The Ontario Securities Commission

OSC Bulletin

March 16, 2001

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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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1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

March 16, 2001

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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Stephen N. Adams, Q.C.	—	SNA
Derek Brown	—	DB
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John A. Geller, Q.C.	—	JAG
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
R. Stephen Paddon, Q.C	—	RSP

SCHEDULED OSC HEARINGS

Date to be announced	**Mark Bonham and Bonham & Co. Inc.** s. 127 Mr. A.Graburn in attendance for staff. Panel: TBA
Mar 7/2001 2:00 p.m.	**YBM Magnex** s. 127 Mr. M. Code and Ms. K. Daniels in attendance for staff. Panel: HIW / RWD / MTM
Mar 8/2001 2:00 p.m.	**Michael Bourgon** s. 127 Mr. Hugh Corbett in attendance for staff. Panel: HIW
Mar 19/2001	**Wayne Umetsu** s. 60 of the Commodity Futures Act Ms. K. Wootton in attendance for staff. Panel: TBA
Apr 16/2001- Apr 30/2001 10:00 a.m.	**Philip Services Corp., Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey, Colin Soule, Robert Waxman and John Woodcroft** s. 127 Ms. K. Manarin & Ms. K. Wootton in attendance for staff. Panel: TBA

May 7/2001-
May 18/2001
10:00 a.m.

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

s. 127

Mr. I. Smith in attendance for staff.

Panel: HIW / DB / MPC

ADJOURNED SINE DIE

Terry G. Dodsley

Offshore Marketing Alliance and Warren English

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Southwest Securities

Global Privacy Management Trust and Robert Cranston

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. Ottawa
Jan 29/2001 - Jun 22/2001	**John Bernard Felderhof** Mssrs. J. Naster and I. Smith for staff. Courtroom TBA, Provincial Offences Court Old City Hall, Toronto
Jan 25/2000 10:00 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
Jan 29/2001 - Feb 2/2001 Apr 30/2001 - May 7/2001 9:00 a.m.	**Einar Bellfield** s. 122 Ms. K. Manarin in attendance for staff. Courtroom C, Provincial Offences Court Old City Hall, Toronto

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

1.1.2 CSA Notice of News Release - CSA Mining Technical Advisory and Monitoring Committee

March 12, 2001

CSA MINING TECHNICAL ADVISORY AND MONITORING COMMITTEE

Toronto - The Canadian Securities Administrators are pleased to announce that a Mining Technical Advisory and Monitoring Committee ("MTAMC") has been established. The MTAMC will provide advice to the CSA on issues relating to the application of National Instrument 43-101.

The CSA's objective was to select an advisory committee small enough in size to facilitate efficiency yet large enough to permit broad, professional industry-sector and regional representation.

The CSA received over 30 applications from individuals active in the mining and mineral exploration industry across Canada. All of the applications had merit. The CSA's Mining Committee was able to narrow the list to a total of nine individuals whose participation will bring the MTAMC the desired degree of expertise and representation. The members of the first MTAMC are:

George Cavey
President/Senior Geologist
OreQuest Consultants Ltd.
Vancouver, B.C.

John M. Morganti
Vice President,
Evaluations
Teck Corporation
Vancouver, B.C.

Marie-Josee Girard
Geologist
Sirios Resources
Montreal, PQ

Philip E. Olson
Vice President,
Exploration
Claude Resources Inc.
Saskatoon, SK

Ken Grace
Economic Geologist & Vice President
Micon International
Toronto, ON

John Postle
Consulting Mining Engineer
Roscoe Postle Associates
Toronto, ON

Keith McCandlish
Manager, Mineral Services
Associated Mining Consultants, Ltd.
Calgary, AB

Kenneth Shannon
President
Corriente Resources Inc.
Surrey, B.C.

Chester Moore
Manager, Ore Reserves & Project Evaluation
Falconbridge Ltd.
Toronto, ON

They have agreed to serve an initial two-year term.

During this same period, the MTAMC will be co-chaired by Deborah McCombe; Chief Mining Consultant of the Ontario Securities Commission and Adrianne Marskell, Senior Legal Counsel of the British Columbia Securities Commission.

Fran Manns, Mining Specialist of the Toronto Stock Exchange and James Mackie, Technical Advisor, Corporate Finance of the Canadian Venture Exchange will sit on the MTAMC as observers. The first meeting of the MTAMC will be held in Toronto on March 15, 2001.

Reference:

Deborah McCombe
Chief Mining Consultant
(416) 593-8151

Rowena McDougall
Senior Communications Officer
(416) 593-8117

1.1.3 Speech by David A. Brown

DEALING WITH CHANGE: SHAPING FINANCIAL REGULATION FOR THE FUTURE

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

THE CANADIAN CLUB

MARCH 12, 2001

As you may know, the Ontario government announced in last May's budget that it is proposing to merge the OSC and the Financial Services Commission of Ontario. Since then, the Government has published a discussion paper on the merger, conducted consultations and is currently drafting the relevant legislation. I'll be discussing how a merger is in sync with global trends in financial regulation aimed at ensuring fair, consistent and efficient regulation.

But first, I'd like to describe the context in which this merger would take place.

Regulators – like all market participants – see fresh evidence every day of what the Greek philosopher Heraclitus said a little over two-and-a-half millennia ago: "There is nothing permanent except change."

There is almost no aspect of the capital markets today that is not undergoing rapid change.

Consider some of the trends:

Investment is more ubiquitous. Last year, a TSE survey found that about half of Canadians are invested in the markets – twice as many as 11 years earlier. The growth in retail investment has spawned a huge secondary market, which is now responsible for 90 per cent of securities transactions. A nation of savers has become a nation of investors.

Investment is more mobile. It was a Canadian who first observed that the world was becoming a global village. Now, Canadian investors and companies are becoming increasingly active in the global village marketplace. The Internet is driving that trend at cyberspeed. Increasingly, there is one market: the world.

Investment is more democratic. The most important distinction between a broker and a client used to be that one had information and the other didn't. That distinction is fading rapidly. Almost half of Canadians with access to the Internet use it to do their own research, without relying on their broker.

Investment is more self-directed. It used to be that the way you made a trade was to call your broker. Last year, according to the Investment Dealers Association of Canada, online trading accounted for about 40 per cent of all retail stock transactions in Canada.

Changes in Canadian markets mirror changes around the world. As Chairman of the policy-making committee of the International Organization of Securities Commissions, I hear the same issues raised, in several different languages, from all parts of the globe. In a borderless world, all market institutions are grappling with the same underlying issues.

Regulators are examining their policies and operations, and applying similar tests: Are we creating a viable market that is attractive to domestic and foreign investors? Are we helping our market participants compete globally? Are we achieving these goals while maintaining high levels of investor protection?
As a small country representing less than 2 per cent of global capital markets, Canada faces the challenge of being in the forefront of change.

It's a challenge we can meet.

Canadian stakeholder groups – including exchanges, professional associations, and government as well as regulators – have been energetically examining the issues emerging from change in the nature of investment.

Over the next few weeks alone, eight discussion papers will be released by various organizations and task forces for public comment across Canada. I can't recall the last time that so much diverse expertise and so many resources were devoted to raising national debate about our financial institutions.

These studies address a wide range of issues. But all have the same catalyst – the need to deal with change. For example:

- Dealing with change includes re-evaluating standards of corporate governance.

Next week, a Joint Committee sponsored by the TSE, CDNX and The Canadian Institute of Chartered Accountants will release a discussion paper outlining what Canadian public companies, exchanges and regulators need to do to keep up with international standards in such areas as financial reporting, the role of audit committees, and the need for financial literacy among corporate directors.

- Dealing with change includes recognizing that in a globalized information age, financial information must be readily understandable, comparable and transparent – across borders.

Last year, half of all debt and equity financing by Canadian issuers was raised in foreign markets. If you're going to raise capital, you have to be able to explain your financial statements in a way that investors will understand – regardless of what country they happen to be in.

Next week, the umbrella organization of Canada's provincial and territorial securities regulators – the Canadian Securities Administrators – will release a concept paper seeking comment on whether to revise current financial reporting rules. The concept paper will ask a number of questions about the use by Canadian companies of foreign accounting standards. But perhaps the most important question for Canadians will be: should we permit Canadian companies to use U.S. accounting standards without being required to re-crunch the numbers according to Canadian GAAP rules?

- Dealing with change includes addressing the potential for conflict of interest among analysts.

This spring, the TSE Committee on Analyst Standards – which includes representatives of the buyside, investment dealers, and analysts – will release a paper on managing potential conflicts of interest, including proposed disclosure requirements and possible prohibitions on investment activity by analysts.

- Dealing with change includes ensuring a level playing field where all investors have access to the same information at the same time.

A corporate survey we released in August found there were too many bumps on that playing field. For example, more than 80 per cent of companies did not invite retail investors to the quarterly conference call with analysts. And only 29 percent had a formal policy governing the public release of important information.

The Canadian Securities Administrators will be releasing a draft policy for comment this spring which will provide guidelines for dealing with selective disclosure. It will include proposals for ways to use advanced communications technologies to achieve better information dissemination – and include all investors in the circle of disclosure.

- What else does dealing with change include? An increasing number of Canadian employers are shifting from traditional defined-benefit pension plans to retirement regimes under which employees make investment choices for their retirement. Dealing with change includes ensuring uniform regulatory protection and information.

This shift to defined contribution plans and group RRSPs involves a huge transfer of risk from employers to employees. In Ontario, over the past five years, enrollment in defined benefit retirement plans has declined by a third. But in defined contribution plans it has increased by about 50 per cent. About two-and-a half million Canadians hold over $39 billion in assets under defined contribution plans and Group RRSPs.

Next month, the Joint Forum of Financial Regulators in Canada will publish a paper seeking comment on specific proposals to ensure that these plans provide adequate investor protection and disclosure – such as a prospectus, statement of investment objectives, and historical investment performance.

- Dealing with change includes examining the unique disclosure needs of specific resource industries, like oil and gas, in which investment decisions depend on detailed technical information and analysis at the physical source.

This spring, the Alberta Securities Commission, on behalf of the CSA, will publish for comment proposals to update uniform oil and gas disclosure and reporting requirements, comparable to the work done in Ontario two years ago by the Mining Standards Task Force.

- Dealing with change includes developing governance standards to ensure independent oversight of the investment decisions of mutual funds.

Last month, during the height of RRSP season, you couldn't watch a hockey game without seeing an ad for a mutual fund. Canadians have more than $400 billion invested in over 1700 mutual funds.

But mutual funds are more than massive selling machines. They are also responsible for investing the money entrusted to them. I believe there should be a clear declination between these two functions. The Canadian Securities Administrators will soon be releasing a concept paper exploring the need for mutual fund governance, independent of mutual fund managers.

And that will pave the way for easing or eliminating many regulatory restrictions governing investments by mutual funds. With a proper measure of independence, mutual fund portfolio managers can be treated the same as pension fund managers who are required to act prudently. – but are not burdened by specific investment restrictions.

- Dealing with change also includes regularly reviewing securities laws in a constantly evolving investment environment.

As part of a legislatively review mandated every five years, an advisory committee to Ontario's Minister of Finance has been assessing how effectively Ontario's securities laws enable market regulation to keep up with changing needs. The committee has gathered input from a wide range of market participants, and is completing what I expect will be a detailed and comprehensive set of recommendations, to be released for comment in the next few weeks.

These concept papers and position papers deal with some of the central concerns of investors, listed companies, and other market participants. They address the quality of market information, the nature of governance, and the method of regulation.

There is one other area in which it is vital to deal with change: increased integration among financial service providers. In my view the proposed merger of the OSC and FSCO is a necessary step in the evolution of financial services regulation.

The traditional four pillars – banks, insurance companies, securities firms and trust companies – have melded together. Deregulation opened them up. Innovation, new technologies, and customer demand for new products drove them onto each other's turf – along with new participants. More and more financial services are being delivered by huge conglomerates integrated across the sectors.

In fact, for most financial players, the left-hand sides of their balance sheets – the revenue generating side – are now almost identical.

The industry has been remodeling itself. Shouldn't the regulatory system be doing the same?

That identical question is being raised in virtually every jurisdiction in the industrialized world.

On four continents, we're seeing regulatory reforms to ensure consistent regulation of similar activities – regardless of the sector in which the financial institution was traditionally grouped.

As the Wall Street Journal put it last week – "the idea is catching on."

In many parts of the world, harmonization is being pursued through horizontal integration. In Australia, a single regulator now regulates the market conduct of all financial institutions. In the U.K., nine separate agencies have been combined into one, regulating all aspects of securities, insurance, pensions and banking. A similar integrated concept is being followed by Germany, Japan, and the Republic of Ireland. To date, at least 15 countries have moved to consolidate regulators.

Governments all over the world are coming to terms with the need to regulate on the basis of a financial institution's current activity, rather than its historic nature. The only difference is in the precise regulatory formula, based on distinct political traditions and culture.

Ontario's proposal is in keeping with the latest global thinking.

As a single agency, the proposed Ontario Financial Services Commission will be better positioned to ensure consumer and investor protection from unfair, improper or fraudulent practices, and to vigorously enforce clear and unambiguous rules. It will simplify financial service regulation by providing investors, consumers and financial service industry participants with one window to turn to.

Consumers will be able to enjoy the same comfort level in dealing with any entry point to the financial system. Consistent purchase disclosure documents will make it easier to compare products across sectors. Consistent proficiency standards will apply to your insurance agent, pension consultant, financial planner, securities salesperson and mutual fund salesperson.

Decision-making will be streamlined, and duplication eliminated. All financial institutions will be provided with a level playing field; similar financial products will be subject to similar regulation.

Consider some of the anomalies in the current regulatory approach. There are the differences in the way defined-benefit and defined-contribution retirement plans are treated. There are different standards of education and expertise for your portfolio manager, depending on whether she works for a securities firm or a pension administrator. There are different rules designed to protect clients from conflicts of interest.

More than two out of every three life insurance agents in Ontario are also registered to sell securities. Whom your agent is regulated by depends on which product you are discussing. Regulatory responsibility can change over the course of a halfhour conversation across your coffee table.

Look at it this way: What would you think if the Board of Health sent out different inspectors to the same restaurant -- one to examine how the chicken is being prepared, another to check the seafood? Even worse – what if those two inspectors enforced different regulations?

Obviously there are still some distinctions between the financial sectors. The proposal recognizes them. Within the new Commission there would continue to be a Superintendent of Pensions and a Superintendent of Insurance to carry out regulatory responsibilities for those sectors. Hearings under the Pension Benefits Act will be held before a separately constituted Pensions Tribunal.

But the legislation also recognizes that insurance, pensions and securities have far more in common with each other.

Consider the issue of rule-making authority. Five years ago, the Ontario Government granted rule-making authority to the OSC, which effectively allows it to make rules that have the force of law – a practice that is consistent with securities regulation in most jurisdictions. The merger would extend that authority into some aspects of pensions and insurance.

Some expected fierce resistance to this. In fact, most of the insurance and pension industry representatives we talked to have expressed a desire to contribute to policy-making for their industry in a transparent way, and to be involved in the early stages of rule and regulation making.

Securities have always been an investment product. Many forms of insurance have become investment products. For many people, pensions are the most important investment product they possess. It's time to treat them as such. It's time to eliminate regulatory gaps and overlaps. It's time to end confusion over who regulates what.

And it's time for all Canadians to involve themselves in shaping a framework of financial regulation for the future. You're all busy people. But we need your help – we need your feedback – to make sure that the thinking that is being put forward over the next few months about the future course of financial regulation in Canada addresses your concerns and encompasses your view of the world.

Ladies and gentlemen, at one time it may have seemed that the more things change, the more they stay the same. But in financial services, at the dawn of the 21st century, change is apparent, continuous and revolutionary.

Canada is very much a part of this global whirlwind. Not only must we keep up with it – we can be in the forefront of managing it. We can make Canada a model of modern regulation, and secure our place at the cutting edge. We can advance our ability to promote investment, generate wealth, and create an era of opportunity for all Canadians.

Thank you.

1.1.4 Multilateral Instrument 33-108 & OSC Rule 33-505

MULTILATERAL INSTRUMENT 33-108 PERMANENT REGISTRATION AND OSC RULE 33-505 (COMMODITY FUTURES ACT) PERMANENT REGISTRATION

The Commission is publishing in today's Bulletin Multilateral Instrument 33-108: Permanent Registration and OSC Rule 33-505 (*Commodity Futures Act*): Permanent Registration and Notices respecting the Instrument and Rule.

The Notices, Instrument and Rule are published in Chapter 6 of the Bulletin.

1.1.5 CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets

CANADIAN SECURITIES ADMINISTRATORS
DISCUSSION PAPER 52-401
FINANCIAL REPORTING IN CANADA'S CAPITAL MARKETS

The Commission is publishing in Chapter 6 - Request for Comments of today's Bulletin The Canadian Securities Administrators Discussion Paper 52-401.

The Canadian Securities Administrators (CSA) are soliciting public comment on possible changes to the rules governing the accounting standards used for financial statements filed by reporting issuers.

The growth of cross border financing activity around the world has focused attention on impediments to issuers wishing to offer their securities or have them listed in another country. Differences in accounting standards have been identified as a significant impediment. The International Organization of Securities Commissions (IOSCO) has been working with the International Accounting Standards Committee to develop a set of standards that could be accepted by all regulators for cross border offerings. In May 2000, IOSCO endorsed a set of core International Accounting Standards (IAS) developed by the IASC and recommended that member regulators accept them, with limited supplementary information.

The Canadian Accounting Standards Board (AcSB) has, for the past few years, been working with major foreign standards-setting bodies toward the convergence of accounting standards. The goal of convergence is to develop IAS as a single set of internationally accepted accounting standards. Recognizing that international convergence will take some years and that Canada's most important foreign market is the U.S., the AcSB has also been working on a more accelerated basis to eliminate the major differences between Canadian and U.S. GAAP.

Canadian securities rules require Canadian-based reporting issuers to use Canadian GAAP in all their financial statement filings. Foreign-based reporting issuers may use the accounting principles of their home jurisdictions, but must provide a reconciliation to Canadian GAAP for financial statements in a prospectus. They are not generally required to provide a reconciliation for continuous disclosure filings except in British Columbia. In some other jurisdictions, a requirement to provide a reconciliation is often imposed as a condition of any continuous disclosure exemption provided to a foreign issuer.

A significant number of Canadian issuers have raised capital or listed their securities in the United States. They are required to file continuous disclosure with the U.S. Securities and Exchange Commission, including a reconciliation of their Canadian GAAP financial statements to U.S. GAAP. Some Canadian issuers have chosen to prepare a full set of U.S. GAAP financial statements to increase their market acceptance in the U.S.

The CSA are considering whether it would be appropriate to relax the current rules to allow some or all Canadian and foreign reporting issuers to use, for all filings in Canada, IAS, U.S. GAAP or, perhaps, other bases of accounting, with limited or no reconciliation to Canadian GAAP.

We have been told that the current rules deter foreign issuers from doing public offerings in Canada, denying investment opportunities to investors. We have also been told that, for Canadian issuers listed in the U.S. that prepare a complete set of U.S. GAAP statements, any benefit to Canadian investors of continuing to prepare Canadian GAAP statements is outweighed by the costs involved.

There are, however, some difficult issues that complicate the question of accepting IAS or U.S. GAAP for regulatory filings in Canada. These are:

- *Comparability* — Having three or more different sets of accounting standards for reporting issuers would make it more difficult for Canadian investors and analysts to compare results for different issuers. For some Canadian issuers, however, the peer group to which they are usually compared is foreign companies that do not prepare Canadian GAAP statements.
- *Professional capacity* — Canadian accounting professionals have limited knowledge of U.S. GAAP and virtually no experience with IAS. A significant effort would be required for issuers, auditors and regulators to build sufficient expertise to handle increased use of these other sets of standards while maintaining high standards of compliance.
- *Other Statutory Requirements* — Even if the CSA exempts Canadian issuers from filing Canadian GAAP financial statements, they may still be required under corporate or tax statutes. The desired cost savings would be achieved only if these other requirements can be removed.

To assist in assessing the issues fully, the CSA are seeking responses to 17 detailed questions set out in the Discussion Paper. We encourage you to answer as many of the questions as you can based on your experience. Please provide your responses by June 30, 2001, to ensure that your views are considered.

1.2 News Releases

1.2.1 R. Owen Mitchell in respect of George Parker

FOR IMMEDIATE RELEASE
March 12, 2001

OSC RELEASES DECISION GRANTING ORDER REQUESTED BY R. OWEN MITCHELL IN RESPECT OF GEORGE PARKER

Toronto - The Ontario Securities Commission released its Decision granting R. Owen Mitchell's application for an order to the Ontario Superior Court of Justice appointing members of the panel to take evidence outside of Ontario of George Parker for use in the proceeding.

A copy of the Reasons for the Order is in Chapter 3 of this week's bulletin and also is available from the Commission's website at **www.osc.gov.on.ca.**

Reference:

Rowena McDougall
Senior Commissions Officer
416-593-8117

1.2.2 Initial Report on Review of Revenue Recognition Practices

FOR IMMEDIATE RELEASE
March 13, 2001

OSC RELEASES INITIAL REPORT ON REVIEW OF REVENUE RECOGNITION PRACTICES

TORONTO – The Ontario Securities Commission has released an initial report on a review of revenue recognition practices conducted by the Continuous Disclosure Team.

As a result of the review, the OSC has issued a number of findings and comments on how Canadian reporting issuers disclose, recognize, measure and present revenue in disclosure documents.

"The subject of revenue recognition was carefully selected for the review because revenue is a highly significant element of financial reporting and some reporting issuers are placing increased emphasis on revenue as a key indicator of value and performance," said John Hughes, Manager of the Continuous Disclosure Team.

Staff continue to correspond with issuers on many of the specific issues identified in the review and will issue a final report in the future.

Details of the review were published in the March 9 edition of the OSC Bulletin and are available on the OSC website at **www.osc.gov.on.ca.**

Reference:

John Hughes
Manager, Continuous Disclosure
416-593-3695

Irene Tsatsos
Senior Accountant, Continuous Disclosure
416-593-8223

Rowena McDougall
Sr. Communications Officer
416-593-8117

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 E*TRADE Canada Securities Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Pursuant to section 144 of the Act, variation of an order providing, subject to terms and conditions, relief from the Suitability Requirements, as reflected in paragraph 1.5(1)(b) of OSC Rule 31-505, to extend the time period for Client Acknowledgements.

Pursuant to section 144 of the Act, variation of a decision made pursuant to s.21.1(4) of the Act, that, subject to terms and conditions, the IDA Suitability Requirements do not apply to the Filer, to extend the time period for Client Acknowledgements.

Applicable Ontario Statute

Securities Act R.S.O. 1990, c.S.5, as amended, s.21.1(4), s.144.

Rules Cited

Ontario Securities Commission Rule 31-505 "Conditions of Registration" (1999) 22 O.S.C.B. 731.

IDA Regulations Cited

IDA Regulation 1300.1(b), 1800.5(b), 1900.4.

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

AND

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

AND

IN THE MATTER OF
E*TRADE CANADA SECURITIES CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Newfoundland, Nova Scotia and Ontario (collectively, the "Jurisdictions") has received an application from E*TRADE Canada Securities Corporation (the "Filer"), formerly known as VERSUS Brokerage Services Inc., to vary the MRRS Decision Document dated September 7, 2000 IN THE MATTER OF VERSUS BROKERAGE SERVICES INC. which provided, subject to terms and conditions, relief from suitability obligations under the securities legislation of the Jurisdictions and decided, subject to terms and conditions and other than under the securities legislation of Newfoundland and Nova Scotia, that suitability requirements of the Investment Dealers Association of Canada do not apply to the Filer (the "Suitability Relief Order");

AND WHEREAS the terms "Suitability Requirements", "IDA Suitability Requirements", "Registered Representatives" and "Client Acknowledgement" shall each have the respective meaning ascribed thereto under the Suitability Relief Order;

AND WHEREAS the Filer wishes to vary the Suitability Relief Order to extend the specified time within which it must continue to comply with Suitability Requirements and IDA Suitability Requirements for existing client accounts for which no Client Acknowledgement is received from March 8, 2001 to June 30, 2001 and to extend the specified time after which restrictions are placed on existing client accounts for which no Client Acknowledgement is received from March 8, 2001 to June 30, 2001;

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

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

1. the Filer is now a company existing under the *Companies Act* (Nova Scotia) and the Filer has Registered Representatives registered in each of the Jurisdictions and executive officers located in the province of Ontario;

2. the Filer and its Registered Representatives will continue to comply with the Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received until June 30, 2001;

3. after June 30, 2001, the Filer will not permit a transaction in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;

4. except as noted above, the Filer confirms the representations to the Decision Makers in the Suitability Relief Order; and

5. subject to this variation order being granted, the Filer will inform all clients who have not yet provided a Client Acknowledgement that the specified time within which the Filer must continue to comply with Suitability Requirements and IDA Suitability Requirements has been extended to June 30, 2001 and the specified time after which restrictions are placed on existing client accounts for which no Client Acknowledgement is received has been extended to June 30, 2001;

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

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

THE DECISION of the Decision Makers under the Legislation is that the Suitability Relief Order is amended by replacing term and condition 6 and 7 of the Suitability Relief Order in respect of Suitabililty Requirements with the following:

6. the Filer and its Registered Representatives continue to comply with their Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received until June 30, 2001;

7. after June 30, 2001, the Filer will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;"

March 6, 2001.

"William R. Gazzard"

THE DECISION of the Decisions Makers, other than Nova Scotia and Newfoundland, is that the Suitability Relief Order is amended by replacing term and condition 6 and 7 of the Suitability Relief Order in respect of IDA Suitabililty Requirements with the following:

6. the Filer and its Registered Representatives continue to comply with their Suitability Requirements and IDA Suitability Requirements for client accounts for which no Client Acknowledgement is received until June 30, 2001;

7. after June 30, 2001, the Filer will not permit transactions in an account for which a Client Acknowledgement has not been received unless the transaction is a sale for cash or a transfer of assets to another account;"

March 6, 2001.

"J. A. Geller" "R. Stephen Paddon"

2.1.2 Heller Financial, Inc. & Heller Financial Canada, Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System

NI 44-101 - Director grants exemptions from: (a) the requirement of ss.2.5(1)2 to allow a wholly owned Canadian subsidiary of a MJDS eligible U.S. issuer to issue approved rating debt, fully and unconditionally guaranteed by the parent company, under Short Form Prospectus System; and (b) the GAAP Reconciliation Requirement in ss.7.1(2)(b).

Commission grants continuous disclosure relief to Canadian subsidiary.

Director grants exemption from the Annual Information Form Requirements imposed under the securities legislation or securities directions of Ontario, Quebec and Saskatchewan.

National Instruments Cited

National Instrument 44-101 Short Form Prospectus Distributions
National Instrument 44-102 Shelf Distributions

Ontario Rule Cited

Rule 51-501 AIF and MD&A.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 75, 77, 78, 80(b)(iii) and 88(2)(b)(iii).

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

AND

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

AND

IN THE MATTER OF
HELLER FINANCIAL, INC. AND
HELLER FINANCIAL CANADA, LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland (the "Jurisdictions") has received an application

from Heller Financial, Inc. ("Heller US") and its subsidiary Heller Financial Canada, Ltd. (the "Issuer", and together with Heller US, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

(a) that, under National Instrument 44-101 ("NI 44-101") and National Instrument 44-102, a credit supporter be a reporting issuer with a 12 month reporting history in a jurisdiction (the "Eligibility Requirement") in connection with the issuance by the Issuer of non-convertible debt securities (the "Notes") with an Approved Rating (as such term is defined in NI 44-101) which will be fully and unconditionally guaranteed by Heller US; and

(b) that, under NI 44-101, the financial statements of Heller US that are included in a short form prospectus of the Issuer and are prepared in accordance with US generally accepted accounting principles be reconciled to Canadian generally accepted accounting principles (the "GAAP Reconciliation Requirement");

(c) that,

(i) the Issuer file with the Decision Makers and send to its shareholders audited annual financial statements and annual reports, where applicable (the "Annual Financial Statement Requirements");

(ii) the Issuer file with the Decision Makers and send to its shareholders unaudited interim financial statements (the "Interim Financial Statement Requirements");

(iii) the Issuer issue and file with the Decision Makers press releases and file with the Decision Makers material change reports (together, the "Material Change Requirements"); and

(iv) the Issuer comply with the proxy and proxy solicitation requirements, including filing with the Decision Makers an information circular or report in lieu thereof (the "Proxy Requirements");

(d) that, under Ontario Securities Commission Rule 51-501 AIF and MD&A, section 159 of the regulation to the Securities Act (Quebec) and Saskatchewan Securities Commission Local Policy 6.2, the Issuer file with the applicable Decision Makers an annual information form (the "Annual Information Form Requirement");

shall not apply;

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

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

1. Heller US was incorporated under the laws of the State of Delaware in 1919 and is not a reporting issuer or the equivalent in any of the Jurisdictions.

2. Heller US has been a reporting company, under the United States Securities Exchange Act of 1934, as amended (the "1934 Act") since 1992, with respect to its preferred stock and for decades, with respect to its debt securities. In May 1998, Heller US completed an initial public offering of its common stock and accordingly became a reporting company in respect of such securities. Heller US has filed with the United States Securities and Exchange Commission (the "SEC") all filings required to be made with the SEC under Sections 13, 14 and 15(d) of the 1934 Act since it first became a reporting company.

3. As at September 30, 2000, Heller US had approximately US$10.4 billion in notes and debentures outstanding. All of Heller US's outstanding long term debt is rated "A-" by Standard & Poor's and "A3" by Moody's Investors Service.

4. The Fuji Bank, Limited, one of the world's largest banks, owns a 77% voting interest and 52% economic interest in Heller US. The balance of common stock in the capital of Heller US is publicly traded and listed under the symbol "HF" on the New York and Chicago stock exchanges. As at the close of trading on the New York Stock Exchange (the "NYSE") on November 3, 2000, the common shares of Heller US not held by Fuji Bank, Limited had a market value in excess of US$1.3 billion.

5. Heller US is a worldwide commercial financial services company offering a broad range of financing solutions to middle-market and small business clients. With approximately US$15.5 billion in owned and managed assets at September 30, 2000, Heller US offers equipment financing and leasing, vendor and sales finance programs, working capital loans, collateral and cash flow-based financing and financing for commercial real estate.

6. Heller US also offers trade finance, factoring, asset-based lending, leasing and vendor finance products and programs to clients in Europe, Asia, Australia and Latin America.

7. The head office of the Issuer is in Ontario.

8. The Issuer was incorporated under the *Trust and Loan Companies Act* (Canada) on January 21, 1999, and is a wholly-owned subsidiary of Heller US. The Issuer received its initial order to commence and carry on business from the Superintendent of Financial Institutions (Canada) on August 16, 1999. The Issuer was amalgamated under the *Trust and Loan Companies Act* (Canada) on March 1, 2000 under the name "Heller Financial Canada, Ltd.". The amalgamated company received its order to commence

and carry on business from the Superintendent of Financial Institutions (Canada) on March 1, 2000.

9. The Issuer is a diversified commercial financial services company that provides a broad array of financial products and services to mid-sized and small businesses located in Canada. Its products include collateralized cash flow and asset-based lending, secured real estate financing, equipment financing and factoring and receivables management services.

10. The Issuer is not a reporting issuer or its equivalent in any of the Jurisdictions. As a result of its filing a short form shelf prospectus in each of the Jurisdictions to establish the Offering (as defined below), the Issuer will become a reporting issuer or the equivalent in each Jurisdiction which imposes such a concept.

11. Heller US satisfies all the criteria set forth in paragraph 3.1(a) of National Instrument 71-101 ("NI 71-101") and is eligible to use the multi-jurisdictional disclosure system ("MJDS") (as set out in NI 71-101) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure.

12. Except for the fact that the Issuer is not incorporated under United States law, the Offering (as defined below) would comply with the alternative eligibility criteria for offerings of non-convertible debt having an approved rating under the MJDS as set forth in paragraphs 3.1 and 3.2 of NI 71-101.

13. The Issuer does not satisfy the alternative qualification criteria for issuers of guaranteed non-convertible debt securities, as set out in section 2.5 of NI 44-101, solely because Heller US (as guarantor of the Offering) is not a reporting issuer in any jurisdiction.

14. The Issuer proposes to establish a program to raise up to approximately CDN$750 million in Canada (the "Offering") through its issuance of Notes from time to time over a two-year period.

15. The Notes will be fully and unconditionally guaranteed by Heller US as to payment of principal, interest and all other amounts due thereunder within 15 days of failure by the Issuer to make any such payment. All Notes will have an Approved Rating (as defined in NI 44-101).

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 securities regulatory authority or securities regulator in each of Ontario, Quebec and Saskatchewan is that the Annual Information Form Requirement shall not apply to the Issuer, so long as the Issuer and Heller US comply with all of the requirements of each of the two Decisions below.

March 2, 2001.

"Kathryn Soden"

THE DECISION of the Decision Makers under the Legislation is that the Eligibility Requirement and the GAAP Reconciliation Requirement shall not apply to the Offering so long as:

(a) the Issuer complies with all of the other requirements of NI 44-101, except as varied in paragraph (c) below;

(b) prior to the filing of a preliminary short form prospectus for the Offering (the "Prospectus"):

(i) Heller US files with the Decision Makers an AIF in the form of an annual report on Form 10-K ("Heller US' AIF"), in electronic format through SEDAR (as defined in National Instrument 13-101) under the Issuer's SEDAR profile, and

(ii) Heller US files with the Decision Makers, in electronic format under the Issuer's SEDAR profile, the documents that Heller US has filed under the 1934 Act during the last year being, as of the date hereof, Heller US's 1999 annual report on Form 10-K, its quarterly report on Form 10-Q for the periods ended March 31, 2000, June 30, 2000 and September 30, 2000 and its Current Reports on Form 8-K dated April 19, 2000 (two separate reports), July 19, 2000 (two separate reports), August 25, 2000, October 18, 2000 and October 19, 2000.

(c) the Prospectus is prepared pursuant to the procedures contained in NI 44-101 and complies with the requirements set out in Form 44-101F3, with the disclosure required by item 12 of Form 44-101F3 being addressed by incorporating by reference Heller US's public disclosure documents as well as Heller US' AIF, with the summary financial information disclosure required by item 13.1(1)2 in respect of the Issuer being made in the manner specified in paragraph (j) of the Further Decision below and the disclosure required by item 7 of Form 44-101F3 being addressed by disclosure with respect to Heller US in accordance with United States requirements;

(d) the Prospectus includes all material disclosure concerning the Issuer;

(e) the Prospectus incorporates by reference disclosure made in Heller US's most recent Form 10-K (as filed under the 1934 Act) together with all Form 10-Qs and Form 8-Ks filed under the 1934 Act in respect of the financial year

following the year that is the subject of Heller US's most recently filed Form 10-K and incorporates by reference any documents of the foregoing type filed after the date of the Prospectus and prior to termination of the Offering and states that purchasers of the Notes will not receive separate continuous disclosure information regarding the Issuer;

(f) Heller US continues to fully and unconditionally guarantee the Notes as to the payments required to be made by the Issuer to holders of the Notes;

(g) the Notes have an Approved Rating (as defined in NI 44-101);

(h) Heller US signs the prospectus as promoter;

(i) Heller US remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of the issuer;

(j) Heller US continues to satisfy the criteria set forth in paragraph 3.1 of NI 71-101 (or any successor provision) and remains eligible to use MJDS (or any successor instrument) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure; and

(k) Heller US undertakes to file with the Decision Makers, in electronic format under the Issuer's SEDAR profile, all documents that it files under sections 13 and 15(d) of the 1934 Act until such time as the Notes are no longer outstanding.

March 2, 2001.

"John Hughes"

THE FURTHER DECISION of the Decision Makers under the Legislation is that the Annual Financial Statement Requirements, the Interim Financial Statement Requirements, the Material Change Requirements and the Proxy Requirements (collectively, the "Continuous Disclosure Requirements") shall not apply to the Issuer, so long as :

(a) Heller US files with each of the Decision Makers, in electronic format under the Issuer's SEDAR profile, copies of all documents filed by it with the SEC under sections 13, 14 and 15(d) of the 1934 Act, within 24 hours after filing with the SEC including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K (including press releases), and proxy statements prepared in connection with Heller US's annual meetings;

(b) the documents referred to in paragraph (a) above are provided to debt security holders whose last address as shown on the books of the Issuer is in Canada in the manner, at the time and only if required by applicable United States law;

(c) Heller US complies with the requirements of the NYSE (or such other principal stock exchange on which its common shares are then listed) 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, in electronic format under the Issuer's SEDAR profile, any press release that discloses a material change in Heller US's affairs;

(d) Heller US remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of the Issuer;

(e) Heller US maintains a class of securities registered pursuant to section 12 of the 1934 Act;

(f) if there is a material change in respect of the business, operations or capital of the Issuer that is not a material change in respect of Heller US, the Issuer will comply with the requirements of the Legislation to issue a press release and file a material change report notwithstanding that the change may not be a material change in respect of Heller US;

(g) Heller US continues to fully and unconditionally guarantee the Notes as to the payments required to be made by the Issuer to holders of the Notes;

(h) the Issuer does not issue additional securities other than the Notes (or any other series of the Notes which hereinafter may be issued), debt securities ranking pari passu to the Notes, any debentures issued in connection with the security granted by the Issuer to the holders of Notes or debt ranking pari passu with the Notes, and those securities currently issued and outstanding, other than to Heller US or to wholly owned subsidiaries of Heller US;

(i) if Notes of another series or debt securities ranking pari passu with the Notes are hereinafter issued by the Issuer, Heller US shall fully and unconditionally guarantee such Notes or debt securities as to the payments required to be made by the Issuer to holders of such Notes or debt securities;

(j) the Issuer files, in electronic format, an annual audited comparative summary of the Issuer's consolidated financial results for its most recently completed financial year and the financial year immediately preceding such financial year, prepared in accordance with, or reconciled to, generally accepted accounting principles in Canada ("Canadian GAAP"). The Issuer's annual audited consolidated comparative summary shall define and include the following line items:

(i) operating income;
(ii) operating profit/loss;
(iii) net income/loss;
(iv) current assets;
(v) net receivables;
(vi) non current assets;
(vii) current liabilities; and
(viii) non current liabilities;

(k) the Issuer files, in electronic format, an interim comparative summary of its consolidated financial results for its most recently completed interim period and the corresponding interim period in the previous financial year, prepared in accordance with, or reconciled to, Canadian GAAP. The Issuer's interim consolidated comparative summary shall define and include the following line items:

(i) operating income;
(ii) operating profit/loss;
(iii) net income/loss;
(iv) current assets;
(v) net receivables;
(vi) non current assets;
(vii) current liabilities; and
(viii) non current liabilities;

(l) such filings as are referred to in (j) and (k) above are to be made within the time limits required by the Legislation in respect of such financial information provided that the first filing to be made by the Issuer under clause (k) shall be in respect of the first quarter ending March 31, 2001 and the first filing to be made by the Issuer under clause (j) shall be in respect to the financial year ended December 31, 2000; and

(m) all filing fees that would otherwise be payable by the Issuer in connection with the Continuous Disclosure Requirements are paid.

March 2, 2001.

"J.A. Geller" "Theresa McLeod"

2.1.3 Numac Energy Inc. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

**IN THE MATTER OF
NUMAC ENERGY INC.**

MRRS DECISION DOCUMENT

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

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

3. **AND WHEREAS** the Filer has represented to each Decision Maker that:

3.1 the Filer was continued under the *Business Corporations Act* (Alberta) on December 5, 1991, is a reporting issuer in each of the Jurisdictions and is not in default of any of the requirements of the Legislation;

3.2 on October 8, 1993, the Filer became a reporting issuer in Alberta by virtue of receiving a receipt for a final prospectus;

3.3 the Filer's head office is located in Calgary, Alberta;

3.4 the authorized share capital of the Filer consists of an unlimited number of common shares (the "Numac Shares") of which 96,665,612 are issued and outstanding, an unlimited number of first preferred shares and an unlimited number of second preferred shares;

3.5 no first preferred shares or second preferred shares of the Filer are outstanding;

3.6 AXL Acquisition Corp. ("AXL"), an indirect wholly-owned subsidiary of Anderson Exploration Ltd. made an offer dated January 19, 2001, to purchase all of the Numac Shares, which was followed by a compulsory acquisition transaction;

3.7 AXL is now the sole security holder of the Filer;

3.8 the Numac Shares were delisted from The Toronto Stock Exchange and The American Stock Exchange and no securities of the Filer are listed or quoted on any exchange or market;

3.9 the Filer has no other securities, including debt securities, outstanding; and

3.10 the Filer does not intend to seek public financing by way of an offering of its securities;

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

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

6. **THE DECISION** of each Decision Maker under the Legislation is that the Filer is deemed to have ceased to be a reporting issuer under the Legislation.

DATED at the City of Calgary, in the Province of Alberta, this 7th day of March, 2001.

"David C. Linder"

2.1.4 Techmire Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - as a result of a take-over bid and the subsequent compulsory acquisition procedures, issuer has only one security holder - issuer deemed to have ceased being a reporting issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
TECHMIRE LTD.

MRRS DECISION DOCUMENT

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

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

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

1. the Filer was continued under the laws of the Province of Ontario on February 28, 2001, is a reporting issuer in each of the Jurisdictions, and is not in default of any of the requirements of the Legislation;

2. the Filer's head office is located in Markham, Ontario;

3. the Filer's issued and outstanding securities consist of 4,368,325 common shares;

4. as a result of a take-over bid and the subsequent compulsory acquisition procedures, all of the issued and outstanding securities of the Filer are owned by Exco Technologies Limited;

5. the common shares of the Filer were delisted from trading on The Toronto Stock Exchange on January 15, 2001 and no securities of the Filer are listed or quoted on any exchange or market;

6. other than the common shares, the Filer has no securities, including debt securities, outstanding; and

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

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

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

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

March 9, 2001.

"John Hughes"

2.1.5 Quebecor World Inc. et al. - MRRS Decision

Headnote

MRRS - Mutual Reliance Review System for Exemptive Relief Applications - Issuer is a "connected issuer" but not a "related issuer" of registrants that are to act as underwriters in a proposed distribution of securities of the Issuer - Issuer is not a "specified party" as defined in Draft Multi-Jurisdictional Instrument 33-105 Underwriter Conflicts - Registrant underwriters exempted from independent-underwriter requirements, provided that, at the time of the distribution, the issuer is not a "specified party" as defined in the Instrument, and is not a "related issuer" of the registrant underwriters as defined in the Instrument.

Applicable Ontario Statutes

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

Applicable Ontario Regulations

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

Rules Cited

Proposed Multi-jurisdictional Instrument 33-105 - Underwriting Conflicts (1998) 21 OSCB 781.

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

AND

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

AND

IN THE MATTER OF
QUEBECOR WORLD INC.

AND

IN THE MATTER OF
BMO NESBITT BURNS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
CIBC WORLD MARKETS
NATIONAL BANK FINANCIAL INC.
TD SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the «**Decision Maker**») in each of Alberta, British Columbia, Newfoundland, Québec and Ontario (the «**Jurisdictions**») has received an application from BMO Nesbitt Burns («**BMO**»), RBC Dominion Securities Inc.

(«**RBC**»), Scotia Capital Inc. («**Scotia**»), CIBC World Markets Inc. («**CIBC**»), National Bank Financial Inc. («**NBF**») and TD Securities Inc. («**TD**») (collectively, the «**Filers**») for a decision pursuant to the securities legislation of the Jurisdictions (the «**Legislation**») that the requirement (the «**Independent Underwriter Requirement**») contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities by an issuer made by means of a prospectus where the issuer is a connected issuer of the registrant unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by independent underwriters shall not apply to the Filers in respect of a proposed distribution (the «**Offering**»), for an aggregate principal amount of $150 million ($200 million, if the option granted to the underwriters is exercised in full), of 6.75% Cumulative Redeemable First Preferred Shares, Series 4 (the «**Offered Securities**») of Quebecor World Inc. (the «**Issuer**»), pursuant to a short form prospectus (the «**Prospectus**»);

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;

AND WHEREAS the Filers have represented to the Commissions that:

1. The Issuer was incorporated under the Canada Business Corporation Act on February 23, 1989 and its head office is located in Montreal, Quebec.

2. The issuer is a reporting issuer under the Legislation of each Jurisdiction and is not in default of any requirements of the Legislation.

3. The Issuer is a diversified global commercial printing company and it is the largest commercial printer in the world.

4. The Issuer's Subordinate Voting Shares are listed on The Toronto Stock Exchange and on the New York Stock Exchange, its Series 2 Cumulative Redeemable First Preferred Shares are listed on The Toronto Stock Exchange and its Multiple Voting Shares are not publicly traded.

5. The Issuer's parent company is Quebecor Inc. which, as of February 7, 2001, held 56,211,277 Multiple Voting Shares of Quebecor World, representing approximately 84.9% of the voting interest in the Issuer.

6. On February 9, 2001, the Issuer entered into an underwriting agreement with a syndicate of underwriters including the Filers and Merrill Lynch Canada Inc. («**Merrill Lynch**», collectively the «**Underwriters**») whereby the Issuer has agreed to issue and sell, and the Underwriters have agreed to purchase, as principals, the Offered Securities.

7. The proportionate share of the Offering to be underwritten by each of the Underwriters is as follows:

Underwriter	Proportionate Share
Nesbitt	20%
RBC	20%
Scotia	20%
CIBC	12%
NBF	12%
Merrill Lynch	8%
TD	8%
	100%

8. On February 9, 2001, the Issuer filed a preliminary short form prospectus (the «**Preliminary Prospectus**») under the Mutual Reliance Review System for Prospectuses. Québec has been designated as principal regulator in connection with the filing of the Preliminary Prospectus. The Issuer will file a final short form Prospectus on or about February 20, 2001, pursuant to which the Issuer will issue the Offered Securities.

9. BMO is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of the Bank of Montreal. RBC is an indirect wholly-owned subsidiary of the Royal Bank of Canada. Scotia is a wholly-owned subsidiary of the Bank of Nova Scotia. CIBC is a wholly-owned subsidiary of the Canadian Imperial Bank of Commerce. NBF is an indirect wholly-owned subsidiary of the National Bank of Canada. TD is a wholly-owned subsidiary of the Toronto-Dominion Bank.

10. The Bank of Montreal, the Royal Bank of Canada, the Bank of Nova Scotia, the Canadian Imperial Bank of Commerce, the National Bank of Canada and the Toronto-Dominion Bank are hereinafter referred to as the «**Related Banks**».

11. As at December 31, 2000, Quebecor Inc.'s syndicated credit facilities, which included facilities of Quebecor Inc., Quebecor World, Quebecor Media Inc., Videotron Ltd. and Sun Media Corporation (the «**Quebecor Group Facilities**») provided for an aggregate maximum availability of CDN$6.925 billion.

12. As of December 31, 2000, the total indebtedness under the Quebecor Group Facilities to the Related Banks stood at approximately CDN$2.833 billion.

13. By virtue of its indebtedness to the Related Banks, Quebecor World may be considered a connected issuer (or the equivalent) to each of the Filers within the meaning of the Legislation and the proposed Multi-Jurisdictional Instrument No 33-105 – Underwriting Conflicts («Proposed Instrument 33-105»). The Issuer is not a "related issuer" (or equivalent) within the meaning of the Legislation or Proposed Instrument 33-105 of the Filers.

14. The Underwriters, in connection with the Offering, do not comply with the proportional requirements set out in the Legislation.

15. The Prospectus will contain the information specified in Appendix "C" of the Proposed Instrument.

16. The decision to issue the Offered Securities, including the determination of the terms of such distribution, has been made through negotiations between the Issuer and the underwriters without the involvement of the Related Banks.

17. The Issuer is in good financial condition.

18. The Issuer is not a «specified party», as defined in Proposed Instrument 33-105.

19. The net proceeds of the Offering, which are estimated to be CDN $145 million or CDN$194 million if the option granted to the Underwriters is exercised in full), will be used to invest in capital expenditures and to fund other general corporate purposes.

20. The Underwriters will not benefit in any matter from the Offering other than the payment of their fees in connection therewith.

21. The certificate required by the Legislation in each of the Preliminary Prospectus and the Prospectus will be signed by the Underwriters.

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;

IT IS THE DECISION of the Decision Makers under the Legislation that the Independent Underwriter Requirement shall not apply to the Filers in connection with the Offering provided that the Issuer is not a related issuer, as defined in the Proposed Instrument 33-105, at the time of the Offering and is not a specified party, as defined in the Proposed Instrument 33-105, at the time of the Offering.

DATED at Montreal, this 20th day of February 2001.

"Jean Lorrain"

2.1.6 Canwest Communications Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - take-over bids - vendors ("H" and "S", respectively) entering into an asset purchase agreement with purchasers ("CW" and "CCC", respectively) providing for the purchasers' acquisition of certain assets in exchange for aggregate consideration of approximately $3.5 billion, consisting of cash, subordinated debentures and shares to be issued by CW - S also entering into share purchase agreement permitting CCC to sell, or assign to certain charities the right to sell, shares of CW having a value of approximately $67.5 million to S - substantially all of the funds realized from the disposition of the shares under the purchase agreement to be devoted to charitable purposes - acquisition of shares under the purchase agreement involves a take-over bid that does not fall within the scope of the private agreement exemption - acquisition of shares under the purchase agreement exempted from the take-over bid requirements in the legislation

Ontario Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 89, 90, 93(1)(c), 95-100 and 104(2)(c).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA AND ONTARIO

AND

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

AND

IN THE MATTER OF
CANWEST COMMUNICATIONS CORP.,
CANWEST GLOBAL COMMUNICATIONS CORP.,
HOLLINGER INC. AND SOUTHAM INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Manitoba and Ontario (the "Jurisdictions") has received an application (the "Application") from CanWest Communications Corp. ("CCC") and CanWest Global Communications Corp. ("CanWest" and collectively with CCC, the "Applicants") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the proposed acquisition by Southam Inc. ("Southam") of non-voting shares of CanWest (the "NVS") and/or subordinate voting shares of CanWest (the "SVS") pursuant to a share purchase agreement dated July 26, 2000 (the "Share Purchase Agreement") is exempt from the provisions in the legislation relating to delivery of an offer and take-over bid circular and any notices of change and variation thereto, minimum deposit periods and withdrawal rights, extensions, taking up and paying for securities tendered to a

take-over bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration, collateral benefits and the filing of consents or reports with and the payment of related fees to the Decision Makers (collectively, the "Take-over Bid Requirements");

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

AND WHEREAS the Applicants have represented to the Decision Makers as follows:

1. CanWest is a company continued under the laws of Canada and is a reporting issuer or the equivalent in each of the provinces and territories of Canada. CanWest's head office is located in Manitoba.

2. CCC is a private company incorporated under the laws of Canada and is not a reporting issuer or the equivalent in any province or territory of Canada. CCC's head office is located in Manitoba.

3. Hollinger Inc. ("Hollinger") is a company amalgamated under the laws of Canada and is a reporting issuer or the equivalent in each province or territory of Canada. Hollinger's head office is located in Ontario.

4. Southam is a corporation governed by the laws of Canada that is a reporting issuer or the equivalent in certain provinces, including Ontario and Manitoba. Southam's head office is located in Ontario.

5. The authorized capital of CanWest consists of an unlimited number of multiple voting shares (the "MVS"), SVS and NVS and an unlimited number of preference shares issuable in series. As of the close of business on July 31, 2000, there were 78,040,908 MVS, 69,295,035 SVS, 2,707,836 NVS and no preference shares outstanding.

6. CanWest is a constrained-share company. At least 66.7% of CanWest's voting shares must be beneficially owned by individuals who are Canadian citizens or corporations controlled in Canada. CanWest's articles of continuance (the "Articles") prohibit the issuance or transfer of SVS to a person who is not a "Canadian holder", as that term is defined in the Articles, and, if a person who is not a Canadian holder somehow becomes a holder of any SVS, such SVS are deemed to have been converted automatically into NVS on a one-for-one basis.

7. The MVS, SVS and NVS (collectively, the "Equity Shares") have the following attributes, among others:

   a) Each MVS carries a right to exercise ten votes per MVS at meetings of CanWest shareholders. Each SVS carries a right to exercise one vote per SVS at meetings of CanWest shareholders. The NVS are non-voting.

   b) MVS, SVS and NVS share equally in dividends and, upon a winding-up or dissolution of CanWest, in its assets.

   c) Holders of MVS may at any time convert all or any of their MVS into SVS on a one-for-one basis, provided that the holder of the MVS is a Canadian holder at the time of conversion. In addition, holders of MVS may at any time convert all or any of their MVS into NVS on a one-for-one basis.

   d) The NVS and SVS are interconvertible. Holders of NVS may at any time convert all or any of their NVS into SVS on a one-for-one basis, provided that the holder of the NVS is a Canadian holder at the time of conversion. Holders of SVS may at any time convert all or any of their SVS into NVS on a one-for-one basis.

8. The SVS and the NVS are listed on The Toronto Stock Exchange and the Winnipeg Stock Exchange and the NVS also are listed on the New York Stock Exchange.

9. CCC owns all of the outstanding MVS, owns or exercises control or direction over 3,767,716 representing 5.44% of the SVS outstanding as at July 30, 2000. Accordingly, CCC exercises owns or exercises control over 54.5% of the Equity Shares and 92.3% of the voting rights attaching to all CanWest voting shares.

10. On July 30, 2000, CanWest entered into an agreement with Hollinger, Southam, Hollinger Canadian Newspapers, Limited Partnership and HCN Publications Company (collectively, the "Vendors") providing for the acquisition by CanWest of certain assets (the "Assets") of the Vendors (the "Acquisition"). The terms of the Acquisition are set out in an agreement (the "Asset Purchase Agreement") dated July 30, 2000 among CanWest and the Vendors. The aggregate purchase price for the Assets is approximately $3.5 billion (the "Purchase Price") and will be satisfied through a cash payment by CanWest of $2.515 billion and the issuance by CanWest of approximately $700 principal amount of subordinated debentures, 24.3 million NVS at an issue price of $25 per NVS and 2.7 million newly created class 1 preference shares (the "Class 1 Preference Shares") at an issue price of $3.75 per Class 1 Preference Share.

11. Pursuant to the Share Purchase Agreement, Southam agreed to acquire up to an aggregate of 2.7 million SVS and NVS from CCC and/or entities affiliated to it and from certain charities registered under the *Income Tax Act* (Canada) to be designated by CCC (the "Charities") to whom CCC will donate certain of CCC's SVS (the "Share Purchase"). Southam's obligations pursuant to the Share Purchase Agreement are analogous to the granting of an option, subject to certain conditions, to CCC permitting CCC to: (i) sell up to an aggregate of 2.7 million SVS or NVS (or a combination thereof not exceeding 2.7 million shares) for consideration equal to $25 in cash per share (the "Option"); and (ii) assign all or any part of its rights under the Option to any of its affiliates and/or certain charities to be designated by CCC.

12. CCC will donate SVS and/or NVS to certain charities and an aggregate of five charities will be entitled to

cause Southam to purchase an aggregate of not less than 1,380,731 SVS and/or NVS. CCC intends to exercise its rights under the Option in respect of an aggregate of no more than 1,319,269 SVS or NVS and intends that substantially all of the funds realized from the disposition of SVS and/or NVS directly by CCC pursuant to the Share Purchase Agreement be devoted, directly or indirectly, to charitable purposes.

13. The Class 1 Preference Shares to be issued as part of the Acquisition will have the following principal attributes:

    a) Each Class 1 Preference Share will carry the right to 19 votes per share.

    b) The Class 1 Preference Shares voting as a series will be entitled to elect: (i) two members of CanWest's board of directors so long as there are more than 1,350,000 Class 1 Preference Shares outstanding; or (ii) one member of CanWest's board of directors so long as there are more than 900,000 Class 1 Preference Shares outstanding.

    c) Each Class 1 Preference Share will be convertible at any time at the holder's option into: (i) NVS at a rate of 0.15 NVS for each Class 1 Preference Share; or (ii) SVS at a rate of 0.15 SVS for each Class 1 Preference Share, provided that the holder furnishes proof at the time of conversion that such holder is a Canadian holder.

    d) The Class 1 Preference Shares will not be entitled to receive dividends or distributions, other than stock dividends (entitling the holder to receive NVS in proportion to the number of NVS or SVS it would receive if its Class 1 Preference Shares were converted to NVS or SVS), nor will the Class 1 Preference Shares share in the proceeds upon dissolution and winding-up of CanWest.

14. If, for some reason, Southam is unable to acquire all 2.7 million NVS and/or SVS, as contemplated by the Share Purchase Agreement, CanWest has agreed to adjust the consideration to be paid by it for the Assets in order to issue such number of NVS as would make up the difference between the number NVS and/or SVS to be acquired from CCC and the Charities and 2.7 million shares, with a concomitant reduction in the cash portion of the Purchase Price payable by CanWest for the Assets.

15. On September 1, 2000, CanWest's board of directors declared stock dividends payable on September 29, 2000 to shareholders of record of MVS, SVS and NVS on September 15, 2000. An aggregate of no more than 1,861,211 shares are issuable pursuant to such stock dividends, the allocation of which among MVS, SVS and NVS is to be determined based on elections provided by such shareholders.

16. The Asset Purchase Agreement and Share Purchase Agreement (collectively, the "Agreements") provide that the transactions contemplated by the Agreements shall close no earlier than October 2, 2000.

17. None of the Vendors qualifies as a Canadian holder for the purposes of the Articles of CanWest and, accordingly, any SVS acquired by Southam pursuant to the Share Purchase or by the Vendors pursuant to the Acquisition or otherwise will be converted automatically into NVS. In addition, pursuant to the Asset Purchase Agreement, the Vendors have agreed that, even if any of them should change its status and otherwise by in a position to convert its NVS into SVS, it would not do so except immediately prior to a sale to a third party and, in any event, it would not vote any SVS held .

18. CanWest established an independent committee (the "Independent Committee") to consider those aspects of these transactions, including the Share Purchase Agreement, which involved CCC and to make a recommendation to the Board of Directors of CanWest as to whether the Acquisition was in the best interests of CanWest and to determine the impact of the Share Purchase Agreement on its shareholders.

19. The Independent Committee received legal advice about its legal responsibilities, questioned CanWest's management and legal and financial advisors in respect of the Acquisition and its impact on CanWest and its shareholders and in respect of the Share Purchase Agreement. The Independent Committee also received an opinion from CIBC World Markets that the consideration to be offered for the acquisition of the Assets was fair from a financial point of view to CanWest.

20. The Independent Committee considered all aspects of the transactions, including the fact that CCC and/or certain charities would be disposing of up to 2.7 million SVS and/or NVS to Southam at $25 per share pursuant to the Share Purchase Agreement, and the opinion from CIBC World Markets. In particular, the Independent Committee considered the provisions of the Asset Purchase Agreement that provide for an adjustment to the amount of cash and share consideration payable by CanWest to Hollinger depending on whether Southam acquires 2.7 million NVS from CCC and the designated charities. The Independent Committee considered it important that the transfer of SVS and/or NVS to Southam pursuant to the Share Purchase Agreement was less dilutive to CanWest shareholders than if CanWest issued 2.7 million NVS directly to Hollinger.

21. The Independent Committee unanimously recommended approval of the Acquisition to the Board of Directors of CanWest.

22. The issuance of an additional 2.7 million NVS directly by CanWest to Hollinger would reduce the cash portion of the purchase price for the Acquisition by $67.5 million, representing only a 2% reduction in such amount.

23. Pursuant to the Acquisition, Hollinger will acquire 24.3 million newly-issued NVS and 2.7 million newly-issued Class 1 Preference Shares, which are convertible into an aggregate of 405,000 SVS or NVS. Accordingly,

after the Stock Dividend, the Share Purchase and the Acquisition are effected, Hollinger will own or exercise control or direction over approximately 15.3% of the Equity Shares of CanWest and 5.7% of the votes attached to all CanWest voting shares.

24. Southam's agreement to acquire NVS and/or SVS under the Share Purchase Agreement constituted a take-over bid since it involved an offer to acquire in excess of 90% of the NVS outstanding as of July 30, 2000. Southam cannot rely upon the private agreement exemption from the Take-over Bid Requirements because: (i) the value of the consideration to be paid under the Share Purchase Agreement exceeds 115% of the market price, determined in accordance with the Legislation, of the NVS and SVS as of July 30, 2000; and (ii) it may be obliged to acquire SVS and/or SVS from more than five sellers.

25. If, however, the NVS and SVS were treated as a single class (the "Combined Class") for purposes of the Legislation, Southam's agreement to acquire NVS and/or SVS under the Share Purchase Agreement would constitute an offer to acquire:

    a) 3.7% of the Combined Class as of July 30, 2000, if the CanWest securities to be acquired by Hollinger pursuant to the Asset Purchase Agreement were not treated as "offeror's securities" for purposes of the Legislation; and

    b) 28.33% of the Combined Class as of July 30, 2000, if the CanWest securities to be acquired by Hollinger pursuant to the Asset Purchase Agreement were treated as "offeror's securities" for purposes of the Legislation.

26 The Applicants will issue a news release outlining the details of the Agreements.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the acquisition by Southam of NVS and/or SVS pursuant to the Share Purchase Agreement from CCC and/or the Charities shall not be subject to the Take-over Bid Requirements.

October 13, 2000.

"Douglas Brown"

2.1.7 Quebecor World Inc. et al. - MRRS Decision

Headnote

MRRS - Issuer is a "connected issuer" but not a "related issuer" of the underwriters acting in connection with a proposed distribution - issuer is not a "specified party" as defined in Proposed Multi-Jurisdictional Instrument 33-105 Underwriter Conflicts - subject to conditions.

Applicable Ontario Statutes

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

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s.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 viewed by (1999) 22 OSCB 6295.

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

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

AND

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

AND

IN THE MATTER OF
QUEBECOR WORLD INC.

AND

IN THE MATTER OF
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
TD SECURITIES INC.
CIBC WORLD MARKETS
CREDIT SUISSE FIRST BOSTON SECURITIES CANADA INC.
NATIONAL BANK FINANCIAL INC.
SCOTIA CAPITAL INC.
DESJARDINS SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "**Decision Maker**") in each of the jurisdictions of Alberta, British Columbia, Newfoundland, Québec, and Ontario

(the "**Jurisdictions**") has received an application from RBC Dominion Securities Inc. ("**RBC**"), BMO Nesbitt Burns ("**Nesbitt**"), TD Securities Inc. ("**TD**") CIBC World Markets ("**CIBC**"), Credit Suisse First Boston Securities Canada Inc. ("**Credit Suisse**"), National Bank Financial Inc. ("**NBF**"), Scotia Capital Inc. ("**Scotia**") and Desjardins Securities Inc. ("**Desjardins**") (collectively, the "**Filers**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement (the "**Independent Underwriter Requirement**") contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities by an issuer made by means of a prospectus, where the issuer is a connected issuer (or the equivalent) of the registrant unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by independent underwriters shall not apply to the Filers in respect of a secondary offering by Quebecor Inc., or as the case may be, a wholly-owned subsidiary of Quebecor Inc. and 1462594 Ontario Inc. (collectively referred to as the "**Selling Shareholders**") of 15,000,000 Subordinate Voting Shares of Quebecor World Inc., pursuant to a short form prospectus (the "**Prospectus**") filed with all securities commissions or similar regulatory authorities in Canada (the "**Secondary Offering**");

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

AND WHEREAS the Filers have represented to the Commissions that:

1. Quebecor World Inc. ("**Quebecor World**") is a corporation amalgamated under the *Canada Business Corporations Act* and its head office is located in Montreal, Québec.

2. Quebecor World is a reporting issuer under the Legislation of each Jurisdiction and is not in default of any requirements of the Legislation.

3. Quebecor World is a diversified global commercial printing company and it is the largest commercial printer in the world.

4. Quebecor World's Subordinate Voting Shares are listed on The Toronto Stock Exchange and on the New York Stock Exchange, its Series 2 Cumulative Redeemable First Preferred Shares are listed on The Toronto Stock Exchange and its Multiple Voting Shares are not publicly traded.

5. Quebecor Inc. ("**Quebecor**") is the parent company of Quebecor World. As at February 7, 2001, Quebecor held 56,211,277 Multiple Voting Shares of Quebecor World.

6. 1462594 Ontario Inc. ("**SPV**") is an Ontario corporation owned by the underwriters of the Secondary Offering and of the Debentures Offering (as such term is defined below).

7. On February 7, 2001, Quebecor and SPV filed a preliminary short form prospectus (the "**Preliminary Prospectus**") under the Mutual Reliance Review System for Prospectuses (with Québec as its designated jurisdiction) and a registration statement with the United States Securities and Exchange Commission to qualify a secondary offering of an aggregate of 15 million Subordinate Voting Shares of Quebecor World (the Subordinate Voting Shares of Quebecor World being hereinafter referred to as the "**Shares**") for an aggregate amount of $510 million. A final prospectus is expected to be filed on or about February 16, 2001.

8. Concurrently, with the Secondary Offering, the underwriters offered an aggregate principal amount of $408 of Floating Rate Exchangeable Debentures, Series 2001, due February 15, 2026 (the "**Debentures**") to be issued by Quebecor by way of a private placement (the "**Debentures Offering**"). The principal amount of Debentures may be increased to the extent the number of Shares to be sold by Quebecor under the Secondary Offering is less than $3,000,000.

9. The Debentures, which will be exchangeable under certain circumstances into Shares, will be offered to qualified purchasers in Canada on a private placement basis.

10. Each $1,000 principal amount of Debentures is exchangeable for approximately 29.4118 Shares, subject to certain adjustments.

11. In connection with (i) the exercise by a holder of its right to exchange the Debentures for Shares, (ii) any redemption of the Debentures at the option of Quebecor, or (iii) the repayment of the Debentures at maturity or following an event of default, Quebecor may, at its option, satisfy its obligations by payment of a cash amount specified in the Debentures, by delivery of Shares, or by any combination of cash and Shares.

12. SPV is selling Shares in the Secondary Offering to create a hedged position with respect to the Debentures. The Shares to be sold by SPV in the Secondary Offering will be borrowed from existing holders of Shares. In the event an investor that purchases Debentures in the private placement wishes to fully hedge its position with respect to the Debentures, SPV will agree to buy from that investor the number of Shares issuable upon exchange of the Debentures being purchased by such investor. SPV will then use such Shares to cover its borrowing obligation.

13. Immediately prior to and after the Secondary Offering, SPV will not own beneficially any Shares. All of the Shares to be sold by SPV will be borrowed from existing holders of Shares. These borrowed shares represent approximately 13.7% of the outstanding Shares, or 13.2% of the outstanding Shares assuming the conversion by Quebecor of 3,000,000 Multiple Voting Shares into 3,000,000 Shares for the purpose of the Secondary Offering.

14. In the Secondary Offering, Quebecor, or a wholly-owned subsidiary of Quebecor, will sell up to 3,000,000 Shares. The exact number of such shares sold by Quebecor, or a wholly-owned subsidiary of Quebecor, under the Secondary Offering will be determined prior to the closing of the Secondary Offering and will be equal to the difference between the Shares sold by SPV under the Secondary Offering and 15,000,000.

15. The proportionate share of the Offering to be underwritten by each of the underwriters is as follows:

Underwriter	Proportionate Share
RBC	30.81%
Nesbitt	20.39%
TD	20.39%
CIBC	11.78%
Credit Suisse	7.25%
NBF	4.17%
Scotia	4.17%
Desjardins	1.04%
	100.00%

16. RBC is an indirect wholly-owned subsidiary of the Royal Bank of Canada, Nesbitt is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of the Bank of Montreal, TD is a wholly-owned subsidiary of the Toronto-Dominion Bank, CIBC is a wholly-owned subsidiary of the Canadian Imperial Bank of Commerce, Credit Suisse is an indirect subsidiary of the Credit Suisse First Boston Bank , a Swiss bank, NBF is an indirect, wholly-owned subsidiary of the National Bank of Canada, Scotia is a wholly-owned subsidiary of the Bank of Nova Scotia and Desjardins is a wholly-owned subsidiary of Desjardins-Laurentian Financial Corporation, a majority-owned subsidiary of Mouvement Desjardins. The Royal Bank of Canada, the Bank of Montreal, the Toronto-Dominion Bank, the Canadian Imperial Bank of Commerce, Credit Suisse First Boston Bank, the National bank of Canada, the Bank of Nova Scotia and Caisse centrale Desjardins are hereinafter referred to as the "**Related Banks**".

17. By virtue of indebtedness to the Related Banks, Quebecor may be considered a "connected issuer" to each of the Filers, as defined in the proposed Multi-Jurisdictional Instrument 33-105 Underwriting Conflicts (the "**Proposed Conflicts Instrument**").

18. More specifically, as of December 31, 2000, Quebecor's syndicated credit facilities, which included the credit facilities of Quebecor, Quebecor World, Quebecor Media Inc., Videotron Ltd. and Sun Media Corporation (the "**Quebecor Group Facilities**") provided for an aggregate maximum availability of CDN$6.925 billion. As of the same date, the total indebtedness to the Related Banks under the Quebecor Group Facilities stood at approximately CDN$2.537 billion.

19. The Prospectus will contain the information specified in Appendix "C" of the Proposed Instrument.

20. The decision to sell Shares, including the determination of the terms of such distribution has been made through negotiations between Quebecor Inc. and the Flers without the involvement of the Related Banks.

21. Quebecor Inc. is in good financial condition and is not under any immediate financial pressure to complete the Debentures Offering or the Secondary Offering.

22. Quebecor Inc. is not a "related issuer" of the Filers, nor a "specified party", as such terms are defined in the Legislation and the Proposed Conflicts Instrument.

23. The net proceeds of the Debentures Offering and the Secondary Offering will be used to pay down debt of Quebecor.

24. The Filers will not benefit in any manner from the Debentures Offering or the Secondary Offering other than the payment of their fees in connection therewith.

25. The certificate in each of the Preliminary Prospectus and the Prospectus will be signed by the Filers.

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

AND WHEREAS each Decision Maker 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 Independent Underwriter Requirement shall not apply to the Filers in connection with the Secondary Offering provided that the Prospectus contains the disclosure stated in paragraph 19 above and provided that Quebecor Inc. is not a "related issuer", as such term is defined in the Proposed Conflicts Instrument, to the Filers at the time of the Secondary Offering, and is not a "specified party", as such term is defined in the Proposed Conflicts Instrument, at the time of the Secondary Offering.

February 16, 2001.

"Jean Lorrain"

DANS L'AFFAIRE DE
LA LÉGISLATION EN VALEURS MOBILIÈRES DES PROVINCES D'ALBERTA, DE COLOMBIE-BRITANNIQUE,
DE TERRE-NEUVE, DU QUÉBEC ET D'ONTARIO

ET

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

ET

DANS L'AFFAIRE DE QUEBECOR WORLD INC.

ET

DANS L'AFFAIRE DE RBC DOMINION VALEURS MOBILIÈRES INC.
DE BMO NESBITT BURNS INC.
DE VALEURS MOBILIÈRES TD INC.
DE MARCHÉS MONDIAUX CIBC INC.
DE VALEURS MOBILIÈRES CREDIT SUISSE FIRST BOSTON CANADA INC.
DE FINANCIÈRE BANQUE NATIONALE INC.
DE CAPITAUX SCOTIA INC.
DE VALEURS MOBILIÈRES DESJARDINS INC.

DOCUMENT DE DÉCISION DU REC

CONSIDÉRANT QUE l'Alberta Securities Commission, la British Columbia Securities Commission, la Securities Commission de Newfoundland, la Commission des valeurs mobilières du Québec et la Commission des valeurs mobilières de l'Ontario (les «*Commissions*») ont reçu une demande de RBC Dominion Valeurs Mobilières Inc. («*RBC*»), de BMO Nesbitt Burns Inc., («*BMO*»), de Valeurs Mobilières TD Inc. («*TD*»), de Marchés Mondiaux CIBC Inc. («*CIBC*»), de Valeurs Mobilières Credit Suisse First Boston Canada Inc. («*Credit Suisse*»), de Financière Banque Nationale Inc. («*FBN* »), de Capitaux Scotia Inc. (« *Scotia* ») et de Valeurs Mobilières Desjardins Inc. (« *Desjardins* ») (collectivement, les «*preneurs fermes* ») pour une décision en vertu de la législation en valeurs mobilières canadienne (la « *législation* ») de l'Alberta, de la Colombie-Britannique, de Terre-Neuve, du Québec et de l'Ontario (les « territoires ») selon laquelle l'interdiction d'agir en qualité de preneur ferme dans le cadre des règles en matière de conflit prévue dans la législation (l' « *obligation d'avoir un preneur ferme indépendant* ») ne s'applique pas aux preneurs fermes à l'égard d'un placement secondaire par Quebecor Inc., ou le cas échéant, une filiale en propriété exclusive de Quebecor Inc. et 1462594 Ontario Inc. (Quebecor Inc. et 1462594 Ontario Inc. étant collectivement appelées ci-après, les «*actionnaires vendeurs* ») de 15 000 000 d'actions à droit de vote subalterne de Quebecor World Inc., par voie d'un prospectus simplifié (le « *prospectus* ») devant être déposé auprès de toutes les commissions de valeurs mobilières ou des autorités réglementaires similaires au Canada (le « *placement* »);

QUE selon le régime d'examen concerné des demandes de dispense (le « *régime* »), la Commission des valeurs mobilières du Québec est l'autorité principale pour la présente demande;

QUE les preneurs fermes ont déclaré aux Commissions ce qui suit:

1. Quebecor World Inc. («*Quebecor World*» ou la «*Société*») est une société fusionnée sous la *Loi sur les sociétés par action du Canada* et son siège social est situé à Montréal (Québec).

2. Quebecor World est un émetteur assujetti dans toutes les provinces canadiennes et n'est pas en défaut d'aucune exigence de la législation.

3. Quebecor World est une compagnie d'imprimerie commerciale globale et diversifiée. La Société est le chef de file mondial dans la plupart de ses principaux créneaux.

4. Les actions subalternes comportant droit de vote de Quebecor World sont inscrites à la cote de la Bourse de Toronto et de la Bourse de New York, ses actions privilégiées de premier rang, rachetables et à dividende cumulatif, série 2 sont inscrites à la Bourse de Toronto et ses actions à droit de vote multiple ne sont pas négociées dans le public.

5. Quebecor Inc. («*Quebecor*») est la compagnie mère de Quebecor World. En date du 7 février2001, Quebecor détenait 56211277 actions à droit de vote multiple de Quebecor World.

6. 1462594 Ontario Inc. («*SPV* ») est une société ontarienne appartenant aux preneurs fermes aux termes d'un placement privé concomitant de débentures échangeables effectué par Quebecor (tels que plus amplement décrit ci-dessous).

7. Quebecor et SPV ont déposé le 7 février 2001 un prospectus simplifié provisoire (le « *prospectus provisoire* ») afin d'effectuer le placement secondaire d'un total de 15 000 000 d'actions à vote subalterne de Quebecor World (la catégorie des actions à vote subalterne de Quebecor World est ci-après référée comme les « *actions* ») pour une somme totale de 510 millions de dollars. Le prospectus a été déposé auprès des commissions de valeurs mobilières canadiennes en vertu du régime d'examen concerté des prospectus et ayant le Québec comme son territoire désigné ainsi qu'auprès de la Securities and Exchange Commission des États-Unis. Un prospectus définitif devrait être déposé au plus tard le 16 février 2001.

8. Concurremment avec le placement secondaire, les preneurs fermes offriront une somme principale globale de 408 millions de dollars de débentures échangeables à taux variable, exigibles le 15 février 2026 (les « *débentures*»), à être émises par Quebecor sous forme d'un placement privé (le« *placement de débenture* »). Le montant capital des débentures peut être augmenté dans le cas où le nombre d'actions à être vendu par Quebecor suivant ce placement secondaire est moins de 3 000 000.

9. Les débentures, qui seront échangeables sous certaines circonstances contre des actions, seront offertes à des investisseurs institutionnels Canadiennes dans le cadre d'un placement privé à l'exterieur des États-Unis.

10. Chaque tranche de 1 000 $ de capital des débentures est échangeable contre environ 29,4118 actions, sous réserve de certains ajustements.

11. En ce qui concerne (i) l'exercice par un porteur de son droit d'échanger des débentures contre des actions, (ii) de tout remboursement par anticipation de débentures au gré de Quebecor, ou (iii) de tout remboursement des débentures à l'échéance ou en cas de défaut, Quebecor pourra, à son gré, régler ses obligations au moyen du paiement du montant en espèces stipulé dans les débentures, de la livraison d'actions ou de toute combinaison d'espèces et d'actions.

12. SPV vend les actions en vertu du placement secondaire afin de créer une position de couverture à l'égard des débentures. Les actions devant être vendues par SPV dans le cadre du présent placement seront empruntées à des porteurs actuels d'actions. Dans l'éventualité où un investisseur qui achèterait des débentures dans le cadre du placement privé désire couvrir entièrement sa position à l'égard des débentures, SPV conviendra de lui acheter le nombre d'actions pouvant être émises au moment de l'échange des débentures achetées par cet investisseur. SPV utilisera alors ces actions pour couvrir son obligation d'emprunt.

13. Immédiatement avant et après le présent placement, SPV ne sera propriétaire d'aucune action. Toutes les actions qui doivent être vendues par SPV seront empruntées à des porteurs actuels d'actions. Ces actions empruntées représentent 13.7 % des actions en circulation, ou 13.2 % des actions en circulation en supposant la conversion par Quebecor de 3 000 000 d'actions à droit de vote multiple en 3 000 000 d'actions aux fins du présent placement secondaire.

14. En vertu du placement sécondaire, Quebecor, ou une filiale en propriété exclusive de Quebecor, vendra jusqu'à concurrence de 3 000 000 d'actions. Le nombre exact d'actions vendues par Quebecor, ou par une filiale en propriété exclusive de Quebecor, aux termes du présent placement sera déterminé avant la clôture du présent placement et correspondra à la différence entre les actions vendues par SPV aux termes du présent placement secondaire et 15 000 000.

15. Le tableau suivant indiquant la quote-part du placement secondaire devant être souscrite par chacun des preneurs fermes:

Preneur ferme	Quote-part
RBC	30,81%
BMO	20,39%
TD	20,39%
CIBC	11,78%
Credit Suisse	7,25%
FBN	4,17%
Scotia	4,17%
Desjardins	1,04%
	100,00%

16. RBC est une filiale en propriété exclusive indirecte de Banque Royale du Canada, BMO est une filiale en propriété exclusive de Corporation BMO Nesbitt Burns Limitée, filiale en propriété majoritaire indirecte de Banque de Montréal, TD est une filiale en propriété exclusive de la Banque Toronto-Dominion, CIBC est une filiale en propriété exclusive de Banque Canadienne Impériale de Commerce, Credit Suisse est une filiale du Credit Suisse First Boston Bank, FBN est une filiale en propriété exclusive indirecte de Banque Nationale du Canada, Scotia est une filiale en propriété exclusive de Banque de Nouvelle-Écosse, Scotia est une filiale en propriété exclusive de la Banque de la Nouvelle-Écosse, Desjardins est une filiale en propriété exclusive de Société financière Desjardins-Laurentienne inc., filiale détenue majoritairement par Mouvement Desjardins. La Banque Royale du Canada, la Banque de Montréal, la Banque Toronto-Dominion, Banque Canadienne Impériale de Commerce, Credit Suisse First Boston Bank, la Banque Nationale du Canada, La Banque de la Nouvelle-Écosse et Caisse centrale Desjardins sont ci-après appelées les « *banques reliées* ».

17. En vertu de l'endettement de Quebecor aux banques reliées, Quebecor peut être considéré comme un « émetteur associé » de chacun des preneurs fermes au sens de cette expression dans le projet de norme en matière de conflits.

18. De façon plus spécifique, en date du 31 décembre 2000, les facilités de crédit de Quebecor, qui incluent les facilités de crédit de Quebecor, Quebecor World, Quebecor Média Inc., Vidéotron Ltée et Sun Media Corporation (les « **facilités de crédit du Groupe Quebecor** ») prévoient une disponibilité maximale de 6,925 milliards de dollars de laquelle approximativement 2,537 milliards de dollars étaient dus en date du 31 décembre 2000 aux institutions financières qui contrôlent les preneurs fermes.

19. La déclaration prescrite par l'annexe C du projet de norme en matière de conflits est incluse dans le prospectus provisoire et sera incluse dans le prospectus.

20. Les banques reliées n'ont pas participé dans la décision de Quebecor de procéder au placement ou dans la détermination des modalités du placement.

21. La situation financière de Quebecor est bonne, et cette dernière n'est pas contrainte financièrement de

procéder immédiatement au placement et au placement de débentures.

22. Quebecor n'est pas un « émetteur relié » de l'un des preneurs fermes au sens de cette expression dans le projet de norme en matière de conflits ni une partie désignée au sens de l'expression *specified party* dans le projet de norme en matière de conflits.

23. Le produit net des placements sera affecté au remboursement d'une partie de la dette de Quebecor.

24. Les preneurs fermes ne tireront aucun autre avantage du présent placement que le placement de leur rémunération dans le cadre du placement.

25. Le certificat dans chacun du prospectus préliminaire et du prospectus définitif seront signés par les preneurs fermes.

QUE, selon l'instruction 12-201, le présent document de décision confirme la décision de chaque décideur;

QUE chaque décideur est convaincu qu'il existe des situations ou circonstances prescrites par la législation afin de permettre au décideur de prendre la décision;

LA DÉCISION des décideurs en vertu de la législation est que l'obligation d'avoir un preneur ferme indépendant dans le cadre du placement pourvu que Quebecor ne soit pas un émetteur relié tel que compris au projet de normes en matières de conflits, des preneurs fermes au moment du placement et n'est pas une «partie spécifiée» au projet de normes en matières de conflits au moment du placement.

Fait à Montréal, ce 16 jour de février 2001.

"Jean Lorrain"

2.1.8 Telefonaktiebolaget Lm Ericsson (Publ) - MRRS Decision

Headnote

MRRS - Registration and Prospectus relief for first trades by former employees of foreign issuer - Registration relief for first trades by current employees of foreign issuer required in Alberta.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 74.

Applicable Ontario Policies

OSC Rule 45-503 - Trades to Employees, Executives and Consultants.
OSC Rule 72-501 - Prospectus Exemption for First Trade Over a Market Outside Ontario.

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

AND

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

AND

IN THE MATTER OF
TELEFONAKTIEBOLAGET LM ERICSSON (PUBL)

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, and Alberta (the "Jurisdictions") has received an application from Telefonaktiebolaget LM Ericsson (publ) ("Ericsson" or the "Company") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that certain trades in series B shares of Ericsson and american depositary receipts ("ADRs") evidencing series B shares of Ericsson to, by or on behalf of employees of Ericsson and affiliates of Ericsson (the "Ericsson Group") in connection with the exercise of options ("Options") issued to such employees under the Ericsson Millennium Stock Option Plan (the "Plan") shall not be subject to the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") or to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements");

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 Ericsson has represented to the Decision Makers as follows:

1. Ericsson is a public company incorporated under the laws of the Kingdom of Sweden, is not a reporting issuer under the Legislation and has no present intention of becoming a reporting issuer under the Legislation.

2. Ericsson Canada Inc. ("Ericsson Canada") is an indirect subsidiary of Ericsson and was incorporated pursuant to the laws of Canada. Ericsson Canada is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer under the legislation.

3. As of January 9, 2001, the authorized share capital of Ericsson consisted of 656,218,640 Series A shares ("A Shares"), par value SEK 1 and 7,254,116,972 Series B shares ("B Shares" or "Shares"), par value SEK 1 and all authorized shares were issued and outstanding.

4. Ericsson is subject to the requirements of the OM Stockholm Exchange, in Sweden, including its reporting requirements. The A Shares and B Shares are listed on the OM Stockholm Exchange. The B Shares are also traded on the stock exchanges in Germany, London, Paris and on the Swiss Exchange. Ericsson's ADRs, each of which represents one B Share, are traded on the NASDAQ National Market ("NASDAQ").

5. The purpose of the Plan is to promote the interests of Ericsson and its shareholders by affording personnel with special expertise an opportunity to participate in the ownership of Ericsson.

6. The Ericsson Group has identified and will identify employees of the Ericsson Group (the "Participants") to be granted Options under the Plan. Former Participants will be employees who participated in the Plan when employed by a member of the Ericsson Group but who are not employed by a member of the Ericsson Group at the time they exercise their Options and/or sell Shares or ADRs acquired upon exercise of Options pursuant to the Plan.

7. Under the Plan, Ericsson has granted and may grant Options to Participants. Shares offered under the Plan will be tradeable on the OM Stockholm Exchange, the Swiss Exchange and the stock exchanges in Germany, London and Paris and will be registered with the Securities and Exchange Commission (the "SEC") under the U.S. *Securities Act of 1933*.

8. There are approximately 2 Participants resident in British Columbia, 1 in Alberta and 25 in Ontario eligible to participate in the Plan.

9. Participation in the Plan by Participants is voluntary and such Participants have not been and will not be induced to participate in the Plan or to exercise their Options by expectation of employment or continued employment with the Ericsson Group.

10. Ericsson has appointed Salomon Smith Barney Inc. ("SSB"), Citibank International PLC ("Citibank") and Skandinaviska Enskilda Banken (publ) ("SEB") as agents (each, an "Agent") to perform various administrative and brokerage functions under the Plan. With Ericsson's knowledge, SSB will also use the services of Salomon Brothers International Limited ("SBIL" or a "Foreign Broker") to execute certain securities transactions under the Plan. The current Agents are, and, if replaced, will be, corporations registered under applicable legislation in the U.S., Sweden or elsewhere as necessary under the Plan. The Agents and SBIL are not registered to effect trades contemplated under the Plan in any of the Jurisdictions and, if replaced, the Agents and any Foreign Brokers are not expected to be registered to effect trades contemplated under the Plan in any of the Jurisdictions.

11. The role of the Agents, SBIL, or any replacements appointed for any of them, may include: (a) holding Shares or ADRs on behalf of Participants and Former Employees; (b) facilitating Option exercises (including cashless exercises) under the Plan, including through persons or companies licensed to trade in securities on the OM Stockholm Exchange; (c) establishing and maintaining accounts on behalf of Participants and Former Participants under the Plan into which Shares and ADRs and other process may be deposited; (d) facilitating and executing the exchange of Shares acquired under the plan for ADRs; and (e) facilitating and executing the resale of ADRs through NASDAQ and the resale of Shares acquired under the Plan over an exchange or market outside of Canada.

12. Senior management of the Ericsson Group has established procedures governing the exercise of Options. The consideration to be paid for Shares or ADRs issued upon the exercise of Options granted under the Plan may consist of cash or its equivalent, including compensation received by Ericsson under a cashless exercise program implemented by Ericsson in connection with the Plan.

13. Any Shares acquired upon exercise of Options through the Agents to be held by a Participant or Former Participant, who is resident in Canada, will be automatically converted by the Agents into ADRs unless such Participant or Former Participant specifically instructs the Agents to deposit Shares into the Participant's or Former Participant's account with SSB.

14. Options are not transferable otherwise than by will or the laws of intestacy.

15. Participants, including Former Participants, or their legal representatives, who wish to sell Shares or ADRs acquired under the Plan may do so through the Agents.

16. A copy of the U.S. Prospectus relating to the Plan as well as a Plan brochure, employee letter, exercise brochure and Option Agreement has been delivered to each Participant and Former Participant who is resident in Canada and who has been granted Options under the Plan and will be delivered to each Participant who is resident in Canada and who is granted Options under the Plan. The annual reports, proxy materials and other materials Ericsson is required to file with the SEC and under Swedish law will be provided to Participants and

Former Participants resident in Canada at the same time and in the same manner as the documents are provided to other shareholders of Ericsson.

17. At the time of the grant of Options under the Plan, holders of Shares or Shares evidenced by ADRs whose last address as shown on the books of Ericsson was in Canada will not hold more than 10% of the outstanding Shares, including Shares evidenced by ADRs, and will not represent in number more than 10% of the total number of holders of Shares and Shares evidenced by ADRs.

18. Because there is no market for the Shares or ADRs in Canada and none is expected to develop, any resale of the Shares or ADRs acquired under the Plan will be effected through the facilities of, and in accordance with the rules and laws applicable to, a stock exchange or organized market outside of Canada on which the Shares or ADRs may be listed or quoted for trading.

19. The Legislation of the Jurisdictions does not contain exemptions from the Prospectus Requirements and the Registration Requirements for trades of Shares or ADRs by the Agents or SBIL to or on behalf of Former Participants upon the exercise of Options.

20. The Legislation of the Jurisdictions does not contain exemptions from the Registration Requirements for first trades by Former Participants, by the Agents or SBIL on behalf of Former Participants or by the Agents or SBIL on behalf of the legal representatives of Former Participants. As well, the Legislation of certain of the Jurisdictions does not contain exemptions from the Registration Requirements for first trades by Participants, by the Agents or SBIL on behalf of Participants or by the Agents or SBIL on behalf of the legal representatives of the Participants.

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

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

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

(1) the Prospectus Requirements and Registration Requirements shall not apply to the trades by the Agents or SBIL in Shares and ADRs (or Shares that were represented by ADRs) to or on behalf of Former Participants upon exercise of the Options acquired under the Plan; and

(2) the Registration Requirements shall not apply to the first trade by a Participant or a Former Participant, by the Agents or SBIL on behalf of the Participant or Former Participant, as the case may be, or the legal representatives of the Participant or Former Participant, as the case may be, in any Shares or ADRs (or Shares that were represented by ADRs) that are acquired upon exercise of Options acquired under the Plan provided:

(i) at the time of the trade, Ericsson is not a reporting issuer under the Legislation of the Jurisdiction in which the trade is being made; and

(ii) such first trade is executed on an exchange or market outside Canada.

March 12th, 2001.

"J. A. Geller" "Stephen N. Adams"

2.1.9 Superior Propane Inc. - MRRS Decision

Headnote

National Instrument 44 -101 - relief granted from 12 month reporting issuer requirement to permit wholly owned subsidiary of POP eligible issuer to access POP system - Parent company in a passive entity limited to investing in securities of wholly owned subsidiary - financial result of parent entirely dependent upon the results of wholly onwed subsidiary.

Rules Cited

National Instrument 44 - 101 - Short Form Prospectus Distributions, ss. 2.2, 15.1.

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

AND

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

AND

IN THE MATTER OF
SUPERIOR PROPANE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island (the "Jurisdictions") has received an application from Superior Propane Inc. ("Superior") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the 12 month reporting issuer requirement contained in the Legislation shall not apply to Superior so that it may participate in the prompt offering qualification system (the "POP System") pursuant to National Instrument 44-101 ("NI 44-101");

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 it has been represented by Superior to the Decision Makers that:

1. Superior has been engaged in the distribution and retail sale of propane, propane consuming equipment and related services since 1951. Superior currently has over 200,000 customers throughout Canada. Superior operates in all of the provinces and territories of Canada and is the country's largest and only national propane marketer.

2. Superior is a wholly owned subsidiary of Superior Propane Income Fund (the "Fund"). Superior is authorized to issue an unlimited number of Class A common shares, Class B common shares and preferred shares. All of the outstanding Common Shares and Shareholder Notes (each as defined herein) of Superior are owned by the Fund and are the only capital assets of the Fund.

3. Superior has 22,848,695 Class A common shares and 22,848,695 Class B common shares issued and outstanding (collectively, the "Common Shares") and $385.0 million principal amount of shareholder notes (the "Shareholder Notes") issued and outstanding all of which are owned by the Fund.

4. The Fund is an unincorporated mutual fund trust created by a trust indenture dated October 8, 1996. The trust units of the Fund are listed on The Toronto Stock Exchange. The market value of the outstanding trust units of the Fund currently exceeds $500 million.

5. The Fund is a passive entity limited to investing in securities of Superior and its sole capital asset is its investment in Superior. The Fund does not conduct business in accordance with the provisions of the *Income Tax Act* (Canada) and it may not borrow funds (except in limited circumstances) or guarantee third party indebtedness.

6. Holders of trust units of the Fund receive surplus cash flow distributed by Superior through the Fund on a tax efficient basis which includes interest payments on the Shareholder Notes of Superior and dividends or capital distributions with respect to the Common Shares of Superior. With the exception of the administrative expenses of the Fund (of approximately $603,000 in 1999), all amounts paid by Superior to the Fund flow through to the holders of trust units.

7. The Fund is entirely dependent upon the results of Superior and its financial results are directly reflective of Superior's results.

8. The Fund is followed by a number of investment analysts and investment analysts publish research reports respecting the Fund.

9. Superior received a general corporate credit rating of B++ by CBRS Inc. in April 1998 which was reaffirmed on December 22, 1999.

10. The Fund is a reporting issuer in all of the provinces of Canada, qualifies as a POP System issuer pursuant to the Legislation and has a Current AIF in place (as defined in the Legislation). The Fund files all necessary continuous disclosure documentation required pursuant to Canadian securities legislation, applicable rules and local and national policies. As a result of the Fund's unique structure, the public markets have been provided with complete current and historical disclosure

with respect to Superior, including information with respect to:

(i) business and operational information and developments regarding Superior; and

(ii) financial information and Management Discussion and Analysis ("MD&A") regarding the Fund and Superior; and

(iii) the unique structural and contractual arrangements as between the Fund, Superior and Superior Capital Management Inc. and related entities;

11. Although the Fund's continuous disclosure is based upon the operations of Superior, certain information will have minor presentational differences when prepared on a Superior stand alone basis. The audited financial statements and MD&A of Superior would be substantively the same as those of the Fund except as necessary to reflect the different capital structures, treatment of interest expense on the Superior Shareholders Notes held by the Fund and the relatively modest administrative expenses of the Fund.

12. Superior will prepare and file an Annual Information Form ("AIF") pursuant to the Legislation on a stand alone basis which will contain both audited financial statements and MD&A for Superior, each in compliance with the Legislation. Superior will not hold an annual shareholders meeting or prepare the associated information circular as contemplated by applicable securities legislation. Superior will include, with its AIF on an annual basis, the relevant information which would have been included in a Superior information circular if it held an annual meeting. Superior intends to become a reporting issuer, or equivalent, under the securities legislation of each of the Jurisdictions. Superior will file, with its AIF, an undertaking with each of the Jurisdictions, to file all continuous disclosure documents that it would be required to file under the securities legislation of each Jurisdiction if it were a reporting issuer, or equivalent, in each Jurisdiction, from the time of filing the AIF.

13. Assuming that the initial AIF and short form prospectus of Superior are accepted by the securities regulatory authorities in each of the Jurisdictions, Superior will become a reporting issuer, or equivalent, in each jurisdiction and would be eligible to participate in the POP System but for the fact that it has not been a reporting issuer for 12 months.

14. Superior would like to access non-convertible debt markets pursuant to the prospectus rules set forth in NI 44-101. Superior, rather than the Fund, will access the public (or private) debt markets for business purposes and efficiencies and in order to match the debt with Superior's operations and the income derived therefrom. The Fund, as a passive entity which has been created for the limited purpose of investing in Superior, cannot issue or guarantee debt instruments. It is anticipated that such debt issues by Superior will receive an Approved Rating (as defined in the Legislation).

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

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

AND WHEREAS the Decision Makers recognize and accept that it is the intent of Superior to become a reporting issuer, or equivalent, under the securities laws of all Jurisdictions by filing in each Jurisdiction and obtaining receipts from the Decision Makers for an initial annual information form and thereafter a short form prospectus in order to utilize the POP System and the shelf prospectus procedures under NI 44-102;

THE DECISION of the Decision Makers pursuant to the Legislation is that the 12 month reporting issuer requirement shall not apply to Superior, provided that:

(i) at the time of any offering by Superior, the Fund satisfies the POP Eligibility Requirements;

(ii) Superior complies in all other respects with the POP Eligibility Requirements from the date of this decision;

A. Superior files in each Jurisdiction and obtains receipts from the Decision Makers for an initial annual information form and thereafter a short form prospectus in order to utilize the POP System and the shelf prospectus procedures under NI 44-102.

February 23rd, 2001.

"Stephen P. Sibold" "Glenda A. Campbell"

2.1.10 Domtar Inc. et al. - MRRS Decision

Headnote

MRRS - Issuer is a "connected issuer" but not a "related issuer" of the underwriters acting in connection with a proposed distribution - issuer is not a "specified party" as defined in Proposed Multi-Jurisdictional Instrument 33-105 Underwriter Conflicts - subject to conditions.

Applicable Ontario Statutes

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

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s.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 viewed by (1999) 22 OSCB 6295.

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

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

AND

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

AND

IN THE MATTER OF
DOMTAR INC.

AND

IN THE MATTER OF
NATIONAL BANK FINANCIAL INC.
TD SECURITIES INC.
BMO NESBITT BURNS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "**Decision Maker**") in each of Alberta, British Columbia, Newfoundland, Québec and Ontario (the "**Jurisdictions**") has received an application from National Bank Financial Inc. ("**NBF**"), TD Securities Inc. ("**TD**"), BMO Nesbitt Burns Inc. ("**Nesbitt**"), RBC Dominion Securities Inc. ("**RBC**") and Scotia Capital Inc. ("**Scotia**") (collectively, the "**Filers**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement (the "**Independent Underwriter Requirement**") contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities by an issuer made by means of a prospectus where the issuer is a connected issuer of the registrant unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by independent underwriters shall not apply to the Filers in respect of a proposed distribution (the "**Offerings**") of Medium Term Notes (the "**Notes**") by Domtar Inc. (the "**Issuer**") to be made by means of a short-form shelf prospectus (the "**Prospectus**"), such Prospectus to be supplemented by a Pricing Supplement for each specific Offering undertaken thereunder;

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 the Filers have represented to the Decision Makers that:

1. The Issuer is a corporation amalgamated under the *Canada Business Corporations Act*, whose head office is located in Montreal, Quebec.

2. The Issuer is a major North American integrated manufacturer and marketer of speciality and fine papers and a major eastern Canadian producer of forest products and pulp.

3. As of February 1, 2001, Domtar Industries Inc. (incorporated in Delaware) and Ris Paper Company, Inc. (incorporated in New York State) were the only significant wholly owned direct or indirect subsidiaries of the Issuer (the "**Subsidiaries**"). The Issuer also owns 50% of Norampac Inc., the largest Canadian manufacturer of containerboard and corrugated containers.

4. The Issuer is a reporting issuer under the securities legislation of each of the provinces of Canada. The Issuer's outstanding Common Shares are listed on the Toronto Stock Exchange and the New York Stock Exchange and its outstanding Series A Preferred Shares and Series B Preferred Shares are listed on the Toronto Stock Exchange.

5. The Issuer has a market capitalization in excess of $2.2 billion.

6. The Issuer intends to enter into a selling agency agreement (the "**Agency Agreement**") with a syndicate of investment dealers including the Filers.

7. Pursuant to the Agency Agreement, the Notes may be offered on a continuing basis by Issuer through the investment dealers, each of which has agreed to use its best efforts to solicit purchases of the Notes, directly or through other Canadian dealers.

8. Notes may also be sold to an investment dealer as principal in which case the obligations of such investment dealer as principal may, if agreed to by the applicable investment dealer and Issuer at the time of such sale, be subject to certain conditions and may be subject to the investment dealer's right to terminate such obligations at its discretion upon the occurrence of certain stated events.

9. Although the Agency Agreement and the Prospectus refer to the investment dealers (including the Filers) as agents, such parties can be understood to be underwriters any of whom may agree from time to time to underwrite a given issuance of the Notes.

10. The Issuer will file a preliminary short-form shelf prospectus (the "**Preliminary Prospectus**") and the Prospectus with the securities regulatory authorities in each of the provinces of Canada in order to qualify the Notes for distribution in those provinces. Additionally, a Pricing Supplement will be incorporated by reference therein at the time of each specific Offering.

11. The Issuer currently has credit facilities, including a credit facility held by Norampac Inc. (collectively, the "**Credit Facilities**"), with Canadian chartered banks of which the Filers are direct or indirect subsidiaries (the "**Related Banks**"). As at February 19, 2001, the following amounts are outstanding under the Credit Facilities and are owed to the Related Banks:

National Bank of Canada	$34.0 million
The Toronto-Dominion Bank	$24.6 million
The Bank of Montreal	$22.7 million
The Royal Bank of Canada	$34.0 million
The Bank of Nova Scotia	$22.7 million
	$138 million

12. The maximum aggregate gross proceeds of the Offerings, before deducting the underwriters fees and expenses of the Offerings, are currently expected to be approximately $250 million or the equivalent in U.S. dollars.

13. The net proceeds of any Offering of Notes will be applied principally to repay outstanding indebtedness which was incurred for working capital purposes, to fund acquisitions and for the Issuer's ongoing capital expenditure program.

14. Accordingly, the Issuer may be considered a "connected issuer" (or equivalent) (within the meaning of the Legislation and Proposed Multi-Jurisdictional Instrument 33-105 – Underwriting Conflicts ("**Proposed Instrument 33-105**") of the Filers. The Issuer is not a "related issuer" (or equivalent) (within the meaning of the Legislation or Proposed Instrument 33-105) of the Filers.

15. It is expected that, in any given Offering, the underwriters will not comply with the proportional requirements of the Legislation.

16. The nature and details of the relationship between the Issuer, the Filers and the Related Banks will be described in the Preliminary Prospectus and the Prospectus as prescribed by Proposed Instrument 33-105, including, without limitation, the information specified in Appendix "C" of Proposed Instrument 33-105. The Preliminary Prospectus and the Prospectus will further contain a certificate signed by each underwriter in accordance with item 1.2 of Appendix A to National Instrument 44-102.

17. The Filers will receive no benefit relating to the Offerings other than the payment of their fees in connection therewith.

18. The decision to issue the Notes, including the determination of the terms of a given Offering, was made through negotiations between the Issuer and the underwriters without the involvement of the Related Banks.

19. The Filers have been advised that the Issuer is in good financial condition and that it is not a "specified party" within the meaning of the Proposed 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 Makers with the jurisdiction to make the Decision has been met;

IT IS THE DECISION of the Decision Makers under the Legislation that the requirement contained in the Legislation which restricts a registrant from participating in a distribution of securities of a connected issuer shall not apply to the Filers in connection with the Offerings by the Issuer to be made by means of the Prospectus and the applicable Pricing Supplement(s) to be incorporated therein, provided that:

1. The Prospectus contains the information required by Appendix C to Proposed Instrument 33-105; and

2. At the time of the Offerings:

   (a) the Issuer is not a specified party (as defined in Proposed Instrument 33-105); and

   (b) the Issuer is not a related issuer (as defined in the Legislation and in Proposed Instrument 33-105) of any of the Filers.

March 6th, 2001.

"Jean Lorrain"

DANS L'AFFAIRE DE
LA LÉGISLATION EN VALEURS MOBILIÈRES DE L'ALBERTA, DE COLOMBIE-BRITANNIQUE, DE TERRE-NEUVE, DU QUÉBEC ET DE L'ONTARIO

ET

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

ET

DANS L'AFFAIRE DE DOMTAR INC.

ET

DANS L'AFFAIRE DE LA
FINANCIÈRE BANQUE NATIONALE INC.
VALEURS MOBILIÈRES TD INC.
BMO NESBITT BURNS INC.
RBC DOMINION VALEURS MOBILIÈRES INC.
SCOTIA CAPITAUX INC.

DOCUMENT DE DÉCISION DU REC

CONSIDÉRANT QUE les autorités en valeurs mobilières ou l'agent responsable (le «décideur») de l'Alberta, de la Colombie-Britannique, de Terre Neuve, du Québec et de l'Ontario (les «Juridictions») ont reçu une demande de Financière Banque Nationale Inc. («*FBN*»), de Valeurs Mobilières TD Inc. («*TD*»), de BMO Nesbitt Burns Inc., («*Nesbitt*»), de RBC Dominion Valeurs Mobilières Inc. («*RBC*») et de Scotia Capitaux Inc. («*Scotia*») (collectivement, les «*preneurs fermes*») pour une décision en vertu de la législation en valeurs mobilières (la «*législation*») selon laquelle l'interdiction d'agir en qualité de preneur ferme dans le cadre des règles en matière de conflit prévue dans la législation ne s'applique pas aux preneurs fermes à l'égard d'un appel public à l'épargne (le «*placements*») par Domtar Inc. («*Domtar*») pour des billets à moyen terme (les «*billets*») par voie d'un prospectus préalable (le «*prospectus*»), qui sera complété par un supplément de fixation du prix pour chaque placement spécifique entrepris ci-dessous;

QUE selon le régime d'examen concerné des demandes de dispense (le «*régime*»), la Commission des valeurs mobilières du Québec est l'autorité principale pour la présente demande;

QUE les preneurs fermes ont déclaré aux décideurs ce qui suit:

1. Domtar est une société fusionnée sous la *Loi sur les sociétés par action du Canada* et son siège social est situé à Montréal (Québec).

2. Domtar est une grande entreprise nord-américaine intégrée de fabrication et de commercialisation de papiers de spécialité et de papiers fins et un grand producteur de produits du bois et de pâtes de l'est du Canada.

3. En date du 1 février 2001, Domtar Industries Inc. (constituée sous le régime des lois du Delaware) et Ris Paper Company, Inc. (constituée sous le régime des lois de l'État de New York) sont les seules filiales importantes, directes ou indirectes, de Domtar, à qui elles appartiennent toutes deux en propriété exclusive. Domtar est également propriétaire à 50% de Norampac, le plus grand fabricant canadien de cartons-caisses et de cartonnages ondulés.

4. Domtar est un émetteur assujetti dans toutes les provinces canadiennes. Les actions ordinaires de Domtar sont inscrites à la cote de la Bourse de Toronto et de la Bourse de New York et ses actions privilégiées, série A et série B, sont inscrites à la Bourse de Toronto.

5. La capitalisation boursière de Domtar est de plus de $2.2 milliards.

6. Domtar a l'intention de conclure une convention de placement pour compte (la « *convention de placement* ») avec un syndicat de maisons de courtage de valeurs, incluant les preneurs fermes.

7. Aux termes de la convention de placement, les billets pourront être offerts de façon continue par Domtar par l'intermédiaire des preneurs fermes, qui se sont engagés à faire de leur mieux pour solliciter l'achat des billets, directement ou par l'entremise d'autres courtiers canadiens.

8. Des billets pourront aussi être vendus à un preneur ferme agissant pour son propre compte et, en ce cas, les obligations de ce preneur ferme à ce titre pourront, si le preneur ferme en question et Domtar y consentent au moment de cette vente, être assujetties à certaines conditions et pourront être assujetties au droit de preneur ferme d'y mettre fin à son gré à la réalisation de certaines conditions.

9. Malgré le fait que la convention de placement et le prospectus réfèrent aux preneurs fermes comme étant des agents, le rôle de ceux-ci s'apparente à celui d'un courtier, lequel peut, de temps à autre, agir à titre de preneur ferme pour l'émission de billets.

10. Domtar va déposer un prospectus préalable provisoire (le «*prospectus provisoire*») et un prospectus auprès des commissions des valeurs mobilières de chaque province du Canada dans le but de se qualifier pour la distribution des billets dans ces provinces. Par ailleurs, au moment de chaque placement, un supplément de fixation du prix sera incorporé par référence.

11. En date des présentes, Domtar est partie à certaines conventions de crédit, incluant une facilité de crédit détenue par Norampac, en vertu desquelles Domtar est endettée envers des banques à charte canadiennes desquelles les preneurs fermes sont directement ou indirectement leurs filiales (les «*banques reliées*»). En date du 19 février 2001 les montants suivants sont impayés en vertu des facilités de crédit et sont dus aux banques reliées:

Banque Nationale du Canada	34,0 millions de dollars
Banque Toronto-Dominion	24,6 millions de dollars
Banque de Montréal	22,7 millions de dollars
Banque Royale du Canada	34,0 millions de dollars
Banque de Nouvelle Écosse	22,7 millions de dollars
	$138 millions de dollars

12. Le montant collectif maximum brut des placements, avant déduction des frais et des dépenses des preneurs fermes, est actuellement approximativement estimé à 250 millions de dollars ou l'équivalent en dollars américains.

13. Le produit net des placements sera principalement utilisé pour payer toute dette impayée qui a été contractée pour le capital de roulement, pour financer les acquisitions et pour le programme de dépenses en capital de Domtar.

14. Ainsi, Domtar pourrait être considéré comme un émetteur associé au terme de la législation et du projet de norme en matière de conflits (*«projet de norme 33-105»*) des preneurs fermes. Cependant, Domtar n'est pas un "émetteur relié" aux preneurs fermes selon la définition de ce terme dans la législation et dans le projet de norme 33-105.

15. Dans le cadre du présent placement, les preneurs fermes ne respectent pas les proportions requises dans la législation.

16. La nature et les détails de la relation entre Domtar, les preneurs fermes et les banques reliées sera décrite dans le prospectus, conformément au projet de norme 33-105, incluant, sans limite, l'information spécifiée à l'Appendice "C" du projet de norme 33-105. Le prospectus provisoire et le prospectus vont contenir un certificat signé par chaque preneur ferme en conformité avec l'item 1.2 de l'Appendice "A" de l'Instrument National 44-102.

17. Les preneurs fermes ne tireront aucun autre avantage du présent placement autre que le paiement de leurs honoraires dans le cadre du placement.

18. La décision d'émettre les billets, incluant la détermination des termes du placement, a été le fait de négociations entre Domtar et les preneurs fermes, sans que les banques reliées ne soient consultées.

19. Les preneurs fermes ont été avisées que la situation financière de Domtar est bonne et que Domtar n'est pas une partie désignée au sens de l'expression "*specified party*" dans le projet de norme 33-105.

ET QUE, selon l'instruction 12-201, le présent document de décision confirme la décision de chaque décideur;

ET QUE chacun des décideurs est d'avis que le test prévu dans la législation qui accorde le pouvoir discrétionnaire au décideur a été respecté;

LA DÉCISION des décideurs en vertu de la législation est que l'obligation d'avoir un preneur ferme indépendant dans le cadre des placements de billets par Domtar n'est pas requise pourvu que:

1. le prospectus contienne l'information requise par l'Annexe "C" dans le projet de norme 33-105; et

2. au moment des placements:

   (a) Domtar ne soit pas une partie désignée au sens de l'expression "*specified party*" dans le projet de norme 33-105; et

   (b) Domtar n'est pas un émetteur reliée (selon la définition dans la législation et dans le projet de norme 33-105) à tous les preneurs fermes.

Fait à Montréal, ce 6e jour de mars 2001.

"Me Jean Lorrain"

2.1.11 Burlington Resources Canada Energy Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer is an indirect wholly-owned subsidiary of a non-reporting issuer that is subject to the reporting requirements of the SEC. Relief granted to the issuer from the requirement to file and send to shareholders audited annual and unaudited interim financial statements, issue press releases, file material change reports and comply with the proxy and proxy solicitation requirements, including filing an information circular or report in lieu thereof, so long as certain conditions are met.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 75, 77, 78, 80(b)(iii).

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

AND

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

AND

IN THE MATTER OF
BURLINGTON RESOURCES CANADA ENERGY LTD. (FORMERLY POCO PETROLEUMS LTD.)

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia, New Brunswick and Newfoundland (collectively, the "Jurisdictions") has received an application from Burlington Resources Canada Energy Ltd. (formerly Poco Petroleums Ltd.) ("BRCEL" or the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation that:

   1.1. BRCEL file with the Decision Makers and send to its shareholders audited annual financial statements (the "Annual Financial Statement Requirements");

   1.2. BRCEL file with the Decision Makers and send to its shareholders unaudited interim financial statements (the "Interim Financial Statement Requirements");

   1.3. BRCEL issue a press release and file a report with the Decision Makers upon the occurrence of a material change (the "Material Change Requirements"); and

   1.4. BRCEL comply with the proxy and proxy solicitation requirements, including filing with the Decision Makers an information circular or report in lieu thereof (the "Proxy Requirements"),

   shall not apply.

2. **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;

3. **AND WHEREAS** the Filer has represented to the Decision Makers that:

   3.1. Burlington Resources Inc. ("Burlington") is a corporation organized and subsisting under the laws of the State of Delaware.

   3.2. Burlington is engaged in the exploration, development, production and marketing of oil and gas. Burlington conducts activities in several strategic areas worldwide, and ranks first among independent oil and gas companies in terms of proven North American reserves.

   3.3. Burlington's principal executive offices are located in Houston, Texas.

   3.4. The authorized capital stock of Burlington consists of 325,000,000 shares of Common Stock and 75,000,000 shares of Preferred Stock of which 3,250,000 shares are designated Series A Junior Participating Preferred Stock. One share of Preferred Stock has been designated as Special Voting Stock and is entitled to a number of votes equal to the number of outstanding Exchangeable Shares of Burlington Resources Canada Inc. ("BR Canada"). The one share of Special Voting Stock is held by a trustee for the benefit of the holder of the Exchangeable Shares of BR Canada. As of March 3, 2000, there were 205,489,807 shares of Common Stock outstanding and a further 9,739,027 shares of Common Stock were reserved for issuance upon the exchange of the Exchangeable Shares of BR Canada. As of June 14, 2000, there were no shares of Preferred Stock issued or outstanding, other than the one share of Special Voting Stock.

   3.5. Based solely on the filing of Schedules 13G with the Securities and Exchange Commission, as of June 14, 2000 there are no known beneficial owners of more than 10% of the Common Stock of Burlington, other than Fidelity International Limited which beneficially owns 21,221,298 shares of Common Stock representing 10.327% of the outstanding shares of Common Stock.

3.6. The Common Stock of Burlington is fully participating and voting and is currently traded on the NYSE.

3.7. Burlington is currently subject to the reporting requirements of the Securities Exchange Act of 1934 (the "1934 Act"), and is not a reporting issuer or the equivalent thereof in any provinces or territories in Canada.

3.8. BR Canada was incorporated on June 16, 1999 as 835128 Alberta Ltd. under the laws of the Province of Alberta. On September 14, 1999 the corporation's name was changed to Burlington Resources Canada Inc.

3.9. BR Canada's registered office is located in Calgary, Alberta.

3.10. BR Canada's authorized capital consists of an unlimited number of common shares and an unlimited number of Exchangeable Shares. Each Exchangeable Share has economic and voting rights equivalent to one share of Common Stock of Burlington, but has effectively no economic or voting rights in BR Canada. Holders of Exchangeable Shares are entitled to exchange such shares for Common Stock of Burlington at any time on a one-for-one basis.

3.11. All of the issued and outstanding Common Shares of BR Canada are held by Burlington.

3.12. As at March 3, 2000, there were 9,739,027 Exchangeable Shares issued and outstanding (excluding Exchangeable Shares held by Burlington) all of which were issued pursuant to the Arrangement described in paragraph 3.18 below.

3.13. BRCEL is a corporation organized and subsisting under the *Business Corporations Act* (Alberta).

3.14. BRCEL's principal executive offices are located in Calgary, Alberta.

3.15. BRCEL is a reporting issuer under the *Securities Act* (Alberta) and is not in default of any of the requirements under the Act or the regulations thereunder and is a reporting issuer or the equivalent of a reporting issuer under the securities laws of each of the Provinces of Canada.

3.16. BRCEL's authorized capital consists of an unlimited number of common shares, an unlimited number of First Preferred Shares, issued in series, and an unlimited number of Second Preferred Shares, issued in series.

3.17. As at November 18, 1999, 153,572,672 BRCEL Common Shares were issued and outstanding as fully participating voting shares which were listed on The Toronto Stock Exchange.

3.18. Pursuant to an Amended and Restated Combination Agreement by and between Burlington and BRCEL dated as of August 16, 1999, on November 18, 1999, Burlington, BR Canada and BRCEL completed a combination pursuant to a plan of arrangement under section 186 of the *Business Corporations Act* (Alberta) (the "Arrangement") whereby each of the holders of common shares of BRCEL transferred their common shares to BR Canada in consideration for 0.25 Exchangeable Shares of BR Canada. The Exchangeable Shares are the economic equivalent of Burlington Common Stock, and the holders thereof essentially hold a participatory interest in Burlington rather than in BR Canada.

3.19. As a result of the Arrangement, BRCEL became a wholly-owned subsidiary of BR Canada, and BR Canada holds all 153,572,672 outstanding common shares of BRCEL. BRCEL has no outstanding First Preferred Shares or Second Preferred Shares.

3.20. On November 23, 1999, the Common Shares of BRCEL were delisted by The Toronto Stock Exchange.

3.21. To facilitate the Arrangement, the Alberta Securities Commission, as principal jurisdiction, granted a decision dated November 17, 1999 pursuant to the System which provided that the Registration and Prospectus Requirements (as defined in the decision) would not apply to certain trades in connection with the Arrangement, the Continuous Disclosure Requirements (as defined in the decision) would not apply to BR Canada, and the Insider Reporting Requirements (as defined in the decision) would not apply to any insider of BR Canada.

3.22. In addition to the common shares of BRCEL which are held by BR Canada, BRCEL also has outstanding: Cdn $50,000,000 of 6.20% notes maturing November 2, 2001; Cdn $100,000,000 of 6.40% notes maturing December 3, 2003 and Cdn $150,000,000 of 6.60% notes maturing September 11, 2007 (collectively, the "Notes").

3.23. Effective April 3, 2000, Burlington unconditionally guaranteed all principal, interest and other amounts owing under the Notes. Following the grant of the guarantee by Burlington, the ratings on the Notes were raised to A and A- from CBRS and DBRS, respectively, which are equivalent to the agencies' ratings for Burlington.

3.24. As of October 13, 2000 BRCEL and the trustee appointed by the trust indenture pursuant to which the Notes were issued entered into a supplemental indenture to clarify the financial disclosure BRCEL is required to provide to the trustee. The supplemental indenture requires

BRCEL to provide to the trustee the annual and interim financial statements of Burlington, together with the summary annual and interim financial information regarding BRCEL contemplated by this MRRS Decision Document. The financial statements and financial information are required to be provided to the trustee within the respective time limits for the filing by a reporting issuer of annual and interim financial statements with the Alberta Securities Commission pursuant to the Securities Act (Alberta).

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

5. **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;

6. **THE DECISION** of the Decision Makers pursuant to the Legislation is that the Annual Financial Statement Requirements, Interim Financial Statement Requirements, Material Change Requirements and Proxy Requirements shall not apply to BRCEL, so long as:

6.1. Burlington shall file with each of the Decision Makers copies of all documents required to be filed by it with the United States Securities and Exchange Commission under the 1934 Act, including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K, quarterly statement and proxy statement prepared in connection with Burlington's annual meetings;

6.2. Burlington shall comply 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 Burlington's affairs;

6.3. BRCEL shall comply with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change in respect of material changes in the affairs of BRCEL that are not material changes in the affairs of Burlington;

6.4. Burlington shall remain the direct or indirect beneficial owner of all the issued and outstanding voting securities of BRCEL;

6.5. Burlington maintains a class of securities registered pursuant to the 1934 Act;

6.6. BRCEL does not issue additional securities to those currently issued and outstanding, other than to Burlington or to direct or indirect wholly-owned subsidiaries of Burlington;

6.7. Burlington continues to fully and unconditionally guarantee the Notes as to the payments required to be made by BRCEL to the holders of the Notes;

6.8. BRCEL delivers to the trustee under the trust indenture pursuant to which the Notes were issued the annual and interim financial statements of Burlington, and the summary annual and interim financial information contemplated in paragraphs 6.9 and 6.10 below, within the time requirements imposed by the trust indenture;

6.9. BRCEL files (either separately or as a note to the financial statements of Burlington) a comparative audited summary of BRCEL's financial results for its most recently completed financial year, prepared in accordance with, or reconciled to, generally accepted accounting principles in Canada ("Canadian GAAP"), including the following line items:

(a) oil and gas revenue;
(b) net earnings from continuing operations before extraordinary items;
(c) operating income before other expenses;
(d) net earnings;
(e) current assets;
(f) non-current assets;
(g) current liabilities; and
(h) non-current liabilities;

6.10. BRCEL files (either separately or as a note to the financial statements of Burlington) a comparative summary of BRCEL's financial results for its most recently completed interim period and the comparative interim period for the previous financial year, prepared in accordance with, or reconciled to, Canadian GAAP, which includes the following line items:

(a) oil and gas revenue;
(b) operating income before other expenses;
(c) net earnings from continuing operations before extraordinary items; and
(d) net earnings;

6.11. if, in the future, the Decision Makers make rules requiring interim financial statements to include a balance sheet, the disclosure included in paragraph 6.10 above would also be required to include a summary of BRCEL's balance sheet, prepared in accordance with, or reconciled to, Canadian GAAP, including the following line items:

(a) current assets;
(b) non-current assets;
(c) current liabilities; and
(d) non-current liabilities;

6.12. the filings referred to in paragraphs 6.9, 6.10 and 6.11 above are to be made within the time limits, and in accordance with the applicable filing fees

required by the Legislation provided that the first filing to be made by BRCEL under paragraph 6.10 shall be in respect of the first quarter ending March 31, 2001 and the first filing to be made by BRCEL under paragraph 6.9 shall be in respect of the financial year ended December 31, 2000.

March 9, 2001.

"Agnes Lau, CA"

2.1.12 Alliance Pipeline Limited Partnership - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer is a connected issuer, but not a related issuer, in respect of registrants that are underwriters in proposed distributions of common shares by the issuer - Underwriters exempt from the independent underwriter requirement in the legislation provided that issuer not in financial difficulty.

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

Proposed Multi-Jurisdictional Instrument 33-105 Underwriting Conflicts (published for comment February 6, 1998).

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

AND

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

AND

IN THE MATTER OF
ALLIANCE PIPELINE LIMITED PARTNERSHIP

AND

IN THE MATTER OF
ALLIANCE PIPELINE L.P.

AND

IN THE MATTER OF
SCOTIA CAPITAL INC.,
BMO NESBITT BURNS INC., RBC DOMINION SECURITIES INC., TD SECURITIES INC.,
CIBC WORLD MARKETS INC.
AND NATIONAL BANK FINANCIAL INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia and Ontario (the "Jurisdictions") has received an application from Alliance Canada Limited Partnership ("Alliance Canada") on behalf of each of Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., TD Securities Inc., CIBC World Markets Inc., National Bank

Financial Inc. (collectively, the "Dealers) and Alliance Pipeline L.P. ("Alliance USA") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation for an independent underwriter where an offering of securities of an issuer is otherwise being underwritten by underwriters in respect of which the issuer is a "connected issuer", or the equivalent (the "Independent Underwriter Requirement"), shall not apply to a proposed offering (the "Offering") of senior secured notes (the "Senior Notes") by Alliance Canada to be made by means of a short form shelf prospectus (the "Prospectus") dated March 1, 2001 and a prospectus supplement expected to be filed with the Decision Maker in each Jurisdiction;

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

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

1. Alliance Canada is a limited partnership formed in 1996 pursuant to the laws of Alberta.

2. The general partner of Alliance Canada is Alliance Pipeline Ltd., a Canadian corporation.

3. Alliance Canada became a reporting issuer on March 31, 2000 in all of the provinces of Canada except Manitoba, New Brunswick and Prince Edward Island by filing a non-offering prospectus dated March 28, 2000.

4. Alliance Canada owns and operates the Canadian portion of a natural gas transmission system (the "Alliance Pipeline System") consisting of 3,000 kilometers of natural gas mainline pipeline and an additional 700 kilometers of lateral pipelines.

5. The shares of Alliance Pipeline Ltd. and the limited partnership units of Alliance Canada are held directly or indirectly by five corporations.

6. Alliance USA is a limited partnership organized under the laws of the State of Delaware. The managing partner of Alliance USA is Alliance Pipeline Inc.

7. Alliance USA owns and operates the American portion of the Alliance Pipeline System.

8. In 1998, Alliance Canada and Alliance USA (collectively, "Alliance") arranged credit facilities in the amount of approximately $3.765 billion (assuming a US$/Cdn$ exchange rate of 1.50) with a syndicate of commercial banks and other financial institutions of which approximately $1.931 billion of the credit facilities were for Alliance Canada.

9. On December 21, 2001, the credit facilities were converted to eight year term facilities.

10. Alliance Canada is required to make quarterly principal payments under the credit facilities until December 21, 2008 at which time the remaining balance of $1.2 billion, becomes due.

11. At present, the principal amount of Alliance Canada's credit facilities is $1.6 billion.

12. The strategy of Alliance has been to refinance all or a portion of the credit facilities using senior notes in a manner generally consistent with the depreciation of the rate base of the Alliance Pipeline System.

13. Alliance Canada obtained a decision document on March 2, 2001 for the Prospectus, which Prospectus qualifies in all provinces of Canada up to $1.2 billion of Senior Notes to be offered in tranches.

14. Each of the Dealers is, directly or indirectly, a subsidiary of a Canadian chartered bank (a "Bank") to which Alliance Canada is indebted under the credit facilities. Accordingly, Alliance Canada may be considered to be a connected issuer to each of the Dealers.

15. None of the Banks were involved in the decision to offer the Notes and none will be involved in the determination of the terms of the distribution of the Notes.

16. Neither Alliance Canada nor Alliance USA is a specified party as defined in Draft Multijurisdictional Instrument 33-105 (the "Proposed Instrument").

17. The Senior Notes are rated BBB (high) from Dominion Bond Rating Services Limited, A3 from Moody's Investors Service, Inc. and BBB from Standard & Poor's Rating Service.

18. Each Dealer was chosen by Alliance Canada based on the ability of such Dealer to market the Senior Notes.

19. Neither Alliance Canada nor Alliance USA is a related issuer (or the equivalent) of the Dealer or of any of the other members of the underwriting syndicate.

20. Neither Alliance Canada nor Alliance USA is under immediate pressure to do an offering.

21. The nature and details of the relationship between the Alliance Canada and the Dealers is described in the Prospectus. The Prospectus contains the information specified in Appendix "C" of the Proposed Instrument.

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 Independent Underwriter Requirement shall not apply to the Dealers in connection with the Offering, provided that:

(a) neither Alliance Canada nor Alliance USA is a related issuer, as defined in the Proposed Instrument, to the Dealers at the time of the Offering, and

(b) neither Alliance Canada nor Alliance USA is a specified party, as defined in the Proposed Instrument, at the time of the Offering.

March 13, 2001.

"Howard I. Wetson" "R. Stephen Paddon"

2.1.13 Scotia Capital Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer is a connected, but not a related issuer, in respect of registrants that are underwriters in a proposed distribution of debentures by the issuer - underwriters exempt from the independent underwriter requirement in the legislation provided that issuer not in financial difficulty

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 219(1), 224(1)(6) and 233.

Applicable Ontario Rules

Proposed Multi-Jurisdictional Instrument 33-105: Underwriting Conflicts (1998), 21 OSCB 788.

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

AND

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

AND

IN THE MATTER OF
SCOTIA CAPITAL INC., BMO NESBITT BURNS INC.,
TD SECURITIES INC., NATIONAL BANK FINANCIAL INC.

AND

PEMBINA PIPELINE INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Quebec and Newfoundland (the "Jurisdictions") has received an application from Scotia Capital Inc. ("Scotia Capital"), BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. (collectively, the "Filers") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirement (the "Independent Underwriter Requirement") contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities of an issuer made by means of prospectus, where the issuer is a connected issuer (or the equivalent) of the registrant unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by an independent underwriter, shall not apply to the Filers in respect of a proposed distribution (the "Offering") of Convertible Unsecured Subordinated Debentures (the

"Debentures") of Pembina Pipeline Income Fund (the "Issuer"), pursuant to a short form prospectus (the "Prospectus");

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 Filers have represented to the Decision Makers that:

1. The Issuer is a reporting issuer under the Legislation of each Jurisdiction and is not in default of any requirements of the Legislation.

2. The business of the Issuer is restricted to investing in investments permitted solely under Section 132(6) of the *Income Tax Act* (Canada). At present the Issuer's investments consist solely of securities of Pembina Pipeline Corporation ("Pembina") and one voting, non-participating share in a subsidiary of Pembina. Pembina is an Alberta corporation which owns oil and natural gas liquids pipeline systems. The Issuer holds, directly or indirectly, all of the issued and outstanding common shares of Pembina and its 13.50% unsecured subordinated notes due October 25, 2027.

3. The trust units of the Issuer are listed on The Toronto Stock Exchange.

4. The principal office of the lead underwriter, Scotia Capital Inc., for the Offering is in Ontario.

5. The Issuer filed a preliminary short form prospectus dated March 5, 2001 (the "Preliminary Prospectus") in the Jurisdictions.

6. The Filers, along with RBC Dominion Securities Inc., CIBC World Markets Inc. and Merrill Lynch Canada Inc., are proposing to act as underwriters in connection with the Offering. Each of the Filers is registered as a dealer in the categories of "broker" and "investment dealer" under the Legislation.

7. Pembina maintains a $235 million extendible revolving credit facility, an $86 million one-year non-revolving term credit facility due July 31, 2001 and a $30 million operating facility (collectively, the "Credit Facilities"). The Credit Facilities are maintained with a syndicate of Canadian banks, including, but not limited to, The Bank of Nova Scotia, Bank of Montreal, The Toronto-Dominion Bank, and National Bank of Canada (collectively, the "Lenders"). As at January 31, 2001, Pembina was indebted to the Lenders in the amount of approximately $331 million. The majority of such indebtedness was incurred to fund the purchase, on July 31, 2000, of Federated Pipe Lines Ltd. ("Federated"). Pembina is in compliance with the terms of the Credit Facilities.

8. The net proceeds from the sale of the Debentures will be used by the Issuer to purchase securities of Pembina, which will in turn use the funds to repay a portion of the indebtedness incurred under the Credit Facilities for the purchase of Federated.

9. The Filers are wholly-owned subsidiaries of the Lenders.

10. The nature of the relationship among the Issuer and the Filers has been described in the Preliminary Prospectus and will be described in the Prospectus.

11. The Lenders did not and will not participate in the decision to make the Offering or in the determination of its terms.

12. The Filers will not benefit in any manner from the Offering other than the payment of their underwriting fees in connection with the Offering.

13. By virtue of the Credit Facilities, the Issuer may, in connection with the Offering, be considered a connected issuer (or the equivalent) of each of the Filers.

14. The Issuer is not a related issuer (or the equivalent) of the Filers or of any of the other members of the underwriting syndicate.

15. The nature and details of the relationship between the Issuer and the Filers will be described in the Prospectus. The Prospectus will contain the information specified in Appendix "C" of draft Multi-Jurisdictional Instrument 33-105 *Underwriting Conflicts* (the "Proposed Instrument").

16. The Issuer is in good financial condition, is not in financial difficulty, and is not under any immediate financial pressure to proceed with the Offering and has not been requested or required by the Lenders to repay the amounts owing under the Credit Facilities. The Issuer is not a "specified party" as defined in the Proposed Instrument.

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

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

THE DECISION of the Decision Makers, under the Legislation, is that the Independent Underwriter Requirement shall not apply to the Filers in connection with the Offering provided the Issuer is not a related issuer, as defined in the Proposed Instrument, to the Filers at the time of the Offering and is not a specified party, as defined in the Proposed Instrument, at the time of the Offering.

March 14, 2001.

"J.A. Geller" "Stephen N. Adams"

2.2 Orders

2.2.1 NCE Petrofund - s. 147 & 80(b)(iii)

Headnote

Section 15.1 of Rule 41-501 - relief from certain requirements of Rule 41-501 where preliminary prospectus and prospectus filed in accordance with National Instrument 44-101.

Subsection 5.1(1) of National Instrument 41-101 – relief from requirements of 41-101 where preliminary prospectus and prospectus filed in accordance with National Instrument 44-101.

Section 147 – relief from the requirement that a period of ten days elapse between the issuance of a receipt for a preliminary prospectus and the issuance of a receipt for (final) prospectus.

Paragraph 80(b)(iii) – relief from the requirement to mail annual comparative financial statements concurrently with the filing of such financial statements, subject to conditions.

Subsection 59(2) of Schedule I – waiver of fees.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5. as am, ss. 65(1), 78, 79, 80(b)(iii), 147.

Regulation Cited

Schedule I to General Regulation, Ont. Reg. 1015 R.R.O 1990, as am., s.59(2).

Rules Cited

National Instrument 41-101 Prospectus Disclosure Requirements (2000) 23 OSCB (Supp) 759.

Commission Rule 41-501 General Prospectus Requirements (2000) 23 OSCB (Supp) 765.

National Instrument 44-101 Short Form Prospectus Distributions (2000) 23 OSCB (Supp) 867.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C.S.5, AS AMENDED (the "Act"),
ONTARIO REGULATION 1015, R.R.O. 1990, AS AMENDED (the "Regulation")
NI 44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS (the "Short Form Rule"),
NI 41-101 PROSPECTUS DISCLOSURE REQUIREMENTS (the "Disclosure Rule")
and COMMISSION RULE 41-501 GENERAL PROSPECTUS REQUIREMENTS (the "General Prospectus Rule")

AND

IN THE MATTER OF

NCE PETROFUND

ORDER AND DECISION
(Section 147 and Paragraph 80(b)(iii) of the Act, Section 15.1 of the General Prospectus Rule, Subsection 5.1(1) of the Disclosure Rule and Subsection 59(2) of Schedule I to the Regulation)

WHEREAS NCE Petrofund (the "**Applicant**") filed a preliminary prospectus dated February 27, 2001 (the "**Preliminary Prospectus**") in accordance with the Short Form Rule relating to the qualification of trust units (the "**Offering**") and received a receipt therefor dated March 1, 2001;

AND WHEREAS the Applicant intends to file a (final) prospectus (the "**Prospectus**") in accordance with the Short Form Rule and is desirous of receiving a receipt therefor forthwith;

AND WHEREAS the Applicant has applied for certain relief from the provisions of the Act, the Disclosure Rule and the General Prospectus Rule and for relief from the requirement to pay fees in connection with such application;

AND WHEREAS pursuant to an assignment dated April 12, 1999, as amended on September 7, 1999, February 15, 2000 and January 23, 2001, the Commission assigned certain of its powers and duties under the Act to each "Director", as that term is defined in subsection 1(1) of the Act;

AND WHEREAS on April 12, 1999 the Executive Director issued a determination and designation which designated, *inter alia*, each Manager in the Corporate Finance Branch of the Commission as a "Director" for the purposes of subsection 1(1) of the Act;

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

IT IS HEREBY DECIDED pursuant to section 15.1 of the General Prospectus Rule that the General Prospectus Rule, other than section 13.9 thereof, does not apply to the Preliminary Prospectus and the Prospectus;

AND IT IS FURTHER DECIDED pursuant to subsection 5.1(1) of the Disclosure Rule that the Disclosure Rule does not apply to the Preliminary Prospectus and the Prospectus;

AND IT IS HEREBY ORDERED pursuant to section 147 of the Act that the Offering is exempt from the requirement contained in subsection 65(1) of the Act that a period of ten days elapse between the issuance by the Director of a receipt for the Preliminary Prospectus and the issuance of a receipt for the Prospectus;

AND IT IS FURTHER ORDERED pursuant to paragraph 80(b)(iii) of the Act that section 79 of the Act does not apply to the Applicant insofar as it requires the Applicant to send financial statements filed under section 78 of the Act to each holder of its securities concurrently with their filing, if:

(a) the Applicant files those financial statements earlier than 140 days from the end of its last financial year because it is required to do so, in

connection with the Offering, by the Short Form Rule; and

(b) the financial statements are sent within the time period specified in the Act for filing;

AND IT IS HEREBY DECIDED pursuant to subsection 59(2) of Schedule I to the Regulation that the Applicant be exempt from the requirement under the Act to pay fees in connection with the making of this application.

March 8, 2001.

"Iva Vranic"

2.2.2 YBM Magnex International Inc. et al.

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

AND

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)

ORDER

WHEREAS Daniel E. Gatti submitted a Notice of Motion to the Ontario Securities Commission (the "Commission") requesting an order:

1) declaring that the document summonses issued and witness examinations conducted pursuant to an Investigation Order made by the Commission under Section 11 of the *Securities Act* (the "Act") on December 5, 1997 exceeded the authority granted by the said Order;

2) declaring that the Investigation Order made by the Commission on February 18, 2000 under Section 11 of the Act was unauthorized;

3) dismissing the Notice of Hearing herein dated November 1, 1999; or, in the alternative, staying proceedings in respect of the said Notice of Hearing;

4) granting such further relief as counsel may request and the Commission may deem just;

AND WHEREAS the Motion was supported by Harry W. Antes, Frank S. Greenwald, National Bank Financial Corp. and Griffiths McBurney & Partners;

AND WHEREAS on February 22 and 23, 2001 a hearing was held to consider the Motion;

IT IS ORDERED THAT the Motion is dismissed. Reasons for the decision will follow.

March 8, 2001.

"Howard I. Wetston, Q.C." "Robert W. Davis, FCA"

"M. Theresa McLeod"

2.2.3 Bear, Stearns Securities Corp.- s. 211

Headnote

Applicant for registration as international dealer exempted from requirement in subsection 208(2) that it carry on the business of underwriter in a country other than Canada, provided the applicant does not act as underwriter in Ontario - Applicant is registered with the S.E.C. as a broker dealer and is a member of N.A.S.D.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 98 para. 4, 100(3), 208(1), 208(2) and 211.

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

AND

R.R.O. 1990, REGULATION 1015, AS AMENDED
(the "Regulation")
MADE UNDER THE ACT

AND

IN THE MATTER OF
BEAR, STEARNS SECURITIES CORP.

ORDER
(Section 211 of the Regulation)

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

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant has filed an application for registration as a dealer under the Act in the category of "international dealer" for the purpose of trading in securities in accordance with section 208 of the Regulation. The Applicant is not currently a registrant under the Act. Bear, Stearns & Co., Inc., an affiliate of the Applicant, is registered under the Act as a dealer, in the category "international dealer", and as an adviser, in the categories "investment counsel" and "portfolio manager."

2. Subsection 208(2) of the Regulation provides that:

   No person or company may register as an international dealer unless the person or company carries on the business of a dealer and underwriter in a country other than Canada.

3. The Applicant is a corporation incorporated under the laws of the State of Delaware, United Sates of America (the"USA"), having its principal place of business in New York, New York. The Applicant is wholly-owned subsidiary of The Bear Stearns Companies Inc. ("Bear Stearns"), a Delaware corporation and holding company having its principal place of business in New York, New York, Bear Stearns, through its principal subsidiaries, is a leading investment banking, securities trading and brokerage firm serving corporations, governments, institutions and individual investors around the world.

4. The Applicant is registered with the United States Securities and Exchange Commission as a broker-dealer. The Applicant is also registered with the Commodity Futures Trading Commission and is a member of the National Association of Securities Dealers, the National Futures Associations, the New York Stock Exchange and all other principal securities and futures exchanges in the USA. The Applicant's present activities are limited to the provision of professional and correspondent clearing services, in addition to the clearing and settling of proprietary and customer transactions, for Bear Stearns.

5. The Applicant does not carry on the business of an underwriter in the USA or in any other jurisdiction.

6. The Applicant does not now act as an underwriter in Ontario and will not act as an underwriter in Ontario if it is registered under the Act as an "international dealer"

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

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

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

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

March 6, 2001

"J.A. Geller" "Stephen N. Adams"

2.2.4 Navigator Exploration Corp. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia and Alberta since November, 1999 and November, 1996 respectively - issuer listed and posted for trading on the Canadian Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially similar to those of Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 83.1(1).

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

AND

IN THE MATTER OF
NAVIGATOR EXPLORATION CORP.

ORDER
(Subsection 83.1(1))

UPON the application of Navigator Exploration Corp. ("Navigator") for an order pursuant to subsection 83.1(1) of the Act deeming Navigator to be a reporting issuer for the purposes of Ontario securities law;

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

AND UPON Navigator representing to the Commission as follows:

1. Navigator is a corporation incorporated under the *Business Corporations Act* (Alberta) (the "ABCA") on September 3, 1996.

2. Navigator's head office is located at Suite 1300 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

3. The authorized share capital of Navigator consists of an unlimited number of common shares of which, 19,065,402 common shares are issued and outstanding as of December 31, 2000, and an unlimited number of preferred shares issuable in series, of which, no series has been authorized and none is issued and outstanding as of December 31, 2000.

4. As of December 31, 2000, Navigator had registered shareholders whose last address on the Company's register of shareholders was in Ontario who collectively held 3,709,090 common shares of the Company or approximately 19.45%, excluding shares held by CDS & Co.

5. Navigator has been a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") since November 13, 1997 and became a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act") on November 26, 1999 as a result of the merger of the Vancouver Stock Exchange and the Alberta Stock Exchange to form the Canadian Venture Exchange ("CDNX"). Navigator is not in default of any requirements of the BC Act or the Alberta Act.

6. Navigator is not a reporting issuer or public company under the securities legislation of any other jurisdiction in Canada.

7. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.

8. The continuous disclosure materials filed by Navigator under the Alberta Act since November 1997 and under the BC Act since November 1999 are available on the System for Electronic Document Analysis and Retrieval.

9. The common shares of Navigator are listed on the CDNX.

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

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that Navigator be deemed a reporting issuer for the purpose of the Act.

March 9th, 2001.

"Howard I. Wetston" R. Stephen Paddon"

2.2.5 Del Cano Properties Trust

Headnote

Section 144 - revocation of cease trade order upon remedying, to the extent possible, its default in respect of disclosure requirements under the Act.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 127(1)2, 127(5), 127(8), 144.

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

AND

IN THE MATTER OF
DEL CANO PROPERTIES TRUST
(formerly Magellan Real Estate Investment Trust)
(the "Issuer")

ORDER
(Section 144)

WHEREAS the securities of the Issuer are currently subject to a Temporary Order of the Director on behalf of the Ontario Securities Commission (the "Commission") dated June 12, 1997 made under paragraph 2 of subsections 127(1) and 127(5) of the Act and extended by an Order of the Director dated June 24, 1997 made under subsection 127(8) of the Act (collectively, the "Cease Trade Order") directing that trading in the securities of the Issuer cease;

AND WHEREAS the Cease Trade Order was made by reason of the Issuer's failure to file with the Commission audited annual statements for the year ended December 31, 1996 and interim statements for the three month period ended March 31, 1997;

AND WHEREAS the Issuer has made an application to the Director pursuant to section 144 of the Act for a revocation of the Cease Trade Order;

AND WHEREAS the Issuer has represented to the Director that:

1. The Issuer is a Canadian resident trust, formed in 1993 under the laws of the State of Maryland and has been a reporting issuer in the jurisdictions of British Columbia, Ontario and the Yukon since February 5, 1995. The shares of the Issuer have never been listed on a stock exchange or traded over-the-counter.

2. The Issuer is a substantial issuer, owning freehold interests in multi-family residential properties located in the metropolitan Phoenix area and in the Inland Empire area of Southern California. As of December 31, 1999, the Issuer owned a portfolio of eleven properties comprising 2,270 apartments. For the year ended December 31, 1999, total rental revenue from operations was US$16,143,067 and operating expenses were US$6,209,170, resulting in a net rental operating income of US$10,041,931 before giving effect to charges for depreciation and amortization, interest and partnership expenses (but including interest and other revenues).

3. The Issuer was created by Magellan REIT Management Limited Partnership (the "Magellan Partnership"), whose partners were and are Kenneth K. Losch, David Dewar and Leslie S. Litwin (collectively, the "Magellan Insiders"). The Declaration of Trust of the Issuer provided that the Magellan Partnership would act as the Issuer's asset manager and property manager.

4. The Issuer is authorized to issue priority preferred shares and common shares. The priority preferred shares were issued to members of the public, who are the beneficial owners of he properties acquired by the Issuer. There are 819 priority preferred shareholders of which over 80% reside in British Columbia and there are 27 registered priority preferred shareholders residing in Ontario, holding 94 priority preferred shares, which represents 11% of all outstanding priority preferred shares.

5. The Issuer's prospectus contemplated that common shares would be issued to the Magellan Partnership and that the Magellan Partnership would transfer about 20% of those common shares to brokers and others who assisted in obtaining investors to acquire priority preferred shares. However, neither the issuance nor the subsequent transfer of common shares were ever effected.

6. The Declaration of Trust provides that the Issuer is managed by a Board of Trustees consisting of five trustees, three trustees ("Independent Trustees") to be elected by holders of priority preferred shares and two trustees to be elected by holders of common shares. Messrs. Losch and Litwin were appointed trustees of the Issuer as part of the initial organization of the Issuer. Mr. Losch was also appointed President of the Issuer and Mr. Dewar was appointed Secretary of the Issuer.

7. Up until June 29, 1998, the effective control of the Issuer's assets and management of its affairs were under the control of the Magellan Insiders or companies controlled by them. The Magellan Insiders were insiders of the Issuer at the time of the Cease Trade Order.

8. On June 29, 1998, following a contested election, Independent Trustees were elected by the priority preferred shareholders. The three Independent Trustees were and continue to be Ian M. Mallman, Raymond D. Stone and James E. Clark.

9. On December 4, 1998, Mr. Mallman replaced Mr. Losch as President of the Issuer and Kenneth G. Isard replaced Mr. Dewar as Secretary of the Issuer (Messrs. Mallman and Isard collectively, "Current Management").

10. Mr. Losch continued to serve as trustee until August 13, 1999, on which date he was deemed to resign. He

was replaced by Mr. Isard on February 2, 2000, pursuant to the Board of Trustees' power to appoint replacement trustees. Mr. Litwin continues and will continue to serve as a trustee until his successor is duly elected by holders of common shares of the Issuer.

11. After October 18, 1999, Alliance Property Management Company replaced the Magellan Partnership as property and asset manager of the Issuer's properties.

12. It is the intention of the Issuer to implement arrangements whereby priority preferred shareholders will be able to obtain liquidity for their priority preferred shares, including, potentially, a listing on the Canadian Venture Exchange. A listing of priority preferred shares cannot occur until the Cease Trade Order has been lifted.

13. The Issuer has asked Deloitte & Touche LLP, who have been retained as auditors of the Issuer, to take on the role of auditors of the financial statements for the years ending December 31, 1996 and December 31, 1997, but Deloitte & Touche LLP has declined. The Issuer has also asked that Deloitte & Touche LLP perform a review engagement of the financial statements for the years ending December 31, 1996 and December 31, 1997, but Deloitte & Touche LLP has again declined. It is the Issuer's understanding that the reason for Deloitte & Touche LLP not taking on the assignment is that the Risk Management Committee of Deloitte & Touche LLP are concerned that Current Management was not involved in management of the Issuer until the second half of 1998. As a consequence, Deloitte & Touche LLP believes it would not be possible to obtain an appropriate management representation letter from Current Management with respect to the financial statements for the years ending December 31, 1996 and December 31, 1997.

14. The Issuer has prepared consolidated financial statements for the years ending December 31, 1996 and December 31, 1997, together with a Notice to Reader in each case (the "1996 and 1997 Management-Prepared Statements"). The 1996 and 1997 Management-Prepared Statements were filed on SEDAR on October 30, 2000, mailed to shareholders of the Issuer on October 27, 2000 and approved at the last annual general meeting of the Issuer on November 30, 2000.

15. The Issuer's consolidated financial statements for the years ending December 31, 1998 and December 31, 1999, together with the auditor's reports thereon, were filed on SEDAR on October 30, 2000, mailed to shareholders of the Issuer on October 27, 2000 and approved at the last annual general meeting of the Issuer on November 30, 2000.

16. The Issuer's interim statements for the three month periods ending March 31, 2000, June 30, 2000 and September 30, 2000 were filed on SEDAR on February 20, 2001 and mailed to shareholders of the Issuer on February 28, 2001.

17. A cease trade order was issued against the Issuer by the British Columbia Securities Commission (the "BCSC") on February 14, 1997, for failure to file interim financial statements for the nine month period ending September 30, 1996 (the "BC Order"). The BCSC has varied the BC Order by an order dated March 1, 2001 to permit trading in the securities of the Issuer by persons other than the Magellan Partnership and the Magellan Insiders.

AND WHEREAS the Director has considered the application and the recommendation of staff of the Commission;

AND WHEREAS the Director considers that it would not be prejudicial to the public interest to revoke the Cease Trade Order;

NOW THEREFORE, it is ordered under section 144 of the Act, that the Cease Trade Order be and is hereby revoked.

March 6, 2001.

"John Hughes"

2.2.6 Authorization Order - ss. 3.5(3)

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

AND

IN THE MATTER OF
AN AUTHORIZATION PURSUANT
TO SUBSECTION 3.5(3) OF THE ACT

AUTHORIZATION ORDER
(Subsection 3.5(3))

WHEREAS a quorum of the Ontario Securities Commission (the "Commission") may, pursuant to subsection 3.5(3) of the Act, in writing authorize any member of the Commission to exercise any of the powers and perform any of the duties of the Commission, except the power to conduct contested hearings on the merits.

AND WHEREAS by an authorization order made on February 17, 1999, pursuant to Subsection 3(2) of the Act (the "Authorization") the Commission authorized each of David A. Brown, John A. Geller and Howard I. Wetston, acting alone, to exercise, subject to subsection 3(3) of the Act, the powers of the Commission to grant adjournments and set dates for hearings, to hear and determine procedural matters, and to make and give any orders, directions, appointments, applications and consents under sections 5, 11, 12, 17, 20, 122, 126, 127, 128, 129, 144, 146 and 152 of the Act that the Commission is authorized to make and give, except the power to conduct contested hearings on the merits.

IT IS ORDERED that the Authorization is hereby revoked; and

THE COMMISSION HEREBY AUTHORIZES, pursuant to Subsection 3.5(3) of the Act, each of David A. Brown, Howard I. Wetston and Paul M. Moore, acting alone, to exercise, subject to Subsection 3.5(4) of the Act, the powers of the Commission to grant adjournments and set dates for hearings, to hear and determine procedural matters, and to make and give any orders, directions, appointments, applications and consents under sections 5, 11, 12, 17, 19, 20, 122, 126, 127, 128, 129, 144, 146 and 152 of the Act that the Commission is authorized to make and give, except the power to conduct contested hearings on the merits.

March 9, 2001.

"J. A. Geller" "R. W. Davis"

3.1.2 Chapters Inc. & Trilogy Retail Enterprises L.P.

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

AND

IN THE MATTER OF
CHAPTERS INC. AND TRILOGY RETAIL ENTERPRISES L.P.

REASONS FOR DECISION OF THE
ONTARIO SECURITIES COMMISSION

HEARING DATE: January 21, 2001

BEFORE:	H. I. Wetston, Q.C.	-	Vice-Chair, Ontario Securities Commission
	D. Brown	-	Commissioner
	R. S. Paddon, Q.C.	-	Commissioner
COUNSEL:	J. Superina, J. Holmes, T. Moore	-	For the Staff of the Ontario Securities Commission
	J.B. Laskin, J.C. Tory, P. Jewett	-	For the Applicant, Trilogy Retail Enterprises L.P.
	M.A. Gelowitz, A.D. Coleman	-	For the Respondent, Chapters Inc.
	R.P. Steep, G. Gow	-	For the Intervenor, Future Shop Ltd.

I. NATURE OF THE APPLICATION

These are the reasons for an order issued by the Ontario Securities Commission (the "Commission") with respect to an application by Trilogy Enterprises L.P. ("Trilogy") to cease trade a shareholder rights plan (the "Rights Plan" or the "pill") adopted by Chapters Inc. ("Chapters"). Trilogy has made a take-over bid for a majority of the common shares ("Shares") of Chapters. Future Shop Ltd. ("Future Shop"), a competing bidder, was granted intervenor status at the hearing. The Commission, by order dated January 21, 2001, cease traded the Rights Plan.

II. FACTS

The Parties

Chapters is a reporting issuer governed by the laws of Ontario. The authorized share capital of Chapters consists of an unlimited number of common shares ("Shares"), of which 11,374,704 were issued and outstanding as at December 18, 2000.

Trilogy is a limited partnership formed for the purposes of making the unsolicited partial take-over bid of Chapters. The general partner of Trilogy is a corporation controlled by Mr. Gerald W. Schwartz. Mr. Schwartz, Ms. Heather M. Reisman, are the only two named principals of Trilogy. Ms. Reisman is also the Chief Executive Officer of Indigo Books & Music Inc. ("Indigo"), one of the principal competitors of Chapters.

Future Shop, a competing bidder for the Chapters Shares, is a company incorporated pursuant to the *Canada Business Corporations Act* and is based in Burnaby, British Columbia.

The Trilogy Offer

In March 2000, a principal of Trilogy, Mr. Gerald Schwartz, informed Chapters' CEO, Mr. Lawrence Stevenson, of his interest in a friendly acquisition of Chapters. On April 16, 2000 Chapters' Board of Directors adopted a shareholder rights plan that was confirmed by Chapters' Shareholders on September 13, 2000. The Rights Plan included a "permitted bid" feature requiring a permitted bid to remain open for a minimum period of 45 days. To be a permitted bid under the Rights Plan, a bid must have been made to all Chapters shareholders of record and no Shares could be taken up unless more than 50% of the aggregate of outstanding Shares held by independent shareholders (as defined in the Rights Plan) had been deposited and not withdrawn. In addition, once there had been a deposit of more than 50% of the Shares, this

had to be publicly announced and the bid had to remain open for at least a further 10 business days.

On November 28, 2000, Trilogy announced an unsolicited partial bid to acquire 4,888,000 Shares of Chapters for a cash consideration of $13.00 per share (the "Trilogy Offer"). This represented approximately 43% of the outstanding Shares. On November 28, 2000, a total of 1,082,200 Shares, representing approximately 9.5% of the outstanding Shares, were held by Trilogy. If the bid were successful, Trilogy would own approximately 53% of the Shares and have control of Chapters. Upon a successful completion of the bid, Trilogy indicated that it intended to propose a merger plan between Chapters and Indigo.

On December 11, 2000, Trilogy mailed the Trilogy Offer to Chapters' shareholders. The Trilogy Offer was initially open for acceptance until January 3, 2001, however, the expiry date was extended to January 24, 2001.

Chapters' Response

On November 28 and 29, 2000, the Chapters Board of Directors convened to review the Trilogy Offer and consider its preliminary response. On December 1, 2000, the Chapters Board of Directors retained NM Rothschild & Sons Canada Limited ("Rothschild") as its financial advisor.

Rothschild immediately commenced a search for alternatives and on December 11, 2000 the Chapters Board was advised that management was engaged in discussions with a number of interested parties regarding possible alternative transactions.

The Board met again on December 14, 18 and 21, to further consider the Trilogy Offer and on December 21, 2000 mailed a directors' circular to shareholders unanimously recommending that they reject the Trilogy Offer.

The Future Shop Offer

The search for alternatives culminated in the announcement on January 18, 2001 of an offer from Future Shop (the "Proposed Offer") which the Chapters Board recommended to shareholders. Chapters waived its Rights Plan in respect of the Future Shop Proposed Offer. Future shop expected to mail the Proposed Offer to Chapters shareholders by mid-February and closing was expected by mid-March.

As a result of the Future Shop Proposed Offer, the Chapters Board announced on January 18, 2001 that it had entered into a support agreement (the "Support Agreement") with Future Shop under which Future Shop would be making the Future Shop Proposed Offer. The Proposed Offer was conditional upon the continuation of the Rights Plan and Chapters could not remove the pill without breaching the Support Agreement.

Under the Future Shop Proposed Offer, Chapters shareholders had the option to elect to receive consideration equal to (a) $16.00 in cash; or (b) two Future Shop common shares for each Chapters Share. The Proposed Offer was subject to a maximum aggregate cash consideration of $100 million and a maximum aggregate number of Future Shop shares issuable of up to 12 million shares. Assuming all Chapters shareholders elect all cash or all shares, each shareholder could have expected to be prorated so that they would have received approximately 50% shares.

Shareholders in a position to tender approximately 30% of Chapters' Shares had agreed to lock-up (the "Lock-Up Agreement") to the Proposed Offer and only tender to a "superior bid" if one were made before January 25, 2001. In the Lock-Up Agreement, a superior bid was defined as an offer with a value of $17.50 or more that was received by 4 p.m. Toronto time on Wednesday January 24, 2001.

The Support Agreement contained a number of noteworthy terms and conditions. Firstly, the agreement contained a covenant requiring Chapters to support the Future Shop Proposed Offer and also provided for a break fee of approximately 5% of the aggregate transaction price. Secondly, it contained a term that the Rights Plan would remain in place in order that the proposed offer by Future Shop could be prepared and mailed, and that the Rights Plan be waived in respect of the Future Shop Proposed Offer at a point in time when Future Shop was in a position to take up and pay for the Shares. Thirdly, the Support Agreement contained a non-solicitation term, commonly known as a "no-shop provision", whereby Chapters would not participate in or encourage any unsolicited written acquisition proposal by a third party. Finally, the Support Agreement also precluded Chapters from releasing any third party, aside from Future Shop, from confidentiality obligations.

Additionally, the Rights Plan included a provision which provided that, in general terms, the plan would terminate with respect to all bids upon the waiver of the Plan for any one bid (the "waive-for-one-waive-for-all" clause). Also, in the Support Agreement, Chapters agreed not to waive the Plan until Future Shop was ready to take-up and pay for the shares subject to its bid.

The Trilogy Response

On January 10, 2001, Trilogy amended its offer by increasing the price payable for the Chapters Shares to $15.00 cash per share (the "Amended Offer"). Additionally, Trilogy announced on January 20, 2001, one day before the hearing, its intention to once again enhance its offer if the Commission cease traded the Rights Plan. The proposed enhancement (the "Proposed Enhancement") consisted of $17 per share for all of the outstanding common shares less the locked-up Shares under the Lock-Up Agreement and the Shares already owned by Trilogy.

III. Analysis

The Shareholder Rights Plan

This Rights Plan poison pill hearing is somewhat unique. The nature and effect of the Lock-Up and Support Agreements, the "waive-for-one-waive-for-all" clause and the contention that shareholders should have both offers open for acceptance at the same time raise substantial questions for the Commission.

Our analysis should be considered against the background of the following brief summary. Chapters has had

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons

3.1.1 YBM Magnex International Inc. et al.

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

AND

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 CORPORATION
(Formerly known as First Marathon Securities Limited)

HEARING: March 7, 2001

PANEL:	Howard I. Wetston, Q.C.	-	Vice-Chair
	Robert W. Davis, FCA	-	Commissioner
	M. Theresa McLeod	-	Commissioner
COUNSEL:	Michael Code Kathryn Daniels	-	For Staff of the Ontario Securities Commission
	James D.C. Douglas	-	For R. Owen Mitchell
	J.L. McDougall	-	Deloitte & Touche

ORDER AND REASONS FOR ORDER

R. Owen Mitchell ("Mitchell") has brought a motion for an order directing staff ("Staff") of the Ontario Securities Commission (the "Commission") to apply, pursuant to S. 152 of the *Securities Act* (the "Act"), to the Ontario Superior Court of Justice for an order: (i) appointing the members of the panel to take the evidence outside of Ontario of George Parker ("Parker") for use in this proceeding before the Commission; and (ii) providing for the issuance of a letter of request directed to the judicial authorities of the jurisdiction in the United States in which Parker is to be found, requesting the issuance of such process as is necessary to compel Parker to attend and give testimony and produce documents and things relevant to the subject matter of this proceeding.

Deloitte & Touche LLP ("Deloitte") conducted a high risk audit for the year ended December 31, 1996 and Parker was the audit manager.

In response to an earlier motion by Staff on January 23, 2001 before the Commission, Deloitte provided an undertaking that it would have two of its audit partners, Stephen Coulter and Michael Purcell, attend to give evidence in this proceeding. At this time Staff intends to call these two witnesses.

Leave was granted to Deloitte to make submissions in respect of this motion.

Deloitte submitted that it was prepared to undertake to produce Parker to give evidence in these proceedings, after the evidence of Coulter and Purcell has been tendered, if, at that time, the Commission determines that Parker's evidence is necessary, thus avoiding the necessity for an application to the court pursuant to S. 152 of the Act.

Staff supported Deloitte's position principally on the basis that the motion was premature and could be brought at a later date on a without prejudice basis after the evidence of Coulter and Purcell has been taken.

Mitchell acknowledged that if the order was issued it was his intention not to take the evidence of Parker until after the evidence of Coulter and Purcell was taken.

We are satisfied that, at this preliminary stage for directions concerning an application pursuant to S. 152, we only need determine whether the prospective application to the court has sufficient merit to be permitted to proceed.

It would appear upon reviewing the motion record that Parker, as audit manager, may have relevant evidence to provide to this Commission, but his attendance has been made conditional by Deloitte.

We have considered the proposed undertaking by Deloitte, and the manner in which it is provided; however, we are mindful of the fact that the application to take Commission evidence relates to the right of a party to call its case at the hearing. Moreover, for the most part, it is the role of the parties to call and examine witnesses.

Accordingly, the motion is granted. The order of Commissioner Howard dated April 24, 2000 is varied to permit the motion herein to proceed on March 7, 2001. Staff is directed to make an application, pursuant to S. 152 of the *Securities Act*, to the Ontario Superior Court of Justice for an order:

(i) appointing the members of the hearing panel to take the evidence outside Ontario of George Parker for use in this proceeding before the Commission;
(ii) providing for the issuance of a letter of request directed to the judicial authorities of the jurisdiction in which Parker is to be found, requesting the issuance of such process as is necessary to compel Parker to attend before the persons appointed under clause (i) to give testimony on oath or otherwise and to produce documents and things relevant to the subject matter of this proceeding;
(iii) prescribing that the procedural and evidentiary rules of Ontario will apply to the examination of Parker, to the extent permissible by the laws of the jurisdiction in which Parker is to be found; and
(iv) providing that the evidence of Parker shall not be taken until after the evidence of Coulter and Purcell have been taken in these proceedings.

March 8, 2001.

"Howard I. Wetston" "Robert W. Davis"

"M. Theresa McLeod"

nearly two months since the Trilogy unsolicited cash bid, to secure the emergence of Future Shop – colloquially a white knight. Not only have management shares of approximately thirty percent (30%) of the target shareholders, including management, locked up to the white knight, but the target has also entered into a support agreement with Future Shop providing for a five percent (5%) break fee and a no-shop clause. The target has also waived the pill with respect to Future Shop but to no other bidder. In this context, Chapters sought to keep the shareholder Rights Plan in place, at least until mid-march, despite the above efforts to end the auction. We cannot agree with Chapter's position in this regard.

National Policy 62-202, *Take-Over Bids – Defensive Tactics* (the "Policy"), is the starting point with which the Commission should begin its analysis of a Rights Plan. The Policy promotes the unrestricted auction process that occurs in most bids and maintains that:

> "The Canadian securities regulatory authorities appreciate that defensive tactics ... may be taken by a board of directors of a target company in a genuine attempt to obtain a better bid. Tactics that are likely to deny or limit severely the ability of the shareholders to respond to a take-over bid or a competing bid may result in action by the Canadian securities regulatory authorities."

In circumstances where such action is required, National Policy 62-202 articulates the Commission's mandate for the regulation of take-over bids and prescribes that:

> "The primary objective of the take-over bid provisions of Canadian securities legislation is the protection of the bona fide interests of the shareholders of the target company. A secondary objective is to provide a regulatory framework within which take-over bids may proceed in an open and even-handed environment. The take-over bid provisions should favour neither the offeror nor the management of the target company, and should leave the shareholders of the target company free to make a fully informed decision. The Canadian securities regulatory authorities are concerned that certain defensive measures taken by management of a target company may have the effect of denying to shareholders the ability to make such a decision and of frustrating an open take-over bid process."

The authority of the Canadian securities administrators to exercise this mandate has resulted in a series of decisions that serve to guide the Commission's approach with respect to defensive tactics. The starting point is the decision in *Re Canadian Jorex Ltd.* (1992), 15 O.S.C.B. 257.

In *Jorex*, the Commission established the overriding principle governing the consideration of poison pills, that is "there comes a time when the pill has to go". As a result of *Jorex*, the question becomes not whether, but "when does the pill go."

In order to make this determination, the Commission is guided by the decision in *Re Consolidated Properties* (2000), 23 O.S.C.B. 7981. In *Consolidated*, the Commission referred to the test used in *Re* MDC Corporation and Regal Greetings & Gifts Inc. (1994), 17 O.S.C.B. 4971, to determine whether or not the pill should go:

> "As the Commission said in In the Matter of MDC Corporation and Regal Greetings & Gifts Inc. ...
>
> > If there appears to be a real and substantial possibility that, given a reasonable period of further time, the board of the target corporation can increase shareholder choice and maximize shareholder value, then, absent some other compelling reason requiring the termination of the plan in the interests of shareholders, it seems to us that the Commission should allow the plan to function for such further period, so as to fulfil their fiduciary duties.
>
> On the basis of the decisions since Regal, "reasonable possibility" would appear to us to be a more appropriate description than "real and substantial possibility", although both may in practice amount to the same thing."

Implicit in this assessment is a balancing of interests. When applying the *Regal* test, the Commission must consider and balance the duties of management against the interests of shareholders. This approach was adopted in *Argentina Gold Corp.*, [1999] 6 B.C.S.C. Weekly Summary 23, where the British Columbia Securities Commission stated:

> "In determining whether a poison pill should stay or go, there is a natural tension between the objectives of letting the shareholders decide for themselves, as described in Jorex, and of letting management and the board fulfil what they see as their fiduciary duties, as set out in Regal. Striking a balance between these objectives in any particular case is highly dependent on the specific facts."

As recognized by the Commission in *Argentina Gold*, the individual result of a poison pill case depends on the specific facts. All relevant factors must be considered when determining whether or not the pill has outlived its purpose. *Royal Host Real Estate Investment Trust* (1999), 22 OSCB 7819, a decision of the Alberta, British Columbia and Ontario Securities Commissions, provides the following list of factors:

> "While it would *be impossible* to set out a list of all of the factors that might be relevant in cases of this kind, they frequently include:
>
> - whether shareholder approval of the rights plan was obtained;
> - when the plan was adopted;
> - whether there is broad shareholder support for the continued operation of the plan;
> - the size and complexity of the target company;
> - the other defensive tactics, if any, implemented by
> - the number of potential, viable offerors;
> - the steps taken by the target company to find an alternative bid or transaction that would be better for the shareholders;

- the likelihood that, if given further time, the target company will be able to find a better bid or transaction;
- the nature of the bid, including whether it is coercive or unfair to the shareholders of the target company;
- the length of time since the bid was announced and made;
- the likelihood that the bid will not be extended if the rights plan is not terminated.

This is the approach that was taken in Jorex and that served as the starting point for the analysis in the subsequent decisions."

The principal factors which, in our view, were relevant to the determination that it was time for the Chapters pill to go are as follows:

(a) The Rights Plan was adopted on April 16, 2000 by Chapters' Board of Directors and was confirmed by Chapters' Shareholders on September 13, 2000. Although the pill is not strictly tactical, it was adopted subsequent to the March 2000 meeting between Gerald Schwartz and Larry Stevenson where Mr. Schwartz expressed an interest in a friendly merger of Chapters and Indigo.

When shareholders approve a pill it does not mean that they want the pill to continue indefinitely. A company's board of directors is not permitted to maintain a shareholder rights plan indefinitely to prevent a bid's proceeding, but may do so as long as the board is actively seeking alternatives and if there is a real and substantial possibility that the board can increase shareholder choice and maximize shareholder value. It was submitted by counsel for Trliogy that the Support Agreement confirmed that Chapters is no longer seeking alternative bids.

(b) Outside of the Shares locked-up by the Future Shop Support Agreement, there has been no demonstration of broad shareholder support for the continuance of the pill. Moreover, counsel for Trilogy has provided support from two institutional shareholders indicating that they wanted to be free to tender to the offer.

(c) Chapters is neither large in size, nor complex in nature. As such, a potential bidder should be able to assess the company in a relatively short period of time.

(d) As a result of the Trilogy Offer, Chapters has engaged in a number of defensive tactics. On January 18, 2001, the Chapters Board announced that it had entered into a support agreement with Future Shop under which Future Shop would be making an offer. The Support Agreement waives the pill with respect to Future Shop and disallows Chapters the ability to remove the pill for competitive bids without breaching the Support Agreement.

The Support Agreement contained a number of typical terms and conditions. Firstly, the agreement contained a covenant requiring Chapters to support the Future Shop Proposed Offer and also provided for a break fee of approximately 5% of the aggregate transaction price. Secondly, the Support Agreement contained a non-solicitation term, commonly known as a "no-shop provision", whereby Chapters would not participate in or encourage any unsolicited written acquisition proposal by a third party. Thirdly, the Support Agreement also precluded Chapters from releasing any third party, aside form Future Shop, from confidentiality obligations.

The Support Agreement also contained some not so typical terms. One of such terms required the Rights Plan to remain in place in order that the proposed offer by Future Shop could be prepared and mailed, and that the Rights Plan be waived in respect of the Future Shop Proposed Offer at a point in time when Future Shop is in a position to take up and pay for deposited Shares. In effect, this term equalizes the timing of all bids and is discussed below.

Additionally, the Rights Plan included a provision under which the plan would terminate with respect to all bids upon the waiver of the rights plan (the "waive-for-one-waive-for-all" clause). The traditional use for such a clause is to remove management's ability to use discretionary powers in a manner that waives the application of a pill to a bid that it is prepared to recommend, while requiring a competing bid to wait out the full permitted bid period.

Under a typical "waive-for-one-waive-for-all" clause, once management waives the pill for one bid, the pill is automatically waived for all bids. These clauses are used to accentuate the auction process. The Chapters Board, however, has agreed to include a clause in the Future Shop Support Agreement so that the pill is only waived for competing bids upon the take-up of Chapters Shares by Future Shop. This places a significant amount of control in the hands of Future Shop.

It is highly unlikely that a competing bidder, such as Trilogy, would continue an offer for such an extended period of time and assume the risks associated with the modified clause in the Future Shop Support Agreement. The longer the bid is open increases the bid's sensitivity to market risks and the time value of money. Also, as it stands, if shareholders, other than the locked-up shareholders, chose to tender to a competing bid, Future Shop could frustrate that choice by declining to take up any shares under its bid and therefore avoid triggering the deemed waiver clause. The use of the clause in this manner eliminates shareholder choice and subverts the very purpose for which a deemed waiver clause was intended.

Finally, Chapters has entered into an agreement with Future Shop not to waive the pill in favour of any other bid. While the parties are free to enter into a support agreement, its terms cannot trump a determination by the Commission that it is in the public interest that the pill be cease traded.

(e) Chapters and Indigo are the major players in the Canadian retail book industry. The likely absence of synergies with companies outside the book industry result in the existence of few potential, viable offerors.

(f) The plan was firmly in place on November 28, 2000 when Trilogy announced its bid to acquire the Chapters Shares. During the 54 days the plan has been in effect, Chapters commenced a search for alternatives that

resulted in the emergence of a proposed offer from Future Shop on January 18, 2001, 51 days after the announcement of the Trilogy Offer.

(g) Given the Lock-Up and Support Agreements that now exist between Chapters and Future Shop, it is unlikely that extending the pill will result in a competing bid.

(h) The current offer by Trilogy is a $15.00 all cash bid for 4,888,000 of the 11,374,704 outstanding Shares of Chapters. This represents a significant premium over the market value of the stock at the time of the bid. The bid is also partial in that it is for only 43% of the outstanding Shares of Chapters. As such, it was argued that it was coercive. If one factors out the shares subject to the Lock-Up Agreement, each non-locked up Chapters shareholder who tenders would receive a 75.4 percent take-up, translating into $11.31 in cash per share.

Moreover, the Proposed Enhancement announced on January 20, 2001 is also an all cash offer at $17.00 per share for all of the Shares outstanding less the locked-up Shares and the Shares already owned by Trilogy.

(i) The Rights Plan has been in effect for 54 days. This time period is significantly longer than the minimum 21-day period currently required in the *Act*.

(j) Trilogy submitted that it had no intention of extending its current bid beyond the January 24, 2001 expiration date unless the pill was cease traded by the Commission. Although counsel for Chapters submitted that in many cases where this assertion has been made, the bid was nevertheless extended, we prefer the approach adopted by the British Columbia Securities Commission in *Argentina Gold supra*, as follows:

> "Although an offeror's assertions in these circumstances that it will not extend must be assessed with caution, we could not discount the possibility that Barrick would decide to stand back and see what happened on the property with a view to returning with a lower bid or abandoning its interest altogether if exploration results turned out to be less promising than they appeared.
> Argentina Gold's shareholders might well have been willing to take the risk of letting the Barrick bid fall away (indeed later events showed they were), but that was a decision for them to make "without undue hindrance from defensive tactics that may have been adopted by the target board with the best of intentions" (to quote Jorex)."

We do not consider it unreasonable that Trilogy might have withdrawn its offer. Mr. Wright testified as to the costs and risks associated with keeping an offer outstanding for a longer period of time. As a result, it was unlikely that an extension of the pill would lead to an increase in either the Future Shop Proposed Offer, or the Trilogy bid. In fact, the evidence demonstrated that the maintenance of the pill was precisely the obstacle preventing Trilogy from increasing its offer. Consequently, Trilogy chose not to amend its offer unless the pill was removed. Instead, Trilogy announced its intention to enhance its offer if and when the Commission cease traded the shareholders rights plan.

Accordingly, we conclude that there was no reasonable possibility that, given a reasonable period of time, the Chapters Board would be able to increase shareholder choice or value. Indeed we were satisfied that shareholders would not receive the benefit of the Proposed Enhancement unless the pill was cease traded.

Equalization of Timing

The Commission has previously not considered a fact situation as between a bid that is about to expire and a proposed bid not yet delivered to shareholders. Chapters argues that the pill should be maintained for a longer period of time in order for Future Shop to mail its offer, thus providing shareholders a "real choice". It is submitted that if one bid expires before the other, shareholders are forced to make their decision without the knowledge of how many other shareholders are going to tender to the first bid, and if many do tender then the second bid may be off the table.

The Ontario Securities Commission's Rules and Policies do not include a requirement that competing bids be open to shareholders simultaneously. In addition, no securities regulatory administrator, to our knowledge, has ever justified leaving a pill in place in order to eliminate timing advantages as between competing bidders.

In Jorex supra, 15 days separated the expiry dates of the two rival bids. The Commission, however, focused on the benefit of maintaining the pill and did not address any timing advantage of one bidder over another.

In *Re Lac Minerals Ltd.* (1994), 17 O.S.C.B. 4963, two unsolicited bidders petitioned the Commission for the removal of the target's pill. Three days separated the expiry date of each bid, resulting in a timing advantage for one bidder over the other. Counsel for the bidder with the later expiry date asked the Commission to terminate the pill on a date far enough in the future in order to allow enough time for shareholders to assess and appreciate the information in both bids. It was suggested that that period of time be four days, or one week "so that the two offers would expire on the same day." (at pg. 4967) In its decision, the Commission did not accept this argument and chose to cease trade the pill immediately subject to certain terms and conditions. The timing advantage was not removed and the initial bidder received the benefit of that advantage, whatever it might have been.

The issue of timing advantages was also considered in *In re The Tarxien Corp.* (1996), 19 O.S.C.B. 6913, a case involving three competing bids each with different expiry dates. The auction involved one permitted bid and two unsolicited bids. The expiry dates were three days, and then six days apart from each other with the permitted bid in the middle. The Target's Independent Committee argued that the first of the two unsolicited bids had a timing advantage of three days that could pre-empt any existing and future bids. The Independent Committee claimed that the timing between the hearing and the take-up of the bid was insufficient to prepare another bid. In response to this submission the Commission replied:

"We had difficulty with this proposition. The interested parties had known since October 11, the date that the notice of hearing was issued, that the hearing would take place and what the possible outcomes might be. There had been time for potential competing bidders to analyze the possibilities and prepare for them. In a competitive take-over bid auction a few days can be a long time.

We found that the Plan was structured in such a way that the Independent Committee could in effect deem one bid to be preferable to all others and reduce the shareholder's options to that bid. Although there was no evidence that the Independent Committee intended to act other than in the interests of shareholders, the ultimate choice among competing bids must be left to the shareholders." (at pg. 6919)

As in *Tarxien supra*, Future Shop will have had a significant period of time with which to formalize their offer. The Future Shop Offer was announced January 18, 2001, six days before the expiration of the Trilogy bid. Additionally, Trilogy's Proposed Enhancement will require it to keep the bid open for another ten days from the mailing of the amended offer.

The majority of poison pill cases before the Commission involve one hostile bidder's attempt to overcome the defensive tactics of the target. In almost every case, the target is asking for additional time in order to find or finalize an arrangement with a potential white knight. The usual disposition, if the Commission doesn't cease trade immediately, results in the extension of the pill for a few more days if the Commission deems appropriate. Future Shop, however, has requested the Commission to extend the pill for an additional 38 days in order to prepare and mail their offer to shareholders.

The *Act* sets out minimum time periods during which a bid must remain open. That time period is not related to the existence of any other bid. Both *Lac* and *Tarxien supra*, have considered timing issues and in both cases the pill was ceased traded immediately. It was our opinion the Commission should not interfere with the timing issues as between the bidders. To do so would require the Commission to attempt to equalize the expiry dates for all existing and potential bids. Such an equalization, however, would result in a situation where the last bidder would dictate the timing for all previous bidders. Not only would this have a detrimental effect on the bidding process, but such an approach was not contemplated under the *Act*.

Finally, the equalization of timing is not one of the purposes of this Rights Plan. The plan does not refer to the equalization of timing between bids and approval of this issue was not put before the shareholders. It would be inappropriate to maintain the Rights Plan for a purpose for which it was not designed. The premise of the take-over bid system is to allow shareholders to choose between different bids. It is inevitable that competing bids will have different terms, conditions and time periods for which they remain open. Shareholders are more than capable of deciding between these factors and factoring in such considerations as market risk and the time value of money. The premise of the legislation is based on shareholder choice and shareholders should have the right to exercise that choice.

IV. DECISION

At the conclusion of the hearing and after weighing all of the factors, we were of the opinion that it would be in the public interest to make an order to cease trade the Rights Plan and remove the prospectus exemptions.

March 7, 2001.

"Howard I. Wetston" "Derek Brown"

"R. Stephen Paddon"

3.1.3 Chapters Inc. & Trilogy Retail Enterprises L.P.

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

AND

IN THE MATTER OF
CHAPTERS INC. AND TRILOGY RETAIL ENTERPRISES L.P.

REASONS FOR DECISION OF THE
ONTARIO SECURITIES COMMISSION

HEARING DATE: January 31, 2001

PANEL:	Howard I. Wetston, Q.C.	-	Vice-Chair
	Derek Brown	-	Commissioner
	R. Stephen Paddon, Q.C.	-	Commissioner
	M. Theresa McLeod	-	Commissioner
COUNSEL:	Janet Holmes Johanna Superina Naizam Kanji	-	For the Staff of the Ontario Securities Commission
	Mark A. Gelowitz Allan D. Coleman D. Gilchrist	-	For the Applicant
	John B. Laskin James C. Tory Peter Jewett	-	For the Respondent

I. NATURE OF THE MOTION

These reasons are in support of the decision issued by the Ontario Securities Commission (the "Commission or OSC") on January 31, 2001, to dismiss the Application for relief under section 104 and section 127 of the Ontario *Securities Act* R.S.O. 1990, c. S.5, as amended (the "*Act*") of the Applicant, Chapters Inc. ("Chapters"). Chapters, the subject of an unsolicited take-over bid (the "Offer") initiated by Trilogy Retail Enterprises L.P. ("Trilogy"), alleged that certain purchases of Chapters' shares made by Trilogy during the course of the Offer were in violation of subsection 94(3) of the *Act*. As a result Chapters requested that the Commission order Trilogy to amend the Offer from a partial-bid to an offer for all the common shares of Chapters, or in the alternative cease trade the Offer.

The question therefore presented for our consideration was whether the purchases of Chapters' shares made by Trilogy during the course of the bid were in violation of subsection 94(3) of the *Act*.

II. FACTS

1. Chapters is a reporting issuer governed by the laws of Ontario. The authorized share capital of Chapters consists of an unlimited number of common shares, of which 11,374,704 were issued and outstanding as at December 18, 2000. The shares are listed for trading on The Toronto Stock Exchange.

2. Trilogy is a limited partnership formed for the purposes of making the unsolicited partial take-over bid. The general partner of Trilogy is a corporation controlled by Mr. Gerald W. Schwartz. Mr. Schwartz and Ms. Heather M. Reisman, are the only two named principals of Trilogy. Ms. Reisman was also the Chief Executive Officer of Indigo, one of the principal competitors of Chapters.

3. On November 28, 2000, Trilogy announced an unsolicited bid to acquire 4,888,000 common shares of Chapters for cash consideration of $13.00 per share. This represents approximately 43% of the outstanding common shares. On November 28, 2000, Trilogy held a total of 1,082,200 shares, representing approximately 9.5% of the outstanding common shares. If the bid were successful, Trilogy would own approximately 53% of Chapters' common shares.

4. On December 11, 2000, Trilogy mailed the Offer to Chapters' shareholders. The Offer was initially open for acceptance until January 3, 2001; however, the expiry date was extended to January 24, 2001.

5. On December 18, 2000, Trilogy issued a press release stating that it had acquired an aggregate of 27,800 common shares of Chapters.

6. On December 19, 2000, Trilogy issued a press released stating that it had acquired a further 343,000 common shares of Chapters.

7. On December 20, 2000, Trilogy issued a press release stating that it had reversed the trades made on December 19, 2000, because it was precluded under securities rules as a technical matter from making additional market purchases for one business day after making the appropriate disclosure and regulatory filings in respect of the December 18 trades.

8. On December 21, 2000, the Board of Directors of Chapters mailed a directors' circular unanimously recommending to shareholders that they reject the Offer.

9. On January 10, 2001, Trilogy amended its Offer to acquire the Chapters shares for cash consideration of $15.00 cash per share.

10. On January 22, 2001, Trilogy further amended its Offer, to acquire, in aggregate, 7,146,000 of the common shares of Chapters for cash consideration of $17.00 per share. If completely successful, Trilogy would, in aggregate, hold approximately 77% of the common shares of Chapters.

11. RBC Dominion Securities ("RBC DS") was retained to act as the dealer manager for Trilogy with respect to its Offer.

12. Since the commencement of the bid and as of January 30, 2001 there have been 1,690 trades in Chapters shares on the facilities of The Toronto Stock Exchange (the "TSE"), involving a total of 1,917,323 Chapters shares. Of these trades, 697 trades, involving a total of 921,474 Chapters shares, were trades carried out by RBC DS. Of these 697 trades, 464 trades, involving a total of 559,694 Chapters shares, were performed by RBC DS on behalf of Trilogy. Of the 464 trades performed by RBC DS on behalf of Trilogy, 3 trades, involving 118,400 Chapters shares, were trades initiated through the direct matching of buy and sell orders ("Block Purchases"). The Block Purchases included:

    (i) a trade on December 21, 2000, of 15,800 shares, 5,200 of which were for Trilogy;
    (ii) a trade on December 21, 2000, of 189,400 shares, 63,200 of which were for Trilogy; and
    (iii) a trade on January 22, 2001, of 50,000 shares for Trilogy.

13. As of January 30, 2001, Trilogy held 1,641,894 common shares of Chapters, representing 14.43% of the outstanding common shares. Since the commencement of the bid Trilogy has purchased an aggregate of 559,694 of the common shares of Chapters at an average price of $14.51 per share.

14. On January 31, 2001, a hearing was held to consider the Application.

III. ISSUE

The issue before us is whether the Block Purchases in this matter are permitted purchases within the ambit of subsection 94(3) of the *Act* and are therefore not prohibited under subsection 94(2). Subsection 94(2) prohibits a bidder from purchasing the shares of a target company during a take-over bid and states:

> (2) An offeror shall not offer to acquire or make, or enter into, **any agreement, commitment or understanding to acquire** beneficial ownership of any securities of the class that are subject to a take-over bid otherwise than pursuant to the bid on and from the day of the announcement of the offeror's intention to make the bid until its expiry [emphasis added].

Subsection 94(3) provides an exception to the prohibition outlined in subsection (2), allowing for certain permitted purchases. Subsection 94(3) states:

> Despite subsection (2), an offeror making a take-over bid may purchase, **through the facilities of a stock exchange** recognized by the Commission for the purpose of clause 93(1)(a), securities of the class that are subject to the bid and securities convertible into securities of that class commencing on the third business day following the date of the bid until the expiry of the bid, if,
>
> (a) the intention to make such purchases is stated in the take-over bid circular;
> (b) the aggregate number of securities acquired under this subsection does not constitute in excess of 5 per cent of the outstanding securities of that class as at the date of the bid; and
> (c) the offeror issues and files a news release forthwith after the close of the business of the exchange on each day on which the securities have been purchased under this subsection disclosing the information prescribed by the regulations [emphasis added].

The Applicant submitted that subsection 94(3) provides a narrow exception to the general prohibition contained in subsection 94(2) and should not be interpreted so as to compromise one of the fundamental policy objectives underlying Part XX of the *Act*. That is, the equal treatment of the shareholders of an offeree issuer, contained in subsection 97(1) of the *Act*. Subsection 97(1) states:

> Subject to the regulations, where a take-over bid or issuer bid is made, all holders of the same class of securities shall be offered **identical consideration** [emphasis added].

While Chapters did not take issue with the normal course purchases made by RBC DS on behalf of Trilogy, it did object to the Block Purchases initiated in what is commonly referred to as the "upstairs market". Chapters argued that these Block Purchases necessarily contravene subsection 97(1) because they involve offers on different terms and conditions than those pertaining to the bid. Chapters argued

that, in order for the offeror to be permitted to purchase shares during the course of a take-over bid, all shareholders of Chapters must have an equal opportunity to sell their shares to the offeror in the open market. Trading in the "upstairs market" which generally involves only large blocks of shares, it was submitted, was not available to all Chapters' shareholders and therefore should not have been available to Trilogy as a means to make purchases during the course of the bid.

It was further argued that trades in the "upstairs market", irrespective of whether the purchases are subsequently completed on a stock exchange, are outside the ambit of the condition set out in subsection 94(3) requiring that trades be made "through the facilities of a stock exchange". Chapters submitted that, during the currency of a take-over bid, only normal course purchases which are initiated and executed through the electronic order book of an exchange satisfy this condition. The Block Purchases, it was argued, initiated through the direct matching of buy and sell orders in the "upstairs market" and then processed through the exchange, were inconsistent with the condition set out in subsection 94(3) and made in violation of the take-over bid rules.

Additionally, in support of its position, Chapters relied on OSC Policy 9.3 which advises that the private agreement exemption contained in clause 93(1)(c) of the *Act* is unavailable for purchases made during the course of a take-over bid. In particular, the Applicant referred to section 2 of Part A which states that:

> Prima facie, crosses, put-throughs and any other pre-arranged trades are a form of private agreement

On this basis, Chapters argued that the Block Purchases in question constitute pre-arranged trades, are prima facie private agreements, and therefore are prohibited by subsection 94(2) and subsection 97(1).

Moreover, the Applicant submitted that section 2.1 of Proposed Rule 62-501 (the "Proposed Rule") reinforces and expands upon Part A of OSC Policy 9.3, that only trades effected in the normal course are permitted under the subsection 94(3) exception. Section 2.1 of the Proposed Rule states:

> Despite subsection 94(3) of the Act, an offeror may not make purchases allowed under that subsection unless
>
> (a) the purchases are made in the **normal course** on a stock exchange described in subsection 94(3) of the Act;
> (b) any broker acting for the offeror does not, in connection with purchases, perform services beyond the customary broker's functions and does not receive more than the usual fees or commissions charged for comparable services performed by the broker in the normal course;
> (c) neither the offeror nor any person or company acting for the offeror solicits or arranges for the solicitation of offers to sell securities of the class subject to the bid, except for the solicitations by the offeror or members of the soliciting dealer group of securities pursuant to the take-over bid; and
> (d) the seller or any person or company acting for the seller does not, to the knowledge of the offeror, solicit or arrange for the solicitation to buy securities of the class subject to the bid [emphasis added].

Chapters submitted that to interpret subsection 94(3) otherwise would render subsections 94(2) and 97(1) nugatory.

IV. ANALYSIS

To determine whether Trilogy's purchases of Chapters' shares were in contravention of the *Act*, it is first necessary to determine whether subsection 94(3) forms the complete basis for determining if purchases made in the course of a bid are permitted, or whether as argued by the Applicant, the availability of the exception should be limited by the requirements of subsections 97(1) and 94(7) of the *Act*, OSC Policy 9.3 and the Proposed Rule. Upon consideration of the arguments presented to us and a review of the relevant legislation, policies and rules, we are satisfied that subsection 94(3) provides a complete "answer" to the question presented before us.

At first blush, subsection 97(1) and subsection 94(3) might appear to be at odds with one another. Indeed, Chapters argued that the Block Purchases made by Trilogy *necessarily* contravene subsection 97(1) because they involve offers on different terms and conditions than the bid and thus do not satisfy the requirement of identical consideration. Clearly, this principle is of great importance in the context of a take-over bid; however, the plain meaning of subsection 94(3) permits, subject to certain conditions of which identical consideration is not one, purchases by the offeror during the currency of the bid. It should, however, be noted that all of the Block Purchases were carried out at or below the bid price under the Offer and at or below the market price at the time of the trades.

We also note, as a matter of statutory construction, that section 94 was introduced into legislation after section 97. In 1987, the take-over bid provisions of the *Act* underwent a comprehensive review which resulted in a number of amendments including the introduction of section 94. Subsection 97(1) preceded s.94. This latter provision is more specific and in our opinion reflects the legislative intention with respect to take-over bids.

Similarly, regarding subsection 97(1), the Applicant submitted that in light of the requirement in subsection 94(3) that purchases be made "through the facilities of a stock exchange", acquisitions made during the course of a take-over bid must be strictly normal course purchases initiated and executed through the electronic order book of an exchange and therefore trades effected through crosses or put-throughs fall outside the ambit of this subsection. On this basis, Chapters submitted that the Block Purchases initiated in the "upstairs market" and later completed through the facilities of the exchange were made in contravention of the *Act*. The plain meaning of subsection 94(3), however, does not support this contention. Had this been the intention of the legislature, a requirement for normal course purchases would have been expressly provided as in subsection 94(7). Subsection 94(7)

carves out exceptions to the pre-bid and post-bid integration rules provided for in subsections 94(5) and (6). It states that:

> Subsections (5) and (6) do not apply to **trades effected in the normal course** on a published market, so long as,
>
> (a) any broker acting for the purchaser or seller does not perform services beyond the customary broker's function and does not receive more than reasonable fees or commissions;
> (b) the purchaser or any person or company acting for the purchaser does not solicit or arrange for the solicitation of offers to sell securities of the class subject to the bid; and
> (c) the seller or any person or company acting for the seller does not solicit or arrange for the solicitation of offers to buy securities of the class subject to the bid [emphasis added].

Subsection 94(7) explicitly requires that trades be effected in the normal course, whereas subsection 94(3) does not contain this requirement. Additionally we note that for the purposes of the TSE Rules, a trade matched between a buyer and seller directly and then completed on the facilities of the exchange is considered to be a trade through the facilities of the exchange.

In like fashion we can address Chapters' submission with respect to OSC Policy 9.3. As discussed above, the provisions in the *Act* pertaining to take-over bids were amended in 1987. Prior to 1987, the *Act* did not expressly provide for purchases by the bidder of target shares during the currency of a circular bid and in particular was silent with respect to the availability of the private agreement exemption. Part A of OSC Policy 9.3 was introduced to address this gap in the take-over bid framework and restrict the purchases made by the bidder during a circular bid. Subsequently, these legislative gaps were effectively filled by the introduction of both subsection 94(2), which expressly prohibits purchases by the bidder of the target's shares during a bid, and subsection 94(3) which carves out exceptions to this general rule.

Both the Applicant and the Respondent submitted arguments with respect to the significance of the Proposed Rule regarding purchases made by the bidder of the target's shares during the course of a take-over bid. We have considered the Proposed Rule in the context of this case. It was circulated for comment approximately five years ago and never finalized. In light of the passage of time and the specific facts before us in this matter, we are of the opinion that we should not exercise our discretion in the manner submitted by the Applicant.

As indicated above, we find it sufficient, in this matter, to rely on subsection 94(3) as the basis for determining whether the Block Purchases were permitted. We were not satisfied on the evidence before us that shareholders were harmed by the Block Purchases. Accordingly, the Application was dismissed.

Moreover, since the Proposed Rule remains outstanding, we would request Staff to review the Proposed Rule 62-501 and make a recommendation as to whether or not it should be revised or adopted.

March 9, 2001.

"D. Brown" "H. I. Wetston"

"R. S. Paddon" "M. T. McLeod"

Chapter 4

Cease Trading Orders

4.1.1 Temporary and Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Ariel Resources	09 Mar 01	21 Mar 01	-	-
Clarion Resources Ltd.	09 Mar 01	21 Mar 01	-	-
Travelbyus.com Ltd.	02 Mar 01	-	-	08 Mar 01
Uranium Resources, Inc.	09 Mar 01	21 Mar 01	-	-
Netforfun.com Inc.	12 Mar 01	23 Mar 01	-	-
Re-Con Building Products Inc.	01 Mar 01	-	13 Mar 01	-
Caspian Oil Tools Limited	14 Mar 01	26 Mar 01	-	-
SKG Interactive Inc.	14 Mar 01	26 Mar 01	-	-

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Chapter 5

Rules and Policies

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 6

Request for Comments

6.1 Request for Comments

6.1.1 Proposed Multilateral Instrument 33-108 - Permanent Registration

NOTICE OF PROPOSED MULTILATERAL INSTRUMENT 33-108

PERMANENT REGISTRATION

Substance and Purpose of Proposed Instrument

The substance and purpose of the proposed Instrument are to introduce a permanent registration system under the *Securities Act* (the "Act").

The proposed Instrument is based in part on the proposed Ontario Securities Commission Rule 31-508 Permanent Registration (published for comment on June 26, 1998), which the Instrument is intended to replace.

The proposed Instrument is expected to be implemented as a rule, regulation or other appropriate instrument in all of the jurisdictions represented by the Canadian Securities Administrators (the "CSA"), except British Columbia, Alberta, Manitoba and Quebec.

This Instrument is expected to be implemented in British Columbia, Alberta and Manitoba if proposed Multilateral Instrument 31-102 National Registration Database is also implemented in those jurisdictions.

Because this Instrument is not proposed for adoption in all of the jurisdictions of the CSA, it is called a Multilateral Instrument rather than a National Instrument. However, since this Instrument is being adopted in a number of jurisdictions, it is numbered as a national instrument.

Summary of Proposed Instrument

The proposed Instrument creates a permanent registration system to replace the current annual renewal system of registration. It provides that on December 15 of each year every registered firm will be required to deliver to the regulator an annual registration fee for itself and its registered individuals.

If a firm fails to pay its annual registration fee on December 15, the registration of the firm will be suspended on December 31 of the same year. The registration of a firm that has been suspended for this reason will expire on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

If a registered firm delivers its annual registration fee after December 15 but before the end of the day on December 31 of the same year, the regulator may approve the continuation of the firm's registration.

The proposed Instrument provides that the registration of a registered individual with a sponsoring firm is suspended on the date that the individual ceases to act on behalf of the firm or the registration of the sponsoring firm is suspended, is terminated, or expires. A registration that is suspended for this reason will expire on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

The proposed Instrument requires that an application for reinstatement of registration shall be made in the form that is prescribed by the securities regulatory authority for an application for registration. Despite this requirement, until Multilateral Instrument 31-102 National Registration Database is effective, an application for reinstatement of registration filed by a salesperson within six months of the salesperson being suspended shall be made in the form that is prescribed by the regulator.

Related Instruments

The proposed Instrument is related to proposed Rule 33-505 (*Commodity Futures Act*) Permanent Registration, which is also being published for comment in this bulletin. The proposed Instrument is also related to proposed Multilateral Instrument 31-102 National Registration Database and proposed Rule 31-509 (*Commodity Futures Act*) National Registration Database, which have yet to be published for comment.

Regulations to be Amended and Revoked

The Commission will revoke sections 130 and 131, subsections 132(1) and 133(1), and Forms 5 and 6 of the Regulation since they are inconsistent with the proposed Instrument.

The Commission will amend section 96 of the Regulation by deleting "anniversary date" from the list of terms defined in that section.

The Commission will amend sections 102, 108 and 127 of the Regulation by deleting the references in those sections to renewals of registration. Subsection 108(4), which currently requires that a director's resolution be delivered with the application for renewal of registration, will be amended to provide that the director's resolution must be delivered within ninety days after the end of the registrant's financial year.

The Commission will amend subsections 132(2) and 133(2) of the Regulation, which currently require that registrants file with their renewal applications changes to registration information that have not otherwise been filed with the Commission, to

provide that this information be filed on December 15 of each year.

The Commission will also amend sections 1 to 10 of Schedule 1 to the Act to make them consistent with the Instrument. The amendments to Schedule 1 will indicate that the fees currently required with an application for renewal of registration will be required on December 15 of each year. The amendments will also indicate that the fees required with an application for reinstatement of registration will equal those required with an application for registration except for salespersons who have been suspended for less than six months. The amendments will provide that no fee will be required with an application for reinstatement of registration for salespersons made within six months of the suspension.

Authority for Proposed Instrument

The following provisions of the Act provide the Commission with authority to make the proposed Instrument. Paragraph 143(1)1 of the Act authorizes the Commission to make rules prescribing requirements in respect of applications for registration and the renewal, amendment, expiration or surrender of registration and in respect of suspension, cancellation or reinstatement of registration. Paragraph 143(1)7 of the Act authorizes the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the Commission by registrants.

Alternatives Considered

As an alternative to requiring that annual registration fees are paid on December 15 of each year, the Commission considered whether the fees should be paid ninety days after a registered firm's financial year end. The latter payment date was proposed in Rule 31-508 and would correspond to the date when certain registered firms are required to deliver financial reports to the Commission. However, during the current development of the National Registration Database, an Internet based system which will permit registrants to submit registration fees electronically, it was determined that a single registration fee payment date would be more economical. A single fee payment date for all registered firms will reduce the complexity, and therefore the cost, of the National Registration Database. This benefit is expected to exceed any benefit resulting from requiring that registration fees be paid when financial reports are due, particularly since fees will be submitted electronically through the National Registration Database while financial reports will be delivered outside the system.

Unpublished Materials

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

Anticipated Costs and Benefits

The proposed Instrument is expected to benefit registrants by harmonizing annual registration fee payment dates in the jurisdictions implementing the National Registration Database.

The Instrument will eliminate the administrative costs borne by staff in the process of reviewing applications for renewal of registration. Staff of the Commission has found that renewing registration is largely an administrative process and that concerns with a registrant's suitability for registration are typically discovered through compliance reviews, enforcement investigations and public complaints.

Although the Director will no longer have the opportunity to refuse to grant a renewal of registration under section 26 of the Act, implementing a permanent registration system will not diminish the Commission's ability to suspend or terminate registrations. Under a permanent registration system, where staff have determined that a registrant is no longer suitable for registration, staff will continue its current practice of seeking an order from the Commission under section 127 of the Act to terminate the registration. Furthermore, the Commission may choose to assign to the Director, pursuant to section 6(3) of the Act, the ability to suspend or terminate registrations.

Comments

Interested parties are invited to make written submissions with respect to the proposed Instrument. Submissions received by June 18, 2001 will be considered.

Submissions should be sent to all Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission in duplicate, as indicated below:

Saskatchewan 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
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As the Act requires that a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Dirk de Lint
Legal Counsel, NRD Project Team
Ontario Securities Commission
(416) 593-8090

Proposed Instrument

The text of the proposed Instrument follows, together with footnotes that are not part of the Instrument but have been included to provide background and explanation.

DATED: •, 2001

MULTILATERAL INSTRUMENT 33-108

PERMANENT REGISTRATION[1]

PART 1 DEFINITIONS[2]

1.1 Definitions - In this Instrument

"registered firm" means a person or company that is registered as a dealer, adviser or underwriter;

"registered individual" means an individual registered to trade or advise on behalf of a registered firm; and

"sponsoring firm" means, for a registered individual, the registered firm on whose behalf the individual is registered to trade or advise.

PART 2 TERM OF REGISTRATION

2.1 Permanent Registration - Registered firms and registered individuals continue to be registered until their registration expires or is terminated.

2.2 Annual Payment of Fees - A registered firm shall deliver to the regulator[3] on December 15 of each year the annual registration fees required under securities legislation[4] for itself and its registered individuals.

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1 This Instrument is new. It is intended to create a permanent registration system to replace the current annual renewal system of registration. The proposed Multilateral Instrument is being proposed for implementation as a rule, regulation or other appropriate instrument in all of the jurisdictions represented by the CSA, except British Columbia, Alberta, Manitoba and Quebec.

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 or multilateral instrument. National Instrument 14-101 also provides that a term used in a multilateral 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 multilateral 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 "regulator" is defined in National Instrument 14-101 as meaning, "for the local jurisdiction, the person referred to in Appendix D opposite the name of the local jurisdiction."

4 The term "securities legislation" is defined in National Instrument 14-101 as meaning, "for the local jurisdiction, the instruments listed in Appendix A opposite the name of the local jurisdiction."

2.3 Suspension of Registered Firms

(1) If a registered firm does not deliver the fees on a December 15 as required under section 2.2, the firm's registration is suspended at the end of the day on December 31 of the same year.

(2) Despite subsection (1), if a registered firm delivers the annual registration fees required for itself and its registered individuals after December 15 but before the end of the day on December 31 of the same year, the regulator may approve the continuation of the firm's registration.

(3) A registration that is suspended under subsection (1) expires on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

(4) An application for reinstatement of registration shall be made in the form that is prescribed by the securities regulatory authority[5] for an application for registration and shall be accompanied by the fee required under securities legislation.

2.4 Suspension of Registered Individuals

(1) The registration of a registered individual with a sponsoring firm is suspended on the date that

(a) the registered individual ceases to act on behalf of the sponsoring firm; or

(b) the registration of the sponsoring firm is suspended, is terminated, or expires.

(2) A registration that is suspended under subsection (1) expires on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

(3) An application for reinstatement of registration shall be made in the form that is prescribed by the securities regulatory authority for an application for registration and shall be accompanied by the fee required under securities legislation.

(4) Despite subsection (3) and until Multilateral Instrument 31-102[6] is effective, an application for reinstatement of registration filed by a salesperson within six months of the salesperson being suspended under subsection (1) shall be made in the form that is prescribed by the regulator.

2.5 Hearing - If the registration of a registered firm or registered individual has been suspended under this Instrument and a hearing is commenced under securities legislation relating to the registration, the registration shall continue in suspension until a decision is issued.

PART 3 EXEMPTION

3.1 Exemption

(1) The regulator or the securities regulatory authority 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.

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5 The term "securities regulatory authority" is defined in National Instrument 14-101 as meaning, "for the local jurisdiction, the securities commission or similar regulatory authority listed in Appendix C opposite the name of the local jurisdiction."

6 This is the proposed multilateral instrument for the National Registration Database.

6.1.2 Proposed OSC Rule 33-505 (Commodity Futures Act) - Permanent Registration

NOTICE OF PROPOSED ONTARIO SECURITIES COMMISSION RULE 33-505 (*COMMODITY FUTURES ACT*)

PERMANENT REGISTRATION

Substance and Purpose of Proposed Rule

The substance and purpose of the proposed Rule are to introduce a permanent registration system under the *Commodity Futures Act* (the "CFA").

The proposed Rule is based in part on the proposed Ontario Securities Commission Rule 31-508 Permanent Registration (published for comment on June 26, 1998).

This Rule is expected to be implemented in Manitoba if proposed Rule 31-509 (*Commodity Futures Act*) National Registration Database is also implemented in that jurisdiction.

Summary of Proposed Rule

The proposed Rule creates a permanent registration system to replace the current annual renewal system of registration. It provides that on December 15 of each year every registered firm will be required to deliver to the Director an annual registration fee for itself and its registered individuals.

If a firm fails to pay its annual registration fee on December 15, the registration of the firm will be suspended on December 31 of the same year. The registration of a firm that has been suspended for this reason will expire on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

If a registered firm delivers its annual registration fee after December 15 but before the end of the day on December 31 of the same year, the Director may approve the continuation of the firm's registration.

The proposed Rule provides that the registration of a registered individual with a sponsoring firm is suspended on the date that the individual ceases to act on behalf of the firm or the registration of the sponsoring firm is suspended, is terminated, or expires. A registration that is suspended for this reason will expire on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

The proposed Rule requires that an application for reinstatement of registration shall be made in the form that is prescribed by the Commission for an application for registration. Despite this requirement, until Rule 33-505 (*Commodity Futures Act*) National Registration Database is effective, an application for reinstatement of registration filed by a salesperson within six months of the salesperson being suspended shall be made in the form that is prescribed by the Director.

Related Rules

The proposed Rule is related to proposed Multilateral Instrument 33-108 Permanent Registration, which is also being published for comment in this bulletin. The proposed Rule is also related to proposed Multilateral Instrument 31-102 National Registration Database and proposed Rule 31-509 (*Commodity Futures Act*) National Registration Database, which have yet to be published for comment.

Regulations to be Amended and Revoked

The Commission will revoke sections 40, 41 and Forms 9 and 10 of the Regulation since they are inconsistent with the proposed Rule.

The Commission will add a section to the Regulation requiring that registered firms and individuals provide the particulars of every change in the information provided on a firm's or individual's application for registration that have not been provided to the Commission since the change. This section is intended to replace the current requirement in Forms 9 and 10 to provide notice of such information.

The Commission will amend section 7 of the Regulation by deleting "anniversary date" from the list of terms defined in that section.

The Commission will amend sections 9, 10, 18, 21 and 27 of the Regulation by deleting the references in those sections to renewals of registration. Subsection 21(1), which currently requires that a certified statement regarding an applicant's insurance coverage be delivered with the application for renewal of registration, will be amended to provide that the statement must be delivered within ninety days after the end of the registrant's financial year.

The Commission will also amend sections 1 to 9 of Schedule 1 to the CFA to make them consistent with the Rule. The amendments to Schedule 1 will indicate that the fees currently required with an application for renewal of registration will be required on December 15 of each year. The amendments will also indicate that the fees required with an application for reinstatement of registration will equal those required with an application for registration except for salespersons who have been suspended for less than six months. The amendments will provide that no fee will be required with an application for reinstatement of registration for salespersons made within six months of the suspension.

Authority for Proposed Rule

The following provisions of the CFA provide the Commission with authority to make the proposed Rule. Paragraph 143(1)1 of the CFA authorizes the Commission to make rules prescribing requirements in respect of applications for registration and the renewal, amendment, expiration or surrender of registration and in respect of suspension, cancellation or reinstatement of registration. Paragraph 143(1)7 of the CFA authorizes the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the Commission by registrants.

Alternatives Considered

As an alternative to requiring that annual registration fees are paid on December 15 of each year, the Commission considered whether the fees should be paid ninety days after a registered firm's financial year end. The latter payment date was proposed in Rule 31-508 and would correspond to the date when certain registered firms are required to deliver financial reports to the Commission. However, during the current development of the National Registration Database, an Internet based system which will permit registrants to submit registration fees electronically, it was determined that a single registration fee payment date would be more economical. A single fee payment date for all registered firms will reduce the complexity, and therefore the cost, of the National Registration Database. This benefit is expected to exceed any benefit resulting from requiring that registration fees be paid when financial reports are due, particularly since fees will be submitted electronically through the National Registration Database while financial reports will be delivered outside the system.

Unpublished Materials

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

Anticipated Costs and Benefits

The proposed Rule is expected to benefit registrants by harmonizing annual registration fee payment dates in the jurisdictions implementing the National Registration Database.

The Rule will eliminate the administrative costs borne by staff in the process of reviewing applications for renewal of registration. Staff of the Commission has found that renewing registration is largely an administrative process and that concerns with a registrant's suitability for registration are typically discovered through compliance reviews, enforcement investigations and public complaints.

Although the Director will no longer have the opportunity to refuse to grant a renewal of registration under section 23 of the CFA, implementing a permanent registration system will not diminish the Commission's ability to suspend or terminate registrations. Under a permanent registration system, where staff have determined that a registrant is no longer suitable for registration, staff will continue its current practice of seeking an order from the Commission under section 60 of the CFA to terminate the registration. Furthermore, the Commission may choose to assign to the Director, pursuant to section 3.1(1) of the CFA, the ability to suspend or terminate registrations.

Comments

Interested parties are invited to make written submissions with respect to the proposed Rule. Submissions received by June 18, 2001 will be considered.

Submissions should be made in duplicate to:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As the CFA requires that a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Dirk de Lint
Legal Counsel, NRD Project Team
Ontario Securities Commission
(416) 593-8090

Proposed Rule

The text of the proposed Rule follows, together with footnotes that are not part of the Rule but have been included to provide background and explanation.

DATED: •, 2001

ONTARIO SECURITIES COMMISSION RULE 33-505 (*COMMODITY FUTURES ACT*)

PERMANENT REGISTRATION[1]

PART 1 DEFINITIONS

1.1 Definitions - In this Rule

"registered firm" means a person or company that is registered as a dealer or adviser;

"registered individual" means an individual registered to trade or advise on behalf of a registered firm; and

"sponsoring firm" means, for a registered individual, the registered firm on whose behalf the individual is registered to trade or advise.

PART 2 TERM OF REGISTRATION

2.1 Permanent Registration - Registered firms and registered individuals continue to be registered until their registration expires or is terminated.

2.2 Annual Payment of Fees - A registered firm shall deliver to the Director on December 15 of each year the annual registration fees required under the regulations for itself and its registered individuals.

2.3 Suspension of Registered Firms

(1) If a registered firm does not deliver the fees on a December 15 as required under section 2.2, the firm's registration is suspended at the end of the day on December 31 of the same year.

(2) Despite subsection (1), if a registered firm delivers the annual registration fees required for itself and its registered individuals after December 15 but before the end of the day on December 31 of the same year, the Director may approve the continuation of the firm's registration.

(3) A registration that is suspended under subsection (1) expires on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

(4) An application for reinstatement of registration shall be made in the form that is prescribed by the Commission for an application for registration and shall be accompanied by the fee required under the regulations.

2.4 Suspension of Registered Individuals

(1) The registration of a registered individual with a sponsoring firm is suspended on the date that

(a) the registered individual ceases to act on behalf of the sponsoring firm; or

(b) the registration of the sponsoring firm is suspended, is terminated, or expires.

(2) A registration that is suspended under subsection (1) expires on the second anniversary of the suspension unless an application for reinstatement of registration is filed in the interim.

(3) An application for reinstatement of registration shall be made in the form that is prescribed by the Commission for an application for registration and shall be accompanied by the fee required under the regulations.

(4) Despite subsection (3) and until Rule 31-509 (*Commodity Futures Act*)[2] is effective, an application for reinstatement of registration filed by a salesperson within six months of the salesperson being suspended under subsection (1) shall be made in the form that is prescribed by the Director.

2.6 Hearing - If the registration of a registered firm or registered individual has been suspended under this Rule and a hearing is commenced under the Act relating to the registration, the registration shall continue in suspension until a decision is issued.

PART 3 EXEMPTION

3.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

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1 This Rule is new. It is intended to create a permanent registration system to replace the current annual renewal system of registration.

2 This is the proposed Ontario rule under the *Commodity Futures Act* for the National Registration Database.

6.1.3 CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets

CANADIAN SECURITIES ADMINISTRATORS DISCUSSION PAPER 52-401 FINANCIAL REPORTING IN CANADA'S CAPITAL MARKETS

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Executive Summary

The Canadian Securities Administrators (CSA) are soliciting public comment on possible changes to the rules governing the accounting standards used for financial statements filed by reporting issuers.

The growth of cross border financing activity around the world has focused attention on impediments to issuers wishing to offer their securities or have them listed in another country. Differences in accounting standards have been identified as a significant impediment. The International Organization of Securities Commissions (IOSCO) has been working with the International Accounting Standards Committee to develop a set of standards that could be accepted by all regulators for cross border offerings. In May 2000, IOSCO endorsed a set of core International Accounting Standards (IAS) developed by the IASC and recommended that member regulators accept them, with limited supplementary information. The Canadian Accounting Standards Board (AcSB) has, for the past few years, been working with major foreign standards-setting bodies toward the convergence of accounting standards. The goal of convergence is to develop IAS as a single set of internationally accepted accounting standards. Recognizing that international convergence will take some years and that Canada's most important foreign market is the U.S., the AcSB has also been working on a more accelerated basis to eliminate the major differences between Canadian and U.S. GAAP.

Canadian securities rules require Canadian-based reporting issuers to use Canadian GAAP in all their financial statement filings. Foreign-based reporting issuers may use the accounting principles of their home jurisdictions, but must provide a reconciliation to Canadian GAAP for financial statements in a prospectus. They are not generally required to provide a reconciliation for continuous disclosure filings except in British Columbia. In some other jurisdictions, a requirement to provide a reconciliation is often imposed as a condition of any continuous disclosure exemption provided to a foreign issuer.

A significant number of Canadian issuers have raised capital or listed their securities in the United States. They are required to file continuous disclosure with the U.S. Securities and Exchange Commission, including a reconciliation of their Canadian GAAP financial statements to U.S. GAAP. Some Canadian issuers have chosen to prepare a full set of U.S. GAAP financial statements to increase their market acceptance in the U.S.

The CSA are considering whether it would be appropriate to relax the current rules to allow some or all Canadian and foreign reporting issuers to use, for all filings in Canada, IAS, U.S. GAAP or, perhaps, other bases of accounting, with limited or no reconciliation to Canadian GAAP.

We have been told that the current rules deter foreign issuers from doing public offerings in Canada, denying investment opportunities to investors. We have also been told that, for Canadian issuers listed in the U.S. that prepare a complete set of U.S. GAAP statements, any benefit to Canadian investors of continuing to prepare Canadian GAAP statements is outweighed by the costs involved.

There are, however, some difficult issues that complicate the question of accepting IAS or U.S. GAAP for regulatory filings in Canada. These are:

- *Comparability* — Having three or more different sets of accounting standards for reporting issuers would make it more difficult for Canadian investors and analysts to compare results for different issuers. For some Canadian issuers, however, the peer group to which they are usually compared is foreign companies that do not prepare Canadian GAAP statements.
- *Professional capacity* — Canadian accounting professionals have limited knowledge of U.S. GAAP and virtually no experience with IAS. A significant effort would be required for issuers, auditors and regulators to build sufficient expertise to handle increased use of these other sets of standards while maintaining high standards of compliance.
- *Other Statutory Requirements* — Even if the CSA exempts Canadian issuers from filing Canadian GAAP financial statements, they may still be required under corporate or tax statutes. The desired cost savings would be achieved only if these other requirements can be removed.

To assist in assessing the issues fully, the CSA are seeking responses to 17 detailed questions set out in the attached paper. We encourage you to answer as many of the questions as you can based on your experience. Please provide your responses by June 30, 2001, to ensure that your views are considered.

DISCUSSION PAPER

FINANCIAL REPORTING IN CANADA'S CAPITAL MARKETS

PART 1: INTRODUCTION

1. For many years, securities regulators around the world, including the Canadian Securities Administrators ("CSA"), have recognized that the efficiency of international capital markets is impaired by differences in offering, listing and reporting requirements in individual national markets. Tolerance of these differences has diminished as the world's capital markets have undergone fundamental changes driven by rapid and continuing technological change. At the same time, the need to access capital beyond national borders has grown as shifts in economic and political climates have led to the development of new market-based economies. Further, the world's major financial markets are becoming increasingly interconnected.

2. Companies seeking to raise capital commonly look beyond the borders of their domestic jurisdiction. Similarly, investors look for opportunities beyond their own domestic markets. This presents a challenge to securities market regulators to facilitate efficient cross-border capital flows while also maintaining high levels of investor protection. The challenge is particularly pronounced in Canada because many Canadian companies choose to access US financial markets to meet their needs for capital.

3. In common with securities regulators in other jurisdictions, the primary objective of the CSA is to protect investors by promoting informed investment decisions based on full true and plain disclosure. Consistent with this objective, Canadian companies participating in Canada's capital markets are required to provide financial statements prepared in accordance with a single common standard, Canadian GAAP. Foreign companies offering securities in Canada's capital markets are required to provide a reconciliation of their financial statements to Canadian GAAP. Increasingly, some observers question whether the benefits to Canadian investors of Canadian companies providing financial statements based on Canadian GAAP are outweighed by the incremental costs those companies incur if they choose to access US capital markets and are required to reconcile to US GAAP. Similarly, some observers question whether requirements for foreign issuers to reconcile to Canadian GAAP are a significant disincentive to foreign issuers to access Canadian markets, resulting in less efficient access by Canadian investors to foreign investment opportunities.

4. To address these challenges, members of the CSA have for some years worked with other securities regulators through the International Organization of Securities Commissions ("IOSCO") to promote common standards for cross border offerings and listings. These activities have resulted in IOSCO

recommending to its member bodies the adoption of a set of agreed upon International Disclosure Standards for non-financial information. A further step has been to promote the development of a high quality body of accounting standards that would achieve acceptance internationally. IOSCO has focussed its efforts on the work of the International Accounting Standards Committee ("IASC") which recently completed its core standards work program. This program was designed to provide a comprehensive body of accounting principles suitable for use in cross-border securities offerings.

5. In February of 2000, the SEC issued a Concept Release on International Accounting Standards. The release sought comment on the elements needed to achieve a high quality global financial reporting framework. As one aspect of the release, the SEC requested input as to the conditions under which they should accept financial statements of foreign private issuers prepared in accordance with International Accounting Standards ("IAS"). In particular, the SEC asked for comment on whether it should modify its current requirement for all financial statements to be reconciled to US GAAP. The SEC received extensive public comment on the issues raised in the release but, to date, has not proposed amendments to its existing rules. In May of 2000, IOSCO recommended to its member bodies that they accept financial statements from incoming issuers prepared in accordance with IAS. Subsequently, the European Commission announced a proposal to require all listed companies in the European Union member states to use IAS for their consolidated financial statements by 2005.

6. This Discussion Paper is a first step by the CSA in responding to the IOSCO recommendation. Its purpose is to seek public comment on whether changes should be made to the basis on which financial statements of both foreign and Canadian issuers are permitted to be filed. To provide a basis for reasoned input, the paper reviews current developments in accounting standards-setting, nationally and internationally, and assesses the prospects for convergence of accounting standards among national jurisdictions. Potential implications of these developments in the context of Canada's capital markets are discussed and key issues identified. The paper identifies a range of possibilities for modifying current financial reporting requirements and sets out various issues associated with those possibilities. These approaches need to be evaluated taking into account the sometimes conflicting needs and desires of various participants in Canada's capital markets.

7. The paper invites responses to specific questions relating to the bases of financial reporting that should be permitted or required for issuers accessing Canada's capital markets. Readers are asked whether some or all Canadian companies should have the option of using US GAAP, IAS or other bases of accounting as an alternative to Canadian GAAP and whether foreign companies should continue to be required to reconcile to Canadian GAAP. With respect to IAS, the paper sets out questions designed to elicit views as to whether those standards constitute a reasonably comprehensive basis of accounting, are of high quality and can be rigorously interpreted and applied.

8. The CSA believe the issue of the accounting standards considered acceptable for use in Canadian capital markets can be evaluated independently of the other elements that must operate effectively to promote the provision of high quality, relevant, reliable and comparable financial information for investors. Accordingly, the paper does not address matters such as management and corporate governance processes and auditing standards and practices, as well as regulatory oversight of those matters. In particular, the paper does not address the acceptability of audits carried out in accordance with foreign auditing standards. This may be considered in the future as the IOSCO Working Party on multinational accounting and disclosure turns its attention to auditing issues.

PART 2: THE CURRENT ENVIRONMENT IN CANADA'S CAPITAL MARKETS

The current financial reporting regime

9. The provincial securities acts and regulations establish the basis on which financial statements for reporting issuers must be prepared. In essence, reporting issuers incorporated or organized in Canada or one of its provinces or territories ("Canadian issuers") are required to prepare financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("Canadian GAAP"). Reporting issuers incorporated or organized other than in Canada or its provinces or territories ("foreign issuers") are permitted to prepare financial statements in accordance with either Canadian GAAP or another body of accounting principles established in the issuer's home jurisdiction ("foreign GAAP"). In general, foreign issuers filing a prospectus containing financial statements prepared in accordance with foreign GAAP are required to provide an audited reconciliation from the foreign GAAP to Canadian GAAP. In the case of US companies accessing Canada's capital markets using the provisions of The Multijurisdictional Disclosure System ("MJDS"), a reconciliation is not required for certain types of offering, principally debt and preferred shares that have an investment grade rating.

10. Except in British Columbia, the provincial securities acts and regulations do not require foreign issuers filing annual and interim financial statements prepared in accordance with foreign GAAP to include in those financial statements a Canadian GAAP reconciliation. If, however, a foreign issuer applies for relief from its continuous disclosure obligations in order to conform to the requirements of its domestic jurisdiction, (e.g., to be allowed to file only semi-

annual reports), staff of some of the CSA jurisdictions typically recommend to their Commission that, as a condition of granting the requested relief, the issuer be required to include a Canadian GAAP reconciliation in its financial statements. In general, a requirement for a GAAP reconciliation has not been imposed when the continuous disclosure financial statements of a foreign company are substituted for those of a Canadian issuer of exchangeable shares. The inconsistency in approach between offering documents and continuous disclosure in the requirements of most jurisdictions appears to be an historical anomaly reflecting the traditional securities regulatory focus on primary offerings. This distinction appears to lack a sound basis in today's capital markets where the vast majority of transactions take place in secondary markets that depend on continuous disclosure of relevant and reliable financial information.

11. In August 1993, the CSA proposed a Foreign Issuer Prospectus and Continuous Disclosure System ("FIPS") designed to facilitate world-class foreign issuers offering securities in Canada as part of an international offering. The system contemplated permitting such offerings on a basis that would exempt the issuer from the requirement to provide a Canadian GAAP reconciliation. Eligibility for FIPS was premised on meeting certain requirements relating to the size of the issuer and the amount of the offering to be distributed in Canada and on the offering being made simultaneously in the US, resulting in the provision of US GAAP information, either directly or by reconciliation. The FIPS proposals have not been implemented formally but staff have been willing to consider recommending relief on a case by case basis to permit offerings along the lines of FIPS.

Use of US GAAP by Canadian companies

12. Over the past decade or more, a growing number of Canadian companies, both large and small, has accessed US capital markets in addition to the Canadian capital markets. These companies subject themselves to certain requirements imposed on foreign private issuers by the US Securities and Exchange Commission. These requirements, which are in addition to the requirements of securities law in the CSA jurisdictions, include preparing a audited reconciliation to US GAAP or a complete set of audited US GAAP financial statements.

13. A few Canadian companies that file with the SEC, rather than prepare only a reconciliation to US GAAP, have chosen to supplement their Canadian GAAP financial statements by preparing and distributing a complete set of US GAAP financial statements. While the absolute number of companies preparing and distributing two complete sets of financial statements is small, they include several of Canada's largest companies measured by market capitalization. In some cases, these companies use their US GAAP financial statements as the primary basis for public communication of financial information both in Canada and in the US. The companies also file with the Commissions in Canada and distribute to shareholders, in accordance with relevant securities and corporate laws, Canadian GAAP financial statements. These financial statements are, however, relegated to a clearly secondary role.

14. A variety of factors may have influenced Canadian companies to favour US GAAP financial statements as the primary basis for their public communication of financial information. For some interlisted Canadian companies, a majority of trading in their equity shares takes place in US markets and a substantial proportion of their shareholders is resident in the US. For others, the peer group with which they expect to be compared in the competition for capital comprises largely US companies that report in accordance with US GAAP. As a result, these Canadian companies believe they are better able to increase their profile in US capital markets by communicating using the financial reporting language that is most familiar to US investors.

15. A further significant factor that has influenced the decision of some Canadian companies to prepare US GAAP financial statements is differences between Canadian and US standards on accounting for business combination transactions. Of primary concern has been the relative ease of access to pooling of interests accounting under US GAAP which companies are sometimes able to exploit to portray apparently more favourable financial performance than would be the case under Canadian GAAP. Some have argued that this aspect of Canadian accounting standards places Canadian companies at a competitive disadvantage in US capital markets, impeding their ability to execute business acquisition strategies. Elimination of pooling of interests accounting as currently proposed by both US and Canadian standards-setters would remove this factor.

16. The growth in cross-border activity within North America, particularly by Canadian companies seeking listings and raising capital in US capital markets has intensified the focus on differences between Canadian and US GAAP. Some question the necessity to continue requiring all Canadian companies that are reporting issuers in the CSA jurisdictions to prepare Canadian GAAP financial statements. One view is that the integration of North American capital markets is such that Canadian companies should be permitted to prepare US GAAP financial statements as a substitute for Canadian GAAP financial statements. Another view is that Canadian companies should also be permitted to use International Accounting Standards and potentially other bases of accounting.

PART 3: A PREVIOUS REVIEW OF FINANCIAL REPORTING REQUIREMENTS

17. In May 1993, the Office of the Chief Accountant of the OSC published for comment a report on a Study of Differences between Canadian and United States Generally Accepted Accounting Principles.[1] The report reflected the results of a study of reconciliations provided over a five year period by TSE listed Canadian companies that were also SEC registrants. The purpose of the Study was to assess whether any changes should be made to the OSC's reconciliation requirements, particularly for US companies accessing Canadian markets under the Multijurisdictional Disclosure System.

18. The study found that, although US and Canadian GAAP were broadly comparable, numerous significant differences were reported over time and it did not appear that their number or materiality were diminishing. Among the most common types of differences were timing differences relating to income statement recognition. Commonly encountered differences related to the accounting for foreign currency denominated debt, business combination transactions, accounting changes, income taxes, extraordinary items, interest capitalized and pension costs. No industry was free from GAAP differences but they were more likely to arise in oil and gas producers and real estate developers because of certain industry specific accounting practices.

19. The occurrence and magnitude of GAAP differences were often difficult to predict. Some arose from specific transactions or events occurring in a given reporting period, such as business combinations or general economic factors affecting exchange rates. Others, such as voluntary changes in the application of accounting principles, arose only as a result of a decision by the issuer. Even when a GAAP difference could have been expected to occur, perhaps as a result of required implementation of a new accounting standard, it was usually impossible to predict the magnitude of the difference.

20. For the reconciliations examined in the study, the difference between net income under Canadian GAAP and net income under US GAAP was usually material. Virtually all reconciliations adjusted net income by more than 10%. In 7% of the cases, the reconciliation converted net income under Canadian GAAP to a net loss under US GAAP. As the number of reconciling items increased so did the incidence of offsetting items, suggesting that comparisons focussing solely on net income may be misleading.

21. The report invited comment on several specific questions and put forward four possible alternatives to the existing GAAP reconciliation requirements for foreign companies. In summary, the alternatives presented were:

(i) no reconciliation to Canadian GAAP where the financial statements were prepared in accordance with US GAAP;
(ii) full quantitative and qualitative reconciliation to Canadian GAAP both on an offering and continuous disclosure basis;
(iii) partial reconciliation to Canadian GAAP where the financial statements were prepared in accordance with US GAAP, perhaps involving a qualitative discussion of all material differences with a quantitative reconciliation of only selected items; and
(iv) full quantitative and qualitative reconciliation to International Accounting Standards both on an offering and continuous disclosure basis.

22. The report also raised questions concerning the implications for Canadian companies if US companies accessing Canadian capital markets were to be permitted to use US GAAP without reconciliation to Canadian GAAP. In particular, should some or all Canadian companies be given the option of reporting solely on a US GAAP basis. Finally, comment was sought on whether foreign issuers preparing financial statements in accordance with their home country GAAP, accompanied by a reconciliation to US GAAP, should be exempt from any requirement to reconcile to Canadian GAAP.

23. In October 1993, the Office of the Chief Accountant of the OSC published a summary of twenty three comments received on the report.[2] The summary indicated a wide variety of opinions on most of the issues with little consensus emerging except in two areas:

(i) that Canadian GAAP was the appropriate basis of reporting for Canadian companies; and
(ii) that International Accounting Standards were important as a long term benchmark for reconciliation by multinational issuers.

24. In view of the lack of consensus, the OSC concluded that it should not make any change from the existing reconciliation requirements, including the requirements of MJDS. The OSC also noted its intention to monitor developments as new information came to light and the global capital markets evolved. Paragraphs 25 to 43 below describe more recent developments, in particular the growing trend towards convergence of accounting standards both within North America and internationally.

PART 4: DEVELOPMENTS IN ACCOUNTING STANDARDS-SETTING

25. Since 1993, national and international developments with respect to accounting standards-setting have been significant. An understanding of these developments and their potential implications is an essential element in evaluating possible changes to existing financial reporting requirements for both

[1] (1993), 16 OSCB 2273

[2] (1993) 16 OSCB 5118

foreign and domestic companies accessing Canada's capital markets.

The Canadian approach

26. Accounting standards in Canada are set by the Accounting Standards Board (AcSB) of The Canadian Institute of Chartered Accountants. This private sector accounting standards-setting body is long established and internationally respected. The standards it develops are recognized not only in securities legislation but also in federal and provincial incorporating statutes as the basis for preparation of financial statements of Canadian companies. In addition, those standards play a role in determining amounts subject to Canadian taxation as well as providing a basis for a wide range of contractual obligations that are founded on GAAP measures.

27. For many years, the AcSB set standards primarily with a view to ensuring their appropriateness and acceptability for Canadian companies operating in the Canadian environment. In more recent years, however, some segments of the Canadian business community have strongly urged the AcSB to place a heavy emphasis on setting standards that are consistent with US GAAP and, to some degree, with International Accounting Standards. Indeed, some have questioned the need to preserve a distinct Canadian standards-setting body. These pressures are reflected in the recommendations of the 1998 Report of the CICA Task Force on Standard Setting (TFOSS)[3]. This report identifies as a long term goal that there will be a single set of internationally accepted accounting standards in the private sector. It also envisages Canada playing a significant role in establishing international accounting standards and retaining its authority to set unique Canadian accounting standards where circumstances warrant. While keeping in mind the long term goal of a single set of internationally accepted accounting standards, the TFOSS report recommends that the AcSB undertake an accelerated program to harmonize with US accounting standards.

28. TFOSS explains that the Task Force views standards as being "harmonized" when they have been arrived at following a process of input and negotiation among the relevant standards-setting bodies. This interpretation still allows a national body to set its own standards, but assumes it will do so only in the event it can clearly demonstrate that its country's circumstances are unique. The Task Force emphasizes that harmonizing with the Financial Accounting Standards Board ("FASB") standards does not mean the automatic adoption of US GAAP. It notes that reasons for not doing so would include: (i) the FASB has acknowledged that its standard is in need of change; (ii) the FASB's standard is out of step with the rest of the world; or (iii) Canada's national economic, regulatory or legislative peculiarities would not permit such adoption.

29. Taking into account the pressures in the Canadian business community, as well as the recommendations of the TFOSS report and broader changes in the environment nationally and internationally, the AcSB has adopted a strategy of harmonizing current Canadian accounting standards with US and international standards, as appropriate. The AcSB has also adopted a strategy of playing a leadership role in the global convergence of standards by participating with other standards-setters in joint projects to develop new standards. In implementing these strategies it is apparent that emphasis is being placed on importing US standards to expand the range of issues addressed and significant efforts are being made to avoid setting new Canadian standards that differ from US GAAP.

The impact of convergence on Canadian accounting standards

30. The AcSB has responded to the pressures for convergence of standards internationally, and particularly with the US, primarily in four ways. First, Canada has participated actively in the work of the IASC, both at the level of the IASC Board and in individual project steering committees, including working jointly to develop common standards on financial instrument accounting. Second, the Chair of the AcSB and senior staff have participated as members of the so-called "G4+1" group. The other members of this group are standards-setters from Australia, New Zealand, the UK and the US, with the IASC participating as an observer. This group has developed a series of reports relating to contentious issues that are of common concern to its members. These issues include accounting for leases, hedge accounting and accounting for stock based compensation. Third, the AcSB has worked jointly with the FASB on projects such as segmented information with a view to achieving a common standard within North America. Fourth, the Chair of the AcSB is a member of a Joint Working Group of national standards-setters and the IASC that is striving to develop a common standard on recognition and measurement of financial instruments.

31. The AcSB's actions have resulted in significant progress in furthering convergence of accounting standards, particularly within North America but also internationally. For example, among the most commonly encountered differences identified in the OSC's 1993 GAAP Differences Report, income tax accounting has now been substantially harmonized both within North America and with the IASC, as has the accounting for pension costs. It is interesting to note, however, that the new Canadian income tax accounting standard creates a potentially significant difference from US GAAP that is intended to accommodate a difference between Canada and the US in the process of enacting changes in tax laws. If this difference in the process of enacting changes

[3] The Canadian Institute of Chartered Accountants, CICA Task Force on Standard Setting (1998)

in tax laws does indeed have economic substance, it suggests that the US standard does not take into account appropriately Canadian circumstances. In contrast, the International Accounting Standard is written to take into account the existence of different legislative processes in different countries and allows for the approach the AcSB considered appropriate to Canadian circumstances. Also consistent with furthering convergence of standards, the AcSB recently completed a project to modify its existing standard on earnings per share. This resulted in a Canadian standard that is substantially the same as the comparable IASC and FASB standards which were developed in a recent joint project between those two bodies.

32. Business combinations accounting remains as perhaps the most sensitive and significant area of difference between US standards and both Canadian standards and those of the IASC. The FASB is, however, well advanced in re-evaluating and amending the current US standard. The AcSB is working in parallel with the FASB with a view to converging on a single North American standard. The IASC also has a current project to consider whether to amend its standard. While the FASB and AcSB projects are expected to eliminate the pooling of interests method of accounting later this year, other differences in application of the purchase method of accounting can be significant and may well remain for the immediate future.

33. Differences also remain between Canadian standards and those in the US and internationally relating to timing of income statement recognition of gains and losses on foreign currency denominated debt. Several years ago, the AcSB proposed on two occasions to amend the Canadian standard to eliminate this difference but encountered significant resistance from the Canadian business community, including some of those who might be expected to favour harmony with US GAAP. Recently, the AcSB issued an Exposure Draft proposing to eliminate the difference from US and international standards by requiring immediate income statement recognition of foreign exchange gains and losses.

34. Significant differences between Canadian, international and US standards also persist in accounting for stock based compensation. To deal with this issue in a North American context, the AcSB issued recently an exposure draft proposing to import the relevant US standards, thus achieving consistency in another area of significant difference in current practice. This proposal raises some important questions as to the implications of importing complex US standards that, to some degree, lack a consistent conceptual foundation.

35. While significant strides are being made in eliminating differences from US GAAP and IAS, some new areas of difference have arisen as a result of standards introduced in the past seven years. For example, standards on recognition and measurement of financial instruments introduced recently in the US and by the IASC do not have a direct counterpart in Canada and differ significantly from current Canadian practices. The requirements of these standards also cannot be considered, at least in some respects, to comply with the principles set out in existing Canadian standards dealing with closely related areas. Further, many differences between Canadian and US GAAP remain in areas that are addressed in US literature, particularly Abstracts issued by the FASB's Emerging Issues Task Force, but not in Canadian literature. In some cases, the accounting treatment required under US GAAP may be entirely compatible with Canadian GAAP. In other cases the standards underlying the US requirements differ from their Canadian counterparts and hence the US GAAP treatment is not acceptable in Canada.

36. In summary, while convergence of standards between Canada and the US appears to be accelerating, the complexity of the issues is such that differences can be expected to remain significant for the immediate future. Convergence of national standards and IAS is also accelerating but the speed of convergence between Canadian standards and those of the IASC will be influenced significantly in the short term by the extent to which the AcSB opts to import existing US standards that differ from IASC standards.

The IASC's core standards project

37. After studying issues relating to international equity flows, IOSCO noted that development of a single disclosure document for use in cross-border offerings and listings would be facilitated by the development of internationally accepted accounting standards. Rather than attempt to develop those standards itself, IOSCO focussed on the efforts of the IASC. In 1993, IOSCO identified for the IASC the necessary components of a core set of standards that would comprise a comprehensive body of accounting principles for enterprises making cross-border securities offerings. In 1994, IOSCO completed a review of the then current IASC standards and identified a number that the IASC would have to improve, as well as certain additional issues that would have to be addressed, before IOSCO could consider recommending IASC standards. The IASC then prepared a work plan designed to address the most significant issues identified by IOSCO -- the "core standards" work program. In July 1995, IOSCO and the IASC announced agreement on this work program. IOSCO stated that, if the resulting core standards were acceptable to its Technical Committee, the committee would recommend endorsement of those standards for cross-border capital raising and listing purposes.

38. The core standards work program was substantially completed by the IASC early in 2000. In May of 2000, following an extensive process to assess the 30 core standards in light of comments submitted to the IASC by IOSCO and its individual member bodies, the IOSCO President's Committee adopted a resolution endorsing the completed standards. The

resolution recommends that IOSCO members permit incoming multinational issuers to use the 30 core standards to prepare their financial statements for cross-border offerings and listings, as supplemented where considered necessary by the host country to address outstanding substantive issues at a national or regional level. The supplemental treatments identified in the resolution are:

(i) reconciliation: requiring reconciliation of certain items to show the effect of applying a different accounting method, in contrast with the method applied under IASC standards;
(ii) disclosure: requiring additional disclosures, either in the presentation of the financial statements or in the footnotes; and
(iii) interpretation: specifying use of a particular alternative provided in an IASC standard, or a particular interpretation in cases where the IASC standard is unclear or silent.

39. Attached as Appendix A is a description of the core standards project, including a copy of the endorsement resolution. The complete IOSCO assessment report can be found as document #109 in the Documents Library on the IOSCO website at **http://www.iosco.org/iosco.html**.

Restructuring of the IASC

40. In May 2000, the members of the IASC, comprising all professional accounting bodies that are members of the International Federation of Accountants (IFAC), approved a revised Constitution for the organization. This revised Constitution changes significantly the structure and operations of the IASC as a whole, including the Board that sets International Accounting Standards. Under the previous Constitution, the Board of the IASC comprised up to thirteen countries appointed by the Council of IFAC and represented by members of IASC, together with up to four co-opted organizations, including financial analysts, having an interest in financial reporting. All Board members served on a part-time basis without remuneration. Under the new Constitution, oversight of the operations of the IASC Board rests with Trustees who must commit to act in the public interest in all matters. The Trustees meet in public and are required to publish an annual report on IASC's activities, including audited financial statements and priorities for the coming year.

41. Among the Trustees' responsibilities are fundraising to support the activities of the IASC and appointment of the fourteen member Board, of which twelve are to be full-time members and two half-time. The Board has complete responsibility for all IASC technical matters. The Constitution establishes that the foremost qualification for membership of the Board is technical expertise and the selection of members is not to be based on geographic representation. To promote convergence of national accounting standards and IAS, seven of the full-time members have formal liaison responsibilities with national standards-setters, one of which will be the Canadian Accounting Standards Board. The Trustees also appoint the members of the Standing Interpretations Committee (SIC) and the Standards Advisory Council (SAC). Subject to the approval of the Board, the SIC publishes interpretations of the application of IAS. The role of the SIC is equivalent to that of the Emerging Issues Committee in Canada. The SAC provides a forum for the Board to obtain from a broad range of parties with an interest in financial reporting input on matters such as agenda decisions, priorities and major projects. The Board, the SIC and the SAC all meet in public.

42. These structural changes establish the IASC as an organization that operates independently of national and international professional accounting bodies. The revised structure provides good reason to believe the IASC will be able to lead the development of high quality, global accounting standards. To date, Trustees have been appointed and the first members of the Board have been announced. Patricia L. O'Malley, currently Chair of the AcSB, has been appointed as a Board member with liaison responsibilities to Canada. Formal commencement of operations of the restructured IASC awaits a determination by the Trustees that sufficient funding has been secured to declare the revised Constitution in effect.

43. While IOSCO took a product-oriented approach to evaluating the core standards, assessing each standard after its completion, the structure and processes of the IASC are important to the CSA's consideration of the IASC standards. In particular, the robustness of the structure and processes is a factor that will influence whether the CSA's potential acceptance of IASC standards in Canada's capital markets should be based on a product-oriented approach. Alternatively, as IASC standards evolve in the future, we may wish to adopt a process-oriented approach, similar to our approach to the Canadian Accounting Standards Board.

PART 5: ALTERNATIVES FOR CANADA'S CAPITAL MARKETS

44. In light of the national and international developments described above, the CSA is inviting comment on potential changes from the existing financial statement requirements for both Canadian and foreign companies participating in Canada's capital markets. We have set out below a range of alternatives that the CSA has identified for consideration. Other variations undoubtedly could be considered.

Foreign issuers

45. For foreign issuers, the primary alternatives appear to be:
(i) Maintain the status quo whereby a foreign issuer preparing financial statements in accordance with foreign GAAP is required to reconcile those statements to Canadian GAAP but, in most

jurisdictions, only on an offering of securities and not on a continuous disclosure basis.

(ii) Extend the reconciliation requirement to include continuous disclosure filings of interim and annual financial statements.

(iii) Limit the reconciliation requirement, whether in the context of an offering of securities or continuous disclosure, to something less than a complete quantified reconciliation for all material differences in GAAP. Such an approach could be applied selectively depending on the basis of accounting used in the primary financial statements. For example, the extent of reconciliation required might vary depending on whether the financial statements are prepared in accordance with US GAAP, IAS, or another body of accounting principles.

(iv) Eliminate the reconciliation requirement, whether in the context of an offering of securities or continuous disclosure, either without regard to the particular foreign GAAP used in the primary financial statements or selectively depending on the particular body of accounting principles. For example, the reconciliation requirement might be eliminated for only issuers that prepare financial statements in accordance with IAS or a limited number of other identified bases of accounting such as US GAAP.

46. For foreign issuers preparing financial statements in accordance with IAS, alternatives (iii) and (iv) could be applied in a manner consistent with the May 2000 IOSCO recommendation to its member bodies discussed in paragraphs 37 to 39 of this paper and reproduced in full in Appendix A.

Canadian issuers

47. For Canadian issuers, the primary alternatives appear to be:

(i) Maintain the status quo whereby Canadian issuers are required to prepare their financial statements in accordance with Canadian GAAP.

(ii) Allow Canadian issuers the option of preparing their financial statements in accordance with a basis of accounting other than Canadian GAAP. Such an approach might be implemented by specifying a limited number of acceptable alternatives to Canadian GAAP, perhaps IAS and US GAAP, or might be unrestricted. Acceptance of alternative bases of accounting might be premised on the provision of some form of reconciliation to Canadian GAAP, either full or partial, quantified or in narrative form. Any requirement for reconciliation might also be related to the particular basis of accounting selected.

Matters to consider in evaluating the alternatives

Relationship between alternatives

48. While the choice of approach for foreign issuers can be made independently of the choice of approach for Canadian issuers and vice versa, certain combinations may raise additional issues and may be more difficult to justify. For example, if Canadian issuers were allowed to prepare their financial statements in accordance with IAS or US GAAP without a reconciliation to Canadian GAAP, it would seem to be difficult to justify continuing to require a reconciliation from a foreign issuer preparing its financial statements in accordance with IAS or US GAAP. A decision to eliminate the reconciliation requirement for foreign issuers preparing their financial statements in accordance with IAS or US GAAP may not lead inexorably to the conclusion that Canadian issuers should have the option of using IAS or US GAAP either with or without a reconciliation to Canadian GAAP.

Comparability

49. Current requirements ensure that Canadian investors have access to financial statements for all Canadian companies prepared on the basis of a single set of accounting standards, resulting in consistent and comparable information. Comparability is a fundamental qualitative characteristic of financial information that enables users to identify similarities in and differences between the information provided by two sets of financial statements. Comparability is important when comparing the financial statements of two different entities and when comparing the financial statements of the same entity for two different periods of time. Canadian investors are limited in the percentage of registered retirement savings plan investments that may be invested outside Canada, thus ensuring a strong continuing interest in domestic investment opportunities and in the ability to compare reliably those opportunities.

Sovereignty

50. Acceptance from Canadian companies of financial statements prepared in accordance with US GAAP involves acceptance of accounting standards promulgated by a foreign private sector body in which Canadians have no direct role and over which the CSA has little or no influence. Canadians are free to participate in the US Financial Accounting Standards Board's (FASB) due process for proposing changes to accounting standards but it is doubtful that the interests of Canadians will be given significant weight in that process.

51. Acceptance from Canadian companies of financial statements prepared in accordance with IAS involves acceptance of accounting standards promulgated by a non-Canadian private sector standards-setting body that is accountable to the public interest without reference to a single national jurisdiction. Canadians have the ability to participate directly in the IASC's

due process for proposing changes to accounting standards as well as indirectly through the IASC Board member with liaison responsibility to the AcSB.

Costs and benefits of Canadian GAAP

52. Foreign companies have on occasion represented to CSA staff that the process of reconciling their foreign GAAP financial statements to Canadian GAAP entails a significant cost burden. This relatively easily quantified cost to an individual company must be balanced, however, against the potential benefits to Canadian investors resulting from the information provided. These benefits are less easily quantified. Eliminating the direct cost burden to individual companies by removing the reconciliation requirement may increase costs to analysts and other users of financial statements and, by increasing uncertainty, may increase the cost of capital in Canada.

53. Canadian companies that are SEC filers and believe it is beneficial to supplement their Canadian GAAP financial statements with complete US GAAP statements may incur potentially significant costs beyond those imposed by regulatory requirements in Canada and the US. It is not clear how eliminating those costs will contribute to maintaining or enhancing protection of Canadian investors.

The focus on US GAAP

54. IAS and US GAAP are not the only bodies of foreign generally accepted accounting principles that might provide an acceptable basis for participation in the Canadian capital markets by either foreign or domestic companies. For example, accounting principles generally accepted in the United Kingdom carry substantial credibility, as do those in some other countries. For a Canadian investor, however, the level of uncertainty associated with financial information is generally greater when that information is based on foreign GAAP. Canada's proximity to the United States and the extent of the interrelationship between the Canadian and US capital markets have resulted in the primary focus being on the acceptability of US GAAP.

Defining US GAAP

55. US GAAP is an extensive body of standards and detailed rules derived from many different sources. In a Canadian context, it may not be entirely clear what is encompassed by the term "US GAAP". For example, to prepare US GAAP financial statements, would a Canadian issuer that is not an SEC registrant need to comply with the complete body of SEC interpretations, guidance and precedents, both formal and informal?

The need to assess foreign GAAP

56. Particularly for foreign issuers, limiting or eliminating the reconciliation requirement selectively depending on the particular body of accounting principles used by an issuer would raise difficult issues as to the criteria that should be applied to determine which accounting principles should be accepted either without reconciliation or with only limited reconciliation. These issues might be particularly difficult if the accounting principles of certain national jurisdictions were accepted rather than IAS only. In the interests of fairness, it may be necessary to monitor on an ongoing basis a broad range of national accounting principles to determine when changes should be made to the related reconciliation requirements.

Lack of knowledge of US GAAP in Canada

57. Although the number of Canadian companies preparing some US GAAP financial information is clearly increasing, the Canadian accounting profession has little systematic education in US GAAP and little practical experience in its application. While some of the main differences from Canadian GAAP may be fairly well known, at least in broad terms, there are dozens of other differences that are not generally understood even though they may be significant in particular circumstances. Canadian companies that might choose U.S. GAAP in preference to Canadian GAAP, as well as the auditors of those companies, would likely incur significant initial implementation expense. They might also be forced on an ongoing basis to redirect significant proportions of the resources spent to prepare and audit their financial information away from Canada and into the United States. Without appropriate planning and oversight, there may be an unacceptably high risk of error on the part of some Canadian companies seeking to implement US GAAP.

58. Given the very limited number of Canadian accountants with a comprehensive knowledge of US GAAP, a Canadian company is likely to have difficulty recruiting staff with the necessary US GAAP expertise. Consequently, the company might seek advice and assistance from US GAAP experts in the public accounting firm that conducts its audit. Depending on the extent of this advice and assistance, it may call into question the independence of the auditor in expressing an opinion on the US GAAP financial statements.

59. In light of the limited number of Canadian issuers emphasising in the Canadian marketplace their US GAAP financial results only, it seems likely that few Canadian users of financial statements have either a thorough working knowledge of US GAAP or significant experience in analysing financial statements prepared on that basis.

Selective acceptance of foreign GAAP

60. In some respects, the current requirements of Canadian and U.S. securities regulations vary depending on the characteristics of a specific offering or on certain characteristics of the reporting issuer. For example, in some jurisdictions Management's

Discussion and Analysis of Financial Condition and Results of Operations is required only when minimum levels of reported revenue and income are met. Under MJDS, the required GAAP reconciliation may be more comprehensive for an offering of equity securities than for an offering of debt instruments. It may be appropriate to require that financial information be prepared in accordance with, or reconciled to, Canadian GAAP only in specified circumstances. Similarly, the acceptance of IAS for Canadian filing purposes without reconciliation to Canadian GAAP might be confined to those issuers that meet specified criteria.

Regulating foreign GAAP

61. The accounting-related functions of the Canadian securities commissions are staffed almost entirely with Canadian accountants for whom Canadian GAAP is the foundation of their knowledge and expertise. At least in the short term, the CSA jurisdictions could not readily provide appropriate regulatory oversight of financial reporting by Canadian companies choosing to prepare their financial statements solely in accordance with US GAAP or another basis of accounting other than Canadian GAAP. Whether the cost of obtaining access to the necessary expertise would be justified may be influenced by whether a significant number of Canadian companies would choose to use US GAAP as their sole basis of reporting.

Requirements for Canadian GAAP financial statements

62. The CSA does not have authority over all matters relating to the basis of preparation of financial statements by Canadian companies. Regardless of what concessions might be made available to Canadian companies with respect to their participation in Canada's capital markets, those companies might still be required to prepare financial information in accordance with Canadian GAAP for other purposes such as taxation, contractual commitments, including borrowing covenants, and compliance with statutory obligations under incorporating legislation, e.g., the Canada Business Corporations Act. Unless comparable changes are made to these other provisions, any cost savings resulting from concessions on the part of the CSA might be limited.

Lack of knowledge of IAS in Canada

63. The Canadian accounting profession, including both preparers and auditors of financial statements, has little systematic training in the requirements of IAS and little practical experience in their application. Few Canadian companies disclose currently any information about the extent to which their financial statements comply with IAS. On the other hand, the CICA Handbook provides at least basic guidance on how IAS compare with Canadian standards. Further, in contrast to US GAAP, the body of literature that comprises IAS is relatively clearly defined and easy to identify.

64. It seems likely that few Canadian users of financial statements have either a thorough working knowledge of IAS or significant practical experience in analysing financial statements prepared in accordance with those standards.

PART 6: QUESTIONS RELATING TO POSSIBLE CHANGES TO CURRENT REQUIREMENTS

65. Taking into account the issues noted in paragraphs 48 to 64 and your own experience in relation to the financial reporting requirements of the Canadian marketplace, please provide your views on the questions set out below. In responding, please consider the expected effects of possible changes on the CSA's mandate to provide investor protection as well as on market liquidity, competition, efficiency and capital formation.

Q.1

66. *Should we relax the current requirements for reporting issuers participating in Canada's capital markets to provide financial information prepared in accordance with Canadian generally accepted accounting principles? By reference to your own experience, please explain why Canadian GAAP as a consistent benchmark does or does not have continuing relevance to Canadian investors in the current environment.*

67. If you believe the CSA should relax the current requirements to provide Canadian GAAP financial information, please address Question 2.

Q.2

68. *Should any relaxation in current requirements address (a) foreign issuers; or (b) Canadian issuers; or (c) both foreign and Canadian issuers? Please explain the basis for your views, including addressing the basis for any distinction you believe should be made between the requirements for foreign issuers and those for Canadian issuers. If you believe a requirement for foreign issuers to reconcile their financial statements to Canadian GAAP should be retained, please comment on whether that requirement should apply to continuous disclosure as well as offering documents and information circulars.*

69. In addressing Question 2, please comment on:

(i) your experience with the quality and usefulness of the information included in Canadian GAAP reconciliations provided by foreign issuers;
(ii) whether, from your viewpoint as a preparer, user, or auditor of non-Canadian GAAP financial statements, the reconciliation has enhanced the usefulness or reliability of the financial information and how you have used the reconciliation;
(iii) any consequences that could result from reducing or eliminating the reconciliation requirement, including your assessment of the

magnitude of any decrease or increase in costs or benefits to preparers or users of financial statements.

Foreign issuers

70. Question 3 addresses possible approaches to relaxing requirements to reconcile to Canadian GAAP when a foreign issuer prepares its financial statements in accordance with foreign GAAP.

Q.3

71. *In your view, how should the CSA implement any relaxation in the requirement for a reconciliation from foreign GAAP to Canadian GAAP? Please consider at least the following possibilities:*

(i) elimination of all reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements;

(ii) elimination of the requirement for a full reconciliation and its replacement with a requirement to reconcile only specified financial statement items. If you believe such an approach is appropriate, please describe how you believe it could be implemented;

(iii) elimination of all quantitative reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements, and introduction of a narrative discussion of qualitative differences between the basis of accounting used in preparing the financial statements and Canadian GAAP;

(iv) elimination of the reconciliation requirement for only those foreign issuers that prepare financial statements in accordance with specified bases of accounting, e.g., IAS and US GAAP. If you recommend this approach, please set out the criteria you believe should be applied in making this determination and indicate which bases you believe would meet these criteria;

(v) identification of specific reconciliation requirements depending on the type of transaction, type of security or proportionate interest of Canadian investors. If you believe such an approach is appropriate, please describe how you believe it could be implemented.

Canadian issuers

72. Questions 4 to 10 address issues relating to the possible approaches to relaxing the requirement for Canadian issuers to prepare Canadian GAAP financial statements.

Q.4

73. *If you believe Canadian companies should no longer be required to prepare financial statements in accordance with Canadian GAAP, what alternatives do you believe should be available and why are they an appropriate basis for a Canadian company to participate in Canadian capital markets? Please comment on the impact of the concessions you propose on the comparability of financial information available about Canadian companies in the Canadian capital markets. Is it important that Canadian investors have access to financial information prepared on a comparable basis? If not, why not?*

Q.5

74. *On the basis of your own knowledge and experience, what is your assessment of the ability of Canadian issuers, auditors and users to prepare, audit and make use of financial statements prepared on bases other than Canadian GAAP?*

Q.6

75. *If you believe alternatives to Canadian GAAP should be permitted, what specific steps should the CSA, the accounting profession or others take to facilitate implementation in a way that overcomes the issues identified in section 5 of the paper and ensures Canadians are provided with high quality, relevant, reliable and understandable financial information? Please comment on: (i) the steps you believe the CSA should take to ensure their ability to provide appropriate regulatory oversight over the financial statements provided to participants in Canada's capital markets; and (ii) changes to incorporating statutes that would be required to facilitate the financial reporting environment you envisage.*

Q.7

76. *If you believe the accounting standards of certain foreign countries, e.g., US GAAP, should be acceptable for use by Canadian companies while other foreign GAAP should not, what is your basis for this distinction?*

Q.8

77. *If you believe US GAAP should be permitted as an alternative basis for preparation of a Canadian company's financial statements, should that alternative be available to all Canadian companies or to only a limited group such as those that are SEC registrants and are therefore required to provide either US GAAP financial statements or a reconciliation to US GAAP? Similarly, if you believe Canadian companies should be permitted to use other bases of accounting such as IAS or UK GAAP, should those alternatives be available to all or to a limited group only? If you believe the alternatives should be available to a limited group only, what criteria should be applied to determine eligibility?*

Q.9

78. *Regardless of which bases of accounting you consider acceptable as alternatives to Canadian GAAP, should a Canadian company using one of those alternatives be required to present a reconciliation to Canadian GAAP in some or all cases? If so, in what form should the reconciliation be presented, e.g., a full quantified reconciliation or something less, such as a reconciliation of only specified financial statement items or a qualitative discussion of differences?*

Q.10

79. *If the CSA permits alternatives to Canadian GAAP, what transitional issues would need to be addressed to facilitate implementation of the change? For example, in the first period in which a Canadian company presents financial statements prepared in accordance with a basis of accounting other than Canadian GAAP should comparative information for all prior years presented be required on a consistent basis?*

PART 7: ASSESSMENT OF THE IASC STANDARDS

80. The remainder of the questions in this Discussion Paper are directed at the CSA's assessment of IASC standards. We request your views on whether the IASC standards:

(i) constitute a comprehensive, generally accepted basis of accounting;
(ii) are of high quality; and
(iii) can be rigorously interpreted and applied.

81. In responding to the questions set out below, please be as specific as possible in your response, explaining in detail the factors you considered in forming your opinion. While we recognize that experience in Canada in applying IAS and analysing financial statements prepared in accordance with those standards is likely to be quite limited, wherever possible, please explain any experiences you have had. Please consider both the mandate of the CSA jurisdictions for investor protection and any expected effects on market liquidity, competition, efficiency and capital formation.

Comprehensiveness of the IASC standards

82. The goal of the core standards project was to address the necessary components of a reasonably complete set of accounting standards that would comprise a comprehensive body of principles for enterprises undertaking cross-border offerings and listings. The intent was to reduce or eliminate the need for reconciliation to national standards. In developing the work program for the core standards project, IOSCO specified the minimum components of a set of "core standards" and identified issues to be addressed by the IASC. For topics outside the core standards, such as industry specific accounting standards, it was agreed that IOSCO members would either accept "home country" treatment or require specific "host country" treatment or equivalent disclosure. "Home country" treatment means that a foreign issuer coming to Canada would be permitted to follow industry specific standards of their home country provided that those standards could be considered consistent with IASC standards as a whole. "Host country" treatment means that a foreign issuer coming to Canada might be required either to follow Canadian industry specific standards in its financial statements or to reconcile to those standards.

83. Given the stage of development of IAS, it might be appropriate to provide a limited form of accommodation to foreign issuers that prepare financial statements using those standards. Possibilities in this regard include:

(i) Removing the reconciliation requirement for selected IAS and extending that recognition to additional IAS as warranted based on future review of each standard. Under this approach, when alternative treatments are specified (such as benchmarks and allowed alternatives), we may specify one treatment as acceptable, while retaining the reconciliation requirement for those financial statements that employ the unacceptable treatment. For example, we might require reconciliation if a company applies the allowed alternative treatment of periodically writing-up capital assets to estimated fair value.

(ii) Relying on IAS for recognition and measurement principles, but requiring additional Canadian GAAP and CSA mandated supplemental disclosures where appropriate.

84. IASC standards are published and copyrighted by the IASC. A listing of IAS and their effective dates is included as Appendix B. The IASC has summaries of each standard available on its website at **<www.iasc.org.uk>**.

Q.11

85. *Do the core standards provide a sufficiently comprehensive accounting framework to provide a basis to address the fundamental accounting issues encountered in a broad range of industries and a variety of transactions without the need to look to other accounting regimes? Please explain the basis for your view and, if you believe there are additional topics that need to be addressed in order to create a comprehensive set of standards, identify those topics.*

Q.12

86. *For specialized industry issues that are not yet addressed in IAS, should we require companies to follow relevant Canadian standards in the financial statements provided to Canadian investors? Alternatively, should we permit use of home country standards with reconciliation to relevant Canadian standards or should we not impose any special requirements? Which approach would produce the most meaningful financial statements for Canadian investors? Is the approach of having the host country specify treatment for topics not addressed by the core standards a workable approach? Is there a better approach?*

Quality of the IASC standards

87. When we refer to the need for high quality accounting standards, we mean that the standards must result in relevant, reliable information that is useful for investors, lenders, creditors and others who make capital allocation decisions. To that end, the

standards must (i) result in a consistent application that allows investors to make a meaningful comparison of performance across time periods and among companies; (ii) provide for transparency, so that the nature and the accounting treatment of the underlying transactions are apparent to the user; and (iii) provide full disclosure, including information that supplements the basic financial statements, puts the presented information in context and facilitates an understanding of the accounting practices applied. Such standards should:

- be consistent with an underlying accounting conceptual framework;
- result in comparable accounting by issuers for similar transactions, by avoiding or minimizing alternative accounting treatments;
- require consistent accounting policies from one period to the next; and
- be clear and unambiguous.

88. Some issues raised in IOSCO comment letters submitted to the IASC that commenters may wish to consider in evaluating the quality of IAS include:

- the existence of an option to revalue property, plant and equipment to fair value (see IAS 16);
- the ability to amortize negative goodwill to offset restructuring costs (see IAS 22); and
- the potential to assess unlimited useful lives for goodwill and other intangibles (see IAS 22 and IAS 38).

89. On the other hand, other aspects of the IAS might be viewed as superior to Canadian GAAP. These include comprehensive guidance under IAS relating to areas that are not addressed in depth in Canadian standards, including:

- impairment of assets (see IAS 36);
- provisions, contingent liabilities and contingent assets (see IAS 37);
- intangible assets (see IAS 38);
- recognition and measurement of financial instruments (see IAS 39).

90. We welcome comments on any technical issues arising with respect to IAS. We are seeking input on whether preparers, auditors and users of financial statements have identified particular issues based on their experience with IAS and whether they have developed strategies for addressing those issues. We would benefit also from the public's views regarding whether any of the standards represent a significant improvement over existing Canadian accounting standards.

91. A critical issue in assessing the quality of IAS is whether they will produce a level of transparency and comparability consistent with that provided to Canadian investors under Canadian GAAP. Identification of differences between IAS and Canadian GAAP contributes to an understanding of how the information provided to users of financial statements might differ. It is important, however, to focus not only on differences but on the quality and consistency of the standards as a whole. Significant differences may make financial position and operating results reported under IAS more difficult to compare with results reported under Canadian GAAP but continuing convergence of standards is likely to reduce the significance of this issue over time. Nonetheless, the ability to make comparisons is generally considered important for an investor making capital allocation decisions.

92. Readers who are interested in specific information about similarities and differences between IAS and Canadian standards are referred to the *CICA Handbook, Section 1501, International Accounting Standards*. For further information with respect to similarities and differences among accounting standards internationally, readers are referred to the CICA publication *Significant Differences in GAAP in Canada, Chile, Mexico and the United States*.

93. In some respects, it is difficult to evaluate the effectiveness of certain IAS at this stage. First, there is only limited direct use of IAS in developed capital markets. Second, even where IAS are used directly in those markets, a number of new or revised standards may not have been implemented yet. For that reason, financial statements prepared currently using IAS may not reflect fully the improvements achieved by the IASC in the core standards project. Therefore, preparers, users and regulators may not have significant implementation experience with respect to those standards to assist in evaluating the quality of the financial statements that result.

Q.13

94. *Are IAS of sufficiently high quality to be used without reconciliation to Canadian GAAP in cross-border filings in Canada? Why or why not? Please provide us with your experience in using, auditing or analysing the application of such standards.*

Q.14

95. *What do you view as the important differences between Canadian GAAP and IAS? We are particularly interested in investors' and analysts' experience with IAS. Will any of these differences affect the usefulness of a foreign issuer's financial information reporting package? If so, which ones?*

Q.15

96. *Based on your experience, are there specific aspects of any IAS that you believe result in better or poorer financial reporting (recognition, measurement or disclosure) than financial reporting prepared using Canadian GAAP? If so, what are the specific aspects and reasons for your conclusion?*

Q.16

97. *How does the level of guidance provided in IAS compare with Canadian standards and is it sufficient to result in consistent application? Do IAS provide sufficient guidance to promote consistent, comparable and transparent reporting of similar*

transactions by different enterprises? Why or why not?

Q.17

98. *Are there mechanisms or structures in place within public accounting firms and the business community that will promote consistent interpretations of IAS where those standards do not provide explicit implementation guidance? Please provide specific examples.*

PART 8: CONCLUSION

99. Commentators are encouraged to respond to the specific questions set out in this paper, but also to provide any additional information they believe will supplement the information set out in the paper. We are particularly interested in additional perspectives on the role of accounting standards in capital markets and the information needs of participants in those markets. We would also welcome views and data as to the potential costs and benefits associated with changes you believe should be made in comparison to the costs and benefits of the existing regulatory framework.

100. Following consideration of comments received, the CSA will determine whether specific changes to the existing financial reporting framework should be proposed. This may lead to rulemaking proposals or other action to implement change.

PART 9: COMMENTS

101. Interested parties are invited to make written submissions by June 30, 2001. Submissions should be addressed to all of the Canadian securities regulatory authorities listed below and sent, in duplicate, in care of the Ontario Securities Commission, 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
Securities Registry, Government of the Nunavut Territory

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**

102. Submissions should also be addressed to the Commission des valeurs mobilières du Québec as follows:

Claude St. Pierre, Secrètaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Quebéc H4Z 1G3
e-mail: **claude.stpierre@cvmq.com**

103. An email attachment or a diskette containing the submissions (in DOS or Windows format, preferably Word) should also be submitted.

104. Comment letters are placed in a public file in certain jurisdictions and form part of the public record unless confidentiality is requested. Comment letters will be circulated among the CSA jurisdictions whether or not confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation in certain jurisdictions may require the securities regulatory authorities to make comment letters available. Persons submitting comment letters should therefore be aware that the press and members of the public may be able to obtain access to any comment letters.

105. Questions may be referred to any of:

John A. Carchrae, CA
Chief Accountant
Ontario Securities Commission
(416) 593 8221
e-mail: **jcarchrae@osc.gov.on.ca**

Sandra E. Dowling, CA
Senior Accountant
Ontario Securities Commission
(416) 593 8153
e-mail: **sdowling@osc.gov.on.ca**

Carla-Marie Hait, CA
Chief Accountant
British Columbia Securities Commission
(604) 899 6726
email: **cmhait@bcsc.bc.ca**

Diane Joly, CA
Director, Research and Market Developments
Commission des valeurs mobilières du Québec
(514) 940 2199 ext. 4551
email: **diane.joly@cvmq.com**

Fred Snell, FCA
Chief Accountant
Alberta Securities Commission
(403) 297 6553
e-mail: **fred.snell@seccom.ab.ca**

February 28, 2001.

APPENDIX A

The Core Standards Project

1. The IASC and IOSCO

The International Accounting Standards Committee (IASC) is a private sector body that throughout the development of the core standards project had as members all the professional accountancy bodies that are members of the International Federation of Accountants (IFAC). IFAC has more than 140 members from over 100 countries. The IASC's dual objectives were to (i) formulate international accounting standards and promote their acceptance and observance; and (ii) work generally for improvement and harmonization of accounting standards.

The business of the IASC was conducted by a Board with 16 voting delegations and five non-voting observer delegations with the privilege of the floor. These observers represented the European Commission, the International Organization of Securities Commissions (IOSCO), the US Financial Accounting Standards Board (FASB), the Chinese Institute of Certified Public Accountants and the IFAC Public Sector Committee. Each voting delegation included up to three members who shared a single vote. Delegation members normally were drawn from the accountancy profession and the preparer community. Representatives of national standard-setters often were included in a delegation as a technical advisor. For several years, the Board has met approximately four times a year for about a week to receive reports from its staff and steering committees and to discuss and approve for publication exposure drafts and final standards.

Board delegates served on a part-time, volunteer basis and were supported by a small full-time staff based in London. This staff provided a manager for most IASC projects and worked with project Steering Committees comprising volunteers representing a mix of Board member and non-Board member IFAC organizations. IOSCO and the European Commission were non-voting observers for most Steering Committees.

IOSCO is an association of securities regulatory organizations. It has approximately 135 ordinary, associate and affiliate members, including 6 based in Canada. Two key IOSCO committees following this project were the Technical Committee and its Working Party No. 1 on Multinational Disclosure and Accounting. The Technical Committee is composed of 16 regulatory agencies, including the Commission des valeurs des mobilières du Québec (CVMQ) and the Ontario Securities Commission (OSC), that regulate some of the world's largest, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to those issues.

Working Party No. 1 is one of several working groups that report to the Technical Committee. It has members from sixteen jurisdictions and is chaired by a staff member from the US Securities and Exchange Commission (SEC). The Chief Accountant of the OSC and the Director, Research and Market Developments of the CVMQ are members of the Working Party.

2. Development of the core standards project

In 1989, IOSCO prepared a report entitled, "International Equity Offers". That report noted that cross-border offerings would be greatly facilitated by the development of internationally accepted accounting standards. Rather than attempt to develop those standards itself, IOSCO focused on the efforts of the IASC.

In 1993, IOSCO wrote to the IASC detailing the necessary components of a reasonably complete set of standards to create a comprehensive body of principles for enterprises undertaking cross-border securities offerings. In 1993, the IASC completed a project to improve the comparability and usefulness of financial statements prepared in accordance with its standards. Prior to this project, a number of IAS codified existing practice in multiple jurisdictions, permitting several alternative treatments for a single type of transaction. As a result of this improvement project, many alternatives were eliminated, although the IAS retained multiple approaches in a few areas with one designated as a "benchmark" treatment and the other as an "allowed alternative."

In 1994, IOSCO completed a review of the revised IAS and identified a number of issues that would have to be addressed, as well as standards that the IASC would have to improve, before IOSCO could consider recommending IAS for use in cross-border listings and offerings. IOSCO divided the issues into three categories:

(i) issues that required a solution prior to consideration by IOSCO of an endorsement of the IASC standards;

(ii) issues that would not require resolution before IOSCO could consider endorsement, although individual jurisdictions might specify treatments that they would require if those issues were not addressed satisfactorily; and

(iii) areas where improvements could be made, but that the IASC did not need to address prior to consideration of the standards by IOSCO.

In July 1995, IOSCO and the IASC agreed that the proposed "core standards work program" would, if completed successfully, address all the issues that required a resolution before IOSCO would consider endorsement. IOSCO stated that, if the resulting standards were acceptable to its Technical Committee, that group would recommend

endorsement of those standards for cross-border capital raising and listing purposes.

3. Overview of the work program

The IASC's work program identified 12 areas that required new or substantially revised standards. As of April 2000, the IASC had published eight new standards and ten revised standards addressing those areas. The IASC standards are copyrighted and are not reproduced as part of this release. However, summaries of the standards, as well as information about obtaining the full text, are available from the IASC website at **<www.iasc.org.uk>.**

IOSCO, through Working Party No. 1, has been a non-voting observer at meetings of the IASC Board, its Steering Committees, and its Standing Interpretations Committee. The Working Party has attempted to reply to each document the IASC published for comment. The Working Party comment letters alerted the IASC to concerns of the Working Party or its members while the issues were under discussion. Some members of the Working Party also commented individually on proposed standards.

In contributing to Working Party comment letters, the participating CVMQ and OSC staff focused on the quality of information that would be provided to investors, identifying areas where comparability and transparency might be compromised or where other significant investor protection issues existed. The CVMQ and OSC staff did not focus on eliminating differences from Canadian GAAP. In fact, in several instances the staff were satisfied that improvements could be achieved by adopting an approach that differed from Canadian GAAP.

4. The Assessment Process

The pace of the IASC work program required that, immediately following the adoption of a final standard, the Working Party shift its attention to other pending standards. As a result, the Working Party did not stop to evaluate each completed standard and assess the extent to which it addressed concerns raised in comment letters. This approach also was consistent with the understanding between the IASC and IOSCO that the Working Party would assess the completed standards, individually and as a group, once the IASC completed all of the core standards. That assessment of the core standards focused not only on the extent to which the completed standards addressed the IOSCO concerns, but also on whether the standards work together to form an operational basis of accounting.

The results of the Working Party's review and assessment of the core standards were summarized in a report to IOSCO's Technical Committee. The report described outstanding substantive issues with the IASC standards and suggested ways to address those issues. Following review of the Working Party report, the Technical Committee forwarded to the Executive Committee the following resolution endorsing the IASC standards with a recommendation that it be adopted for approval by the Presidents' Committee of IOSCO:

> *In order to respond to the significant growth in cross-border capital flows, IOSCO has sought to facilitate cross-border offerings and listings. IOSCO believes that cross-border offerings and listings would be facilitated by high quality, internationally accepted accounting standards that could be used by incoming multinational issuers in cross-border offerings and listings. Therefore, IOSCO has worked with the International Accounting Standards Committee (IASC) as it sought to develop a reasonably complete set of accounting standards through the IASC core standards work program.*
> *IOSCO has assessed 30 IASC standards, including their related interpretations ("the IASC 2000 standards"), considering their suitability for use in cross-border offerings and listings. IOSCO has identified outstanding substantive issues relating to the IASC 2000 standards in a report that includes an analysis of those issues and specifies supplemental treatments that may be required in a particular jurisdiction to address each of these concerns.*
>
> *The Presidents Committee congratulates the IASC for its hard work and contribution to raising the quality of financial reporting worldwide. The IASC's work to date has succeeded in effecting significant improvements in the quality of the IASC standards. Accordingly, the Presidents Committee recommends that IOSCO members permit incoming multinational issuers to use the 30 IASC 2000 standards to prepare their financial statements for cross-border offerings and listings, as supplemented in the manner described below (the "supplemental treatments") where necessary to address outstanding substantive issues at a national or regional level.*
>
> *Those supplemental treatments are:*
>
> - ***reconciliation:*** *requiring reconciliation of certain items to show the effect of applying a different accounting method, in contrast with the method applied under IASC standards;*
> - ***disclosure:*** *requiring additional disclosures, either in the presentation of the financial statements or in the footnotes; and*
> - ***interpretation:*** *specifying use of a particular alternative provided in an IASC standard, or a particular interpretation in cases where the IASC standard is unclear or silent.*
>
> *In addition, as part of national or regional specific requirements, waivers may be envisaged of particular aspects of an IASC*

standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or regional regulation.

The concerns identified and the expected supplemental treatments are described in the Assessment Report.

IOSCO notes that a body of accounting standards like the IASC standards must continue to evolve in order to address existing and emerging issues. IOSCO's recommendation assumes that IOSCO will continue to be involved in the IASC work and structure and that the IASC will continue to develop its body of standards. IOSCO strongly urges the IASC in its future work program to address the concerns identified in the Assessment Report, in particular, future projects.

IOSCO expects to survey its membership by the end of 2001 in order to determine the extent to which members have taken steps to permit incoming multinational issuers to use the IASC 2000 standards, subject to the supplemental treatments described above. At the same time IOSCO expects to continue to work with the IASC, and will determine the extent to which IOSCO's outstanding substantive issues, including proposals for future projects, have been addressed appropriately.

This resolution, which was adopted by the Presidents' Committee in May 2000, is not binding on its member organizations. IOSCO members are, however, committed to consider seriously whether, and if so how, to implement the recommendation in their individual jurisdictions.

APPENDIX B

List of Core Standards and each Standard's Effective Date

IAS	Title	Effective Date
1	Presentation of Financial Statements (revised)	1 Jan 99
2	Inventories	1 Jan 95
7	Cash Flow Statements	1 Jan 94
8	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	1 Jan 95
10	Events After the Balance Sheet Date (revised)	1 Jan 00
11	Construction Contracts	1 Jan 95
12	Income Taxes (revised)	1 Jan 98
14	Segment Reporting (revised)	1 Jul 98
16	Property, Plant and Equipment (revised)	1 Jul 99
17	Leases (revised)	1 Jan 99
18	Revenue	1 Jan 95
19	Employee Benefits (revised)	1 Jan 99
20	Accounting For Government Grants and Disclosure of Government Assistance	1 Jan 84
21	The Effects of Changes in Foreign Exchange Rates	1 Jan 95
22	Business Combinations (revised)	1 Jul 99
23	Borrowing Costs	1 Jan 95
24	Related Party Disclosures	1 Jan 86
25	Investment Properties **	1 Jan 87
27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	1 Jan 90
28	Accounting for Investments in Associates	1 Jan 90
29	Financial Reporting in Hyperinflationary Economies	1 Jan 90
31	Financial Reporting of Interests in Joint Ventures	1 Jan 92
32	Financial Instruments: Disclosure and Presentation	1 Jan 96
33	Earnings Per Share	1 Jan 99
34	Interim Financial Reporting	1 Jan 99
35	Discontinuing Operations	1 Jan 99
36	Impairment of Assets	1 Jul 99
37	Provisions, Contingent Liabilities and Contingent Assets	1 Jul 99
38	Intangible Assets	1 Jul 99
39	Financial Instruments: Recognition and Measurement	1 Jan 01

** This standard is withdrawn and replaced by IAS 40, Investment Property, for annual financial statements covering financial periods beginning on or after January 1, 2001.

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
15Feb01	Acuity Pooled Fixed Income Fund - Trust Units	150,000	12,715
09Feb01	Acuity Pooled Fixed Income Fund - Trust Units	180,000	15,203
28Feb01	ADA Three Limited Partnership - Units	40,000	3,037
20Feb01	Aquilium Software Corporation - Series A Preference Shares	17,600,000	17,600,000
28Dec00	Arctic Fox Assets, L.L.C. - 7.5% Senior Secured Notes	$109,000,000	$109,000,000
23Feb01	Arrow Capital Advanced Fund - Class I Trust Units	1,536,399	13,626
01Jan01	Berger*Jackson Multi Sector Fund, L.P., The - Limited Partnership Interest	150,000	150,000
01Dec00	Berger*Jackson Multi Sector Fund, L.P., The - Limited Partnership Interest	770,350	770,350
01Sep00	Berger*Jackson Multi Sector Fund, L.P., The - Limited Partnership Interest	150,039	150,039
01Nov99	Berger*Jackson Multi Sector Fund, L.P., The - Limited Partnership Interest	300,000	300,000
01Nov99	Berger*Jackson Multi Sector Fund, L.P., The - Limited Partnership Interest	733,050	733,050
02Feb01	BPI American Opportunities Fund - Units	335,465	2,572
19Feb01	Burgundy Japan Fund - Units	486,304	28,840
19Feb01	Burgundy Small Cap Value Fund - Units	316,000	8,749
19Feb01	Burgundy Smaller Companies Fund - Units	1,080,677	56,309
07Feb01	Cendant Corporation - Shares of Common Stock	9,509,500	500,000
05Feb01	Ciena Corporation - Common Stock	10,135,726	80,500
28Feb01	Clairvest Equity Partners Limited Partnership - Limited Partnership Units	70,000,000	70,000
27Feb01	CMS/KRG/Greenbriar, L.P. - Limited Partnership Units	765,000	1,530,000
01Jan01 to 31Jan01	Cranston, Gaskin, O'Reilly & Vernon - Units of Trust	231,995	16,867
01Jan01 to 31Jan01	Cranston, Gaskin, O'Reilly & Vernon - Units of Trust	303,356	231,192
01Jan01 to 31Jan01	Cranston, Gaskin, O'Reilly & Vernon - Units of Trust	51,219	3,924
01Jan01 to 31Jan01	Cranston, Gaskin, O'Reilly & Vernon - Units of Trust	1,512,430	92,885

Trans. Date	Security	Price ($)	Amount
01Jan01 to 31Jan01	Cranston, Gaskin, O'Reilly & Vernon - Units of Trust	600,080	66,224
27Feb01	cs-live.com inc. - Convertible Debentures	350,000	350,000
23Feb01	CSI Wireless Inc. - Special Warrants	9,333,252	2,871,770
19Feb01	Deans Knigth Bond Fund - Trust Units	3,750,000	7,371
03Feb01	Deutsche Borse AG - Ordinary Registered Shares	1,205,484	2,810,151
21Feb01	Eftia OSS Solutions Inc. - Class C-2 Preferred Shares	4,609,800	12,000,000
16Feb01	ENI S.p.A. - Ordinary Shares	14,363,640	1,500,000
16Feb01	Entry.com Inc. - Units	250,000	250,000
01Dec00	Epic Limited Partnership - Limited Partnership Units	1,150,000	1,150
19Feb01	Equity International Investment Trust - Units	1,625	184
05Feb01	Exodus Communications, Inc. - Common Stock	80,898	2,900
01Feb01	Flexronics Interantional Ltd. - Ordinary Shares	120,013	2,100
12Jan01	Galaxy OnLine Inc. - Units	375,000	2,000,000
22Feb01	gearunlimited.com Inc. - Common Shares	100,000	500,000
14Feb01	Greater Lenora Resources Corp. - Convertible Promissory Note	$150,000	$150,000
31Jan01 to 28Feb01	Harbour Capital Canadian Balanced Fund - Trust	11,446,646	89,939
31Jan01 to 28Feb01	Harbour Capital Foreign Balanced Fund - Trust Units	9,940,574	69,004
28Feb01	Headline Media Group Inc. -Class A Subordinate Voting Shares	6,000,000	1,986,228
07Mar01	Husky Injection Moulding Systems Ltd. - 7.63% Senior Series A Debentures and 7.46 Senior Series C Debentures	US$5,000,000, 35,000,000	5,000,000, 35,000,000 Resp.
01Feb01	IE-Engine Inc. - Common Shares	700,000	231,751
05Jan01 to 23Feb01	iPerform Canadian Opportunities Fund - Units	1,313,633	12,716
05Jan01 to 23Feb01	iPerform Gabelli Global Fund - Units	1,947,233	19,156
02Jan01 to 23Feb01	iPerform Select Leaders Fund - Units	2,052,924	20,417
05Jan01 to 23Feb01	iPerform Silicon Valley Fund - Units	1,066,133	10,491
14Feb01	It TV Inc. - Convertible Preference Shares	150,000	10,500
26Feb01	ITI Education Corporation - Convertible Term Loan	5,000,000	5,000,000
22Feb01	itmus inc. - Convertible Unsecured Subordinated Note	$2,500,000	$2,500,000
15Feb01	Kingwest Avenue Portfolio - Units	2,264,166	115,628
16Feb01	Lakeside Gardens Retirement Community Limited Partnership - Limited Partnership Units	150,000	2
16Feb01	Lakeside Gardens Retirement Community Limited Partnership - Limited Partnership Units	150,018	2
29Dec00 to 28Feb01	Lexxor Energy Inc. - Class A Shares	500,000	1,250,000
16Feb01	LipoMed, Inc. - Series D Convertible Preferred Stock	US$300,003	57,472
16Feb01	Madison Dearborn Capital Partnership IV, L.P. - Limited Partnership Interest	40,755,000	80
28Feb01	MCK Mining Corp. - Units	150,000	750,000
01Jan00 to 31Dec00	McLean Budden Pooled Funds - Units	81,110,361	81,110,361
19Feb01	Megawheels.com Inc. - Special Warrants	174,000	174,000
23Feb01	Mortice Kern Systems Inc. - Special Warrants	11,298,825	8,369,500
20Feb01	NB Capital Mezzanine Fund II, L.P. - Class A Limited Partnership Interests	5,000,000	5,000,000
26Feb01	NRG Group Inc., The - Common Shares	150,000	500,000
26Feb01	NRG Group Inc., The - Common Shares	150,000	500,000

Trans. Date	Security	Price ($)	Amount
26Feb01	NRG Group Inc., The - Common Shares	150,000	500,000
05Feb01	NTT DoCoMo - Shares of Common Stock	2,712,029	4,081
01Mar01	OAL 2000 Limited Partnership, The - Limited Partnership Units	1,938,000	51
23Feb01	Pheromone Sciences Corp. - Special Warrants	350,000	350,000
07Mar01	Profico Energy Management Ltd. - Common Shares	150,000	18,750
23Feb01	Quebecor Inc. - Exchangeable Debentures, due 2026	425,000,000	425,000,000
20Dec00	Rutherford Creek Power Ltd. - Common Shares	150,000	125,000
29Jan01	SOHO Resources Corp. - Units	300,000	857,143
17Feb01	Stanford Mortgage Investment Corporation 1998 Inc. - Shares	150,000	15,000
26Feb01	Swan Lake (Markham) Limited Partnership - Limited Partnership Units	900,000	3
10Jan01	TD Quantitative Capital -	159,538	159,538
23Feb01	Tegriant Solutions Inc. - Series A-1 Convertible Preferred Stock	2,018,016	1,411,200
15Sep00	Turtle Creek Investment Fund - Units	1,768,706	505,344
28Feb01	Twenty-First Century Funds Inc. - Units	277,081	43,263
28Feb01	Twenty-First Century Funds Inc. - Units	245,087	48,084
28Feb01	Twenty-First Century Funds Inc. - Units	246,856	49,212
22Feb01	Unique Broadband Systems, Inc. - Common Shares	155,200	80,000
20Feb01	Venture Coaches Fund LP - Class A Limited Partnership Units	1,891,667	1,891,667
28Feb01	Vertex Fund Limited Partnership - Limited Partnership Units	300,000	11,950
28Feb01	West Oak Resource Corporation - Common Shares	4,500,000	1,500,000
16Feb01	Williams - Common Stock	239,030	4,375
02Mar01	Worldinsure Limited - Series B Retractable Convertible Preferred Shares	25,161,504	9,285,716
01Jan00 to 31Dec00	YMG Balanced Pooled Fund - Units	4,464,049	378,810
01Jan00 to 31Dec00	YMG Canadian Equity Pooled Fund - Units	3,828,054	306,976
01Jan00 to 31Dec00	YMG International Equity Pooled Fund - Units	9,397,306	688,953
01Jan00 to 31Dec00	YMG Short Term Investment Pooled Fund - Units	535,000	53,500
28Feb01	Zenastra Photonics Inc. - Common Shares	692,775	72,000

Reports Made under Subsection 5 of Subsection 72 of the Act with Respect to Outstanding Securities of a Private Company That Has Ceased to Be a Private Company -- (Form 22)

Name of Company	Date the Company Ceased to be a Private Company
Nexia Biotechnologies Inc.	17Oct00
Transition Therapeutics Inc.	20Feb01

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Melnick, Larry	Champion Natural Health.com Inc. - Subordinate Voting Shares and Multiple Voting Shares	19,765, 100,000 Resp.
Estill, Glen R.	EMJ Data Systems Ltd. - Common Shares	39,000
Estill Holdings Limited	EMJ Data Systems Ltd. - Common shares	1,244,700
Estill, James A.	EMJ Data Systems Ltd. - Common Shares	21,900
Hennick, Jay S.	FirstService Corporation - Subordinate Voting Shares	250,000
Schad Family Trust	Husky Injection Moulding Systems Ltd. - Common Shares	260,000
SLMsoft.com Inc.	Infocorp Computer Solutions Ltd. - Common Shares	6,814,052
963037 Ontario Limited	Jetcom Inc. - Common Shares	500,000
Hasenfratz, Frank	Linamar Corporation - Common Shares	800,000
Oncan Canadian Holdings Ltd.	Onex Corporation - Subordinate Voting Shares	998,900
Malion, Andrew J.	Spectra Inc. - Common Shares	250,000
Faye, Michael R.	Spectra Inc. - Common Shares	250,000
DKRT Family Corp.	Thomson Corporation, The - Common Shares	100,000
1170028 Ontario Limited	Thomson Corporation, The - Common Shares	100,000
SEB Family Corp.	Thomson Corporation, The - Common Shares	100,000
PJT Family Corp.	Thomson Corporation, The - Common Shares	102,373

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:
Algorithmics Incorporated
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 7th, 2001
Mutual Reliance Review System Receipt dated March 8th, 2001
Offering Price and Description:
$ * - * Common Shares @ $ * per Common Shares
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
J.P. Morgan Securities Canada Inc.
TD Securities Inc.
Promoter(s):
-
Project #337465

Issuer Name:
Algorithmics Incorporated
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 7th, 2001
Mutual Reliance Review System Receipt dated March 8th, 2001
Offering Price and Description:
US$29,520,197 principal amount Series 3 Convertible Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #337473

Issuer Name:
Astral Media Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated March 12th, 2001
Mutual Reliance Review System Receipt dated March 12th, 2001
Offering Price and Description:
$100,110,000 - 2,130,000 Class A Non-Voting Shares @ $47.00 per Class A Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #338355

Issuer Name:
Bell Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated March 13th, 2001
Mutual Reliance Review System Receipt dated March 14th, 2001
Offering Price and Description:
$350,000,000 - 14,000,000 Shares Cumulative Redeemable Class A Preferred Shares, Series 17
@ $25.00 per Share to yield initially 5.25% per annum
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #338779

Issuer Name:
Certicom Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated March 9th, 2001
Mutual Reliance Review System Receipt dated March 9th, 2001
Offering Price and Description:
$43,750,000 - 3,500,000 Common Shares @ $12.50 per Common Shares
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
HSBC Securities (Canada) Inc.
TD Securities Inc.
Promoter(s):
-
Project #338004

Issuer Name:
CMP 2001 Resource Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 12th, 2001
Mutual Reliance Review System Receipt dated March 13th, 2001
Offering Price and Description:
$5,000 (Minimum) to $100,000,000 (Maximum) 100,000 Limited Partnership Units @ $1,000 per Unit
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Wellington West Capital Inc.
Promoter(s):
Dynamic CMP Funds III Management Inc.
Project #338353

Issuer Name:
CSI Wireless Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated March 12th, 2001
Mutual Reliance Review System Receipt dated March 12th, 2001
Offering Price and Description:
$10,250,065 - 3,153,866 Common Shares and 1,576,933 Warrants Issuable Upon Exercise of 3,153,866 Special Warrants.
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
First Associates Investments Inc.
Canaccord Capital Corporation
Yorkton Securities Inc.
Promoter(s):
Stephen A. Verhoeff
Hamid Najafi
Brian J. Hamilton
Project #338453

Issuer Name:
Energy Savings Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 9th, 2001
Mutual Reliance Review System Receipt dated March 13th, 2001
Offering Price and Description:
$ * - * Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Trilon Securities Corporation
Promoter(s):
Ontario Energy Savings Corp.
Project #338566

Issuer Name:
Equatorial Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated March 13th, 2001
Mutual Reliance Review System Receipt dated March 14th, 2001
Offering Price and Description:
$9,587,500 - 2,000,000 Common Shares issuable upon the exercise of 2,000,000 Special A Warrants and 1,350,000 Common Shares Issuable upon the exercise of 1,350,000 Flow-Through Special B Warrants
Underwriter(s) or Distributor(s):
Salman Partners Inc.
FirstEnergy Capital Corp.
Haywood Securities Inc.
Promoter(s):
-
Project #338828

Issuer Name:
GT Group Telecom Inc.
Type and Date:
Preliminary Short Form Prospectus dated March 12th, 2001
Receipted March 12th, 2001
Offering Price and Description:
2,372,000 Class B Non-Voting Shares. Deemed price @ $20.40 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #338262

Issuer Name:
Headline Media Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 8th, 2001
Mutual Reliance Review System Receipt dated March 9th, 2001
Offering Price and Description:
$ * - * Class A subordinate Voting Shares @ $ * per Class A Subordinate Voting Shares
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Raymond James Ltd.
Promoter(s):
Levfam Holdings Inc.
First Control Corporation
883786 Ontario Limited
Project #337688

Issuer Name:
Heller Financial Canada, Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated March 9th, 2001
Mutual Reliance Review System Receipt dated March 13th, 2001
Offering Price and Description:
$750,000,000 Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
Promoter(s):
Heller Financial, Inc.
Project #338143

Issuer Name:
New Economy Trust, 2001 Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated March 13th, 2001
Mutual Reliance Review System Receipt dated March 13th, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Inc.
Promoter(s):
-
Project #338676

Issuer Name:
Royal Host Real Estate Investment Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated March 8th 2001
Mutual Reliance Review System Receipt dated March 8th, 2001
Offering Price and Description:
$20,001,000 - 3,390,000 Units @ $5.90 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Raymond James Ltd.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotial Capital Inc.

Promoter(s):
-
Project #337738

Issuer Name:
TD Private Canadian Strategic Opportunities Fund
TD Private Global Strategic Opportunities Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated March 13th, 2001
Mutual Reliance Review System Receipt dated March 15th, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #335736

Issuer Name:
Triax CaRTS III Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated March 9th, 2001
Mutual Reliance Review System Receipt dated March 12th, 2001
Offering Price and Description:
$ * Maximum - * Minimum @ $25.00 per CaRTS
Underwriter(s) or Distributor(s):
TD Securities Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Raymond James Ltd.
Trilon Securities Corporation
Promoter(s):
Triax Investment Management Inc.
Triax Capital Holdings Ltd.
Project #338196

Issuer Name:
Brookfield Properties Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated March 12th, 2001
Mutual Reliance Review System Receipt dated 12th day of March, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
HSBC Securities (Canada) Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #335677

Issuer Name:
Emera Incorporated
Principal Regulator - Nova Scotia
Type and Date:
Final Short Form Prospectus dated March 5th, 2001
Mutual Reliance Review System Receipt dated 7th day of March, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
UBS Bunting Warburg Inc.
Promoter(s):
-
Project #334053

Issuer Name:
Pembina Pipeline Income Fund
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated March 13th, 2001
Mutual Reliance Review System Receipt dated 13th day of March, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
TD Securities Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #336751

Issuer Name:
Rogers Wireless Communications Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Shelf Prospectus dated March 8th, 2001
Mutual Reliance Review System Receipt dated 9th day of March, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #335877

Issuer Name:
Sachigo River Exploration Company Inc.
Type and Date:
Preliminary Non-Offering Prospectus dated June 22nd, 2000
Withdrawal March 9th, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #278858

Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Elmwood Capital Inc. Attention: Rick Remigio Serafini Suite 410, Thomson Building 65 Queen Street West Toronto ON M5H 2M5	Limited Market Dealer (Conditional) Investment Counsel & Portfolio Manager	Mar 08/01
New Registration	Bear, Stearns Securities Corp. Attention: Michael Minikes One Metrotech Centre North Brooklyn NY 11201-3859 U.S.A.	International Dealer	Mar 09/01
New Registration	Fund Equity Plus Inc. Attention: Sandy Pahwa 203-28 Concourse Gate Nepean ON K2E 7T7	Mutual Fund Dealer	Mar 13/01
Change of Name	E*Trade Canada Securities Corporation Attention: Colleen Jill Moorehead 181 Bay Street, Suite 3810 P.O. Box 751 Toronto ON M5J 2T3	From: Versus Brokerage Services Inc. To: E*Trade Canada Securities Corporation	Feb 27/01

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1 SRO Notices and Disciplinary Proceedings

13.1.1 Yorkton Securities

NOTICE TO PUBLIC

Subject: Toronto Stock Exchange Regulation Services sets hearing date *In the Matter of Yorkton Securities Inc.* to consider an Offer of Settlement

TSE Regulation Services ("TSE RS") will convene a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of the Toronto Stock Exchange to consider an Offer of Settlement entered into between TSE RS and Yorkton Securities Inc., a Participating Organization of the Exchange.

The Hearing will be held on April 25, 2001 at 10:00 a.m. or as soon thereafter as the Hearing can be held, at the Toronto Stock Exchange, 130 King Street West, Toronto, Ontario. The Hearing is open to the public.

Under the terms of the Offer of Settlement, Yorkton Securities Inc. admits that it committed the following violations:

(a) Between February 1998 and July 2000, Yorkton failed to ensure that its employees, directors and officers complied with Exchange Requirements, contrary to section 8.35 of the General By-law and Rule 2-401(5).

(b) Between March 1998 and July 2000, Yorkton engaged in conduct, business or affairs that is unbecoming, contrary to section 17.09(1)(b) of the General By-law and Rule 7-106(1)(b).

According to Rule 6.03 of the Rules Governing the Practice and Procedure of Hearings, the Hearing Panel may accept or reject an Offer of Settlement. In the event the Offer of Settlement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Offer of Settlement is rejected, TSE RS may proceed with a hearing of the matter before a differently constituted Hearing Panel.

The decision of the Hearing Panel and the terms of any discipline imposed will be published by the TSE in a Notice to Participating Organizations.

Reference:

Ron Pelletier
Chief Counsel
Investigations and Enforcement Division
Toronto Stock Exchange Regulation Services

Telephone: 416-947-4606

13.1.2 Piergiorgio Donnini

NOTICE TO PUBLIC

Subject: Toronto Stock Exchange Regulation Services sets hearing date *In the Matter of Piergiorgio Donnini* to consider an Offer of Settlement

TSE Regulation Services ("TSE RS") will convene a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of the Toronto Stock Exchange to consider an Offer of Settlement entered into between TSE RS and Piergiorgio Donnini, a Registered Representative and Head Trader with Yorkton Securities Inc., a Participating Organization of the Exchange.

The Hearing will be held on April 25, 2001 at 10:00 a.m. or as soon thereafter as the Hearing can be held, at the Toronto Stock Exchange, 130 King Street West, Toronto, Ontario. The Hearing is open to the public.

Under the terms of the Offer of Settlement, Mr. Donnini admits that he committed the following violations:

(a) On January 14, 2000, Mr. Donnini failed to move the market in an orderly manner or to seek directions from the Exchange prior to executing a trade that caused a change greater than $1.00 in the price of a security that was selling below $20.00, contrary to Part XXIII of the Rulings and Directions of the Board ("Ruling XXIII").

(b) On September 14, 2001, Mr. Donnini improperly triggered a Registered Trader's Minimum Guaranteed Fill ("MGF") requirement by splitting a single client order to buy shares of a listed security into several smaller orders and entering these orders as MGF-eligible orders, contrary to section 11.20 of the General By-law and the Ruling relating to the MGF facilities (the "MGF Ruling").

(c) On January 3, 2001, Mr. Donnini received a client order to sell less than 5,000 shares of a listed security and executed the order in a principal transaction at a price that was not higher than the price of any order on any Canadian stock exchange on which the security was listed, contrary to Rule 4-502(2) of the Rules of the Exchange.

According to Rule 6.03 of the Rules Governing the Practice and Procedure of Hearings, the Hearing Panel may accept or reject an Offer of Settlement. In the event the Offer of Settlement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Offer of Settlement is rejected, TSE RS may proceed with a hearing of the matter before a differently constituted Hearing Panel.

The decision of the Hearing Panel and the terms of any discipline imposed will be published by the TSE in a Notice to Participating Organizations.

Reference:

Ron Pelletier
Chief Counsel
Investigations and Enforcement Division
Toronto Stock Exchange Regulation Services

Telephone: 416-947-4606

Chapter 25

Other Information

25.1.1 Securities

RELEASE FROM ESCROW

COMPANY NAME	DATE	NUMBER AND TYPE OF SHARES	ADDITIONAL INFORMATION
Ionic Energy Inc.	March 9, 2001	166,832 common shares	

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