities Commission
(416) 593-8129
E-mail: rcowdery@osc.gov.on.ca

Anne Ramsay
Senior Accountant, Investment Funds
Capital Markets
Ontario Securities Commission
(416) 593-8243
E-mail: aramsay@osc.gov.on.ca

Darren McKall
Legal Counsel, Investment Funds
Capital Markets
Ontario Securities Commission
(416) 593-8118
E-mail: dmckall@osc.gov.on.ca

Ann Leduc
Conseillère en réglementation
Direction de la recherche et du développement des marchés
Commission des valeurs mobilières du Québec
(514) 873-2150, ext. 4572
E-mail: ann.leduc@cvmq.com

Proposed National Instrument and Companion Policy

The text of the proposed National Instrument and Companion Policy follow, together with footnotes that are not part of the proposed National Instrument or Companion Policy, but have been included to provide background and explanation.

DATED: June 2, 2000.

APPENDIX A

Summary of Comments Received on
Proposed National Instrument 81-104 Commodity Pools
and
Proposed Companion Policy 81-104CP Commodity Pools
and
Response of the Canadian Securities Administrators

In June 1997, the Canadian Securities Administrators (CSA) released for public comment proposed National Instrument 81-104 Commodity Pools (the 1997 Draft NI) and proposed Companion Policy 81-104CP Commodity Pools (the 1997 Draft CP). During the comment period which ended on October 31, 1997, the CSA received one comment letter from Meighen Demers.

As outlined in the Notice of Proposed Changes, since no comments were received during the comment period that addressed the issues raised by the CSA in the 1997 Notice, the CSA considered it important to contact each of the existing commodity pools in Canada to ensure that the proposed regulatory regime for commodity pools is appropriate and reflects the commodity pool industry in Canada. As a result of that contact, the CSA received additional written comments from:

1. AGF Management Limited
2. The Di Tomasso Group
3. Dorsey & Whitney LLP on behalf of Friedberg Mercantile Group
4. Fogler, Rubinoff on behalf of Friedberg Mercantile Group
5. Merrill Lynch Canada Inc.
6. Mondiale Asset Management Ltd.
7. Russell & DuMoulin

Copies of the comment letters may be viewed at the office of Micromedia Limited, 20 Victoria Street, Toronto, Ontario (416) 312-5211 or 1-(800) 387-2689; the office of the British Columbia Securities Commission, 200-865 Hornby Street, Vancouver, British Columbia (604) 899-6660; the office of the Alberta Securities Commission, 10025 Jasper Avenue, Edmonton, Alberta (780) 427-5201; and the office of the Commission des valeurs mobilières du Québec, Stock Exchange Tower, 800 Victoria Square, 22nd floor, Montréal, Québec (514) 940-2150.

The CSA have considered the comments received on the 1997 Drafts and thank all commentators for providing their comments.

The attached Table contains a summary of all comments received, together with the response of the CSA to those comments.

Note: In this Table, "1997 Draft" means the proposed version of NI 81-104 and Companion Policy 81-104CP published for comment in June 1997; "Revised NI" means the proposed revised version of NI 81-104 and Companion Policy 81-104CP; "CSA" means the Canadian Securities Administrators.

	1997 Draft Reference	*Revised NI Reference*	*Comment*	*CSA Response*
1.	Definition of "illiquid asset" in NI 81-102	S. 1.3(2)	Commodity pools should be permitted to invest in inter-bank forwards and options for which there is a counterparty prepared to and capable of making a market without regard to whether these transactions are restricted by the "illiquid assets" rules provided for in NI 81-102.	Change made. Subsection 1.3(2) of the proposed National Instrument excludes interbank forwards and options for which there is a counterparty prepared to and capable of making a market from the definition of "illiquid asset" for commodity pools.
2.	Definition of "underlying market exposure" in the 1997 draft of NI 81-102	N/A	The definition of "underlying market exposure" in the June 1997 published draft of NI 81-102 does not include all derivative instruments that may be used by a commodity pool. As a result, the look-through provision used to calculate concentration in one issuer for the concentration restriction will not operate to include all derivatives that may be used by a commodity pool.	The final version of NI 81-102 addresses this discrepancy. The term "underlying market exposure" was replaced by the term "underlying interest of that specified derivative" in subsection 2.1(3) of NI 81-102.
3.	S. 1.3	DELETED	Section 1.3 of the 1997 Draft should be clarified to ensure that all references to "permitted derivatives" in NI 81-102 are read as references to "specified derivatives" for commodity pools.	The comment was addressed in the final version of NI 81-102 which only uses the term "specified derivatives". All references to "permitted derivatives" were removed from the final rule.
4.	S. 2.1	S. 2.1	The 10 percent concentration restriction should not apply to commodity pools. The use of leverage will cause a commodity pool to easily exceed the 10 percent concentration restriction. This result would not be consistent with a commodity pool's ability to leverage and speculate. E.g., a commodity pool with net assets of $1 million that purchases forward contracts with market exposure of $300,000 (30 percent of the net assets) may only need to deposit $12,000 margin (2 to 4 percent of underlying market exposure).	No change made. The 10 percent concentration restriction in s. 2.1(1) of NI 81-102 restricts commodity pools from investing in *any one issuer* more than 10 percent of the net assets of the pool. Commodity pools should not use leverage to gain more than 10 percent exposure to any one issuer. The general rules applicable to mutual funds should apply to commodity pools. The concentration restriction would not preclude a commodity pool from exposing more than 10 percent of its net assets to a *commodity* (such as gold).
5.	S. 3.2(1)(a) & (b)	S. 3.2(1)(a) & (b)	Clause 3.2(1)(b) forbids the issuance of any units prior to receiving subscriptions aggregating not less than $500,000. This prohibition precludes the issuance of units for the seed capital money invested.	Clause 3.2(1)(b) was amended to reflect this comment.
6.	S. 3.2(2)	S. 3.2(2)	The prohibition on removal of the initial seed capital (until the commodity pool is terminated or dissolved) is not necessary if the commodity pool is well established and has grown very large.	No change made. The CSA believe that the seed capital should remain in the commodity pool for the duration of the commodity pool's existence.

	1997 Draft Reference	*Revised NI Reference*	*Comment*	*CSA Response*
7.	S. 4.1	DELETED	No restrictions should be placed on a commodity pool's ability to pay a management fee to parties receiving or participating, directly or indirectly, in brokerage commissions. In addition, a manager not acting as portfolio adviser to the commodity pool will not control portfolio turnover (or "churning" activities) – as a result, the conflict of interest provision should not apply to a manager that does not provide portfolio advice.	The prohibition was removed. Commodity pools are now treated in a like manner to conventional mutual funds on this issue. Investors can evaluate the performance of the commodity pool after management and brokerage fees are paid and can redeem units if the net returns of the pool are not acceptable.
8.	S. 5.1	S. 4.1	The Canadian Securities Institute ("CSI") proficiency courses proposed in the 1997 Draft for salespersons and supervisors are not appropriate courses. The courses aim at proficiency requirements for those trading in individual futures accounts. Commodity pools differ from the individual futures accounts as the pools are professionally managed by advisers with the requisite proficiency and experience. Also, the qualifications suggested are rare, particularly for representatives of mutual fund dealers. Since the distribution channels will be limited, a majority of the public in Canada will be deprived of an opportunity to participate in commodity pools. Why impose additional proficiency requirements for commodity pools, when no such additional specialized knowledge is mandated for conventional mutual funds specializing in niche markets, for example, or using derivative instruments.	Section 4.1 has been changed. The additional proficiency requirements for both the salesperson and the supervisor would be to successfully complete the Derivatives Fundamentals Course offered by the CSI. This course provides a knowledge base in derivatives that the CSA believes is appropriate for anyone seeking to sell commodity pools. This course reflects the additional knowledge required to sell a professionally managed commodity pool which uses derivatives to create leverage and to speculate. A six month transitional period is proposed in respect of this requirement.
9.	S. 5.1	S. 4.1	The additional proficiency requirements for selling commodity pools should not apply to SRO members as their general requirements are higher.	Changes described above made. SRO members are not exempt at present from the requirements described above. The CSA are of the view that SRO members should also have specialized knowledge about derivatives to sell commodity pools, notwithstanding the additional courses they take.
10.	S. 5.1	S. 4.1	The proposed National Instrument should include an exemptive relief provision for proficiency requirements.	No change necessary. Applications for exemptive relief from provisions of the proposed National Instrument can be made under section 11.1.
11.	Pt 5	Pt 4	It is difficult for the mutual fund dealer to monitor whether the dealer or salesperson selling a pool is properly registered. The National Instrument should provide clear direction that the onus to ensure proper registration in on the salesperson. Clear liability for the failure to comply must be set out explicitly in the National Instrument or by reference to a stated provision.	No changes were made. The CSA do not believe that the proposed National Instrument regulating commodity pools should restate or contribute to the existing penalties for non-compliance with registration requirements.

	1997 Draft Reference	*Revised NI Reference*	*Comment*	*CSA Response*
12.	S.7.1	S. 7.1	Is it intended that a change in [redemption] policy is a material change, requiring a unitholder meeting if the policy is amended?	The proposed National Instrument permits commodity pools to set redemption policies that are consistent with, if not, less restrictive that previous policy statements. Each commodity pool must determine how it will comply with the National Instrument once it comes into force and must decide for itself what approvals it must seek and obtain.
13.	S. 7.3	S. 7.3	Supports allowing commodity pools additional time to redeem units (i.e.15 days rather than 3 days for conventional mutual funds). Is the "15 days" business days or calendar days?	The 15 days are calendar days.
14.	Pt 7 & 8	Pt 7 & 8	Rationale for reducing the time periods for redemptions (30 days to 15 days) and frequency of calculation of the NAV (once per week to daily) is clear and acceptable. However, these changes will result in significant back-office system changes; will require time and money; and may be difficult for some distributors to implement.	Commodity pools facing undue hardship should seek exemptive transitional relief once the National Instrument comes into force. However, commodity pools have been given a long period of notice of these proposed changes (since June 1997) in which to change their affairs. Any commodity pool seeking exemptive transitional relief should explain why this lengthy period of notice has not been sufficient.
15.	S. 9.2	S. 9.2	The requirement for quarterly interim financial statements is not appropriate. It is onerous and costly. A quarterly investment update should be substituted for quarterly interim financial statements.	No changes made. Due to the ability for commodity pools to use leverage and their inherent volatility, the CSA believe that semi-annual financial statements are not sufficient. Also, the quarterly interim statements are not required to be audited statements and costs associated with such audits do not need to be incurred on a quarterly basis.
16.	S. 9.4	S. 9.4	Preparing and filing of statements of portfolio transactions and statements of investment portfolio are of no utility to investors in a commodity pool.	Section 9.4 of the proposed National Instrument incorporates a revised statement of portfolio transactions for commodity pools. The statement will provide aggregate disclosure of the contracts purchased and sold by the commodity pool during the period. This information will allow investors to evaluate the level of leverage used, the turnover of assets and level of liquidity of the contracts being traded. The regulations applicable to mutual funds and Statements of Investment Portfolio are proposed to apply to commodity pools.

	1997 Draft Reference	*Revised NI Reference*	*Comment*	*CSA Response*
17.	(New)	S. 6.1	In requiring compliance with section 7.1 of NI 81-102, a commodity pool manager must base an incentive fee charged to a commodity pool on the pool's performance relative to a representative benchmark. There is no such representative benchmark for a highly leveraged investment fund such as a commodity pool. The current requirement would preclude the use of incentive fees by commodity pool managers in Canada. If Canadian commodity pool managers are precluded from charging incentive fees, this fact would impact on the availability of top-ranked U.S. commodity trading advisers and the viability of commodity pools in Canada. The U.S. model allows for incentive fees to be charged without regard to a benchmark, if the fees are fully described to the investors. As 65 - 80 percent of a commodity pool's assets are generally invested in treasury bills, a government treasury-bill rate would be consistent with section 7.1 of NI 81-102. A treasury-bill rate benchmark is easily measurable and applicable to all types of commodity pools.	Section 6.1 was added to the proposed National Instrument. Section 6.1 permits a commodity pool to pay an incentive fee based on performance, where the pool's performance is based on a 90-day Canadian or US government treasury-bill rate benchmark, if a more appropriate benchmark is not available.
18.	S. 6.8 of NI 81-102	S. 6.8 of NI 81-102	Section 6.8 of NI 81-102 is not broad enough to accommodate all types of derivatives that commodity pools might use. Section 6.8 of NI 81-102 should be broadened in the proposed National Instrument to accommodate all types of derivatives that a commodity pool might use. Commentator focussing on section 6.8 of the June 1997 version of NI 81-102.	No changes made. The CSA believe that the custodial provisions do accommodate the expanded use of derivatives by commodity pools. Changes made to section 6.8 of NI 81-102 since the June 1997 publication.

NATIONAL INSTRUMENT 81-104
COMMODITY POOLS

TABLE OF CONTENTS

NATIONAL INSTRUMENT 81-104
COMMODITY POOLS[1]

PART 1 DEFINITIONS, APPLICATION AND INTERPRETATION

1.1 Definitions[2]

(1) In this Instrument

"commodity pool" means a mutual fund, other than a precious metals fund, that has adopted fundamental investment objectives[3] that permit it to use or invest in

(a) specified derivatives in a manner that is not permitted by National Instrument 81-102 Mutual Funds, or

(b) physical commodities in a manner that is not permitted by National Instrument 81-102;

"Derivatives Fundamentals Course" means a course prepared and conducted by the Canadian Securities Institute and so named by that Institute as of the date that this Instrument comes into force, every predecessor to that course, and every successor to that course that does not narrow the scope of the significant subject matter of the course; and

"precious metals fund" means a mutual fund that has adopted fundamental investment objectives, and received all required regulatory approvals, that permit it to invest in precious metals or in entities that invest in precious metals and that otherwise complies with National Instrument 81-102.

(2) Terms defined in National Instrument 81-102 and used in this Instrument have the respective meanings ascribed to them in National Instrument 81-102.

1.2 Application - This Instrument applies only to

(a) a commodity pool that

(i) offers, or has offered, securities under a prospectus for so long as the commodity pool remains a reporting issuer, or

(ii) is filing a preliminary prospectus or its first prospectus; and

(b) a person or company in respect of activities pertaining to a commodity pool referred to in paragraph (a) or pertaining to the filing of a prospectus to which subsection 3.2(1) applies.

1.3 Interpretation

(1) Each section, part, class or series of a class of securities of a commodity pool that is referable to a separate portfolio of assets is considered to be a separate commodity pool for purposes of this Instrument.

(2) In relation to the application to commodity pools of the illiquid asset tests contained in National Instrument 81-102, the term "public quotation" in section 1.1 of National Instrument 81-102 includes any quotation of a price for foreign currency forwards and foreign currency options in the interbank market.

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1 This proposed National Instrument is based on OSC Policy 11.4 ("Policy 11.4"), reformulated as a national instrument. This proposed Instrument is expected to be adopted as a rule in British Columbia, Alberta, Manitoba, Newfoundland, Ontario and Nova Scotia, as a Commission regulation in Saskatchewan, and as a policy in all other jurisdictions represented by the CSA.

This is the second publication for comment of the proposed National Instrument, and amends the draft published in June 1997 (the "1997 Draft"). Amendments to the 1997 Draft have been made as the result of comments received on that draft and as the result of further consideration of this Instrument by the CSA. Amendments have also been made to ensure that this draft relates properly to National Instrument 81-102 ("NI81-102"), which came into force on February 1, 2000. Substantive amendments from the 1997 Draft are discussed in the footnotes to this Instrument or the notice published with this Instrument.

2 A national definition instrument has been adopted as National Instrument 14-101 Definitions. It contains definitions of certain terms used in more than one national instrument. National Instrument 14-101 also provides that a term used in a national instrument and defined in the statute relating to securities of the applicable jurisdiction, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in that statute, unless the context otherwise requires. National Instrument 14-101 also provides that a provision or a reference within a provision of a national instrument that specifically refers by name to a jurisdiction, other than the local jurisdiction, shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

3 The term "fundamental investment objectives" is defined in NI81-102 as "the investment objectives of a mutual fund that define the fundamental nature of the mutual fund and define the fundamental investment features of the mutual fund that distinguish it from other mutual funds." The intent of the use of these words is to define a commodity pool as a mutual fund that is primarily defined by its use of derivatives or commodities in a manner different from what is permitted by NI81-102.

PART 2 INVESTMENT RESTRICTIONS AND PRACTICES

2.1 Investment Restrictions and Practices - Paragraphs 2.3(d), (e), (f), (g) and (h) and sections 2.7, 2.8 and 2.11 of National Instrument 81-102 do not apply to a commodity pool.[4]

PART 3 NEW COMMODITY POOLS

3.1 Non-Application - Sections 3.1 and 3.2 of National Instrument 81-102 do not apply to a commodity pool.

3.2 New Commodity Pools

(1) No person or company shall file a prospectus for a newly established commodity pool unless

(a) an investment of at least $50,000 in securities of the commodity pool has been made, and those securities are beneficially owned, before the time of filing by

(i) the manager, a portfolio adviser, a promoter or a sponsor of the commodity pool,

(ii) the directors, officers or shareholders of any of the manager, a portfolio adviser, a promoter or a sponsor of the commodity pool, or

(iii) any combination of the persons or companies referred to in subparagraphs (i) and (ii); and

(b) the prospectus of the commodity pool states that the commodity pool will not issue securities other than those referred to in paragraph (a) unless subscriptions aggregating not less than $500,000 have been received by the commodity pool from investors other than the persons and companies referred to in subparagraphs (i) and (ii) of paragraph (a) and accepted by the commodity pool.

(2) A commodity pool shall not redeem, repurchase or return any amount invested in, a security issued upon an investment in the commodity pool referred to in paragraph (1)(a) except as part of the dissolution or termination of the commodity pool.

3.3 Prohibition Against Distribution - If a prospectus of a commodity pool contains the disclosure described in paragraph 3.2(1)(a), the commodity pool shall not distribute any securities unless the subscriptions described in that disclosure, together with payment for the securities subscribed for, have been received.[5]

PART 4 PROFICIENCY AND SUPERVISORY REQUIREMENTS

4.1 Proficiency and Supervisory Requirements

(1) No registered salesperson, partner, director or officer of a principal distributor or participating dealer shall trade in a security of a commodity pool on behalf of the principal distributor or participating dealer unless that individual

(a) has received at least a passing grade for the Derivatives Fundamentals Course; or

(b) meets the proficiency standards applicable to trading in securities of commodity pools required by a self-regulatory organization to which the individual, or his or her organization, is a member if the securities regulatory authority or regulator has completed any required review, approval or non-disapproval of the regulatory instrument of the self-regulatory organization that establishes those proficiency standards.[6]

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4 Commodity pools are subject to the investment restrictions and practices contained in NI81-102 except those pertaining to commodities and derivatives. This provision excludes the application of NI81-102 to commodity pools in respect of the following matters:

paragraph 2.3(d) - prohibition on purchase of gold certificates other than permitted gold certificates

paragraph 2.3(e) - prohibition on purchase of gold or permitted gold certificates in excess of 10 percent of assets

paragraph 2.3(f) - prohibition on purchase of physical commodities

paragraph 2.3(g) - prohibition on purchase of specified derivatives other than in compliance with sections 2.7 to 2.11 of NI81-102

paragraph 2.3(h) - prohibition on purchase of specified derivatives having an underlying interest of a physical commodity other than gold

sections 2.7, 2.8, 2.11 - general rules respecting specified derivatives use; section 2.9 will apply to commodity pools so that commodity pools will have the benefit of that provision if they use derivatives for hedging purposes.

5 This provision is new and corresponds to section 3.2 of NI81-102, which imposes a direct prohibition on a mutual fund in respect of the initial capitalization requirements of the mutual fund.

6 The CSA have changed the proficiency standards required for individuals trading in securities of commodity pools from the 1997 Draft. The CSA now are proposing that such individuals have completed the Derivatives

(2) No principal distributor or participating dealer shall trade in a security of a commodity pool in the local jurisdiction[7] unless

(a) the principal distributor or participating dealer has designated an individual located in the local jurisdiction to be responsible for the supervision of trades of securities of commodity pools in the local jurisdiction; and

(b) the individual referred to paragraph (a) has received at least a passing grade for the Derivatives Fundamentals Course.

(3) Despite subsection (2), but subject to compliance with securities legislation,[8] a principal distributor may agree to act as principal distributor of a commodity pool and may trade in securities of a commodity pool if all trades are effected through a participating dealer that satisfies the requirements of subsection (2).

PART 5 TERMINATION OF AGREEMENTS

5.1 **Termination of Agreements** - A commodity pool shall not enter into an agreement retaining any person or company to provide services to it unless the retainer is terminable by the commodity pool without penalty with no more than 60 days' notice.

PART 6 INCENTIVE FEES

6.1 **Incentive Fees** - The benchmark or index to be used by a commodity pool in relation to the calculation or payment of fees to which paragraph 7.1(a) of National Instrument 81-102 applies shall be the average yield of either 90-day Government of Canada treasury bills or 90-day Government of the United States of America treasury bills during the relevant period if there is no benchmark or index known to the commodity pool that satisfies the requirements of that paragraph.[9]

PART 7 REDEMPTION OF SECURITIES OF A COMMODITY POOL

7.1 **Frequency of Redemptions** - If disclosed in its prospectus, a commodity pool may include, as part of the requirements established under subsection 10.1(2) of National Instrument 81-102, a provision that securityholders of the commodity pool shall not have the right to redeem their securities for a period up to six months after the date on which the receipt is issued for the initial prospectus of the commodity pool.

7.2 **Required Notice of Redemption** - Despite section 10.3 of National Instrument 81-102, a commodity pool may implement a policy providing that a person or company making a redemption order for securities shall receive the net asset value for those securities determined, as provided in the policy, on the first or second business day after the date of receipt by the commodity pool of the redemption order.

7.3 **Payment of Redemption Proceeds** - The references in subsection 10.4(1) of National Instrument 81-102 to "three business days" shall be read as references to "15 days" in relation to commodity pools.

PART 8 CALCULATION OF NET ASSET VALUE

8.1 **Non-Application** - Subsections 13.1(1) and (2) of National Instrument 81-102 do not apply to a commodity pool.

8.2 **Calculation of Net Asset Value** - The net asset value of a commodity pool shall be calculated at least once each business day.

Fundamentals Course or any relevant SRO requirements. These standards will ensure adequate knowledge of commodity pool products by persons engaged in their sale, without imposing requirements that are excessively difficult to satisfy.

7 The term "local jurisdiction" is defined in National Instrument 14-101 Definitions. The definition is "in a national instrument adopted or made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate". The term "jurisdiction" is defined in National Instrument 14-101 Definitions as meaning a province or territory of Canada, except when used in the term foreign jurisdiction. The term "Canadian securities regulatory authorities" is defined in National Instrument 14-101 Definitions as meaning the securities commissions or similar regulatory authorities set out in an appendix to that instrument.

8 The term "securities legislation" is defined in National Instrument 14-101 Definitions as meaning the particular statute and legislative instruments of the local jurisdiction set out in an appendix to that instrument and will generally include the statute, regulations and, in some cases, the rules, forms, rulings and orders relating to securities in the local jurisdiction.

9 The CSA are proposing that commodity pools follow the same rules for incentive fees as conventional mutual funds, as set out in National Instrument 81-102. However, the CSA recognize that there may not always be benchmarks that form appropriate bases for comparison with the performance of the commodity pool; in those circumstances, this Instrument requires the commodity pool to use the 90-day Government of Canada or the 90-day Government of the United States treasury bill yield as a comparison.

PART 9 CONTINUOUS DISCLOSURE - FINANCIAL STATEMENTS

9.1 **Variation of Securities Legislation** - The provisions of securities legislation that pertain to the filing, content and sending to securityholders of financial statements for mutual funds are varied for commodity pools to the extent described in this Part.

9.2 **Interim Financial Statements**

(1) Instead of filing and delivering interim financial statements on a semi-annual basis, a commodity pool shall, within 60 days of the date to which they are made up, file and deliver to each securityholder whose last address as shown on the books of the commodity pool is in the local jurisdiction, interim financial statements

(a) if the commodity pool has not completed its first financial year, for the periods commencing with the beginning of that financial year and ending nine, six and three months before the date on which that year ends; and

(b) if the commodity pool has completed its first financial year, for the periods beginning at the end of its last completed financial year and ending three, six and nine months after the end of the last completed financial year, together with, if applicable, comparative statements to the end of each of the corresponding periods in the last completed financial year.

(2) Despite paragraph (1)(a), a commodity pool is not required to prepare, file or deliver interim financial statements for a period that is less than three months in length.

9.3 **Income Statements** - In addition to any other matters required by securities legislation, the income statement forming part of the interim financial statements of a commodity pool shall include

(a) the total amount of realized net gain or net loss on positions liquidated during the period;

(b) the change in unrealized net gain or net loss on open positions during the period;

(c) the total amount of net gain or net loss from all other transactions in which the commodity pool engaged during the period, including interest;

(d) the total amount of all incentive fees paid during the period; and

(e) the total amount of all brokerage commissions paid during the period.

9.4 **Statements of Portfolio Transactions**[10]

(1) A statement of portfolio transactions of a commodity pool shall provide disclosure, in the form of the table in subsection (2), of the aggregate total volume and total value or nominal value of all purchase and sale transactions of the commodity pool for

(a) each security, by class or series, purchased or sold by the commodity pool during the period;

(b) each physical commodity, purchased or sold by the commodity pool during the period; and

(c) each derivative, by type of contract and underlying interest, for which a derivatives transaction was entered into by the commodity pool during the period.

(2) The table contemplated by subsection (1) shall be in the following form:

	Total Volume	Total Value or Nominal Value
Purchases		
Sales		

PART 10 PROSPECTUS DISCLOSURE

10.1 **Front Page Disclosure** - In addition to any other requirements of securities legislation, the front page of a preliminary prospectus and prospectus of a commodity pool shall

(a) state, in substantially the following words:

" You should carefully consider whether your financial condition permits you to participate in the [commodity pool]. The securities of the [commodity pool] are [highly] speculative and involve a high degree of risk. You may lose a substantial portion or even all of the money you place in the [commodity pool].

The risk of loss in trading [nature of instruments to be traded by the commodity pool] can be substantial. In considering whether to participate in the [commodity pool], you should be aware that trading [nature of instruments] can quickly lead to large losses as

[10] This provision permits a commodity pool to provide summary disclosure of its trading activities in a statement of portfolio transactions, rather than have to disclose particulars of every trade, as would otherwise be required under securities legislation. The CSA are satisfied that summary disclosure in this context provides investors with an adequate overview of the trading activity of the commodity pool for the period to which the statement relates.

well as gains. Such trading losses can sharply reduce the net asset value of the [commodity pool] and consequently the value of your interest in the [commodity pool]. Also, market conditions may make it difficult or impossible for the [commodity pool] to liquidate a position.

The [commodity pool] is subject to certain conflicts of interest.

The [commodity pool] will be subject to the charges payable by it as described in this prospectus that must be offset by revenues and trading gains before an investor is entitled to a return on his or her investment. It may be necessary for the [commodity pool] to make substantial trading profits to avoid depletion or exhaustion of its assets before an investor is entitled to a return on his or her investment.";

(b) state, for the initial prospectus of a commodity pool, in substantially the following words:

" The [commodity pool] is newly organized. The success of the [commodity pool] will depend upon a number of conditions that are beyond the control of the [commodity pool]. There is a substantial risk that the goals of the [commodity pool] will not be met.";

(c) state, if the promoter, manager, or a portfolio adviser of the commodity pool has not had a similar involvement with any other commodity pool, in substantially the following words:

" The [promoter], [manager] [and/or] [portfolio adviser] of the [commodity pool] has not previously operated any other publicly offered commodity pools [or traded other accounts].";

(d) state, if the commodity pool will execute trades outside of Canada, in substantially the following words:

" Participation in transactions in [nature of instrument to be traded by the commodity pool] involves the execution and clearing of trades on or subject to the rules of a foreign market.

None of the Canadian securities regulatory authorities or Canadian exchanges regulate activities of any foreign markets, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rule of a foreign market or any applicable foreign laws. Generally, any foreign transaction will be governed by applicable foreign law. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs.

For these reasons, entities such as the commodity pool that trade [nature of instrument to be traded by the commodity pool] may not be afforded certain of the protective measures provided by Canadian legislation and the rules of Canadian exchanges. In particular, funds received from customers for transactions may not be provided the same protection as funds received in respect of transactions on Canadian exchanges.";

(e) state, immediately after the statements required by paragraphs (a), (b), (c), and (d), in substantially the following words:

" These brief statements do not disclose all the risks and other significant aspects of investing in the [commodity pool]. You should therefore carefully study this prospectus, including a description of the principal risk factors at page [page number], before you decide to invest in the [commodity pool.]";

(f) if applicable, state that the tax consequences to the commodity pool or its securityholders are not certain; and

(g) state that the commodity pool is a mutual fund but that certain provisions of securities legislation designed to protect investors who purchase securities of mutual funds do not apply.

10.2 **Prospectus Disclosure** - In addition to any other requirements of securities legislation, the preliminary prospectus and prospectus of a commodity pool shall

(a) disclose the fundamental investment objectives and strategy of the commodity pool, and how specified derivatives are or will be used in connection with those objectives and that strategy;

(b) disclose any limitation on the use of specified derivatives by the commodity pool contained in the constating documents, or forming part of the fundamental investment objectives or investment strategy, of the commodity pool;

(c) disclose the risks associated with the use or intended use by the commodity pool of specified derivatives and the policies and practices of the commodity pool to manage those risks;

(d) disclose any existing or potential conflicts of interest between the commodity pool and any promoter, manager, adviser, dealer, broker, any of their respective associates or affiliates, or any of the officers, directors or partners of any of the foregoing, and the steps that will be taken

to alleviate any existing or potential conflicts of interest;

(e) disclose whether an affiliate of the manager or of a portfolio adviser of the commodity pool receives or will receive brokerage commissions arising from trades of the commodity pool;

(f) disclose if the commodity pool will be wound up without the approval of securityholders if the net asset value per security falls below a certain predetermined level, and, if so, the net asset value per security at which this will occur;

(g) provide the disclosure concerning the past performance of the commodity pool that is required to be provided by a mutual fund under Item 11 of Part B of Form 81-101F1 Contents of Simplified Prospectus, except that

(i) the past performance of the commodity pool in the bar chart prepared in accordance with Item 11.2 of Part B of Form 81-101F1, shall show quarterly, non-annualized, returns of the commodity pool over the period provided for in Item 11.2, rather than annual returns; and

(ii) the commodity pool shall, in the disclosure required by Items 11.3 and 11.4 of Part B of Form 81-101F1, compare its performance to that of the average yield of either 90-day Government of Canada treasury bills or 90-day government of the United States treasury bills for the relevant periods, rather than to "one or more broad-based market indices" as otherwise required by those Items, and shall provide disclosure and discussion concerning the average yield of those treasury bills, to the extent possible, in the manner required by Items 11.3 or 11.4 for broad-based market indices;

(h) include a statement that how the commodity pool performed in the past does not necessarily indicate how it will perform in the future;

(i) describe the financial reporting that is required of the commodity pool;

(j) in addition to the front page disclosure required by paragraph 10.1(g), disclose that certain provisions of securities legislation designed to protect investors who purchase securities of mutual funds do not apply to the commodity pool, and disclose the implications of this;

(k) describe the redemption procedures and requirements of the commodity pool, making specific reference to the adoption of any policies established under this Instrument or National Instrument 81-102;

(l) disclose, in the "Risk Factor" section of the prospectus, any information that may bear on the securityholder's assessment of risk associated with an investment in the commodity pool, including

(i) the risk associated with those commodity pools structured as trusts that purchasers of the securities offered may become liable to make an additional contribution beyond the price of the securities, and

(ii) any risks associated with the loss of limited liability of a limited partner of a commodity pool that is structured as a limited partnership; and

(m) disclose the details of compliance of the commodity pool with the requirements of sections 3.2 and 3.3 of this Instrument.[11]

10.3 Financial Statements

(1) A preliminary prospectus and prospectus of a commodity pool shall contain the financial statements of the commodity pool for the time periods that are required by the securities legislation applicable to issuers other than mutual funds.

(2) The financial statements required by subsection (1) shall be prepared in accordance with the requirements of Part 9.

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11 The CSA have deleted from the disclosure requirements paragraph 10.3(g) of the 1997 Draft, which required disclosure of the "track record" of the portfolio adviser and manager of the commodity pool for the previous three years if the pool itself had a history of less than three financial years, and paragraphs 10.3(e) and (i) of the 1997 Draft, which required the prospectus to, in effect, compare the brokerage expenses and portfolio management fees paid by the commodity pool to what was paid by other pools. These paragraphs, which were based on provisions in Policy 11.4, have been deleted as inconsistent with the general rules applicable to the regulation of mutual funds.

PART 11 EXEMPTION

11.1 Exemption

(1) The regulator[12] or the securities regulatory authority[13] may grant an exemption to 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 12 EFFECTIVE DATE AND TRANSITIONAL

12.1 Effective Date - This Instrument comes into force on •, 2000.

12.2 Prospectus Disclosure - The prospectus of a commodity pool for which a receipt is obtained before the date that this Instrument comes into force is not required to comply with the disclosure requirements of this Instrument.

12.3 Delayed Coming into Force - Despite section 12.1, Part 4 does not come into force until , 2001 [6 months after the date contained in section 12.1].[14]

[12] The term "regulator" is defined in National Instrument 14-101 Definitions as meaning, in a local jurisdiction, the person set out in an appendix to that instrument opposite the name of the local jurisdiction.

[13] The term "securities regulatory authority" is defined in National Instrument 14-101 Definitions as meaning, for a local jurisdiction, the securities commission or similar regulatory authority set out in an appendix to that instrument opposite the name of the local jurisdiction.

[14] The CSA are proposing to delay the effective date of Part 4 of this Instrument, which prescribes proficiency standards for persons involved in trading, or supervising the trading of, securities of commodity pools, in order to allow market participants adequate time to obtain any required qualifications.

COMPANION POLICY 81-104CP TO NATIONAL INSTRUMENT 81-104 COMMODITY POOLS

PART 1 PURPOSE

1.1 Purpose - The purpose of this Policy is to clarify how National Instrument 81-104 (the "Instrument") integrates with National Instrument 81-102 Mutual Funds, and to bring certain matters relating to the Instrument to the attention of persons or companies involved with the establishment or administration of commodity pools.

PART 2 GENERAL STRUCTURE OF THE INSTRUMENT

2.1 Relationship to Securities Legislation Applicable to Mutual Fund Instruments

(1) The term "commodity pool" is defined in the Instrument as a mutual fund that is permitted to use or invest in specified derivatives and physical commodities beyond what is permitted by National Instrument 81-102. Commodity pools are subject to the ordinary mutual fund rules unless those rules are specifically excluded. Therefore, the Instrument contains only those provisions that are specific to commodity pools, and provisions applicable to all mutual funds, including commodity pools, are contained in National Instrument 81-102.

(2) Persons involved with the establishment or administration of a commodity pool are referred to the following rules:

1. National Instrument 81-102. That National Instrument contains general rules concerning the operation of mutual funds, all of which are applicable to commodity pools except as excluded by specific provisions of the Instrument.

2. The securities legislation relating to mutual funds of the jurisdictions in which a prospectus for the commodity pool will be filed. For example, commodity pools are subject to the financial statement reporting requirements for mutual funds, except as varied or supplemented in the Instrument.

3. The prospectus requirements of the securities legislation of a jurisdiction applicable to long form issuers generally, and mutual funds in particular. National Instrument 81-101 Mutual Fund Prospectus Disclosure states that commodity pools may not use the prospectus disclosure system created by that National Instrument.

2.2 Derivatives Use - The regime implemented by the Instrument is designed to allow commodity pools considerable freedom in entering into derivatives

transactions. Commodity pools are not subject to sections 2.7 and 2.8 of National Instrument 81-102, which contain most of the rules governing specified derivatives used by mutual funds. Commodity pools, however, remain subject to the main investment restrictions and rules governing investment practices contained in National Instrument 81-102 that do not relate directly to derivatives or commodity transactions. In particular, commodity pools remain subject to paragraphs 2.6(b) and (c) of National Instrument 81-102, which prohibit mutual funds from purchasing securities on margin or selling securities short, unless permitted by sections 2.7 or 2.8 of that National Instrument. These provisions allow a commodity pool to purchase securities on margin or sell securities short only to the extent that a pool would be considered to do so when entering into a specified derivatives transaction in compliance with the requirements of sections 2.7 or 2.8 of National Instrument 81-102.

PART 3 LIMITED LIABILITY

3.1 Limited Liability

(1) Mutual funds generally are structured in a manner that ensures that investors are not exposed to the risk of loss of an amount more than their original investment. The CSA consider this a very important and essential attribute of funds. This is especially important in the context of commodity pools. One of the most important rationales for the existence of commodity pools is that they enable investors to invest indirectly in certain types of derivative products, particularly futures and forwards, without putting more than the amount of their investment at risk. A direct investment in some derivative products could expose an investor to losses beyond the original investment.

(2) Mutual funds structured as corporations do not raise pressing liability problems because of the limited liability regime of corporate statutes.

(3) Mutual funds structured as limited partnerships may raise some concerns about the loss of limited liability if limited partners participate in the management or control of the partnership. The statute and case law concerning when limited partners can lose their limited partner status, including the Quebec Civil Code, varies from province to province. Therefore, paragraph 10.2(l) of the Instrument requires each commodity pool to disclose risks associated with the loss of limited liability of a limited partner that has invested in a commodity pool structured as a limited partnership; proper compliance with this requirement will involve disclosure of risks associated with the jurisdictions in which the prospectus is filed. Mutual funds structured as trusts may also raise liability issues in some contexts. Paragraph 10.2(l) of the Instrument also requires disclosure of risks associated with the structuring of a commodity pool as a limited partnership or as a trust in relation to the possibility that purchasers of commodity pool securities may become liable to make an additional contribution beyond the price of the securities.

(4) The CSA expect that commodity pools will be structured in a manner that provides as much assurance as possible to their securityholders that securityholders will not be at risk for more than the amount of their original investment. The CSA recommend that commodity pool promoters and managers consider other ways, apart from the structuring of a pool, to limit the liability of securityholders. For example, commodity pools could attempt to enter into contracts only if the other party to the agreement agreed to limit recourse under the agreement to the assets of the pool. In addition, managers of commodity pools structured as limited partnerships should consider whether a securityholder meeting could cause limited partners to lose limited liability status.

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 of exempt financings that they are responsible for the completeness, accuracy and timely filing of Forms 20 and 21 pursuant to section 72 of the Securities Act and section 14 of the Regulation to the Act. The information provided is not verified by staff of the Commission and is published as received except for confidential reports filed under paragraph E of the Ontario Securities Commission Policy Statement No. 6.1.

Reports of Trades Submitted on Form 45-501f1

Trans. Date	Security	Price ($)	Amount
02May00	Acuity Pooled Short Term Fund - Trust Units	204,000	19,395
19Apr00	Acuity Pooled Canadian Equity Fund - Trust Units	150,000	8,467
05May00	Acuity Pooled Fixed Income Fund - Trust Units	325,020	28,864
05May00	Acuity Pooled Canadian Equity Fund - Trust Units	150,000	8,245
05May00	Acuity Pooled Canadian Equity Fund - Trust Units	150,000	8,425
01Mar00	AMON Investment Holdings Ltd. - Floating Rate Exchangeable Debentures, Series 2000 due 01Mar25	12,625,000	12,625,000
09Mar00	Astound Incorporated - Units	896,739	760,000
02May00	AT&T Corp. - Shares	US$41,957,850	1,422,300
18Apr00	Baker Communications Fund II (QP), L.P. - Limited Partnership Interest	US$27,000,000	27,000,000
01May00	BCM Arbitrage Fund - Limited Partnership Units	2,999,925	11,364
07Apr00	BPI American Opportunities Fund - Units	4,952,216	28,361
31Mar00	BPI American Opportunities Fund - Units	5,251,421	33,162
10May00	C-Com Satellite Systems Inc. - Special Warrants	300,000	352,942
10May00	CC&L Balanced Fund -	201,336	16,022
13Apr00	Conner Technology PLC - Series D Preferred Shares	283,220	54,644
01May00	D.E. Shaw Valence International Fund 2 - Subscription Amount	US$2,000,000	2,000,000
01Mar00	EHON Investment Holdings Ltd. - Floating Rate Exchangeable Debentures, Series 2000 due 01Mar25	6,312,500	6,312,500
03May00	Fuel Cell Technologies Ltd. - Special Warrants	750,000	500,000
10May00	Heartland Industrial Partners, L.P. - Limited Partnership Interest	US$75,000,000	75,000,000
04Apr00	I.NetS.p.A. - Shares	1,964,582	8,000
09May00	Importal Systems Inc. - Common Shares	1,565,500	1,565,500
05May00	IntraCoastal System Engineering Corporation - Agent 's Warrants	187,500	150,000
04May00	Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	59,671	450
08May00	Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund - Units	45,871	369
20Apr00	Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund - Units	3,067	27
05May00	Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Global Equity Fund - Units	111,551	892
03May00	Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	4,121	31

Trans. Date		Security	Price ($)	Amount
02May00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	29,459	228
09May00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	37,354	280
05May00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	16,949	131
28Apr00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	1,784	14
28Apr00		Lifepoints Achievement Fund - Units	675	6
27Apr00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Global Equity Fund - Units	9,439	71
27Apr00		Lifepoints Achievement Fund, Lifepoints Progress Fund, Lifepoints Opportunity Fund - Units	5,961	52
04May00		Lifepoints Achivement Fund, Lifepoints Progress Fund, Russell Canadian Fixed Income Fund, Russell Canadian Equity Fund, Russell Global Equity Fund - Units	163,203	1,290
04May00		Lifepoints Opportunity Fund -Units	1,903	14
29Apr00		Lifepoints Opportunity Fund - Unit	149	1
27Apr00		Lifepoints Progress Fund - Units	4,850	40
02May00		Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Global Equity Fund - Units	43,758	298
08May00		Lifepoints Progress Fund, Lifepoints Opportunity Fund, Russell Canadian Equity Fund - Units	34,089	256
06May00		Lifepoints Progress Fund - Units	29,941	233
30Nov99 to 31Dec99		McLean Waston Ventures II Limited Partnership - Units	15,750,000	15,750,000
30May99		McLean Watosn Ventures II Limited Partnership - Units	75,000	75,000
16May00		MediaBridge Technologies, Inc. - Series D Preferred Stock	US$490,000	98,000
19May00		Microbix Biosystems Inc. - Common Shares	299,520	208,000
01May00		Neo Therapeutics, Inc. - Shares of Common Stock	13,363,500	500,000
02May00	#	Nikolia.com Inc. - 9.5% Convertible Debentures due 2001	150,000	150,000
01Mar00		ONCAN Canadian Holdings Ltd. - Floating Rate Exchangeable Debentures, Series 2000 due 01Mar25	50,500,000	50,500,000
01May00		Pethealth Inc. - Common Shares	262,000	52,400
01May00		PhotoChannel Networks Inc. - Special Warrants	10,000,000	10,000,000
30Mar00		Quick Link Communications Ltd. - Special Warrants	1,898,251	1,084,715
09May00		Quorum Funding Corporation - Debentures	5,275,000	5,275
04May00		Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell US Equity Fund, Russell Overseas Equity Fund - Units	249,120	1,407
06May00		Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell US Equity Fund, Russell Overseas Equity Fund, Lifepoints Opportunity Fund, Lifepoints Progress Fund, Lifepoints Achievement Fund - Units	519,353	4,117
08May00		Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell Overseas Equity Fund - Units	17,996	151
28Apr00		Russell Canadian Fixed Income Fund - Units	3,943	36
03May00		Russell Canadian Equity Fund, Russell US Equity Fund, Russell Overseas Equity Fund, Lifepoints Achievement Fund - Units	22,381	135
27Apr00		Russell Canadian Equity Fund, Russell US Equity Fund, Russell Overseas Equity Fund, Lifepoints Achievement Fund - Units	48,600	292
09May00		Russell Canadian Equity Fund, Russell Overseas Equity Fund, Lifepoints Opportunity Fund, Lifepoints Achievement Fund - Units	32,379	239
02May00		Russell Canadian Equity Fund, Lifepoints Opportunity Fund, Lifepoints Achievement Fund - Units	47,191	312
03May00		Russell Canadian Equity Fund, Russell US Equity Fund, Russell Overseas Equity Fund, Lifepoints Achievement Fund - Units	22,381	135

Trans. Date	Security	Price ($)	Amount
08May00	Russell Canadian Equity Fund, Russell Canadian Fixed Income Fund, Russell US Equity Fund, Russell Overseas Equity Fund, Lifepoints Opportunity Fund, Lifepoints Progress Fund, Lifepoints Achievement Fund - Units	112,919	848
01May00	Russell Canadian Fixed Income Fund, Russell Overseas Equity Fund, Lifepoints Opportunity Fund, Lifepoints Progress Fund, Lifepoints Achievement Fund - Units	210,631	1,708
09May00	Russell Global Equity Fund - Units	450	4
01May00	Russell Global Equity Fund - Units	765	7
09May00	Russell U.S. Equity Fund - Units	15,607	106
20Apr00	Smart Technology Ventures III, L.P. - Limited Partnership Interest	US$1,500,000	$1,500,000
08May00	Starcore Resources Ltd. - Units	80,000	200,000
24Mar00	Stuart Energy Systems Corporation - Special Shares	16,891,705	3,016,376
11May00	Theratechnologies Inc. - Warrants	10,800,000	540,000
01Mar00	TMON Canadian Investments Ltd. - Floating Rate Exchangeable Debentures, Series 2000 due 01Mar25	1,767,500	1,767,500
27Apr00	Urbana.ca, Inc. - Special Warrants	666,738	361,670
07Mar00 to 25Apr00	Vanguard Institutional Index Funds, and Vanguard Index Funds - Units	2,348,049	13,313
04May00	Voyageur Filim Capital Corp. - Units	150,000	937,500
25Feb00	Wysdom Inc. - Special Warrants - Amended	US$27,276,255	2,392,654
25Feb00	Wysdom Inc. - Special Warrants - Amended	US$028,412	791,996

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Melnick, Larry	Champion Gold Resources Inc. - Subordinate Voting Shares	149,500
1286917 Ontario Inc.	CPI Plastics Group Limited - Common Shares & Stock Option Plan	7,099,826, 52,000 Resp.
S.E. Malouf Consulting Geologists Limited	Roxmark Mines Limited - Common Shares	1,500,000
Zinc Metal Corporation	Roxmark Mines Limited - Common Shares	1,500,000
Citibank Canada	TDZ Holdings - Common Shares	1,021,640

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Chapter 9

Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AIC Advantage Fund
AIC Advantage Fund II
AIC American Advantage Fund
AIC RSP American Advantage Fund
AIC World Advantage Fund
AIC RSP World Advantage Fund
AIC Global Advantage Fund
AIC RSP Global Advantage Fund
AIC Diversified Canada Fund
AIC Value Fund
AIC RSP Value Fund
AIC World Equity Fund
AIC RSP World Equity Fund
AIC Global Diversified Fund
AIC RSP Global Diversified Fund
AIC American Focused Fund
AIC RSP American Focused Fund
AIC Global Technology Fund (Formerly AIC U.S. Equity Fund)
AIC RSP Global Technology Fund (Formerly RSP U.S, Equity Fund)
AIC Income Equity Fund
AIC American Income Equity Fund
AIC Bond Fund
AIC Global Bond Fund
AIC Canadian Focused Fund
AIC Global Telecom Fund
AIC RSP Global Telecom Fund
AIC Global Health Sciences Fund
AIC RSP Global Health Sciences Fund
AIC Money Market Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 30th, 2000
Mutual Reliance Review System Receipt dated May 31st, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Registered Dealers
Promoter(s):
Michael A. Lee-Chin
W. Neil Murdoch
Jonathan M. Wellum
Project #272384

Issuer Name:
Bracknell Corporation (NP # 44 - Shelf)
Type and Date:
Preliminary Short Form Prospectus dated May 31st, 2000
Receipted May 31st, 2000
Offering Price and Description:
$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #273020

Issuer Name:
Canada 3000 Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated May 19th, 2000
Mutual Reliance Review System Receipt dated May 25th, 2000
Offering Price and Description:
$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
CIBC World Markets Inc.
BayStreetDirect Inc.
HSBC Securities (Canada) Inc.
Yorkton Securities Inc.
Promoter(s):
N/A
Project #269965

Issuer Name:
Chromos Molecular Systems Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 31st, 2000
Offering Price and Description:
$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Goepel McDermid Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
N\A
Project #272926

Issuer Name:
Collicutt Hanover Services Ltd.
Principal Regulator - Alberta
Type and Date:
Amended Preliminary Prospectus dated May 26th, 2000
Mutual Reliance Review System dated May 26th, 2000
Offering Price and Description:
$* - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Firstenergy Capital Corp.
Goepel McDermid Inc.
Newcrest Capital Inc.
Peter & Co. Limited
Promoter(s):
N/A
Project #235516

Issuer Name:
Corel Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
N\A
Project #271651

Issuer Name:
Deutsche Telekom AG
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 26th, 2000
Mutual Reliance Review System Receipt dated May 31st, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N\A
Docket #30613

Issuer Name:
Direct Energy
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated May 23rd, 2000
Mutual Reliance Review System Receipt dated May 24th, 2000
Offering Price and Description:
$ * - *% Convertible Subordinated Debentures due June 30, 2005
Underwriter(s), Agent(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
Scotia Capital Inc.,
Promoter(s):
N/A
Project #269633

Issuer Name:
Dynamic Infinity American Fund (Formerly Dynamic Infinity International Fund)
Dynamic Infinity Canadian Fund
Dynamic Infinity Income and Growth Fund
Dynamic Infinity T-Bill Fund
Dynamic Infinity Wealth Management Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 30th, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Registered Dealer
Promoter(s):
N/A
Project #272202

Issuer Name:
GenSci Regeneration Sciences Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated May 26th, 2000
Offering Price and Description:
$15,000,000 - 10,344,828 Common Shares
Underwriter(s), Agent(s) or Distributor(s):
HSBC Securities (Canada) Inc.
Yorkton Securities Inc.
Promoter(s):
N/A
Project #270546

Issuer Name:
HSBC Bank Canada
Principal Regulator- British Columbia
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
HSBC Securities (Canada) Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
Trilon Securities Corporation
Promoter(s):
N/A
Project #271294

Issuer Name:
HSBC Bank Canada
HSBC Canada Asset Trust
Principal Regulator- British Columbia
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
HSBC Securities (Canada) Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
Tribon Securities Corporation
Promoter(s):
N/A
Project #271265 & 271276

Issuer Name:
International Datacasting Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated May 26th, 2000
Offering Price and Description:
1,503,730 Common Shares and 1,503,730 Share Warrants (Issuable Upon the Exercise of 1,503,730 Special warrants)
Underwriter(s), Agent(s) or Distributor(s):
Montreal Trust Company
Promoter(s):
N\A
Project #270658

Issuer Name:
iUnits S&P 500 Index RSP Fund
iUnits International Equity Index RSP Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #271343

Issuer Name:
iUnits Government of Canada 5 Year Bond Fund
iUnits Government of Canada 10 Year Bond Fund
Principal Regulator-Ontario
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N\A
Project #271337

Issuer Name:
NHC Communications Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
$21,420,000 - 2,040,000 Common Shares issuable upon the exercise of 2,040,000 Special Warrants previously issued at a price of $10.50 per Special Warrant
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Promoter(s):
N\A
Project #271528

Issuer Name:
SMTC Manufacturing Corporation of Canada
Principal Regulator - Ontario
Type and Date:
Amended Preliminary Prospectus dated May 23rd, 2000
Mutual Reliance Review System Decision Document Received May 26th, 2000
Offering Price and Description:
$ * - * Exchangeable Shares
Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
Lehman Brothers Canada Inc.
Merrill Lynch Canada Inc.
Promoter(s):
N/A
Project #250729

Issuer Name:
SamsCD.Com Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 26th, 2000
Mutual Reliance Review System Receipt dated May 30th, 2000
Offering Price and Description:
$8,000,000 - 8,800,000 Class A Common Shares and 4,400,000 Common Share Purchase Warrants issuable upon the conversion of 8,800,000 Series A Special Shares
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Promoter(s):
John Edward Steckel
Robert J. Foster
Project #271699

Issuer Name:
Telepanel Systems Inc.
Type and Date:
Preliminary Prospectus dated May 30th, 2000
Receipted May 31st, 2000
Offering Price and Description:
$5,000,000 - 1,515,152 Common Shares and 757,576 Purchase Warrants to be issued upon the exercise of 1,515,152 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Paradigm Capital Inc.
Promoter(s):
N|A
Project #272831

Issuer Name:
Total Telcom Inc.
Principal Regulator -Alberta
Type and Date:
Preliminary Prospectus dated May 23rd, 2000
Mutual Reliance Review System Receipt dated May 24th, 2000
Offering Price and Description:
$8,050,000 2,927,272 Common Shares and 1,463,636 Common Share Purchase Warrants Issuable Upon Exercise of 2,927,272 Special Warrants and $500,000 142,858 Units $3.50 per Unit (Each Unit comprised of One Common Share and One Common Share purchase Warrant)
Underwriter(s), Agent(s) or Distributor(s):
CIBC Mellon Trust Company
Promoter(s):
Neil Magrath
Craig Baker
Glen Boyd
Wendel Greentree
Lawrence R. Cunningham
Project #269514

Issuer Name:
TransGlobe Energy Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated May 26th, 2000
Mutual Reliance Review System Receipt dated May 29th, 2000
Offering Price and Description:
$1,500,000 to $3,000,000 - * Units
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Promoter(s):
Ross G. Clarkson
Project #271139

Issuer Name:
Pacific Cascade Resources Corp.
Type and Date:
Amendment #1dated May 26th, 2000 to Prospectus March 31st, 2000
Received May 30th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
F. Dale Corman
Project #204854

Issuer Name:
Patent Enforcement and Royalties Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated May 25th, 2000
Offering Price and Description:
$2,000,000 - 3,125,000 Common Shares issuable upon the exercise of previously issued Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Northern Securities Inc.
Promoter(s):
N/A
Project #269886

Issuer Name:
RNG Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 29th, 2000
Mutual Reliance Review System Receipt dated May 31st, 2000
Offering Price and Description:
$* - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
First Associates Investments Inc.
Promoter(s):
N/A
Project #271655

Issuer Name:
C.I. Global Financial Services RSP Fund
C.I. Sector Fund Limited - C.I. Global Financial Services Sector Shares
C.I. Sector Fund Limited - C.I. Global Consumer Products Sector Shares
Principal Regulator - Ontario
Type and Date:
Amendment #3 dated May 16th, 2000 to Simplified Prospectus and Annual Information Form dated August 5th, 1999
Mutual Reliance Review System dated 26th day of May, 2000
Offering Price and Description:
Mutual Fund Units - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
C.I. Mutual Funds Inc.
Promoter(s):
C.I, Mutual Funds Inc.
Project #189443

Issuer Name:
407 International Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated 25th day of May, 2000
Offering Price and Description:
$300,000,000.00 - 9.00% Subordinated Bonds, Series 00-C1, Due August 15, 2007
Underwriter(s), Agent(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Promoter(s):
Cintra Concesiones De Infraestructuras de Transporte, S.A.
SNC-Lavalin Inc.
Project #258175

Issuer Name:
Hydro One Inc. (NP #44 - PREP)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated 24th day of May, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #263212

Issuer Name:
Triax CaRTS Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 23rd, 2000
Mutual Reliance Review System Receipt dated 24th day of May, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
TD Securities Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Goepel McDermind Inc.
HSBC Securities (Canada) Inc.
Yorkton Securities Inc.
Tri Ion Securities Corporation
Promoter(s):
Traix Capital Ltd.
Project #253020

Issuer Name:
Centrinty Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 19th, 2000
Mutual Reliance Review System Receipt dated 24th day of May, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #261763

Issuer Name:
Dofasco Inc. (NP #44 - Shelf)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 25, 2000
Mutual Reliance Review System Receipt dated 25th day of May, 2000
Offering Price and Description:
$300,000,000.00 - Medium Term Notes (unsecured)
Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
N/A
Project #263526

Issuer Name:
MGI Software Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated May 24th, 2000
Mutual Reliance Review System Receipt dated 25th day of May, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
Promoter(s):
N/A
Project #263334

Issuer Name:
Hirsch Canadian Growth Fund
Hirsch Balanced Fund
Hirsch Natural Resource Fund
Hirsch Fixed Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 19th, 2000
Mutual Reliance Review System Receipt dated 26th day of May, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Hirsch Asset Management Corp.
Promoter(s):
Hirsch Asset Management Corp.
Project #255085

Issuer Name:
QSA Canadian Equity Fund
QSA e-business Fund
QSA Biotechnology Fund
QSA Global High Yield Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 26th, 2000
Mutual Reliance Review System Receipt dated 30th day of May, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Acker Finley Asset Management Inc.
Promoter(s):
Acker Finley Asset Management Inc.
Project #240650

Issuer Name:
Standard Life Canadian Dividend Fund
Standard Life Equity Fund
Standard Life U.S. Equity Fund
Standard Life International Equity Fund
Standard Life Growth Equity Fund
Standard Life Active U.S. Index RSP Fund (Formerly Standard Life Active U.S. Equity RSP Fund)
Standard Life Active Global Index RSP Fund (Formerly Standard Life International Equity RSP Fund)
Standard Life S&P 500 Index Fund (Formerly Standard Life U.S. Equity Index RSP Fund)
Standard Life Balanced Fund
Standard Life Active Global Diversified Index RSP Fund (Formerly Standard Life Global Diversified RSP Fund)
Standard Life Natural Resource Fund
Standard Life Canadian Healthcare & Technology Fund (Formerly Standard Life Healthcare & Technology Fund)
Standard Life Money Market Fund
Standard Life Bond Fund
Standard Life International Bond Fund
Standard Life Corporate High Yield Bond Fund
Principal Regulator - Quebec
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 15th, 2000
Mutual Reliance Review System Receipt dated 26th day of May, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Registered Dealers
Promoter(s):
The Standard Life Assurance Company
Project #252626

Issuer Name:
Templeton, Franklin and Mutual Series Funds
Templeton Growth Fund, Ltd.
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 International Balanced Fund
Templeton Global Bond Fund
Templeton Canadian Stock Fund
Templeton Canadian Asset Allocation Fund
Templeton Balanced Fund
Templeton Canadian Bond Fund
Templeton Treasury Bill Fund
Franklin U.S. Large Cap Growth Fund
Franklin U.S. Aggressive Growth 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 Telecom Fund
Franklin Technology Fund
Franklin U.S. Money Market Fund
Mutual Beacon Fund
Mutual Beacon RSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 23rd, 2000
Mutual Reliance Review System Receipt dated 26th day of May, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Templeton Management Limited
Promoter(s):
N/A
Project #247311

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Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Pacific Income Advisers, Inc. Attention: Brian Ross Fraser Hooey-Remus Law Firm One University Avenue Toronto, Ontario M5J 2P1	International Adviser Investment Counsel & Portfolio Manager	May 26/00
New Registration	McLean & Partners Private Capital Corporation Attention: Heather Zordel c/o Fraser Milner 41st Floor, 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1B2	Investment Dealer Equities, Options	May 26/00
New Registration	IFPT Management Inc. Attention: Michael Nicholas c/o Cartan Limited Suite 4700, TD Bank Tower TD Centre Toronto, Ontario M5K 1E6	Extra Provincial Adviser (Investment Counsel & Portfolio Manager) Limited Market Dealer	May 25/00
New Registration	TT International Investment Management Attention: Lynn McGrade c/o Borden Ladner Gervais LLP Scotia Plaza, 40 King Street West Toronto, Ontario M5H 3Y4	International Adviser Investment Counsel & Portfolio Manager	May 29/00
New Registration	Blackberry Capital Management Ltd. Attention: Dean Christopher Larson 36 Toronto Street Suite 290 Toronto, Ontario M5C 2C5	Limited Market Dealer Investment Counsel & Portfolio Manager	May 29/00

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Chapter 13

SRO Notices and Disciplinary Proceedings

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Chapter 25

Other Information

25.1.1 Securities

TRANSFER WITHIN ESCROW

COMPANY NAME	DATE	FROM	TO	NO. AND TYPE OF SHARES
01 Communique Laboratory Inc.	May 23, 2000	Shu Chau Cheung	1407513 Ontario Limited	3,097,500 Common Shares

RELEASE FROM ESCROW

COMPANY NAME	DATE	NUMBER AND TYPE OF SHARES	ADDITIONAL INFORMATION
Popular Point Explorations Inc.	May 23, 2000	577,652 Common Shares	Shares held by Bustin Investment Corporation to be released for purpose of cancellation.
ADR Explorations Ltd.	May 19, 2000	54,584 Common Shares	release is based on expenditures incurred by the Company

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