The Ontario Securities Commission

OSC Bulletin

April 20, 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)

The Ontario Securites Commission
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Full copies of both Insider Reports and Public Filings listed in Chapters 7 and 10 respectively are available from: Demand Documents Department, Micromedia, 20 Victoria Street, Toronto, Ontario M5C 2N8 (416) 362-5211, extension 2211.

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TODAY'S OSC

Protects investors from unfair, improper or fraudulent practices.
Fosters fair, efficient capital markets in Ontario.
Creates confidence in the integrity of those markets.
Is pro-active, intelligently aggressive and innovative.

Today's OSC seeks exceptional individuals with the skills, energy and commitment necessary to play a leading role in Ontario's rapidly evolving capital markets.

An opportunity exists in the Project Office for a

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In this role you will be responsible for providing support to project leaders and teams in developing project management best practices, establishing and meeting project objectives and deliverables, setting critical paths, identifying and obtaining internal and/or external resources and establishing project budgets. You will support and maintain a formal project reporting mechanism for (a) regular tracking the progress of current projects for Executive Committee, Executive Management Team and Commission members, and (b) approving new projects. You will manage the Policy Reformulation Project through to completion and provide support to the Manager, Project Office in connection with the Commission's activities in the CSA, IOSCO and in managing the Commission's ongoing relationship with the Ministry of Finance.

You have a post graduate degree or equivalent and five to eight years of relevant experience. A thorough knowledge of project management methodologies and best practices is required, as well as excellent planning, analytical, organizational and problem solving skills. You possess an understanding of the policy development process of the Ontario securities regulatory environment, and the regulatory environment of other Canadian jurisdictions. You have excellent communication and presentation skills.

If you are interested in this opportunity, please submit your application, in confidence by **May 4, 2001**, to Human Resources, Ontario Securities Commission, Suite 1900, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8. You may also fax us at 416-593-8348 or send e-mail to HR@osc.gov.on.ca.

Ontario Securities Commission

Ontario

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

April 20, 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
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Telephone: 416- 597-0681 Telecopiers: 416-593-8348

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Late Mail depository on the 19th Floor until 6:00 p.m.

- -

THE COMMISSIONERS

David A. Brown, Q.C., Chair	—	DAB
Paul M. Moore, Q.C., Vice-Chair	—	PMM
Howard Wetston, Q.C., Vice-Chair	—	HW
Kerry D. Adams, FCA	—	KDA
Stephen N. Adams, Q.C.	—	SNA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
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
May 3/2001 10:00 a.m.	**Jack Banks a.k.a. Jacques Benquesus and Larry Weltman** s. 127 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

Michael Bourgon

DJL Capital Corp. and Dennis John Little

Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall, DJL Capital Corp., Dennis John Little and Benjamin Emile Poirier

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

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

Offshore Marketing Alliance and Warren English

Robert Thomislav Adzija, Larry Allen Ayres, David Arthur Bending, Marlene Berry, Douglas Cross, Allan Joseph Dorsey, Allan Eizenga, Guy Fangeat, Richard Jules Fangeat, Michael Hersey, George Edward Holmes, Todd Michael Johnston, Michael Thomas Peter Kennelly, John Douglas Kirby, Ernest Kiss, Arthur Krick, Frank Alan Latam, Brian Lawrence, Luke John Mcgee, Ron Masschaele, John Newman, Randall Novak, Normand Riopelle, Robert Louis Rizzuto, And Michael Vaughan

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

Wayne Umetsu

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
May 4, 2001 1:30 p.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 MI 45-102 - Resale of Securities

NOTICE OF COMMISSION APPROVAL OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES, FORM 45-102F1, FORM 45-102F2, FORM 45-102F3 AND COMPANION POLICY 45-102CP

On April 17, 2001, the Commission made Multilateral Instrument 45-102 Resale of Securities (the "Multilateral Instrument") as a rule under the Act and adopted Companion Policy 45-102CP (the "Companion Policy") as a policy under the Act. The Multilateral Instrument contains Forms 45-102F1 *Report made under Section 2.6 of Multilateral Instrument 45-102 Resale of Securities with respect to an Issuer that has cease to be a Private Company or Private Issuer* ("Form 45-102F1"), Form 45-102F2 *Certificate under Subsection 2.8 of Multilateral Instrument 45-102 Resale of Securities* ("Form 45-102F2"), and Form 45-102F3 *Notice of Intention to distribute securities and accompanying declaration under Section 2.10 of Multilateral Instrument 45-102 Resale of Securities* ("Form 45-102F3", and, together with Form 45-102F1and Form 45-102F2, the "Forms"). The Multilateral Instrument, the Forms and the Companion Policy are collectively referred to as the "Instrument".

The Instrument was sent to the Minister on April 17, 2000. The Instrument is being published in Chapter 5 of the Bulletin.

1.1.3 Amendments to Policies Assigning New Numbers to Policies

NOTICE OF COMMISSION APPROVAL OF AMENDMENTS TO POLICIES ASSIGNING NEW NUMBERS TO POLICIES

The Commission is publishing in today's Bulletin amendments to the following Policies which renumber these Policies in conformity with the numbering system used by the Canadian Securities Administrators. An explanation of that numbering system can be found at 19 OSCB 4258.

The changes are as follows:

Pre-Reformulation	New Number
OSC Policy 2.2 Public Availability of Material Filed Under the Securities Act	13-601
OSC Policy 2.6 Applications for Exemption from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material	52-601
OSC Policy 4.2 Suspension of Registration – Criminal Charges Pending	34-602
OSC Policy 4.6 Registration - Declaration of Personal Bankruptcy	34-601
OSC Policy 7.4 Business and Asset Combinations	62-602
OSC Policy 7.5 Reciprocal Filings	51-603
OSC Policy 9.3 Take-Over Bids – Miscellaneous Guidelines	62-601

The Notices and the Amendments to the Policies are published in Chapter 5 of the Bulletin.

Reference:

Kathleen Finlay
Manager, Project Office
Ontario Securities Commission
(416) 593-8125
Kfinlay@osc.gov.on.ca

1.1.4 OSC Staff Notice 11-709 – Assignment of Notice Numbers

ONTARIO SECURITIES COMMISSION
STAFF NOTICE 11-709

ASSIGNMENT OF NOTICE NUMBERS

As part of the Policy Reformulation Project, Staff has determined that the following notices are to be reclassified according to the numbering system adopted by the Canadian Securities Administrators. An explanation of that numbering system can be found at 19 OSCB 4258. In some instances, Staff has determined that minor changes to the notices are needed so that the notices conform to existing statutory references; such changes are noted accordingly under "Comments". The assignment of these new numbers is effective immediately.

Pre-Reformulation	New Number	Comments
OSCN Advertising and Use of Marketing Material During the Waiting Period (1987) 10 OSCB 2831	47-701	
OSCN Pre-Filing Consultation on Innovative or Unusual Financial Reporting (1987) 10 OSCB 5687	52-703	
OSCN Media Articles Appearing During the Waiting Period (1988) 11 OSCB 1098	47-703	
OSCN Noranda Inc./Falconbridge Limited - Proposed Stock Exchange Take-Over Bid/Pre-Bid Integration Rules (1988) 11 OSCB 4367	62-702	Reference to "section 93 of the Act" in the second last paragraph should now read "section 94 of the Act"
OSCN Use of "Special Warrants" in Connection with Distribution of Securities by Prospectus (1989) 12 OSCB 2168	46-701	
OSCN Staff Investigation in Respect of Loan by Stelco Inc. to Controlling Shareholder of Clarus Corporation (1991) 14 OSCB 1807	62-701	In the third paragraph, the reference to "Part XIX of the Act" should now read "Part XX of the Act"
OSCN Report on Financial Statement Issues (1992) 15 OSCB 6	52-704	
OSCN Office of the Chief Accountant - MD&A Guide (1993) 16 OSCB 360	51-704	
OSCN Contemporaneous Private Placements and Public Offerings and Media Coverage Prior to the Commencement of the Waiting Period (1993) 16 OSCB 5776	47-702	
OSCN Executive Compensation Disclosure for Debt-Only Issuers (1994) 17 OSCB 1059	51-702	
OSCN Meetings with a Commissioner Regarding a Prospectus or an Application for Exemption or Registration (1994) 17 OSCB 3529	15-701	

For further information, please contact:

Kathleen Finlay
Manager, Project Office
Tel: 416-593-8125
kfinlay@osc.gov.on.ca

1.1.5 OSC Staff Notice 11-710 – Withdrawal of Staff Accounting Communiqués

ONTARIO SECURITIES COMMISSION
STAFF NOTICE 11-710

WITHDRAWAL OF STAFF ACCOUNTING COMMUNIQUÉS

Commission Staff has determined that the following Staff Accounting Communiqués are no longer required. Accordingly, they are to be withdrawn effective immediately.

SAC No. 4 Interest Accrual on Delinquent Loans (1991), 14 O.S.C.B. 1809
SAC No. 9 Pro Forma Financial Statements (1994), 17 O.S.C.B. 5207

For further information, please contact:

Sandra Dowling
Senior Accountant, Office of the Chief Accountant
Tel: 416-593-8153
sdowling@osc.gov.on.ca

1.1.6 OSC Staff Notice 11-712 - Withdrawal of CSA Notices

OSC NOTICE 11-712
WITHDRAWAL OF CSA NOTICES

The following CSA Notices are withdrawn effective immediately. The Notices listed are being withdrawn in all CSA jurisdictions.

CSAN 92/02	Applications for Discretionary Orders
CSAN 92/04	Review of National Policy Statement No. 41
CSAN 94/01	An Electronic System for Securities Filings
CSAN 95/01	Conflicts of Interest
CSAN 95/03	SEDAR
CSAN 13-301	SEDAR - Use of Incorrect Document Formats
CSAN 13-302	Notice of Changes to SEDAR Filer Software
CSAN 13-303	SEDAR Operational Changes
CSAN 13-304	Changes to SEDAR Filing Service Charges
CSAN 13-305	SEDAR Changes for Mutual Reliance Review Systems for Prospectuses and AIFs
CSAN 31-301	The Year 2000 Challenge
CSAN 31-302	Securities Industry Contingency Planning
CSAN 31-303	System Changes for Market Participants after Completion of Year 2000 Testing
CSAN 31-304	Year 2000: Backup of Records
CSAN 33-301	National Instrument 33-106 - Year 2000 Preparation Reporting
CSAN 33-302	National Instrument 33-106 - Non-Compliant Registered Firms and Possible Terms and Conditions
CSAN 41-301	The Year 2000 Challenge - Disclosure Issues
CSAN 51-302	The Year 2000 Challenge - Disclosure Issues

CSAN 51-303	CSA Follow-up of Inadequate Year 2000 Disclosure
CSAN 81-303	Year 2000 Disclosure for Mutual Funds

For further information, please contact:

Kathleen Finlay
Manager, Project Office
Ontario Securities Commission
Tel: 416-593-8125
kfinlay@osc.gov.on.ca

1.1.7 Universal Market Integrity Rules

NOTICE AND REQUEST FOR COMMENTS

TORONTO STOCK EXCHANGE REGULATION SERVICES AND THE CANADIAN VENTURE EXCHANGE INC. PROPOSED UNIVERSAL MARKET INTEGRITY RULES

The Canadian Venture Exchange ("CDNX") and the Toronto Stock Exchange Regulation Services ("RS") are publishing for comment proposed Universal Market Integrity Rules ("UMI rules"). The UMI rules are a joint initiative of RS and CDNX undertaken to harmonize their market integrity rules.

In response to the CSA proposal on alternative trading systems (ATS), the Toronto Stock Exchange (TSE) and the Investment Dealers Association of Canada are proposing to create a stand alone market regulator. Once the market regulator is recognized as an SRO under securities legislation, RS and CDNX propose that the market regulator will adopt the UMI rules and the TSE and CDNX will delete their existing market integrity rules.

The UMI rules are being published for comment in Chapter 13 of this Bulletin. The Canadian Securities Administrators are also publishing a notice and request for comment on the UMI rules in Chapter 13 of this Bulletin.

1.1.8 Rule 41-502 - Prospectus Requirements for Mutual Funds

NOTICE OF MINISTER OF FINANCE APPROVAL OF FINAL RULE 41-502 PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS

AND

NOTICE OF AMENDMENT TO REGULATION 1015 OF THE REVISED REGULATIONS OF ONTARIO, 1990 MADE UNDER THE SECURITIES ACT IN CONNECTION WITH OSC RULE 41-502

On March 7, the Minister of Finance approved Rule 41-502 Prospectus Requirements for Mutual Funds (the "Rule"). Previously, materials related to the Rule and Companion Policy 41-502 CP (the "Companion Policy") were published in the Bulletin on June 27, 1997 and January 19, 2001. The Rule and Companion Policy came into effect on April 5, 2001.

The Commission published in the April 13 issue of the OSC Bulletin a regulation to amend and revoke certain sections of Regulation 1015 of the Revised Regulation of Ontario, 1990 made under the Securities Act (the Regulation") in connection with the Rule.

The notice in the April 13 issue of the OSC Bulletin stated that the final Rule and Companion Policy were also being published in the same issue.

The final Rule and Companion Policy were inadvertently omitted from the April 13 issue of the OSC Bulletin.

The final Rule and Companion Policy are published in chapter 5 of this OSC Bulletin. The Rule will also be published in the Ontario Gazette on April 21, 2001.

1.2 News Releases

1.2.1 CSA Notice of News Release - MFDA Gets Official Green Light

FOR IMMEDIATE RELEASE
April 11, 2001

MFDA GETS OFFICIAL GREEN LIGHT

Toronto – Final approval for recognition of the Mutual Fund Dealers Association of Canada as a self-regulatory organization has been received by the British Columbia, Alberta, Saskatchewan and Ontario securities commissions. This move will add a new and important level of protection for investors in mutual funds.

Rules of those provinces also require all registered mutual fund dealers to become members of the MFDA by specified deadlines.

"We have reached the final milestone in a process that has seen mutual fund sales professionals, investors and regulators work together to give the MFDA the means to address the business needs of the industry, while continuing to preserve the necessary investor protections afforded by securities legislation," said Doug Hyndman, Chair of the Canadian Securities Administrators.

Mr Hyndman added, "We look forward to working with the MFDA in our oversight capacity to ensure that the goals of this important initiative are maintained. And that mutual fund dealers become members of this new SRO, which is tailored to reflect their businesses."

"The recognition of the MFDA as a SRO, which has long been anticipated by the mutual fund distribution industry, investors and regulators, will have a continuing positive impact on investor confidence and the integrity of the Canadian capital markets," said MFDA Chief Operating Officer, Larry Waite.
All mutual fund dealers registered in applicable jurisdictions as mutual fund dealers are now required to:

- prepare and submit to the MFDA an application for membership in the form prescribed by the MFDA, together with the MFDA's prescribed fees by May 23, 2001 in Ontario and British Columbia and May 31, 2001 in Saskatchewan.
- become members of the MFDA by July 2, 2002 in Ontario and Saskatchewan.

The rules and by-laws of the MFDA are available on the MFDA and OSC website and were published in the February 16 edition of the OSC Bulletin.

The MFDA has posted its form of application for membership and a description of the application process on its website at **http://www.mfda.ca**

References:

Ontario Securities Commission
Rebecca Cowdery
Manager, Investment Funds
(416) 593-8129

Rowena McDougall
Sr. Communications Officer
(416) 593-8117

British Columbia Securities Commission
Michael Bernard
Director of Communications
(604) 899-6524

Alberta Securities Commission
Joni Delaurier
Communications Coordinator
(403) 297-4481

Saskatchewan Securities Commission
Barbara Shourounis
Director
(306) 787-5842

Mutual Fund Dealers Association of Canada
Connie Craddock
(416) 943-5870

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Vermilion Resources Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - directors and senior officers of the issuer granted relief from the requirement to file insider reports in connection with the acquisition of common share of the issuer under the issuer's Employee Share Ownership and Group RRSP Savings Plan, subject to certain conditions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., 1990, c.S.5, as amended, s. 121(2).

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
VERMILION RESOURCES LTD.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia and Ontario (the "Jurisdictions") has received an application from Vermilion Resources Ltd. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation for an insider of a reporting issuer to file insider reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer (the "Insider Reporting Requirement") shall not apply to directors and senior officers of the Filer with respect to their acquisition of common shares of the Filer ("Common Shares") under the Filer's Employee Share Ownership and Group RRSP Savings Plan (the "Plan"), under certain conditions;

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 the Filer is a corporation incorporated on November 23, 1993 pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "Act") as Vermilion Resources Ltd. On February 6, 1995, Vermilion Resources Ltd. amalgamated with Vista Nuova Energy Inc. pursuant to the provisions of the Act and continued under the name Vermilion Resources Ltd;

3.2 the authorized capital of the Filer consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, of which approximately 53,710,000 Common Shares are issued and outstanding;

3.3 the Filer is a reporting issuer or the equivalent in each of the Jurisdictions and in Quebec and is not in default of any requirements of the Legislation. The Common Shares of the Filer are listed and posted for trading on the Toronto Stock Exchange (the "TSE");

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

3.5 all active full-time employees of the Filer are eligible to participate in the Plan upon completion of a 3-month waiting period from commencement of their employment. Participation in the Plan is voluntary;

3.6 the Plan allows participants to contribute up to 5% of their monthly base salary by way of payroll deduction toward the purchase of Common Shares, which contribution is matched by the Filer;

3.7 acquisitions of Common Shares under the Plan are made by an independent administrator, BMO Nesbitt Burns Inc. (the "Trustee"), in the open market, with all associated fees being paid by the Filer;

3.8 contributions are sent to the Trustee each month, who then purchases Common Shares on the open market at the then current market price through the facilities of the TSE. The balance of the funds are to be invested by the Trustee as directed by the participating employee. All account fees associated with administering the Plan and all fees associated with the purchase of the Common Shares are paid by the Filer;

3.9 the number of Common Shares that may be purchased under the Plan is limited by the number of employees participating in the Plan and their respective salaries and will be minimal in relation to the total number of Common Shares issued and outstanding;

3.10 the Plan does not provide participants with the option to make lump sum contributions;

3.11 insiders of the Filer have no authority to determine the prices or times at which the Common Shares are purchased on his or her behalf under the Plan. The timing of Common Share acquisitions, the number of shares purchased, and the price paid for shares are established by criteria set out in the Plan. The Plan is an "automatic securities purchase plan" as such term is defined in proposed National Instrument 55-101 - *Exemption from Certain Insider Reporting Requirements* (2000), 23 OSCB 4221) ("Proposed NI 55-101");

3.12 unless this order is granted, each director and senior officer of the Filer who elects to participate in the Plan would be subject to the Insider Reporting Requirement each time he or she acquires Common Shares under the Plan;

4. **AND WHEREAS** under 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 Makers with the jurisdiction to make the decision has been met;

6. **THE DECISION** of the Decision Makers under the Legislation is that, subject to the restrictions set forth below, the Insider Reporting Requirement shall not apply to directors or senior officers of the Filer with respect to acquisitions of Common Shares of the Filer pursuant to the Plan, provided that:

6.1 the director or senior officer files a report disclosing, in the form prescribed for the Insider Reporting Requirement, all acquisitions of Common Shares under the Plan that have not previously been reported by or on behalf of such director or senior officer:

6.1.1 for any Common Shares acquired under the Plan during a calendar year which have been disposed of or transferred during the calendar year within the time required by the Legislation for reporting the disposition or transfer; and

6.1.2 for any Common Shares acquired under the Plan during a calendar year, which have not been disposed of or transferred, within 90 days of the end of the calendar year; and

6.2 such exemption is not available to a director or senior officer who beneficially owns, directly or indirectly, voting securities of the Filer, or exercises control or direction over voting securities of the Filer, or a combination of both, that carry more than 10% of the voting rights attaching to all outstanding voting securities of the Filer;

6.3 this decision terminates on the effective date of Proposed NI 55-101 or any legislation or rule dealing with similar exemptions from the Insider Reporting Requirement.

DATED at Edmonton, Alberta this 17th day of January, 2001.

"Agnes Lau"

2.1.2 Calpine Canada Trigas Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - decision deeming that a company is no longer 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 ALBERTA, SASKATCHEWAN,
ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
CALPINE CANADA TRIGAS LTD.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Saskatchewan, Ontario and Quebec (the "Jurisdictions") has received an application from Calpine Canada TriGas Ltd. ("Calpine Canada") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that Calpine be deemed to have ceased to be a reporting issuer or equivalent under the Legislation;

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** Calpine Canada has represented to the Decision Makers that:

   3.1 Calpine Canada was formed under the laws of Alberta pursuant to an amalgamation (the "Amalgamation") under the *Business Corporations Act* (Alberta) (the "ABCA");

   3.2 Calpine Canada's head office is located in Calgary, Alberta;

   3.3 the authorized capital of Calpine Canada consists of an unlimited number of common shares, of which 35,176,833 common shares are issued and outstanding;

   3.4 Calpine Canada is not in default of any of the requirements of the Legislation;

   3.5 Calpine Corporation ("Calpine USA") is a corporation existing under the laws of Delaware;

   3.6 899340 Alberta Ltd. ("899340") was a wholly-owned subsidiary of 899510 Alberta Ltd. ("899510") and an indirect wholly-owned subsidiary of Calpine USA;

   3.7 899510 is an indirect wholly-owned subsidiary of Calpine USA;

   3.8 899340 successfully completed a take-over bid offer (the "Offer") to acquire all of the outstanding common shares of TriGas Exploration Inc. ("TriGas") and subsequently exercised its rights under the compulsory acquisition provisions of the ABCA to acquire the common shares of TriGas not tendered under the Offer;

   3.9 after acquiring all of the common shares of TriGas, the Amalgamation was completed between TriGas and 899340 to form Calpine Canada;

   3.10 as a result of the Amalgamation, 899510 became the sole owner of all of the outstanding common shares of Calpine Canada;

   3.11 prior to the Amalgamation, TriGas was a reporting issuer in each of the Jurisdictions;

   3.12 as a result of the Amalgamation, Calpine Canada became a reporting issuer in each of the Jurisdictions on January 1, 2001;

   3.13 the common shares of TriGas were de-listed from The Toronto Stock Exchange on November 28, 2000;

   3.14 no securities of Calpine Canada are listed or quoted on any exchange or market;

   3.15 Calpine Canada has no securities outstanding other than the common shares and one Demand Promissory Note evidencing indebtedness to 899340; and

   3.16 Calpine Canada 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 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;

6. **THE DECISION** of the Decision Makers under the Legislation is that Calpine Canada is deemed to have ceased to be a reporting issuer or the equivalent under the Legislation.

March 29, 2001.

"Patricia M. Johnston"

2.1.3 Northwest Mutual Funds Inc. & Northwest Balanced Fund - MRRS Decision

Headnote

Relief from conflicts provisions to permit fund-on-fund structure.

Statutes Cited

Securities Act, R.S.O. 1990, c. S5, as amended, ss. 111 and 117.

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

AND

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

AND

IN THE MATTER OF
NORTHWEST MUTUAL FUNDS INC. ("NORTHWEST") AND
NORTHWEST BALANCED FUND
(the "Top Fund")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **"Decision Maker"**) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the **"Jurisdictions"**) has received an application (the **"Application"**) from Northwest as manager of the Top Fund for a decision by each Decision Maker (collectively, the **"Decision"**) under the securities legislation of the Jurisdictions (the **"Legislation"**) that the following provisions of the Legislation (the **"Applicable Legislation"**) shall not apply to the Top Fund or Northwest, in respect of its investment in securities of Northwest International Fund (the **"International Fund"**) or other mutual funds created by Northwest from time to time (the **"Underlying Fund(s)"**), for the purpose of managing the foreign exposure of the Top Fund within the Permitted Aggregate Investment (as defined herein):

1. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making and holding an investment in a person or company, in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder; and

2. the requirements contained in the Legislation requiring a management company, or in British Columbia, a mutual fund manager, to file a report relating to a purchase or sale of securities between the mutual fund and any related person or company, or any transaction in which, by arrangement other than an arrangement

relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies.

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 Northwest has represented to the Decision Makers that:

1. Northwest is a registrant, registered as a mutual fund dealer under the Ontario Securities Act (the **"Act"**).

2. Northwest is or will be the trustee and manager of the Top Fund and the Underlying Funds and has its head office located in Ontario.

3. The Top Fund is an open-ended mutual fund trust established under the laws of Ontario, and the Underlying Funds are or will be open-ended mutual funds established under the laws of Ontario.

4. The Top Fund and the Underlying Funds are or will be reporting issuers and, to the best of the knowledge, information and belief of Northwest, the Top Fund and the International Fund are not in default of any requirement of the Legislation.

5. A simplified prospectus and annual information form in respect of the Top Fund and the International Fund was filed in each of the provinces and territories of Canada in June 2000 (SEDAR #263469) and receipts therefore were obtained. This prospectus was amended in October 2000. A *pro forma* simplified prospectus and annual information form for the Top Fund and the International Fund were filed in each of the provinces and territories of Canada on February 27, 2001 (SEDAR #335206) .

6. To achieve its investment objective, the Top Fund will invest in the Underlying Funds an aggregate amount that shall not exceed 27.5% (the "Permitted Aggregate Investment") of the assets of the Top Fund, subject to a variation to account for market fluctuations as described in representation 7.

7. To achieve its investment objective, the Top Fund will invest fixed percentages (the "Fixed Percentages") of its assets (other than cash and cash equivalents) in securities of one or more specified Underlying Funds, subject to a variation of 2.5% above or below the Fixed Percentages (the "Permitted Ranges") to account for market fluctuations.

8. The simplified prospectus for the Top Fund will disclose the investment objectives, investment strategies, risks and restrictions of the Top Fund and the Underlying Funds, the Fixed Percentages, the Permitted Ranges, and the Permitted Aggregate Investment. The Top Fund's investment in Underlying Funds will be in accordance with the Fixed Percentages and the Permitted Aggregate Investment which will be disclosed in the simplified prospectus of the Top Fund.

9. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Instrument 81-102, the investments by the Top Fund in the Underlying Funds will be, structured to comply with the investment restrictions of the Legislation and National Instrument 81-102.

10. In the absence of this Decision, the Top Fund would be prohibited from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder. As a result, in the absence of this Decision, the Top Fund would be required to divest itself of any investments referred to in this paragraph.

11. In the absence of this Decision, Northwest would be required to file a report of every purchase or sale by the Top Fund of the securities of an Underlying Fund.

12. The Top Fund's investment in, or redemption of, securities of the Underlying Funds will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Top Fund.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Applicable Legislation shall not apply so as to prevent the Top Fund from making and holding an investment in securities of the Underlying Funds in accordance with the Permitted Aggregate Investment, or to require Northwest to file a report relating to the purchase or sale of such securities.

PROVIDED IN EACH CASE THAT:

1. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with the matters in section 2.5 of NI 81-102; and
2. the Decision shall only apply if, at the time the Top Fund makes or holds an investment in the Underlying Funds, the following conditions are satisfied:

   a. the securities of both the Top Fund and the Underlying Funds are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;

   b. the investment by the Top Fund in the Underlying Funds is compatible with the

fundamental investment objectives of the Top Fund;

c. the simplified prospectus discloses the intent of the Top Fund to invest directly in securities of the Underlying Funds, the name(s) of the Underlying Funds, the Fixed Percentages, the Permitted Ranges within which such Fixed Percentages may vary, and the Permitted Aggregate Investment;

d. the investment objective of the Top Fund discloses that the Top Fund invests in securities of other mutual funds and the Permitted Aggregate Investment;

e. the Underlying Funds are not mutual funds whose investment objective includes investing directly or indirectly in other mutual funds;

f. the Top Fund invests its assets (exclusive of cash and cash equivalents) in the Underlying Funds in accordance with the Fixed Percentages and the Permitted Aggregate Investment disclosed in the simplified prospectus;

g. the Top Fund 's holding of securities in the Underlying Funds does not deviate from the Permitted Ranges;

h. any deviation from the Fixed Percentages is caused by market fluctuations only;

i. if an investment by the Top Fund in any of the Underlying Funds has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio was re-balanced to comply with the Fixed Percentages on the next day on which the net asset value was calculated following the deviation;

j. if the Fixed Percentages and the Underlying Funds which are disclosed in the simplified prospectus have been changed, either the simplified prospectus has been amended in accordance with securities legislation to reflect the change, or a new simplified prospectus reflecting the change has been filed within ten days thereof, and the securityholders of the Top Fund have been given at least 60 days' notice of the change;

k. there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;

l. no sales charges are payable by the Top Fund in relation to its purchases of securities of the Underlying Funds;

m. no redemption fees or other charges are charged by an Underlying Fund in respect of the redemption by the Top Fund of securities of the Underlying Fund owned by the Top Fund;

n. no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the securities of the Underlying Funds;

o. the arrangements between or in respect of the Top Fund and the Underlying Funds are such as to avoid the duplication of management fees;

p. any notice provided to securityholders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund has been delivered by the Top Fund to its securityholders;

q. all of the disclosure and notice material prepared in connection with a meeting of securityholders of the Underlying Funds and received by the Top Fund has been provided to its securityholders, the securityholders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Funds except to the extent the securityholders of the Top Fund have directed;

r. in addition to receiving the annual and, upon request, the semi-annual financial statements, of the Top Fund, securityholders of the Top Fund have received appropriate summary disclosure in respect of the Top Fund's holdings of securities of the Underlying Funds in the financial statements of the Top Fund; and

s. to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the simplified prospectus and annual information form of the Underlying Funds have been provided upon request to securityholders of the Top Fund and the right to receive these documents is disclosed in the prospectus of the Top Fund.

April 10, 2001.

"J.A. Geller" "K.D. Adams"

2.1.4 Merrill Lynch Financial Assets Inc. & Merrill Lynch Canada Inc. - MRRS Decision

Headnote

MRRS - Mutual Reliance Review System for Exemptive Relief Applications -- issuer is a related issuer and connected issuer of applicant underwriter -- issuer administered by the underwriter, and both issuer and underwriter are subsidiaries of common parent -- issuer proposing distribution by prospectus of tranche of asset-backed securities -- complete relief from the independent underwriter requirement in the Legislation granted since over 90% of the Offering is expected to be sold to institutional investors and no purchase under the prospectus shall be for less than $500,000.

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 ONTARIO, BRITISH COLUMBIA,
ALBERTA, QUÉBEC AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF
MERRILL LYNCH FINANCIAL ASSETS INC.
(formerly MERRILL LYNCH MORTGAGE LOANS INC.)
AND MERRILL LYNCH CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Québec and Newfoundland (the "Jurisdictions") has received an application from Merrill Lynch Financial Assets Inc. (formerly Merrill Lynch Mortgage Loans Inc.) (the "Issuer") and Merrill Lynch Canada Inc. ("ML Canada") (the Issuer and ML Canada are collectively referred to herein as the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the provision contained in the Legislation mandating independent underwriter involvement shall not apply to ML Canada and the Issuer in respect of the proposed offering of Canada 5 Pass-Through Certificates (as defined below);

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

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

1. the Issuer was incorporated under the laws of Canada on March 13, 1995; effective March 15, 2001, the Issuer changed its name from Merrill Lynch Mortgage Loans Inc. to Merrill Lynch Financial Assets Inc.; the head office of the Issuer is located in Toronto, Ontario;

2. the authorized share capital of the Issuer consists of an unlimited number of common shares, of which 1,000 common shares are issued and outstanding, all of which are held by Merrill Lynch & Co., Canada Ltd. ("ML & Co.");

3. to date the Issuer has issued 600,000,000 S&P BULLS (the "S&P 500 Bulls"); $182,083,237 (initial certificate balance) of pass-through certificates of which $163,874,000 (initial certificate balance) were designated as Exchangeable Commercial Mortgage Pass-Through Certificates, Series 1998 - Canada 1 (the "Offered Certificates"); $163,874,000 (initial certificate balance) Commercial Mortgage Pass-Through Certificates, Series 1998-Canada 1 (the "C-1 Certificates"); $193,741,000 (initial certificate balance) of Commercial Mortgage Pass-Through Certificates, Series 1999-Canada 2 (the "C-2 Certificates"); $220,000,000 (initial certificate balance) of 1st Street Tower Pass-Through Certificates (the "Tower Certificates"); approximately $227,324,000 (initial certificate balance) of Commercial Mortgage Pass-Through Certificates, Series 2000-Canada 3 (the "C-3 Certificates"); approximately $115,500,000 (initial certificate balance) of BMCC Corporate Centre Pass-Through Certificates, Series 2000-BMCC (the "BMCC Certificates"); approximately $255,981,000 (initial certificate balance) of Commercial Mortgage Pass-Through Certificates, Series 2000-Canada 4 (the "C-4 Certificates"); and approximately $187,680,000 (initial certificate balance) of Commercial Mortgage Pass-Through Certificates, Series 2001-LBC (the "LBC Certificates");

4. on May 19, 2000 the Issuer filed a revised annual information form and received an acceptance thereof on behalf of the Canadian securities administrators dated August 31, 2000;

5. the Issuer is and has been a "reporting issuer" pursuant to the securities legislation in certain of the provinces of Canada for over 12 calendar months. Pursuant to a decision dated November 30, 2000 of the Decision Makers of Ontario, British Columbia, Alberta, Newfoundland, Nova Scotia and Saskatchewan (the "November 30, 2000 Decision"), the Issuer has been granted certain relief in connection with the requirement in the securities legislation of such jurisdictions to make continuous disclosure of its financial results, and from other forms of continuous disclosure required under such legislation, provided that the Issuer complies with

the conditions set out in the November 30, 2000 Decision;

6. the Issuer currently has no assets or liabilities other than its rights and obligations under certain of the material contracts related to the S&P 500 BULLS, the C-1 Certificates, the C-2 Certificates, the C-3 Certificates, the C-4 Certificates, the LBC Certificates, the Tower Certificates and the BMCC Certificates transactions and does not presently carry on any activities except in relation to the S&P 500 Bulls, the C-1 Certificates, the C-2 Certificates, the C-3 Certificates, the C-4 Certificates, the LBC Certificates, the Tower Certificates and the BMCC Certificates;

7. the officers and directors of the Issuer are employees of ML Canada;

8. ML Canada was continued and amalgamated under the laws of Canada on August 26, 1998; the authorized share capital of ML Canada consists of an unlimited number of common shares; the common shares of ML Canada are owned by ML & Co. and Midland Walwyn Inc; the head office of ML Canada is located in Toronto, Ontario;

9. ML Canada is not a reporting issuer in any Canadian province;

10. ML Canada is registered as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada;

11. the Issuer proposes to offer Commercial Mortgage Pass-Through Certificates, Series 2001-Canada 5 (the "Canada 5 Pass-Through Certificates"), issuable in classes, with an Approved Rating by an Approved Rating Organization, as those terms are defined in the Legislation with respect to short form prospectus distributions, to the public in Canada (the "Offering"), to finance the purchase by the Issuer from Merrill Lynch Capital Canada Inc. and from other originators of mortgage loans of ownership interests in particular mortgage loans deposited with Montreal Trust Company of Canada as custodian; each Canada 5 Pass-Through Certificate of a particular class will represent an undivided co-ownership interest in a particular pool of mortgage loans;

12. ML Canada proposes to act as the underwriter in connection with the distribution of 100% of the dollar value of the distribution for the proposed Offering;

13. the Filers expect that approximately 90% of the Offering, in which the minimum subscription will be $500,000, will be made to Canadian institutions, pension funds, endowment funds or mutual funds based upon the experience of the Canada 1, Canada 2, Canada 3 and Canada 4 offerings and ML & Co.'s U.S. experience;

14. the only financial benefits which ML Canada will receive as a result of the proposed Offering are the normal arm's length underwriting commission and reimbursement of expenses associated with a public offering in Canada, which commissions and reimbursements shall for purposes of this Decision be deemed to include the increases or decreases contemplated by Section 3.5(a)(1) of National Policy No. 44 and by the applicable securities legislation in Québec;

15. ML Canada administers the ongoing operations and pays the ongoing operating expenses of the Issuer, for which ML Canada receives no additional compensation;

16. the Issuer may be considered to be a related issuer (as defined in the Legislation) and therefore a connected (or equivalent) issuer (as defined in the Legislation) of ML Canada for the purposes of the proposed Offering because:

    (a) both ML Canada and the Issuer are subsidiaries of ML & Co.;

    (b) the officers of the Issuer are employees of ML Canada;

    (c) ML Canada administers the on-going operations of the Issuer;

17. in connection with the proposed distribution by ML Canada of 100% of the Canada 5 Pass-Through Certificates of the Issuer, the preliminary and final prospectus of the Issuer shall contain the following information:

    (a) on the front page of each such document,

        (i) a statement, naming ML Canada, in bold type which states that the Issuer is a related or connected issuer of ML Canada in connection with the distribution,

        (ii) a summary, naming ML Canada, stating that the Issuer is a related or connected issuer of ML Canada based on, among other things, the common ownership of ML Canada and the Issuer,

        (iii) a cross-reference to the applicable section in the body of the document where further information concerning the relationship between the Issuer and ML Canada is provided, and

        (iv) a statement that the minimum subscription amount is $500,000;

    (b) in the body of each such document,

        (i) a statement, naming ML Canada, that the Issuer is a related or connected issuer of ML Canada in connection with the distribution,

        (ii) the basis on which the Issuer is a related or connected issuer to ML Canada, including details of the common

ownership by ML & Co. of ML Canada and the Issuer, and other aspects of the relationship between ML Canada and the Issuer,

(iii) disclosure regarding the involvement of ML Canada in the decision to distribute the Canada 5 Pass-Through Certificates being offered and the determination of the terms of the distribution, and

(iv) details of the financial benefits described in paragraph 14 of this Decision Document which ML Canada will receive from the proposed Offering;

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the requirement contained in the Legislation mandating independent underwriter involvement shall not apply to ML Canada and the Issuer in connection with the Offering provided that the Issuer complies with Paragraph 17 hereof.

April 5, 2001.

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

2.2 Orders

2.2.1 Aliant Inc. - 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
ALIANT INC.

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 Aliant Inc. (the "**Applicant**") filed a preliminary prospectus dated April 6, 2001 (the "**Preliminary Prospectus**") in accordance with the Short Form Rule relating to the qualification of Cumulative Redeemable Preference Shares, Series 2 (the "**Offering**") and received a receipt therefor dated April 6, 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.

April 12, 2001.

"Iva Vranic"

2.2.2 Bell Canada - 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
BELL CANADA

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 Bell Canada (the "**Applicant**") filed a preliminary base shelf prospectus dated April 5, 2001 (the "**Preliminary Prospectus**") in accordance with the Short Form Rule relating to the qualification of $3,000,000,000 Debt Securities (the "**Offering**") and received a receipt therefor dated April 5, 2001;

AND WHEREAS the Applicant intends to file a (final) base shelf 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.

April 11, 2001.

"Margo Paul"

2.2.3 Hollis Receivables Term Trust - 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 44-102.

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 44-102.

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.

National Instrument 44-102 Shelf Distributions (2000) 23 OSCB (Supp) 565.

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 44-102 SHELF DISTRIBUTIONS (the "Shelf Distributions Rule"),
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
HOLLIS RECEIVABLES TERM TRUST

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 Hollis Receivables Term Trust (the "**Applicant**") filed a preliminary prospectus dated April 4, 2001 (the "**Preliminary Prospectus**") in accordance with the Short Form Rule as varied by the Shelf Distributions Rule relating to the qualification of receivable–backed notes (the "**Offering**") and received a receipt therefor dated April 4, 2001;

AND WHEREAS the Applicant intends to file a (final) prospectus (the "**Prospectus**") in accordance with the Short Form Rule as varied by the Shelf Distributions 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.

April 10th, 2001.

"Iva Vranic"

2.2.4 COM DEV International Ltd. - 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
COM DEV INTERNATIONAL LTD.

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 COM DEV International Ltd. (the "**Applicant**") filed a preliminary prospectus dated April 12, 2001 (the "**Preliminary Prospectus**") in accordance with the Short Form Rule relating to the qualification of 4,000,000 common shares (the "**Offering**") and received a receipt therefor dated April 12, 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.

April 16, 2001.

"Iva Vranic"

2.2.5 Liberty Mineral Exploration Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been reporting issuer in British Columbia and Alberta since November, 1999 and July 1997 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., s. 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
LIBERTY MINERAL EXPLORATION INC.

ORDER
(Subsection 83.1(1))

UPON the application of Liberty Mineral Exploration Inc. ("Liberty") for an order pursuant to subsection 83.1(1) of the Act deeming Liberty to be a reporting issuer for the purposes of the Act and the regulations made hereunder (the Act and the regulations collectively, "Ontario Securities Law");

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

AND UPON Liberty representing to the Commission as follows:

1. Liberty is a company organized and existing under the laws of Alberta.

2. Liberty's head office is located in Toronto, Ontario.

3. Liberty has been a reporting issuer in Alberta under the *Securities Act (Alberta)* (the "Alberta Act") since July 31, 1997 and in British Columbia under the *Securities Act (British Columbia)* (the "B.C. Act") since November 29, 1999.

4. Liberty is not in default of any of the requirements of the Alberta Act or the B.C. Act.

5. The continuous disclosure materials filed by Liberty under the Alberta Act since July 31, 1997 and under the B.C. Act since November 29, 1999 are available on the System for Electronic Document Analysis and Retrieval (SEDAR).

6. Liberty is not a reporting issuer or the equivalent under the securities legislation of any other jurisdiction in Canada.

7. The authorized share capital of Liberty consists of an unlimited number of common shares without par value of which 6,125,000 were issued and outstanding as at 6th December, 2000 and an unlimited number of preferred shares issuable in series, none of which are issued and outstanding.

8. The common shares of Liberty are listed on the Canadian Venture Exchange.

9. There are 126,249 outstanding options at an exercise price of $0.20 and 15,000 outstanding options at an exercise price of $0.40.

10. Liberty seeks to become a reporting issuer in Ontario for the following reasons:

    (a) its head office is situated in Toronto;

    (b) over 50 % of its shareholders are resident in Ontario; and

    (c) it will be seeking to raise funds in the future from Ontario residents by private placement and wants to ensure that the exemption under s.72(1)(d) of the Act is available so that Ontario residents who participate in such a placement are not subject to a perpetual hold period.

11. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.

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 Liberty is deemed to be a reporting issuer for the purposes of Ontario Securities Law.

April 17, 2001.

"Paul Moore" "Stephen N. Adams"

2.3. Rulings

2.3.1 Newport Partners Inc.- ss. 74(1)

Headnote

Subsection 74(1) - Certain trades in units that constitute an initial investment in a pooled fund, and subscriptions for additional units of such fund, exempt from section 25 and 53 of the Act subject to certain conditions.

Section 147 - Trades in units of pooled funds not subject to subsection 72(3) of the Act provided a Form 45-501F1 filed and required fees paid annually.

Section 233 of the Regulation - Relief granted from sections 223, 226, 227 and 228 of the Regulation with respect to the distribution of units of the funds subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 35(1)5, 53, 72(1)(d), 72(3), 74(1), 77(2), 78, 79, 147.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 223, 226, 227, 228, 233.

Rules Cited

Ontario Securities Commission Rule 45-501 *Exempt Distributions.*

Ontario Securities Commission Rule 81-501 *Mutual Fund Reinvestment Plans.*

Ontario Securities Commission Rule 33-501 *Conflict Rules in the Sale of Mutual Fund Securities*

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

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

AND IN THE MATTER OF
NEWPORT PARTNERS INC.

RULING AND ORDER
(Subsection 74(1) and Section 147 of the Act and Section 233 of the Regulation)

UPON the application of Newport Partners Inc. (the "Applicant") to the Ontario Securities Commission (the "Commission") for: (i) a ruling pursuant to subsection 74(1) of the Act that certain trades in units ("Units") of pooled investment trusts to be established and managed by the Applicant are not subject to sections 25 or 53 of the Act; (ii) an order of the Commission pursuant to section 147 of the Act that the trades in Units are not subject to subsection 72(3) of the Act and Rule 45-501 Exempt Distribution ("Rule 45-501") with respect to the filing of a Form 45-501 F1 in respect of trades in Units of such pooled investment trusts, provided a Form 45-501F1 and the prescribed fee are filed within 30 days of the financial year end of each pooled investment trust and (iii) an order pursuant to section 233 of the Regulation exempting the Applicant from sections 223, 226, 227 and 228 of the Regulation in respect of the distribution of the Units;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation incorporated under the laws of the Province of Ontario and is registered under the Act as an adviser in the categories of investment counsel and portfolio manager and as a dealer in the category of limited market dealer.

2. The Applicant provides discretionary investment and wealth management services to it clients pursuant to a managed account agreement entered into with each client. To the extent that its clients provide authority to do so, the investment management services may be carried out by the Applicant through the discretionary investment of a client's assets in one or more open-end pooled fund trusts established and managed by the Applicant.

3. The Applicant has established the following open-end pooled fund trusts:

   (i) The Newport Canadian Equity Fund;
   (ii) The Newport Fixed Income Fund;
   (iii) The Newport US Equity Fund;
   (iv) The Newport International Equity Fund; and
   (v) The Newport Strategic Investors Fund

   Each fund was established pursuant to a Master Declaration of Trust and a separate fund Regulation thereto (collectively, in respect of each fund, a "Trust Agreement") pursuant to which the Applicant has been appointed as the trustee of the Funds. The Applicant may from time to time establish additional pooled fund trusts in the future by fund Regulation (each such existing and future funds is referred to as a "Fund" and collectively as the "Funds").

4. The Commission has approved the proposal that the Applicant act as the trustee of the Funds pursuant to the authority conferred upon the Commission in clause 213(3)(b) of the *Loan and Trust Corporation Act* (Ontario). The Applicant also acts as manager of the Funds. The assets of each Fund are held with an independent custodian, General Trust Company of Canada.

5. Each Fund will be a "mutual fund in Ontario" as defined in subsection 1(1) of the Act and, as such, is required to comply with the requirements of subsection 77(2) and sections 78 and 79 of the Act with respect to the preparation, mailing to securityholders and filing with

the Commission of interim and annual financial statements.

6. The assets of each of the Funds are, or will be, invested from time to time upon the advice of the Applicant, or an investment advisor appointed by the Applicant, based on the objectives, policies and restrictions set out in each Fund's respective Trust Agreement.

7. Units of the Fund will be issued on a continuous basis at the net asset value per Unit on each valuation date set out in each Fund's respective Trust Agreement. No sales charges or deferred sales charges are charged when an investor buys Units of a Fund.

8. Units of the Funds are, or will be, redeemable without charge upon the request of a holder of Units of a Fund at the net asset value per Unit on the Fund's valuation date.

9. Units of the Funds will be non-transferable.

10. None of the Funds is expected to become a reporting issuer under the Act.

11. The fiscal year end of each Fund will be December 31.

12. Investors are not permitted to subscribe for Units of a Fund unless such investor makes, or has made, an initial purchase of Units of such Fund (an "Initial Investment") at a subscription price of not less than $150,000. The Applicant proposes that, for the purposes of calculating an investor's Initial Investment in a Fund, an investor may aggregate purchases made by the investor, his or her registered retirement savings plan or registered retirement income fund, and his or her wholly-owned companies, or any combination of the foregoing (a "Unitholder").

13. Without the relief granted herein, an Initial Investment in a Fund may not be made in reliance upon the registration and prospectus exemptions contained in paragraph 35(1)5 and clause 72(1)(d) of the Act, as amended by section 3.1 of Rule 45-501, where an investor calculates his or her Initial Investment in a Fund as described in paragraph 12 above.

14. Following an Initial Investment in a Fund, it is proposed that a Unitholder be permitted to subscribe for additional units of such Fund (the "Additional Units") by:

    (a) automatically reinvesting distributions otherwise receivable by the Unitholder which are attributable to outstanding units, unless otherwise requested by a Unitholder; or

    (b) subscribing and paying for Additional Units.

15. The issuance of Additional Units to Unitholders pursuant to the reinvestment as contemplated in paragraph 14(a) above will be made by the Fund in reliance upon the registration and prospectus exemptions contained in Rule 81-501 Mutual Fund Reinvestment Plans.

16. It is proposed that Unitholders be permitted to purchase Additional Units of a Fund in increments of less than $150,000, as contemplated in paragraph 14(b) above, provided that at the time of such subsequent acquisition, the Unitholder holds Units of the same Fund having either an aggregate acquisition cost or an aggregate net asset value of at least $150,000.

17. The Applicant is subject to the provisions of Part XIII of the Regulation with respect to the Funds, including sections 223 to 228 of the Regulation.

18. The Applicant acts in a similar capacity with respect the Units of the Funds as a mutual fund dealer, or as a fully registered dealer in respect of "associated mutual fund securities", as such term is defined in Rule 33-502 Exceptions to Conflict Rules in the Sale of Mutual Fund Securities.

AND UPON the Commission being satisfied that to grant this ruling and order would not be prejudicial to the public interest;

IT IS RULED pursuant to subsection 74(1) of the Act that trades by the Applicant of Units or Additional Units of a Fund to a Unitholder as described in paragraphs 12 and 16 of this ruling and order will not be subject to sections 25 and 53 of the Act, provided that:

A. the aggregate acquisition cost of the Initial Investment to the Unitholder is not less than $150,000;

B. at the time of the acquisition of Additional Units of a Fund, the Unitholder then owns Units of that Fund having either an aggregate acquisition cost or net asset value of not less than $150,000;

C. at the time of the acquisition of Units or Additional Units of a Fund, the Applicant is registered under the Act as an adviser in the categories of investment counsel and portfolio manager and as a dealer in the category of limited market dealer and such registrations are in good standing; and

D. this ruling will terminate 90 days after the publication in final form by the Commission of any rule regarding trades in securities of pooled funds;

AND IT IS ORDERED pursuant to section 147 of the Act that trades in Units and Additional Units of a Fund are not subject to subsection 72(3) of the Act and Rule 45-501 provided that within 30 days after the financial year of such Fund, the Fund files a report in accordance with Form 45-501F1 in respect of all trades in Units and Additional Units of the Fund during such financial year and pays the fee prescribed by section 7.3 of Rule 45-501;

AND IT IS FURTHER ORDERED pursuant to section 233 of the Regulation that the Applicant is exempt from the requirements of sections 223, 226 and 228 of the Regulation in respect of distributions of Units and Additional Units of the Funds;

AND IT IS FURTHER ORDERED pursuant to section 233 of the Regulation that the Applicant is exempt from the requirements of section 227 of the Regulation in respect of distributions of Units and Additional Units of the Funds, provided that the Applicant, before acquiring discretionary authority, secures the specific and informed written consent of the client to the exercise of the discretionary authority in respect of the Units of the Funds.

March 13, 2001.

"J. A. Geller" "Robert W. Davis"

2.3.2 Burgundy Japan Fund et al. - ss. 74(1) & s. 147

Headnote

Subsection 74(1) - Trades in additional units of pooled funds exempt from section 25 and 53 of the Act subject to certain conditions.

Section 147 - Trades in units of pooled funds not subject to subsection 72(3) of the Act provided a Form 45-501F1 filed and required fees paid annually.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53, 72(1)(d), 72(3), 74(1), 147.

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

AND

IN THE MATTER OF
BURGUNDY JAPAN FUND
BURGUNDY SMALL CAP VALUE FUND
BURGUNDY SMALLER COMPANIES FUND
BURGUNDY RCA TRUST FUND

RULING AND ORDER
(Subsection 74(1) and Section 147)

UPON the application (the "Application") of Burgundy Asset Management Ltd. ("Burgundy"), the manager of Burgundy Japan Fund, Burgundy Small Cap Value Fund, Burgundy Smaller Companies Fund and Burgundy RCA Trust Fund (together, the "Funds") to the Ontario Securities Commission (the "Commission") for: (i) a ruling pursuant to subsection 74(1) of the Act that certain trades of units (the "Units") of pooled fund trusts established or to be established by Burgundy shall not be subject to section 53 of the Act; and (ii) an order pursuant to section 147 of the Act that the requirement contained in subsection 72(3) of the Act to file a report of an exempt trade within 10 days of such trade shall not apply to the Funds in connection with certain trades of Units;

AND UPON Burgundy having represented to the Commission that:

1. Burgundy is a corporation incorporated under the laws of Ontario. Burgundy is registered under the Act as an adviser under the categories of investment counsel and portfolio manager, and dealer under the categories of mutual fund dealer and limited market dealer, and is the manager, distributor and promoter of the Funds. Royal Trust Corporation of Canada is the trustee of the Funds;

2. The Funds are open-ended mutual fund trusts established by Burgundy under the laws of Ontario;

3. Each of the Funds is a mutual fund in Ontario and is not in default of any filing requirements of the Act or the Regulations made thereunder;

4. The Funds are presently sold on a continuous basis in Ontario on a private placement basis;

5. The minimum aggregate initial investment in any of the Funds by an investor (the "Initial Investment") is not less than the minimum aggregate purchase amount prescribed by subsection 72(1)(d) of the Act (the "Prescribed Minimum") presently $150,000;

6. Following the Initial Investment, it is proposed that unitholders be permitted to subscribe for additional units (the "Additional Units") by:

   a. automatically receiving Additional Units as payment for distributions of the Fund declared and outstanding; or
   b. subscribing and paying for Additional Units;

provided that no unitholder may acquire Additional Units at an acquisition cost of less than the Prescribed Minimum unless, at the time of such subsequent acquisition, the unitholder holds units of the Fund which have either an original aggregate acquisition cost or an aggregate net asset value of at least the Prescribed Minimum; and

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

IT IS RULED pursuant to subsection 74(1) of the Act that trades in Additional Units shall not be subject to section 53 of the Act provided that:

(a) at the time of the acquisition of Additional Units, Burgundy is registered under the Act as a limited market dealer or mutual fund dealer and as an adviser in the categories of investment counsel and portfolio manager and such registrations are in good standing;

(b) at the time of acquisition of Additional Units, the unitholder then owns units of that Fund having either an aggregate acquisition cost or net asset value of not less than the Prescribed Minimum; and

(c) this Order will terminate 90 days after the publication in final form of any amendment to the Act, the regulation made pursuant thereto or a rule of the Commission regarding trades in securities of pooled funds.

AND IT IS ORDERED pursuant to section 147 of the Act that the requirement contained in subsection 72(3) of the Act to file a report of an Initial Investment or subscription for Additional Units within 10 days of such trade shall not apply in respect of such trades provided that within 30 days after each financial year end of a Fund:

(a) the Fund files with the Commission a report in respect of all trades in Units and Additional Units by the Fund during that financial year, in the form prescribed by the subsection 72(3) of the Act; and

(b) the Fund remits the applicable fee to the Commission.

March 27, 2001.

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

2.3.3 St Andrew Goldfields Ltd. - ss. 74(1)

Headnote

Subsection 74(1) - Issuance to trade creditors of common shares in settlement of outstanding accounts exempt from sections 25 and 53 of the Act - first trade in the common shares is a distribution unless made in accordance with subsection section 6.6 of Rule 45-501 Exempt Distributions.

Statutes Cited

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

Rules Cited

Rule 45-501 Exempt Distributions (1998) 21 OSCB 6548.

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

AND

IN THE MATTER OF
ST ANDREW GOLDFIELDS LTD.

RULING
(Subsection 74(1))

UPON the application of St Andrew Goldfields Ltd. ("St Andrew") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act, that certain issuances of common shares of St Andrew in satisfaction for indebtedness of St Andrew owing to secured and unsecured creditors (collectively the "Creditors") pursuant to a voluntary reorganization (the "Reorganization") are exempt from sections 25 and 53 of the Act, subject to certain conditions.

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

AND UPON St Andrew having represented to the Commission as follows:

1. St Andrew is a gold mining and exploration company which was incorporated under the laws of the Province of Ontario on January 11, 1983.

2. St Andrew is a reporting issuer under the Act and to the best of its knowledge is not in default of any requirement of the Act or the Regulation or rules made thereunder.

3. The authorized capital of St Andrew currently consists of an unlimited number of common shares, of which there are currently 27,178,039 common shares issued and outstanding.

4. The common shares of St Andrew are listed and posted for trading on the Toronto Stock Exchange (the "TSE").

5. St Andrew's principal assets consist of gold properties and mining claims and a custom gold processing mill located in the Destor-Porcupine area near Timmins, Ontario. St Andrew carried on active mining operations on its properties until November 2000. In November 2000, St Andrew ceased mining operations including custom milling due to low grades in its open pit operation and lack of developed ore and custom mill feed to use mill capacity economically and in connection therewith laid off substantially all of its employees. St Andrew's long term business plan is to raise sufficient capital to bring its Taylor gold project into commercial production thereby generating cash flow and profits.

6. Since completion of the shutdown of its operations, St Andrew has had no cashflow. As a result, St Andrew is experiencing a major capital deficiency and is suffering from severe financial hardship.

7. In order to deal with St Andrew's financial difficulties and to advance to its properties including its Taylor gold project. St Andrew has signed a term sheet dated February 1, 2001 (the "Term Sheet") with Silverbridge Partners, Griffiths McBurney and Partners, 1346049 Ontario Limited and St Andrew providing for a refinancing of St Andrew (the "Financing"). The Financing involves:

   (a) the private placement of up to 13,333,334 units at a price of $0.15 per unit, each unit consisting of one common share and one share purchase warrant. The warrant entitles the holder thereof to subscribe for St Andrew common shares at $0.20 per share and has a three year term. The gross proceeds from the private placement is $2,000,000 with the potential of raising a further $2,666,667 if all of the warrants are exercised; and

   (b) the private placement of $4,000,000 aggregate principal amount of convertible secured debentures, with each $0.15 principal amount of debenture convertible into a unit consisting of one common shares and one half of a common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of St Andrew at a price of $0.20. If the debentures are converted and all of the warrants exercised, a further $2,666,667 would be raised.

8. As part of the Reorganization and in satisfaction of a condition to the Financing, trade creditors of St Andrew (the "Creditors") holding approximately $2.7 million of indebtedness are required to agree to a compromise (the "Trade Creditor Settlement") of trade payables owed to them by St Andrew by accepting in satisfaction thereof (a) the lesser of the amount owing to such creditor and $3,250 in cash or (b) 25% of the amount owing in cash plus five common shares to St Andrew for each one dollar amount owing or (c) seven common shares of St Andrew for each dollar amount owing. The number of shares of St Andrew proposed to be issued in connection with the Settlement is 12,675,385.

9. It is a condition of the Trade Creditor Settlement that the order requested by this application be obtained.

10. St Andrew has also leased certain equipment from an arm's length third party (the "Equipment Lessor") who holds security over this equipment. In connection with the Reorganization, the Equipment Lessor intends to realize upon its security and sell the equipment. The proceeds realized on the sale of the equipment may not be sufficient to satisfy the indebtedness of St Andrew to the Equipment Lessor with the result that there may be a deficiency for which St Andrew would remain liable to the Equipment Lessor, as an unsecured creditor. St Andrew and the Equipment Lessor have reached an agreement in principal (the "Equipment Lessor Settlement") that, subject to regulatory approval, the amount of the deficiency would be satisfied by St Andrew issuing to the Equipment Lessor common shares of St Andrew at an issue price based on a agreed to discount from the market price of St Andrew common shares at the time of the sale of the equipment.

11. It is a condition of the Equipment Lessor Settlement that the order requested by this application be obtained.

12. In addition, as part of the reorganization, the board of directors of St Andrew will be reconstituted to five directors.

13. The TSE has accepted notice of the Financing and the issue of shares to the Creditors by letter dated February 9, 2001 subject to obtaining the written consent of shareholders of St Andrew holding at least 50% plus one share of the issued and outstanding common shares of St Andrew.

14. In furtherance of the TSE requirements St Andrew has obtained consents from shareholders representing 52.11% of the issued and outstanding common shares of St Andrew.

15. Because the precise number of shares to be issued to the Equipment Lessor pursuant to the Equipment Lessor Settlement cannot be determined until the amount of the deficiency is quantified notice to the TSE of the proposed issuance of shares to the Equipment Lessor will be deferred until determination of the deficiency.

16. St Andrew does not have sufficient cash resources to satisfy the indebtedness to the Creditors or to the Equipment Lessor, if any, each of whom are arm's length to St Andrew.

17. Each of the Creditors and the Equipment Lessor is a bona fide creditor of St Andrew and none of the Creditors nor the Equipment Lessor provided loans or services on the basis that St Andrew would pay for same by way of an issuance of common shares.

18. There is no exemption from registration and prospectus requirements of the Act available in respect of the issuance of common shares to the Creditors or the Equipment Lessor.

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

IT IS RULED, pursuant to subsection 74(1) of the Act, that the issuance by St Andrew of common shares to the Creditors pursuant to the Reorganization shall not be subject to sections 25 and 53 of the Act provided that:

1. the first trade in common shares issued to the Creditors pursuant to this ruling shall be a distribution unless such trade is made in compliance with the provisions of section 6.6 of Commission Rule 45-501 *Exempt Distributions* as if the securities had been acquired pursuant to an exemption referred to in that section; and

2. concurrently with the issuance of common shares pursuant to this ruling, St Andrew shall provide to each Creditor a copy of this ruling together with a statement which explains that, as a consequence of this ruling, certain protections, rights and remedies provided under the Act to purchasers of securities distributed by way of prospectus, including statutory rights of rescission and damages, are not available.

March 27, 2001.

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

Chapter 3

Reasons: Decisions, Orders and Rulings

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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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
CA-NETWORK INC.	03 Apr 01	-	12 Apr 01	-
Talisman Mines Ltd.	18 Apr 01	30 Apr 01	-	-

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Chapter 5

Rules and Policies

5.1.1 MI 45-102 - Resale of Securities

ONTARIO SECURITIES COMMISSION
NOTICE

MULTILATERAL INSTRUMENT 45-102
FORMS 45-102F1, 45-102F2 AND 45-102F3
AND COMPANION POLICY 45-102CP

RESALE OF SECURITIES

A. IMPLEMENTATION OF INSTRUMENT

The Ontario Securities Commission (the "Commission") has, under section 143 of the *Securities Act* (Ontario) (the "Act"), made Multilateral Instrument 45-102 Resale of Securities (the "Multilateral Instrument") as a rule under the Act, and has adopted Companion Policy 45-102CP (the "Companion Policy") as a policy under the Act. The Multilateral Instrument contains Forms 45-102F1, 45-102F2 and 45-102F3 (collectively, the "Forms"). The Multilateral Instrument, the Forms and the Companion Policy are collectively referred to as the "Instrument".

The Instrument is an initiative of certain members of the Canadian Securities Administrators (the "CSA"). The Multilateral Instrument has been, or is expected to be, adopted as a rule in each of British Columbia, Alberta, Ontario, Manitoba, Nova Scotia and Newfoundland, as a Commission regulation in Saskatchewan, as a policy in New Brunswick, Prince Edward Island and the Yukon Territory, and as a code in the Northwest Territories and Nunavut. The Companion Policy has been, or is expected to be, implemented as a Policy in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut. The Multilateral Instrument, Forms and Companion Policy will not be adopted in Quebec.

The Multilateral Instrument and the material required by the Act to be delivered to the Minister of Finance were delivered on April 17, 2001. If the Minister does not reject the Multilateral Instrument or return it to the Commission for further consideration by June 14, 2001, or if the Minister approves the Multilateral Instrument, the Multilateral Instrument will come into force, pursuant to section 5.1 therein, on June 29, 2001. The Companion Policy will be adopted on the date that the Multilateral Instrument comes into force.

Concurrently with making the Multilateral Instrument, the Commission has, by regulation, revoked subsection 69(1) and section 70 of the Regulation, amended section 247 of the Regulation, and revoked and amended sections 26 and 27 and subsection 28(3) of Schedule 1 to the Regulation. Forms 22 and 23 of the Regulation have also been revoked. See "Amendment of the Regulation" below. The regulation is subject to the approval of the Minister of Finance and will not be effective before the Multilateral Instrument comes into force.

B. PURPOSE AND SUBSTANCE OF MULTILATERAL INSTRUMENT, FORMS AND COMPANION POLICY

1. Introduction

On September 8, 2000, certain members of the CSA published for comment the following proposed instruments (collectively, the "proposed Documents"):

> Multilateral Instrument 45-102 Resale of Securities (the "proposed Rule")
>
> Form 45-102F1 Report Made Under Section 2.6 of Multilateral Instrument 45-102 Resale of Securities with respect to a Person or Company that has Ceased to be a Private Company or Private Issuer (the "proposed Form 45-102F1")
>
> Form 45-102F2 Certificate Under Subsection 2.7 of Multilateral Instrument 45-102 Resale of Securities (the "proposed Form 45-102F2")
>
> Form 45-102F3 Notice of Intention to Distribute Securities and Accompanying Declaration under Section 2.8 of Multilateral Instrument 45-102 Resale of Securities (the "proposed Form 45-102F3")
>
> (The proposed Form 45-102F1, proposed Form 45-102F2 and proposed Form 45-102F3 are collectively referred to in this Notice as the "proposed Forms")
> Companion Policy 45-102CP (the "proposed Policy")

The proposed Documents were published at (2000) 23 OSCB 6238. The accompanying notice (the "2000 Notice") summarized the proposed Documents, generally requested comment and specifically requested comment on the following two issues:

> (i) the requirement that a legended certificate representing the securities distributed under section 2.5 be provided to investors; and
>
> (ii) the provision for a four-month hold period for investment grade securities.

The CSA received submissions on the proposed Documents from nine commentators. The commentators are generally supportive of the proposed Documents and of the CSA's initiative to harmonize and clarify the resale rules. Some commentators state that the proposed Documents will indeed provide harmonization and regulatory certainty of the resale

rules in the jurisdictions which will be beneficial for maintaining the global competitiveness of the adopting jurisdictions as centres for raising capital.

The list of commentators is contained in Appendix A of this Notice and a summary of their comments, together with the CSA response to the comments, are contained in Appendix B of this Notice. As a result of the CSA's consideration of the comments received on the proposed Documents and as a result of further deliberations of the CSA, the Commission is publishing the Instrument in final form.

2. Purpose and Substance of the Instrument

The purpose and substance of the Instrument is to harmonize certain provincial and territorial resale restrictions imposed on subsequent trades of securities initially acquired under an exemption from the prospectus requirement. The Instrument also takes a harmonized approach to distributions from a control block and to trades in securities of a non-reporting issuer over a foreign exchange or market.

For additional information concerning the background of the proposed Documents, reference should be made to the 2000 Notice that accompanied the publication of the proposed Rule, proposed Forms and proposed Policy.

C. SUMMARY OF CHANGES FROM THE PROPOSED DOCUMENTS

This section describes changes made in the Instrument from the proposed Rule, Forms and Policy published for comment in September 2000, except that changes of a minor nature, or those made only for purposes of clarification or drafting reasons, are generally not discussed. The changes made are not material changes. The majority of the changes were made by the CSA in response to comments received; others were made as a result of further deliberations by the CSA.

1. Changes in the Proposed Rule

Section 1.1 Definitions

The definition of "approved rating" has been changed to delete the references to CBRS Inc., Duff & Phelps Credit Rating Co., Thomson Bankwatch, Inc. and their respective ratings due to the recent mergers or consolidations of operations of those rating organizations.

The definition of "current AIF" has been clarified to identify the five types of documents that qualify as a "current AIF" for the purpose of the Instrument.

The definition of "NPS 2-B" and item (e) of the definition of "qualifying issuer" have been amended to clarify that "NPS 2-B" means the form of that policy in place on the effective date of the Multilateral Instrument.

Item (d) of the definition of "qualifying issuer" has been amended to require only that the issuer "has not been notified by the qualified market that it does not meet the requirements to maintain" the listing or quotation standards. This amendment has been made as a result of two comments received and the CSA's further deliberations. The amendment deletes the requirement in the proposed Rule that an issuer must meet the listing or quotation maintenance standards in order to be a qualifying issuer.

Section 2.5 Hold Period

The wording "subject to securities legislation" in the legend required to be carried on securities certificates has been amended to "unless permitted under securities legislation". This amendment has been made in response to a comment that the wording "subject to securities legislation" is vague and that similar language to the legend required by the Canadian Venture Exchange Inc. ("CDNX") should be used.

Section 2.6 Seasoning Period

Item 2.6(4)6. has been clarified so that Form 45-102F1 is only required to be filed in each jurisdiction in which an issuer has ceased to be a private company or a private issuer. This clarification has been made in response to a comment received.

Subsection 2.6(5) is new to the Multilateral Instrument. It provides for a four-month seasoning period from the date of the trade for securities issued to employees of an issuer or its affiliates pursuant to the exercise of employee stock options, so long as the issuer is a qualifying issuer at the date of the trade. The effect of the amendment is that securities issued to employees of an issuer will be subject to the same seasoning period requirements regardless whether the employees acquired the securities before or after the issuer's initial public offering ("IPO"). The CSA recognize that many issuers, especially in the high tech industry, issue securities to their employees or employees of their affiliates under prospectus exemptions prior to the IPO of the issuers. The CSA believe that an issuer's employees who acquired its securities prior to its IPO should not be subject to longer seasoning periods than those employees who acquired the issuer's securities after its IPO. The addition of subsection 2.6(5) will encourage issuers to continue to use employee stock options, stock purchase plans and other similar employee incentives in the issuers' business development strategies prior to their IPOs.

Items 2.5(2)7., 2.5(3)7., 2.6(3)5., 2.6(4)5., 2.6(5)5., 2.10(2)5. and 2.10(3)4. Insider or Officer of Issuer

Items 2.5(2)7., 2.5(3)7., 2.6(3)5., 2.6(4)5., 2.6(5)5., 2.10(2)5. and 2.10(3)4. have been amended to provide a less onerous resale condition on sellers who are insiders or officers of the issuer. In the proposed Rule, such a seller must have "reasonable grounds to believe that the issuer is not in default of securities legislation". The wording in the proposed Rule would require the seller to have evidence to believe there has been no default. The CSA have decided that a less onerous standard would be sufficient. Accordingly, items 2.5(2)7., 2.5(3)7., 2.6(3)5., 2.6(4)5., 2.6(5)5., 2.10(2)5. and 2.10(3)4. have been amended to require that a seller who is an insider or officer of the issuer to have "no reasonable grounds to believe that the issuer is in default of securities legislation."

Section 2.7 Hold Period and Seasoning Period Exception

Section 2.7 is new and has been added to clarify that after the first trade of securities that satisfies the hold period and other

conditions in subsection 2.5(2) or 2.5(3), the securities will be freely tradeable unless the trade is a control distribution. Similarly, after the first trade of securities that satisfies the seasoning period and other conditions in subsection 2.6(3), 2.6(4) or 2.6(5), the securities will be freely tradeable unless the trade is a control distribution.

Section 2.9 Exemption for a Trade in a Security Acquired in a Take-over Bid or Issuer Bid

Section 2.9 is new to the Multilateral Instrument and harmonizes provisions previously existing in securities legislation. It provides an exemption from the resale restrictions in section 2.6 for trades of securities previously issued in a securities exchange take-over bid or securities exchange issuer bid if a take-over bid circular or an issuer bid circular was filed under securities legislation. The CSA have decided to retain the existing resale exemptions for securities distributed pursuant to take-over bid circulars and issuer bid circulars. However, in some jurisdictions, an issuer becomes a reporting issuer upon the filing of a securities exchange take-over bid circular, in one jurisdiction an issuer becomes a reporting issuer upon completion of the bid and in other jurisdictions an issuer does not become a reporting issuer upon filing a securities exchange take-over bid circular. For the purpose of harmonization, the CSA have imposed a requirement in paragraph (c) of section 2.9 that a selling security holder cannot rely on this exemption unless the offeror issuer is a reporting issuer at the date of the take up and payment for securities under the take-over bid or issuer bid.

Subsection 2.10 Exemption for a Trade by Control Person (section 2.8 in the Proposed Rule)

Paragraph 2.10(4)(a) has been amended to provide clarification that Form 45-102F3 is only required to be filed in jurisdictions in which the securities are being distributed, and, if applicable, with the exchange in Canada on which the securities that are the subject of the trade are listed. This amendment addresses the concern raised by a commentator that the wording in the proposed Rule may require the filing of the Forms in all jurisdictions including jurisdictions in which no securities were distributed.

Subsections 2.10(5), 2.10(6) and 2.10(7) provide clearer instructions on the timing of Form 45-102F3 filings and on when the filing of Form 45-102F3 is no longer required for a person or a company who has filed a Form 45-102F3 previously.

Section 2.12 Exemption for a Trade in an Underlying Security if the Right to Purchase, Convert or Exchange is Qualified by a Prospectus

Section 2.12 is new and reflects existing securities legislation in a number of jurisdictions. It has been added to provide an exemption from the resale rules for underlying securities issued or transferred under the terms of convertible securities if the convertible securities are distributed under a prospectus. This section has been added in response to two comments that the proposed Rule does not provide an exemption for underlying securities similar to the exemptions that currently exist.

Section 2.13 Exemption for a Trade in an Underlying Security if the Right to Purchase, Convert or Exchange is Qualified by a Securities Exchange Take-over Bid Circular or an Issuer Bid Circular

Section 2.13 is new and has been added to provide an exemption for a trade of underlying securities issued or transferred under the terms of convertible securities if the convertible securities are distributed under a securities exchange take-over bid circular or a securities exchange issuer bid circular. The CSA have decided to provide this exemption to retain the current resale exemptions under securities legislation for such underlying securities.

Part 3 Current AIF Filing Requirements

Part 3 Current AIF Filing Requirements has been restructured to clarify current AIF filing requirements for those issuers who have not filed an AIF under NI 44-101.

Appendix C

The securities legislation references to British Columbia and Saskatchewan have been deleted due to the fact that British Columbia and Saskatchewan will repeal these provisions as part of their consequential amendments.

The reference to subsection 72(4) of the *Securities Act* (Ontario) has been amended to reserve the application of subsection 72(4) in OSC Rule 45-503 Trades to Employees, Executives and Consultants.

Appendix D

The securities legislation reference for Nova Scotia has been amended to change "77(1)(f)(iii) as applicable" to "subclause 77(1)(f)(iii) of the *Securities Act* (Nova Scotia) if the right to purchase, convert or exchange was previously acquired under one of the above listed exemptions under the *Securities Act* (Nova Scotia)". This amendment has been made to address the concern of one commentator that "77(1)(f)(iii) as applicable" is too vague. The CSA have decided to make similar clarification with respect to the references to the Alberta legislation, Ontario legislation and Newfoundland legislation in Appendix D.

References to sections 74(2)(*11*)(ii), 74(2)(*12*) and 74(2)(*13*) of the *Securities Act* (British Columbia) have been added to the securities legislation references for British Columbia.

Reference to clause 81(1)(e) of *The Securities Act, 1988* (Saskatchewan) has been added to the securities legislation references for Saskatchewan.

Appendix E

The securities legislation reference for Nova Scotia has been amended to change "77(1)(f), as applicable" to "77(1)(f) of the *Securities Act* (Nova Scotia) if not included in Appendix D". Similarly, the securities legislation references for Alberta, Ontario and Newfoundland have also been changed. These amendments are related to the amendments made to Appendix D referred to above. In addition, the securities legislation references for British Columbia and Saskatchewan

have also been amended to reflect the changes made to Appendix D.

Appendix F

A new Appendix F has been added to refer to the employee exemption from the prospectus requirement in each jurisdiction that imposes a seasoning period on securities acquired under the employee exemption.

2. Changes in the Proposed Forms

Forms 45-102F1 and 45-102F3

Item 5 of Form 45-102F1 has been restructured to provide clearer instructions on information required to be disclosed. In addition, the requirement to disclose "address" has been replaced by the requirement to disclose "municipality and jurisdiction of residence".

Item 6 of Form 45-102F1 is new and provides that the selling security holder must prepare and deliver to securities regulatory authorities a statement containing the required information of persons who were beneficial owners of securities of an issuer immediately before the issuer ceased to be a private company or a private issuer.

Notice - Collection and Use of Personal Information has been added to Form 45-102F1 and Form 45-102F3 to comply with the disclosure requirements for collection and use of personal information in various legislation dealing with freedom of information and protection of privacy.

Under the heading "Declaration, Certificate and Undertaking" of Form 45-102F3, the term "represents" has been changed to "declares", reflecting the CSA's intention that Form 45-102F3 be a declaration of the selling security holder.

3. Changes in the Proposed Policy

Section 1.2 Purpose

Section 1.2 has been amended to add a reference to the seasoning period for securities initially distributed under the employee exemptions listed in Appendix F of the Multilateral Instrument.

Section 1.6 Legending of Securities

This section is new and replaces section 1.6 in the proposed Policy. New section 1.6 provides an explanation for the legending requirement in the Multilateral Instrument and the CSA's rationale for the legending requirement. Several commentators have raised objections to the legending requirement and the CSA consider it helpful to explain the need for the legending requirement to achieve compliance with hold period requirements.

Corresponding to the amendment to section 2.5 of the proposed Rule, section 1.6 of the Companion Policy replaces the phrase "subject to securities regulation" with "unless permitted under securities legislation". This amendment has been made in response to a comment that the phrase "subject to securities legislation" is too vague and that similar language to the CDNX legend should be used.

Section 1.9 Securities Exchange Take-over Bid or Issuer Bid

Section 1.9 is new and clarifies that regardless of whether a take-over bid circular or issuer bid circular is prepared in connection with a formal bid or an exempt bid, the circular relied upon for purposes of section 2.9 of the Multilateral Instrument must meet the prospectus-type disclosure standards applicable to the form and content of take-over bid circulars or issuer bid circulars, as the case may be, as if the bid was a formal bid.

Section 1.11 Filing of Form 45-102 F1, Form 45-102 F2 and Form 45-102 F3

Subsections 1.11(1), (2) and (3) of the proposed Policy have been amended to discuss where the Forms must be filed. Item 2.6(4)6. of the Multilateral Instrument has been amended so that Form 45-102F1 is only required to be filed in each jurisdiction in which the issuer has ceased to be a private company or private issuer. Subsection 1.11(2) of the Companion Policy has been amended to specify that Form 45-102F2 is only required to be filed in jurisdictions in which the securities are distributed except those jurisdictions which do not have resale restrictions. Similarly, paragraph 2.10(4)(a) of the Multilateral Instrument has been amended to provide that Form 45-102F3 is only required to be filed in jurisdictions in which the securities are distributed and with the exchange in Canada on which the securities that are the subject of the trade are listed.

The amendments to the Multilateral Instrument and to section 1.11 of the Companion Policy have been made in response to commentators' concern that the proposed Rule and the proposed Policy seem to require the Forms to be filed in those jurisdictions in which no securities were distributed. The CSA have made the amendments for clarity.

Part 2 AIF Requirements

Part 2 AIF Requirements have been restructured in response to the clarification of the definition of "current AIF" in the Multilateral Instrument.

D. AMENDMENT OF THE REGULATION

The Commission has made the following consequential amendments to Regulation 1015 of the Revised Regulations of Ontario, 1990 (the "Regulation"), in conjunction with the making of the Multilateral Instrument as a rule. These amendments come into force at the time the Multilateral Instrument comes into force:

1. Subsection 69(1) of the Regulation is revoked.

2. Section 70 of the Regulation is revoked.

3 Section 247 of the Regulation is amended by striking out "sections 67 and 68, subsection 69 (1)".

4. (1) Sections 26 and 27 of Schedule 1 to the Regulation are revoked and the following substituted:

26. Each of the following documents must be accompanied by a fee of $250:

    1. A report in Form 45-102F1 of Multilateral Instrument 45-102 *Resale of Securities*.

    2. A notice of intention and declaration in Form 45-102F3 of Multilateral Instrument 45-102 *Resale of Securities*.

(2) Subsection 28(3) of Schedule 1 of the Regulation is revoked and the following substituted:

    (3) No fee is payable under subsection (2) in respect of a ruling made under section 74 of the Act that a trade that is a distribution under section 2.5 or 2.6 of Multilateral Instrument 45-102 *Resale of Securities* is not subject to section 53 of the Act.

5. Forms 22 and 23 of the Regulation are revoked.

E. TEXT OF THE MULTILATERAL INSTRUMENT, FORMS AND COMPANION POLICY

The text of the Multilateral Instrument, Forms and Companion Policy follows.

April 20, 2001.

APPENDIX A TO NOTICE

LIST OF COMMENTATORS ON MULTILATERAL INSTRUMENT 45-102 FORMS 45-102F1, 45-102F2 AND 45-102F3 COMPANION POLICY 45-102CP

RESALE OF SECURITIES

1. Simon Romano by letter dated October 18, 2000
2. McKercher McKercher & Whitmore by letter dated October 26, 2000
3. BCE Inc. by letter dated November 14, 2000
4. The Canadian Bankers Association by letter dated December 4, 2000
5. International Northair Mines Ltd. by letter dated December 6, 2000
6. Canadian Capital Markets Association by letter dated December 8, 2000
7. The Canadian Advocacy Council of the Association for Investment Management and Research by letter dated December 8, 2000
8. Stewart McKelvey Stirling Scales by letter dated December 15, 2000*
9. Canadian Venture Exchange Inc. by letter dated January 9, 2001*

* These letters were received following the expiry of the comment period.

APPENDIX B
TO NOTICE

SUMMARY OF COMMENTS RECEIVED ON PROPOSED MULTILATERAL INSTRUMENT 45-102, PROPOSED FORMS 45-102F1, 45-102F2 AND 45-102F3 AND PROPOSED COMPANION POLICY 45-102CP AND RESPONSE OF THE CANADIAN SECURITIES ADMINISTRATORS

A. INTRODUCTION

On September 8, 2000, certain members of the CSA published the proposed Documents for comment. The CSA specifically requested comments on the following two issues:

(i) the requirement that a legended certificate representing the securities distributed be provided to investors; and

(ii) the provision for four-month hold period for investment grade securities.

The comment period for these materials expired on December 8, 2000. The CSA received nine submissions on the proposed Documents. The CSA has considered all submissions received and thanks all commentators for providing their comments. The following is a summary of the comments received, together with the CSA's responses, organized by topic.

B. COMMENTS ON ISSUES SPECIFIED BY THE CSA

1. Requirement to Legend Certificates (section 2.5 of the proposed Rule)

Comment (i): Four commentators do not support the requirement that securities certificates include a legend to state that subject to securities legislation, the holder of the securities shall not trade the securities before the expiry of the appropriate hold period. Two of these commentators note that the market is increasingly relying on the book-entry form of securities and one commentator believes that the legend would not be effective for the book-entry form securities because the lack of physical certificates.

Response: The CSA note the increasing use of book-entry form securities. However, the CSA believe that the legend requirement currently is the most practical manner of providing certainty as to the applicable hold periods and of ensuring more effective regulation of the exempt market. The CSA maintain the legend requirement in the Multilateral Instrument.

Comment (ii): Two commentators point out that the Canadian market is likely to follow the U.S. market in 2004 to move from the current practice of settling securities in 3 days after the trade ("T+3") to settling securities the day after the trade ("T+1"). These commentators believe that the transition from T+3 to T+1 would require greater automization and less reliance on physical certificates, and that the legend requirement would be counterproductive and incompatible with the technological requirements of a T+1 system. One commentator suggests that the CSA should seek other options to make the information required in the legend available to potential purchasers without using physical certificates.

Response: The CSA note the concerns regarding the possible transition from T+3 to T+1 clearance system. However, the transition is not likely to occur until 2004. The CSA will revisit the legend issue prior to the implementation of the T+1 system.

Comment (iii): One commentator believes that the legend requirement would cause problems on resale under the rules of The Toronto Stock Exchange Inc. (the "TSE") and other stock exchanges even after the applicable hold periods have elapsed.

Response: The CSA do not believe that the legend requirement will cause problems since the legend may be removed by the transfer agent after the applicable hold periods have expired. In addition, British Columbia and the CDNX have legending requirements and have not experienced any problems relating to the resale after the expiry of the applicable hold periods.

Comment (iv): One commentator states that the language "subject to securities legislation" in the legend is vague and suggests the CSA adopt the language of the CDNX legend.

Response: The CSA have amended the legend language in the Multilateral Instrument to incorporate wording similar to the CDNX legend.

Comment (v): One commentator proposes that the legend requirement be imposed on non-qualifying issuers but not on qualifying issuers. The commentator believes that the four-month hold period for securities of qualifying issuers is too short to justify the cost and administrative burden of placing the legend.

Response: It is the CSA's view that it is necessary for clarity to impose the legend requirement on both qualifying issuers and non-qualifying issuers.

Comment (vi): One commentator states that a legend requirement is workable for share certificates, special warrants and subscription agreements.

Response: The CSA have maintained the legend requirement.

2. Four-Month Hold Periods for Investment Grade Securities

No comment was received on this issue. The CSA plan to retain the four-month hold period for investment grade securities.

C. GENERAL COMMENTS

Comment (i): The commentators are generally very supportive of the proposed Documents. Four commentators expressed their support of CSA's initiative to harmonize and clarify the restrictions on resale of securities previously issued under

prospectus exemptions. One commentator states that the harmonization would help all market participants by reducing the cost and complexity for the distribution and resale of securities in Canada. One commentator supports the proposed Documents and believes that they will greatly clarify the hold period and/or resale restrictions when securities issued in one jurisdiction under exemptions are transferred to purchasers in other jurisdictions.

Response: The CSA agree.

Comment (ii): One commentator expresses regret that Quebec is not a party to the Multilateral Instrument and states that Quebec's absence would be detrimental to Ontario issuers and investors due to the close relationship between the Ontario and Quebec capital markets. The commentator encourages the Commission to seek to harmonize the resale rules with Quebec.

Response: The CSA will continue to seek to harmonize the resale rules to the extent possible.

Comment (iii): One commentator recommends that the CSA take further initiatives to harmonize rules regarding filing of documents and payment of filing fees in order to reduce the filing of duplicate documents and payment of multiple fees under different provincial legislation.

Response: The CSA acknowledge the commentator's concern and agree that harmonization would be beneficial. However, the issues regarding filing of documents and payment of fees are not within the purpose of this Instrument. These issues are currently being assessed by other project groups.

Comment (iv): One commentator believes the proposed Documents would provide issuers with an incentive to improve their continuous disclosure.

Response: The CSA agree and believe that the shorter hold period for qualifying issuers will encourage more issuers to file AIFs thereby improving disclosure of issuers in the marketplace.

D. SPECIFIC COMMENTS ON THE PROPOSED RULE

1. Definition of "Private Company"

Comment: One commentator notes that the Commission has proposed to remove the private company exemption in proposed OSC Rule 45-501 Exempt Distributions which was published for comment on September 8, 2000 at (2000) 23 OSCB 6205 (the "proposed Commission Rule 45-501"). The commentator suggests that in order to avoid confusion, the term "private company" should not be used in the proposed Documents. Alternatively, the commentator recommends that the "private company" exemption be retained in the proposed Commission Rule 45-501 so that the "private company" definition can also be retained in the proposed Documents.

Response: The CSA believe that the issue whether to retain the private company exemption should be dealt with by the Commission in the implementation of the proposed Commission Rule 45-501. The CSA note that the "private company" exemption is currently still in effect in Ontario. Furthermore, the CSA recognize that subsequent to the removal of the private company exemption in Ontario by proposed Commission Rule 45-501, the "private company" exemption or the "private issuer" exemption will remain in effect in other jurisdictions. In Ontario, existing private companies will continue to exist although no new private companies will be created. Accordingly, the CSA have decided to retain the term "private company" in the Instrument.

2. Definition of "Qualifying Issuer"

Comment (i): One commentator supports the adoption of the concept of "qualifying issuer" and believes the shorter hold period for securities of qualifying issuers would make it easier for listed companies to compete for investment funding without sacrificing investor protection.

Response: The CSA confirm that one of the CSA's objectives is to shorten the hold period for securities of qualifying issuers. The CSA also believe it is important to set eligibility standards for qualifying issuers.

Comment (ii): One commentator states that often the securities exchanges do not delist or suspend those issuers who fail to meet the listing maintenance standards. The commentator suggests that in order to be a qualifying issuer, it should be sufficient that an issuer is listed and posted on a qualified market and it should not be required that the issuer meet the listing maintenance standards.

Response: The CSA regard the exchange listing maintenance standards as measures implemented for the protection of the market and of the investors. So long as an issuer has not been notified by an exchange or market that it no longer meets the listing maintenance standards of the securities exchange the issuer will remain a qualifying issuer. This will encourage issuers to be more diligent in maintaining their listing standards, which is beneficial to the market and to the investors.

3. Definition of "Qualified Market"

Comment (i): One commentator suggests that the *Paris Bourse, now Euronext,* should be a "qualified market".

Response: The CSA have traditionally accepted documents from the markets listed in the definition.

Comment (ii): One commentator disagrees with the exclusion of Tier 3 issuers of CDNX from the definition of "qualified market". The commentator states that Tier 3 issuers are subject to the same continuous disclosure requirements as Tier 1 and Tier 2 issuers. The only difference is that Tier 3 issuers do not have active businesses. The commentator states that a longer hold period for a Tier 3 issuer is not justified provided that the Tier 3 issuer discloses its current state of affairs pursuant to applicable regulations.

Response: The CSA has not amended the definition of "qualified market" to include Tier 3 issuers as Tier 3 issuers do not have active businesses.

Comment (iii): One commentator expresses concern that an issuer may drop from one listing category to another listing category on a multi-tiered market such as the TSE.

Response: An issuer will remain eligible so long as it is listed on the TSE and has not been notified by the exchange that it does not meet the requirements to maintain that listing and is not designated inactive or suspended.

Comment (iv): One commentator asks why CDN is not included as a qualifying market particularly if junior capital pools are included.

Response: Most issuers on CDN (now Canadian Unlisted Board or CUB) have been transferred to CDNX. CUB is a trade reporting or quotation system without listing requirements. Accordingly, the CSA have decided not to include CUB as a qualified market.

4. **Application to First Trades** (sections 2.3, 2.4 and 2.11 of the proposed Rule, now sections 2.3, 2.4 and 2.14 of the Multilateral Instrument)

Comment: One commentator states that sections 2.3, 2.4 and 2.11 of the proposed Rule (now 2.3, 2.4 and 2.14 of the Multilateral Instrument) seem to apply to any trade, not just a first trade. The commentator believes this is excessive.

Response: Each of sections 2.3 and 2.4 of the proposed Rule refers to "a trade of securities initially distributed under an exemption from the prospectus requirement...". Section 2.11 of the proposed Rule (now section 2.14 of the Multilateral Instrument) refers to "a trade by an underwriter of securities distributed under an exemption from the prospectus requirement listed in Appendix H". Section 2.14 is intended to apply to any subsequent trade, not just the first trade. Section 2.7 Hold Period and Seasoning Period Exception has been added to the Multilateral Instrument to clarify the meaning of "a trade". Further, subsection 1.2(2) of the Companion Policy clarifies that exempt trades may be made during a hold period or seasoning period.

5. **Convertible Securities** (sections 2.3 and 2.5 and Appendix D of the proposed Rule)

Comment: One commentator notes that there is a contradiction between 2.3 of the proposed Rule and 2.13 [sic] of OSC Rule 45-501. Section 2.16 of Commission Rule 45-501 provides an exemption from the prospectus requirement for a trade of underlying securities acquired in accordance with the terms of convertible securities if the convertible securities were distributed under a prospectus. Section 2.3 of the proposed Rule places a hold period on these underlying securities. Another commentator recommends that the language should be clarified regarding the grant of an exemption for resale of underlying securities similar to the existing exemption in section 77(8) of the *Securities Act* (Nova Scotia).

Response: The CSA agree and have amended the proposed Rule by adding subsection 2.12 to provide an exemption from section 2.6 for underlying securities corresponding to section 2.16 of Commission Rule 45-501. The language regarding section 77(8) of the Securities Act (Nova Scotia) has been clarified.

6. **Becoming a Reporting Issuer** (sections 2.5, 2.6 and 2.8 of the proposed Rule, now sections 2.5, 2.6 and 2.10 of the Multilateral Instrument)

Comment: One commentator welcomes the initiative of setting the commencement for the resale hold period at the date the issuer becomes a reporting issuer in a qualifying jurisdiction. The commentator believes this will result in more certainty among issuers as to the length of the resale hold period and will reduce the need for jurisdiction shopping.

Response: The CSA agree.

7. **Filing of the Forms** (subsections 2.6(3) and 2.8(4) and section 2.7 of the proposed Rule, now subsections 2.6(4) and 2.10(4) and section 2.8 of the Multilateral Instrument)

Comment (i): One commentator raises the question whether the Forms must be filed in all jurisdictions or only in the jurisdictions where the purchasers reside. The commentator states that there could be a constitutional issue if filings are required in a jurisdiction where the issuer has no activity or nexus.

Response: The CSA have clarified in the Multilateral Instrument and the Companion Policy that the Forms are to be filed solely in jurisdictions in which the securities are distributed. With respect to the filing of Form 45-102F1, the Multilateral Instrument has been clarified so that filing is only required in each jurisdiction in which an issuer has ceased to be a private company or private issuer.

Comment (ii): One commentator suggests that if filing of the Forms is required in jurisdictions in which no purchasers reside, the filing fees should be waived in these jurisdictions.

Response: The commentator's concern has been addressed by the clarifications to the filing requirements of the Forms as discussed above.

8. **Trade by Control Persons** (section 2.8 of the proposed Rule, now section 2.10 of the Multilateral Instrument)

Comment: One commentator notes that the CSA have introduced new requirements regarding trades by pledgees in section 2.8 of the proposed Rule. The commentator further notes that National 62-101 Control Block Distribution Issues ("NI 62-101") contains provisions regarding control block trades by pledgees. The commentator asks the CSA to adopt a more consistent and logical approach regarding section 2.8 of the proposed Rule and NI 62-101, particularly relating to the following issues:

(a) The commentator notes that the requirement in subsection 2.8(1) of the proposed Rule that "if such security was acquired by the lender, pledgee, mortgagee or other encumbrancer in a control distribution" is new and seems to change existing law.

(b) The commentator points out that NI 62-101 still refers to Commission Rule 45-501 regarding hold periods for control block trades by pledgees and recommends that NI 62-101 be amended;

(c) The commentator asks the CSA to confirm that the new requirement for pledgees in section 2.8 of the proposed Rule does not affect the pledgees' reliance on the provisions in NI 62-101;

(d) The commentator states that in NI 62-101, "seller" and "vendor" are construed as "pledgees", while in section 2.8 of the proposed Rule, "creditor" and "seller" are separate concepts. The commentator thinks that the reference to "creditor" and "seller" as different persons may cause problems in items 2.8(2)5. and 2.8(3)5. of the proposed Rule where the creditor must rely on the seller's knowledge as to whether the issuer is not in default of any requirement of securities legislation. Similarly, a creditor may have to rely on a seller's filing of Form 45-102F3 as required in subsection 2.8(5) of the proposed Rule.

Response:

(a) The CSA disagree and the wording in subsection 2.8(1) of the proposed Rule (subsection 2.10(1) of the Multilateral Instrument) has been retained as the trade may be a subsequent resale.

(b) The CSA will recommend that NI 62-101 be amended as a consequential amendment to the implementation of the Multilateral Instrument.

(c) Section 2.8 of the proposed Rule (section 2.10 of the Multilateral Instrument) will not affect a pledgee's reliance on NI 62-101.

(d) The CSA do not agree that the drafting will result in such confusion.

9. Determining the Time Periods (section 2.9 of the proposed Rule, now section 2.11 of the Multilateral Instrument)

Comment: One commentator suggests that the same language in subsection 2.9(1) of the proposed Rule (now subsection 2.11(1) of the Rule) regarding amalgamated, merged or continuing corporations should be adopted in subsection 2.9(2) of the proposed Rule so that a merger does not restart the seasoning period for trades by control persons.

Response: The CSA have not amended the proposed Rule to permit the inclusion of the period of time that the selling security holder had held the securities of one of the amalgamated, merged or continuing issuers in determining the seasoning period for securities acquired under prospectus exemptions for amalgamation, arrangement and statutory procedures because it is not currently contemplated in securities legislation of the jurisdictions implementing the Multilateral Instrument.

10. Trades by Underwriters (section 2.10 of the proposed Rule, now section 2.14 of the Multilateral Instrument)

Comment: One commentator asks the CSA to clarify the hold period for trades by underwriters referred to in section 2.10 of the proposed Rule (now section 2.14 of the Multilateral Instrument).

Response: The proposed Rule does not change the current law on trades by underwriters. A first trade of securities acquired under the exemption from the prospectus requirement set out in Appendix H is a distribution regardless how long the securities have been held.

11. Replacing Seasoning Requirements

Comment: One commentator suggests that the CSA should replace the seasoning requirements in the Rule with the CDNX proposed Exchange Seed Share Resale Restriction Rules ("SSRR"). SSRR imposes various hold periods from 0 to 3 years depending on the time the securities are held and the price of the securities relative to the price at the issuer's IPO.

Response: The CSA believe it is premature to consider the utilization of SSRR by the CSA before SSRR is finalized. The CSA will reconsider the issue after SSRR is formally adopted by CDNX.

12. Appendix D

Comment: One commentator states that the legislation reference to "clause 77(1)(f)(iii) as applicable" for Nova Scotia is too vague and asks the CSA to clarify that reference.

Response: Appendix D and Appendix E have been amended to clarify the reference to clause 77(1)(f)(iii) for Nova Scotia. Corresponding changes have been made to the Alberta and Ontario references.

E. SPECIFIC COMMENTS ON THE PROPOSED FORMS

1. Form 45-102F1

Comment: One commentator believes that it is excessive to require an issuer to certify as to beneficial ownership of its securities without a knowledge qualification.

Response: The CSA have amended the form to provide that if, after reasonable effort, it was not possible to identify the beneficial owner, the filer is required to explain why and disclose the registered owner.

2. Form 45-102F3

Comment (i): One commentator notes that paragraph 8 of the proposed Form 45-102F3 uses the term "sales" while the current Form 23 in Ontario uses the term "distribution". The commentator suggests that "distribution" is more flexible and it should replace "sales" in Form 45-102F3.

Response: The CSA agree and have amended paragraph 8 of proposed Form 45-102F3 by replacing the word "sold" with "distributed".

Comment (ii): One commentator asks the CSA to clarify the type of pre-sale activities allowed in private sales that will not be considered as "acts in furtherance of a trade".

Response: The term "distribution" is defined in securities legislation and has been interpreted by securities commissions and by the courts. The CSA do not consider it necessary to expand upon the meaning of "distribution" in the Instrument.

Comment (iii): One commentator states that it would be difficult for a creditor to state when the creditor decided to sell the securities as required by paragraph 11 of proposed Form 45-102F3.

Response: The language has been deleted.

F. SPECIFIC COMMENTS ON THE PROPOSED POLICY

1. Connecting Jurisdiction (section 1.3 of the proposed Policy)

Comment: One commentator considers the connecting jurisdiction concept in section 1.3(1) of the proposed Policy is inappropriate as it changes the current state of the law. The commentator believes the current state of the law should be maintained so that a trade is only subject to the legislation of the jurisdictions in which the purchasers reside.

Response: The CSA believe it is more appropriate to deal with this issue in proposed MI 72-101 Distributions Outside of the Local Jurisdiction. Further, see section D7 Filing of the Forms above.

2. Resale of Securities of a Non-Reporting Issuer (section 1.9 of the proposed Policy, now section 1.10 of the Companion Policy)

Comment (i): One commentator suggests that section 1.9 of the proposed Policy should be moved to the Multilateral Instrument.

Response: The CSA do not consider it necessary to move section 1.9 of the proposed Policy (now section 1.10 of the Companion Policy) to the Multilateral Instrument. The Companion Policy is designed to provide information relating to the manner in which the provisions of the Multilateral Instrument are intended to be interpreted or applied. Section 1.10 of the Companion Policy provides information on how certain information required in the Multilateral Instrument is to be obtained and accordingly the CSA consider it appropriate for this section to remain in the Companion Policy.

Comment (ii): One commentator believes section 1.9 of the proposed Policy (now section 1.10 of the Companion Policy) imposes an unreasonable limit on Canadian residents in reselling foreign securities over foreign markets, if such resales are deemed to be distributions in Canada.

Response: The CSA believe the restrictions are appropriate.

Comment (iii): One commentator states it is difficult for sellers to obtain information required by section 1.9 of the proposed Policy (now section 1.10 of the Companion Policy) to determine the percentage of securities holding in Canada, particularly if the information required is of a historical date.

Response: The CSA do not believe it is unduly difficult for an issuer to obtain the information referred to in section 1.10 of the Companion Policy at the time of the initial distribution.

MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

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MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

PART 1. DEFINITIONS

1.1 Definitions - In this Instrument

"AIF" means an annual information form of an issuer;

"approved rating" means, for a security, a rating at or above one of the following rating categories issued by an approved rating organization for the security or a rating category that replaces a category listed below:

Approved Rating Organization	Long Term Debt	Short Term Debt	Preferred Shares
Dominion Bond Rating Service Limited	BBB	R-2	Pfd-3
Fitch, Inc.	BBB	F3	BBB
Moody's Investors Services, Inc.	Baa	Prime-3	baa
Standard & Poor's Corporation	BBB	A-3	BBB

"approved rating organization" means each of Dominion Bond Rating Service Limited, Fitch, Inc., Moody's Investors Service, Inc., Standard & Poor's Corporation, and any of their successors;

"control distribution" means a trade described in the provisions of securities legislation listed in Appendix A;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of the same issuer;

"CPC" means a capital pool company as defined in a CPC instrument and, in Manitoba, a keystone company as defined in Manitoba Securities Commission Rule 44-501 Keystone Companies;

"CPC information circular" means an information circular filed by an issuer and accepted under a CPC instrument in connection with a qualifying transaction;

"CPC instrument" means a rule or regulation of a jurisdiction, or a rule, regulation or policy of an exchange in Canada, that applies only to CPCs;

"current AIF" means

(a) an AIF that is a current AIF filed under NI 44-101 in at least one of the jurisdictions listed in Appendix B,

(b) an AIF in the form required by Form 44-101F1 filed in at least one of the jurisdictions listed in Appendix B by an issuer not eligible to use NI

44-101 and containing audited financial statements for the issuer's most recently completed financial year,

(c) a prospectus, other than a short form prospectus as contemplated by NI 44-101 or a prospectus filed under a CPC instrument, for which a receipt has been issued in any jurisdiction that includes audited financial statements for the issuer's most recently completed financial year,

(d) a CPC information circular filed in any jurisdiction that includes

(i) audited financial statements for the issuer's most recently completed financial year,

(ii) audited financial statements for the target issuer's most recently completed financial year, and

(iii) a pro forma balance sheet that gives effect to the qualifying transaction accompanied by a compilation report of an auditor, and

(e) a current annual report on Form 10-K or Form 20-F under the 1934 Act for the issuer's most recently completed financial year filed in any jurisdiction by an issuer that has securities registered under section 12 of the 1934 Act or has a reporting obligation under section 15(d) of the 1934 Act;

"distribution date" means, in respect of a trade, the date the securities that are the subject of the trade were

(a) initially distributed in reliance on an exemption from the prospectus requirement by the issuer, or

(b) in the case of a control distribution, acquired by the selling security holder;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of another issuer;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"NI 13-101" means National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR);

"NI 43-101" means National Instrument 43-101 Standards of Disclosure for Mineral Projects;

"NI 44-101" means National Instrument 44-101 Short Form Prospectus Distributions;

"NPS 2-B" means National Policy Statement No. 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators in the form in place on the effective date of this Instrument;

"private company" has the meaning ascribed to that term in securities legislation;

"private issuer" has the meaning ascribed to that term in securities legislation;

"qualifying issuer" means an issuer

(a) that is a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B,

(b) that is an electronic filer under NI 13-101,

(c) that has a current AIF,

(d) that

(i) has a class of equity securities listed or quoted on a qualified market, has not been notified by the qualified market that it does not meet the requirements to maintain that listing or quotation and is not designated inactive, suspended or the equivalent, or

(ii) has a class of securities outstanding that has received an approved rating,

(e) if it is not qualified to file a short form prospectus under NI 44-101 and has oil and gas producing activities, including exploration, or a mineral project, that has filed with its current AIF, as if the current AIF were a prospectus, technical reports in accordance with, as applicable, NI 43-101 or a technical report and certificate prepared in accordance with NPS 2-B,

(f) that, if it has received a notice in writing from any regulator that its current AIF, including any technical reports, does not comply with the instrument prescribing the content of the current AIF, has satisfied the regulator that its current AIF is acceptable, and

(g) that, if it is a CPC, has filed a CPC information circular;

"qualified market" means any of

(a) The Toronto Stock Exchange Inc.,

(b) Tier 1 or Tier 2 of the Canadian Venture Exchange Inc.,

(c) Bourse de Montréal Inc.,

(d) the American Stock Exchange,

(e) Nasdaq National Market,

(f) Nasdaq SmallCap Market,

(g) the New York Stock Exchange,

(h) the London Stock Exchange Limited, and

(i) any successor to any of the entities referred to in paragraphs (a) through (h);

"qualifying transaction" means a transaction that, if completed, would result in the issuer no longer being a CPC;

"reporting issuer equivalent" means an issuer that is subject to the continuous disclosure requirements of the jurisdiction listed in Appendix B under the heading "Reporting Issuer Equivalent";

"SEDAR" has the meaning ascribed to that term in NI 13-101; and

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security.

PART 2 FIRST TRADES

2.1 Application - Except for sections 2.1, 2.10 and 2.11, this Part does not apply in Manitoba, New Brunswick, Prince Edward Island and the Yukon Territory.

2.2 Removal of Resale Provisions - The provisions in securities legislation listed in Appendix C do not apply.

2.3 Section 2.5 Applies - A trade of securities initially distributed under an exemption from the prospectus requirement listed in Appendix D is subject to section 2.5.

2.4 Section 2.6 Applies - A trade of securities initially distributed under an exemption from the prospectus requirement listed in Appendix E is subject to section 2.6.

2.5 Hold Period

(1) A trade that is specified by section 2.3 or other securities legislation to be subject to this section is a distribution unless the conditions in subsection (2) or (3) are satisfied.

(2) If the issuer of the securities was a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B for the four months immediately preceding the trade.

2. At least four months have elapsed from the distribution date.

3. The certificate representing the securities carries a legend stating:

"Unless permitted under securities legislation, the holder of the securities shall not trade the securities before [insert the date that is four months and a day after the distribution date]."

4. The trade is not a control distribution.

5. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

6. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

7. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

(3) If the issuer of the securities was not a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent for the 12 months immediately preceding the trade

(a) in a jurisdiction listed in Appendix B, if the issuer is an electronic filer under NI 13-101; or

(b) in the local jurisdiction of the purchaser of the securities that are the subject of the trade, if the issuer is not an electronic filer under NI 13-101.

2. At least 12 months have elapsed from the distribution date.

3. The certificate representing the securities carries a legend

(a) if the issuer is a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B and is an electronic filer under NI 13-101 on the distribution date, stating:

"Unless permitted under securities legislation, the holder of the securities shall not trade the securities before [insert the date that is 12 months and a day after the distribution date]."; or

(b) if the issuer is not a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B at the distribution date, stating:

"Unless permitted under securities legislation, the holder of the securities shall not trade the securities before the earlier of (i) the date that is 12 months and a day after the date the issuer first becomes a reporting issuer in any of Alberta, British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan or a reporting issuer equivalent in Manitoba, if the issuer is a SEDAR filer; and (ii) the date that is 12 months and a day after the later of (A) the distribution date; and (B) the date the issuer became a reporting issuer or a reporting issuer equivalent in the local jurisdiction of the purchaser of the securities that are the subject of the trade."

4. The trade is not a control distribution.

5. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

6. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

7. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

2.6 Seasoning Period

(1) A trade that is specified by section 2.4 or other securities legislation to be subject to this section is a distribution unless the conditions in subsection (3), (4) or (5) are satisfied.

(2) The first trade of previously issued securities of an issuer that has ceased to be a private company or a private issuer is a distribution unless the conditions in subsection (4) are satisfied.

(3) If the issuer of the securities was a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B for the four months immediately preceding the trade.

2. The trade is not a control distribution.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

(4) If the issuer of the securities is not a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent for the 12 months immediately preceding the trade

(a) in a jurisdiction listed in Appendix B, if the issuer is an electronic filer under NI 13-101; or

(b) in the local jurisdiction of the purchaser of the securities that are the subject of the trade, if the issuer is not an electronic filer under NI 13-101.

2. The trade is not a control distribution.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

6. In the case of the first trade of previously issued securities of an issuer that has ceased to be a private company or a private issuer, the issuer has filed Form 45-102F1 in each jurisdiction in which the issuer has ceased to be a private company or a private issuer.

(5) If the issuer of the securities is a qualifying issuer at the date of the trade and the selling security holder acquired the securities under an exemption from the prospectus requirement listed in Appendix F, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B for the four months immediately preceding the trade.

2. The trade is not a control distribution.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. If the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

2.7 Hold Period and Seasoning Period Exception

(1) Despite section 2.5, any trade made after the first trade that satisfies the conditions of subsection 2.5(2) or 2.5(3), that is not a control distribution, is not subject to section 2.5.

(2) Despite section 2.6, any trade made after the first trade that satisfies the conditions of subsection 2.6(3), 2.6(4) or 2.6(5), that is not a control distribution, is not subject to section 2.6.

2.8 Qualifying Issuer Certificate - The issuer of the securities, or the selling security holder in the case of a control distribution, shall file Form 45-102F2 on or before the tenth day after the distribution date of a trade of securities subject to subsection 2.5(2) or 2.6(3), and for the purpose of a trade made under subsection 2.6(5) the issuer shall file Form 45-102F2 at the time the issuer becomes a qualifying issuer.

2.9 Exemption for a Trade in a Security Acquired in a Take-over Bid or Issuer Bid - Section 2.6 does not apply to a trade of a security of an offeror issuer acquired by the selling security holder upon the exchange by or for the account of the offeror issuer with the security holders of the offeree issuer in connection with a take-over bid or issuer bid if

(a) when the exemption from the prospectus requirement relating to a take-over bid or issuer bid was relied upon, a securities exchange take-over bid circular or securities exchange issuer bid circular for the securities was filed by the offeror issuer under securities legislation;

(b) the trade is not a control distribution; and

(c) the offeror issuer was a reporting issuer or a reporting issuer equivalent at the date of the take up and payment for securities of the offeree issuer under the take-over bid or issuer bid.

2.10 Exemption for a Trade by a Control Person

(1) The prospectus requirement does not apply to a control distribution, or a distribution by a lender, pledgee, mortgagee or other encumbrancer for the purpose of liquidating a debt made in good faith by selling or offering for sale a security pledged, mortgaged or otherwise encumbered in good faith as collateral for the debt if the security was acquired by the lender, pledgee, mortgagee or other encumbrancer in a control distribution, if the conditions in subsections (2) or (3) are satisfied.

(2) If the issuer of the security was a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent in a jurisdiction listed in Appendix B for the four months immediately preceding the trade.

2. The selling security holder, or the lender, pledgee, mortgagee or other encumbrancer if the distribution is for the purpose of liquidating a debt, has held the securities for at least four months.

3. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

5. The selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

(3) If the issuer of the securities was not a qualifying issuer at the distribution date, the conditions are:

1. The issuer is and has been a reporting issuer or a reporting issuer equivalent for the 12 months immediately preceding the trade

(a) in a jurisdiction listed in Appendix B, if the issuer is an electronic filer under NI 13-101; or

(b) in the local jurisdiction of the purchaser of the securities that are the subject of the trade, if the issuer is not an electronic filer under NI 13-101.

2. No unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade.

3. No extraordinary commission or consideration is paid to a person or company in respect of the trade.

4. The selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation.

5. The selling security holder, or the lender, pledgee, mortgagee or other encumbrancer if the distribution is for the purpose of liquidating a debt has held the securities for

   (a) at least 12 months, if the securities were distributed to the selling security holder under an exemption listed in Appendix D or any exemption from the prospectus requirement that specifies that subsequent trades are subject to section 2.5, and

   (b) in all other cases, at least six months.

(4) The selling security holder, or the lender, pledgee, mortgagee or other encumbrancer if the distribution is for the purpose of liquidating a debt, under subsection (2) or (3) shall

   (a) sign and file Form 45-102F3 in the jurisdictions in which the securities are being distributed and, if applicable, with the exchange in Canada on which the securities that are the subject of the trade are listed at the times set out in subsection (6), and

   (b) file, within three days after the completion of any trade, a report of the trade in the form required to be filed by a person or company in order to comply with the insider reporting requirements.

(5) A person or company required to file Form 45-102F3 shall sign the form no earlier than one business day before its filing.

(6) Subject to subsection (7), a person or company required to file Form 45-102F3 shall file the form

   (a) at least seven days and not more than 14 days before the first trade that forms part of the distribution,

   (b) on the 60th day after the date of filing under paragraph (a), and

   (c) thereafter at the end of each 28 day period.

(7) A person or company is not required to file Form 45-102F3 under paragraph 6(b) or 6(c) if

   (a) all of the securities specified under the original form have been sold, or

   (b) a notice has been filed in the jurisdictions in which a Form 45-102F3 would otherwise have been filed, which states that the securities specified under the original form, or the unsold part, are no longer for sale.

2.11 Determining Time Periods

(1) In determining the period of time that an issuer has been a reporting issuer or a reporting issuer equivalent for the purposes of section 2.6 or 2.10, in the case of securities distributed under the exemptions from the prospectus requirement listed in Appendix G, the period of time that one of the amalgamating, merging or continuing issuers was a reporting issuer or a reporting issuer equivalent immediately before the amalgamation, merger or continuation may be included.

(2) In determining the period of time that a selling security holder has held a security for the purposes of section 2.5 or 2.10,

   (a) if the security was acquired by the selling security holder from an affiliate of the selling security holder, the period of time that the security had been held by the affiliate before the transfer to the selling security holder may be included; and

   (b) if the security is an underlying security, the period of time shall commence on the date that the convertible security, exchangeable security or multiple convertible security was first acquired.

(3) In determining the period of time that a lender, pledgee, mortgagee or other encumbrancer has held a security under item 2.10(2)2. or 2.10(3)5., the period of time the security has been held by the debtor may be included.

2.12 Exemption for a Trade in an Underlying Security if the Right to Purchase, Convert or Exchange is Qualified by a Prospectus - Section 2.6 does not apply to a trade in an underlying security issued or transferred under the terms of a multiple convertible security, convertible security or exchangeable security if

   (a) a receipt was obtained for a prospectus qualifying the distribution of the multiple convertible security, convertible security or exchangeable security;

   (b) the trade is not a control distribution; and

   (c) the issuer of the underlying security issued or transferred under the terms of a multiple convertible security, convertible security or exchangeable security is a reporting issuer or a reporting issuer equivalent at the time of the trade.

2.13 Exemption for a Trade in an Underlying Security if the Right to Purchase, Convert or Exchange is Qualified by a Securities Exchange Take-over Bid Circular or an Issuer Bid Circular - Section 2.6 does not apply to a trade in an underlying security

issued or transferred under the terms of a multiple convertible security, convertible security or exchangeable security if

(a) a securities exchange take-over bid circular or a securities exchange issuer bid circular was filed relating to the distribution of the multiple convertible security, convertible security or exchangeable security;

(b) the trade is not a control distribution;

(c) the offeror issuer was a reporting issuer or a reporting issuer equivalent at the date of the take up and payment for securities under the take-over bid or issuer bid; and

(d) the issuer of the underlying security issued or transferred under the terms of a multiple convertible security, convertible security or exchangeable security is a reporting issuer or a reporting issuer equivalent at the time of the trade.

2.14 **Trades by Underwriters** - A trade by an underwriter of securities distributed under an exemption from the prospectus requirement listed in Appendix H is a distribution.

2.15 **Trades in Securities of a Non-Reporting Issuer Distributed under a Prospectus Exemption**

(1) The prospectus requirement does not apply to a trade of a security initially distributed under an exemption from the prospectus requirement if

(a) the issuer of the security was not a reporting issuer or a reporting issuer equivalent in any jurisdiction at the distribution date;

(b) at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada

(i) did not hold directly or indirectly more than 10 percent of the outstanding securities of the class or series, and

(ii) did not represent in number more than 10 percent of the total number of holders directly or indirectly of securities of the class or series; and

(c) the trade is executed through an exchange, or a market, outside Canada;

(2) The prospectus requirement does not apply to a trade of an underlying security if

(a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was initially distributed under an exemption from the prospectus requirement;

(b) the issuer of the underlying security was not a reporting issuer or a reporting issuer equivalent in any jurisdiction at the distribution date;

(c) the conditions in paragraph (1)(b) would have been satisfied for the underlying security at the time of the initial distribution of the convertible security, exchangeable security or multiple convertible security that entitled or required the holder to acquire the underlying security; and

(d) the condition in paragraph (1)(c) is satisfied.

PART 3 CURRENT AIF FILING REQUIREMENTS

3.1 Current AIF

(1) An issuer that has not filed an AIF under NI 44-101 may file a current AIF under this Instrument at any time.

(2) A current AIF shall be filed on SEDAR.

(3) An issuer relying on a current AIF as defined in paragraphs (b), (c), (d) or (e) of the definition of current AIF shall file a notice through SEDAR

(a) advising that it has filed a current AIF under this section, and

(b) identifying the SEDAR project number under which the current AIF was filed.

PART 4 EXEMPTION

4.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

PART 5 EFFECTIVE DATE

5.1 **Effective Date** - This Instrument comes into force on June 29, 2001.

APPENDIX A
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

CONTROL DISTRIBUTIONS

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Sections 1(c.2) and 1(f)(iii) of the *Securities Act* (Alberta)
British Columbia	Paragraph (c) of the definition of "distribution" contained in section 1(1) of the *Securities Act* (British Columbia)
Manitoba	Paragraph (b) of the definition of "primary distribution to the public" contained in subsection 1(1) of the *Securities Act* (Manitoba)
Newfoundland	Clause 2(1)(l)(iii) of the *Securities Act* (Newfoundland)
Northwest Territories	Definition of "control person" and paragraph (iii) of the definition of "distribution" contained in subsection 1(1) of Blanket Order No. 1 of the Registrar of Securities.
Nova Scotia	Clause 2(1)(l)(iii) of the *Securities Act* (Nova Scotia)
Nunavut	Definition of "control person" and paragraph (iii) of the definition of "distribution" contained in subsection 1(1) of Blanket Order No. 1 of the Registrar of Securities.
Ontario	Paragraph (c) of the definition of "distribution" contained in subsection 1(1) of the *Securities Act* (Ontario)
Saskatchewan	Subclauses 2(1)(r)(iii), (iv) and (v) of *The Securities Act, 1988* (Saskatchewan)

APPENDIX B
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

QUALIFYING ISSUER JURISDICTIONS

REPORTING ISSUER	REPORTING ISSUER EQUIVALENT
Alberta	Manitoba
British Columbia	
Nova Scotia	
Ontario	
Quebec	
Saskatchewan	

APPENDIX C
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

NON-APPLICABLE RESALE PROVISIONS
(Section 2.2)

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Sections 109, 109.1, 110, 111 with respect to underwriters and 112 of the *Securities Act* (Alberta)
Nova Scotia	Subsections 77(5), 77(6), 77(7), 77(7A), 77(7B), 77(8), 77(9), 77(10)(a) and 77(11) of the *Securities Act* (Nova Scotia)
Ontario	Subsections 72(4) (except as referred to in Rule 45-503 Trades to Employees, Executives and Consultants), 72(5), 72(6) as it relates to clause 72(1)(r), and 72(7) of the *Securities Act* (Ontario)

APPENDIX D
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

HOLD PERIOD TRADES
(Section 2.3)

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Sections 107(1)(a), (b), (c), (d), (l), (m), (p), (q), (t), (t.1), (u) and (z) of the *Securities Act* (Alberta), and section 107(1)(f)(iii) of the *Securities Act* (Alberta) if the right to purchase, convert or exchange was previously acquired under one of the above-listed exemptions under the *Securities Act* (Alberta)
British Columbia	Sections 74(2)(*1*) to (*6*), (*16*), (*18*), (*19*), (*23*) and (*25*) of the *Securities Act* (British Columbia) Sections 128(a), (b), (c), (e), (f) and (h) of the Securities Rules (British Columbia) Sections 74(2)(*11*)(ii) and 74(2)(*13*) of the *Securities Act* (British Columbia) if the security acquired by the selling security holder was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia), or the Securities Rules (British Columbia) referred to in this Appendix. Section 74(2)(*12*) of the *Securities Act* (British Columbia) if the security acquired by the selling security holder under the realization on collateral was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia) or the Securities Rules (British Columbia) referred to in this Appendix.
Newfoundland	Clause 73(1)(a), (b), (c), (d), (l), (m), (p) or (q) of the *Securities Act* (Newfoundland) and subclause 73(1)(f)(iii) of the *Securities Act* (Newfoundland) if the right to purchase, convert or exchange was previously acquired under one of the above listed exemptions under the *Securities Act* (Newfoundland).
Northwest Territories	Paragraph 3(a), (b), (c), (k), (l), (m), (r), (s), (t), (u), (w) or (z), or clause 3(e)(iii) of Blanket Order No. 1 of the Registrar of Securities
Nova Scotia	Clauses 77(1)(a), (b), (c), (d), (l), (m), (p), (q), (u), (w), (y), (ab) and (ad) of the *Securities Act* (Nova Scotia), and subclause 77(1)(f)(iii) of the *Securities Act* (Nova Scotia) if the right to purchase, convert or exchange was previously acquired under one of the above listed exemptions under the *Securities Act* (Nova Scotia)
Nunavut	Paragraph 3(a), (b), (c), (k), (l), (m), (r), (s), (t), (u), (w) or (z), or clause 3(e)(iii) of Blanket Order No.1 of the Registrar of Securities
Ontario	Clauses 72(1)(a), (b), (c), (d), (l), (m), (p) and (q) of the *Securities Act* (Ontario) and subclause 72(1)(f)(iii) of the *Securities Act* (Ontario) if the right to purchase, convert or exchange was previously acquired under one of the above-listed exemptions under the *Securities Act* (Ontario)
Saskatchewan	Clauses 81(1)(a), (b), (c), (d), (m), (n), (s), (t), (v), (w), (z), (bb) and (ee) of *The Securities Act, 1988* (Saskatchewan) Subclauses 81(1)(f)(iii) and (iv) of *The Securities Act, 1988* (Saskatchewan) if the convertible security, exchangeable security or multiple convertible security was acquired under one of the exemptions of *The Securities Act, 1988* (Saskatchewan) referred to in this Appendix Clause 81(1)(e) of *The Securities Act, 1988* (Saskatchewan) if the person or company from whom the securities were acquired obtained the securities under one of the exemptions of *The Securities Act, 1988* (Saskatchewan) referred to in this Appendix

APPENDIX E
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

SEASONING PERIOD TRADES
(Section 2.4)

JURISDICTION	SECURITIES LEGISLATION REFERENCE
Alberta	Sections 107(1)(f) if not included in Appendix D of this Instrument, (i), (j), (j.1), (k), (k.1) prior to its repeal by section 5 of the *Securities Amendment Act, 1989* (Alberta), and (n) of the *Securities Act* (Alberta)
British Columbia	Sections 74(2)(*7*) to (*11*), (*13*), (*22*) and (*24*) of the *Securities Act* (British Columbia) Section 128(g) of the Securities Rules (British Columbia) Section 74(2)(*12*) of the *Securities Act* (British Columbia), if the security acquired by the selling security holder under the realization on collateral was initially acquired by a person or company under any of the sections of the *Securities Act* (British Columbia) or the Securities Rules (British Columbia) referred to in this Appendix
Newfoundland	Clause 73(1)(f) if not included in Appendix D of this Instrument, (i), (j), (k), or (n) of the *Securities Act* (Newfoundland)
Northwest Territories	Clause 3(e)(i) or (ii) or paragraph 3(f), (g), (h), (i), (n), (x), (y) or (mm) of Blanket Order No. 1 of the Registrar of Securities
Nova Scotia	Clause 77(1)(f) of the *Securities Act* (Nova Scotia) if not included in Appendix D of this Instrument, or clause 77(1)(h), (i), (j), (k), (n), (v), (va), (ac), (ae) or (af) of the *Securities Act* (Nova Scotia), or clause 78(1)(a) of the *Securities Act* (Nova Scotia) as it relates to clause 41(2)(j) of the *Securities Act* (Nova Scotia) or Blanket Order No. 5A
Nunavut	Clause 3(e)(i) or (ii) or paragraph 3(f), (g), (h), (i), (n), (x), (y) or (mm) of Blanket Order No. 1 of the Registrar of Securities
Ontario	Clauses 72(1)(f) if not included in Appendix D of this Instrument and other than a trade to an associated consultant or investor consultant as defined in Rule 45-503 Trades to Employees, Executives and Consultants, (i), (j) and (k) of the *Securities Act* (Ontario)
Saskatchewan	Clauses 81(1)(a.1), (e) if not included in Appendix D of this Instrument, (f) if not included in Appendix D of this Instrument, (f.1), (g), (h), (i), (i.1), (j), (k), (o), (cc) and (dd) of *The Securities Act, 1988* (Saskatchewan)

APPENDIX F
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

EMPLOYEE TRADES
(Section 2.6)

JURISDICTION	PROSPECTUS EXEMPTION
Alberta	Section 107(1)(n) of the *Securities Act* (Alberta)
British Columbia	Section 74(2)(*9*) of the *Securities Act* (British Columbia)
Newfoundland	Section 73(1)(n) of the *Securities Act* (Newfoundland)
Northwest Territories	Paragraph 3(n) of Blanket Order No. 1 of the Registrar of Securities
Nova Scotia	Clause 77(1)(n) of the *Securities Act* (Nova Scotia) and Blanket Order No. 5A
Nunavut	Pararaph 3(n) of Blanket Order No. 1 of the Registrar of Securities
Ontario	Sections 2.2 and 3.1 of Rule 45-503 Trades to Employees, Executives and Consultants, except as sections 2.2 and 3.1 of that Rule apply to associated consultants and investor consultants, as defined in that Rule
Saskatchewan	Clause 81(1)(o) of *The Securities Act*, 1988 (Saskatchewan)

APPENDIX G
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

AMALGAMATIONS OR MERGERS
(Section 2.11)

JURISDICTION	PROSPECTUS EXEMPTION
Alberta	Section 107(1)(i) of the *Securities Act* (Alberta)
British Columbia	Section 74(2)(*8*) of the *Securities Act* (British Columbia)
Manitoba	Clause 58(1)(b) of the *Securities Act* (Manitoba)
Newfoundland	Clause 73(1)(i) of the *Securities Act* (Newfoundland)
Northwest Territories	Paragraph 3(g) of Blanket Order No.1 of the Registrar of Securities
Nova Scotia	Clause 77(1)(i) of the *Securities Act* (Nova Scotia)
Nunavut	Paragraph 3(g) of Blanket Order No. 1 of the Registrar of Securities
Ontario	Clause 72(1)(i) of the *Securities Act* (Ontario) and section 2.8 of Rule 45-501 Exempt Distributions
Prince Edward Island	Clause 2(3)(k) of the *Securities Act* (Prince Edward Island)
Saskatchewan	Clause 81(1)(i) of *The Securities Act, 1988* (Saskatchewan)

APPENDIX H
TO
MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

UNDERWRITERS
(Section 2.14)

JURISDICTION	PROSPECTUS EXEMPTION
Alberta	Section 107(u.1) of the *Securities Act* (Alberta)
British Columbia	Section 74(2)(*15*) of the *Securities Act* (British Columbia)
Newfoundland	Clause 73(1)(r) of the *Securities Act* (Newfoundland)
Northwest Territories	Paragraph 3(v) of Blanket Order No.1 of the Registrar of Securities
Nova Scotia	Clause 77(1)(r) of the *Securities Act* (Nova Scotia)
Nunavut	Paragraph 3(v) of Blanket Order No. 1 of the Registrar of Securities
Ontario	Clause 72(1)(r) of the *Securities Act* (Ontario)
Saskatchewan	Clause 81(1)(u) of *The Securities Act, 1988* (Saskatchewan)

FORM 45-102F1

Report Made under Section 2.6 of Multilateral Instrument 45-102 Resale of Securities with respect to an Issuer that has Ceased to Be a Private Company or Private Issuer

1. Name and address of the issuer that has ceased to be a private company or private issuer.

2. Date when the issuer ceased to be a private company or a private issuer.

3. Jurisdiction of incorporation, organization or continuation of the issuer.

4. List, as of the time immediately before the issuer ceased to be a private company or a private issuer, the number or amount and designation of the authorized and outstanding securities of each class of securities of the issuer.

5. Particulars of the trade(s).

Name of Purchaser and Municipality and Jurisdiction of Residence	Amount or Purchase Price	Number of Securities Purchased	Exemption Relied On	Total (Canadian $)

If, after reasonable effort, it was not possible to identify the beneficial owner, explain why and disclose the registered owner.

6. The selling security holder has prepared, certified and delivered to the securities regulatory authority a statement containing the full legal name of, the full residential address of, and the number or amount and designation of securities of the issuer held by, each person or company who was a beneficial owner of securities of the issuer immediately before the issuer ceased to be a private company or a private issuer and, if, after reasonable effort, it was not possible to identify the beneficial owner at the time the statement was delivered, has explained why.
(Make certain the totals as to beneficial and as to registered owners given in this item reconcile, in each case, with the totals given in item 4.)

7. The undersigned certifies that the information given in this report is true and complete in every respect.

Date .....

.....
(name of issuer that has ceased to be a private company or a private issuer)

By:.....
(signature)

.....
(official capacity)

.....
(name of individual whose signature appears above)

Notice - Collection and Use of Personal Information

The personal information required under this form is collected on behalf of and used by the securities regulatory authorities set out below for the purposes of the administration and enforcement of the securities legislation in Alberta, British Columbia, Newfoundland, Northwest Territories, Nova Scotia, Nunavut, Ontario and Saskatchewan. All of the information required under this form, except for the information contained in the statement required under item 6, is made available to the public pursuant to Multilateral Instrument 45-102 and the securities legislation in each of the jurisdictions indicated above. If you have any questions about the collection and use of this information, contact the securities regulatory authorities in the jurisdiction(s) in which the form is filed, at the address(es) set out below.

Alberta Securities Commission
4th Floor, 300 - 4th Avenue SW
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, B.C. V7Y 1L2
Attention: Manager, Financial and Insider Reporting
Telephone: (604) 899-6730 or (800) 373-6393 (in B.C.)
Facsimile: (604) 899-6506

Securities Commission of Newfoundland
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's NFLD A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187

Department of Justice, Northwest Territories
Legal Registries
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Director, Legal Registries
Telephone: (867) 873-7490
Facsimile: (867) 873-0243

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, NS B3J 3J9
Attention: Corporate Finance
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Department of Justice, Nunavut
Legal Registries Division
P.O. Box 1000 - Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Director, Legal Registries Division
Telephone: (867) 975-6190
Facsimile: (867) 975-6194

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Administrative Assistant to the Director of Corporate Finance
Telephone: (416) 593-8200
Facsimile: (416) 593-8177

Saskatchewan Securities Commission
800 - 1920 Broad Street
Regina, SK S4P 3V7
Attention: Deputy Director, Legal
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

FORM 45-102F2

Certificate under Subsection 2.8 of
Multilateral Instrument 45-102 Resale of Securities

[*Name of Issuer or Selling Security Holder*] hereby certifies that in respect of a trade on [*date*] of [*amount or number and type of securities*] of [*Name of Issuer*],[*Name of Issuer*] was a qualifying issuer within the meaning of Multilateral Instrument 45-102 Resale of Securities at the distribution date.

DATED at _____ this _____ day of _____, 20__.

[*Name of Issuer or Selling Security Holder*]

By: _____
[*type name*]
[*title*]

INSTRUCTION:

File this form with the securities regulatory authority in Alberta, British Columbia, Newfoundland, Northwest Territories, Nova Scotia, Nunavut, Ontario and Saskatchewan within ten days of the distribution date of a trade referred to subsection 2.5(2) or 2.6(3) of Multilateral Instrument 45-102, and for the purpose of a trade made under subsection 2.6(5) of Multilateral Instrument 45-102 the issuer shall file Form 45-102F2 at the time the issuer becomes a qualifying issuer.

FORM 45-102F3

Notice of Intention to Distribute Securities and Accompanying Declaration under Section 2.10 of Multilateral Instrument 45-102 Resale of Securities

1. Name and address of reporting issuer or reporting issuer equivalent

2. Date and jurisdictions where issuer became a reporting issuer or reporting issuer equivalent

Date	Jurisdiction
.....	.....
.....	.....

3. Name and address of the selling security holder

4. State whether the selling security holder is an insider or officer of the issuer. (if an officer state title).

5. Amount or number and designation of securities of the issuer beneficially owned, directly or indirectly, by the selling security holder.

6. Amount or number and designation of securities of the issuer proposed to be sold by the selling security holder.

7. State, to the extent known to the selling security holder, the following particulars about the control position of the issuer: name(s), securities of the issuer held, offices or positions with the issuer or selling security holder and any other material particular regarding such control position.

8. State whether the securities will be distributed privately or on an exchange or a market (state name of exchange or market).

9. Proposed date of sale or date of commencement of sale.

10. If the selling security holder is a lender, pledgee, mortgagee or other encumbrancer selling securities distributed under an exemption in securities legislation from the prospectus requirement for a trade to a lender, pledgee, mortgagee or other encumbrancer from the holdings of a control person for the purpose of giving collateral for a debt made in good faith, state the date and amount of the loan, pledge, mortgage or other encumbrance, reasons for liquidating the debt and the circumstances of default.

11. State the date that the selling security holder or lender, pledgee, mortgagee or other encumbrancer acquired the securities.

12. If this Form is not an initial filing, provide the following information:

    (a) date of filing of the initial Form 45-102F3
    (b) date of the most recently filed renewal Form 45-102F3
    (c) number of securities proposed to be sold as stated in the initial Form 45-102F3
    (d) number of securities sold from the date of the initial Form 45-102F3 to the date of this renewal Form 45-102F3
    (e) number of securities proposed to be sold, as stated in the initial Form 45-102F3, that are no longer for sale
    (f) number of securities remaining for sale

Declaration, Certificate and Undertaking

The selling security holder for whose account the securities are to be sold, and to which this certificate relates, hereby:

(1) declares that the selling security holder has no knowledge of a material fact or material change with respect to the issuer of the securities that has not been generally disclosed;

(2) declares that to the best of the selling security holder's information and belief:

    (a) no unusual effort has been made to prepare the market or to create a demand for the securities to be sold and no extraordinary commission or other consideration has been or had been agreed to be paid in respect of such trade,

    (b) the transaction to which this notice of intention and declaration relate is an arm's length transaction made in good faith, and

(c) the securities have been held for the period of time required under section 2.10 of Multilateral Instrument 45-102 Resale of Securities and the other conditions of the applicable subsection of that section have been met;

(3) undertakes that no unusual effort will be made to prepare the market or to create a demand for the securities to be sold and no extraordinary commission or other consideration has been or had been agreed to be paid in respect of such trade;

(4) undertakes that this Form shall be renewed and filed on the 60th day after the date of filing this Form and thereafter at the end of each 28 day period; and

(5) certifies that the information given in the answers to the questions in this Form are true.

Date .....

.....
(name of selling security holder)

By:.....
(signature of selling security holder, and if a company, signature of authorised signatory)

.....
(name and office of authorised signatory)

Notice - Collection and Use of Personal Information

The personal information required under this form is collected on behalf of and used by the securities regulatory authorities set out below for the purposes of the administration and enforcement of the securities legislation in Alberta, British Columbia, Newfoundland, Northwest Territories, Nova Scotia, Nunavut, Ontario and Saskatchewan. All of the information required under this form is made available to the public pursuant to Multilateral Instrument 45-102 and the securities legislation in each of the jurisdictions indicated above. If you have any questions about the collection and use of this information, contact the securities regulatory authorities in the jurisdiction(s) in which the form is filed, at the address(es) set out below.

Alberta Securities Commission
4th Floor, 300 - 4th Avenue SW
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, B.C. V7Y 1L2
Attention: Manager, Financial and Insider Reporting
Telephone: (604) 899-6730 or (800) 373-6393 (in B.C.)
Facsimile: (604) 899-6506

Securities Commission of Newfoundland
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's NFLD A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187

Department of Justice, Northwest Territories
Legal Registries
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Director, Legal Registries
Telephone: (867) 873-7490
Facsimile: (867) 873-0243

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, NS B3J 3J9
Attention: Corporate Finance
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Department of Justice, Nunavut
Legal Registries Division
P.O. Box 1000 - Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Director, Legal Registries Division
Telephone: (867) 975-6190
Facsimile: (867) 975-6194

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Administrative Assistant to the Director of Corporate Finance
Telephone: (416) 593-8200
Facsimile: (416) 593-8177

Saskatchewan Securities Commission
800 - 1920 Broad Street
Regina, SK S4P 3V7
Attention: Deputy Director, Legal
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

COMPANION POLICY 45-102CP
TO MULTILATERAL INSTRUMENT 45-102
RESALE OF SECURITIES

PART 1 APPLICATION

1.1 Application - Multilateral Instrument 45-102 ("MI 45-102") has been implemented in all jurisdictions except Quebec.

1.2 Purpose

(1) MI 45-102 provides that trades of securities initially distributed under certain exemptions from the prospectus requirement are distributions unless certain conditions are met. The conditions impose restrictions on the resale of the securities. If the securities were initially distributed under a private placement or other exemption listed in Appendix D to MI 45-102, the conditions include that the issuer is and has been a reporting issuer or a reporting issuer equivalent for a seasoning period and that a hold period has elapsed from the date of the initial distribution. If the securities were initially distributed under an exemption listed in Appendix E to MI 45-102, the conditions include that the issuer is and has been a reporting issuer or a reporting issuer equivalent for a seasoning period. If the securities were initially distributed under the employee exemptions listed in Appendix F, the conditions also include that the issuer is and has been a reporting issuer or a reporting issuer equivalent for a seasoning period from the date of the grant of the stock option, not the exercise of the option. If the issuer is a qualifying issuer, MI 45-102 reduces the hold periods and seasoning periods. MI 45-102 also provides an exemption for a control distribution and a sale by a pledgee of pledged securities if the sale would be a distribution for the purposes of securities legislation.

(2) Nothing in MI 45-102 is intended to restrict the ability of a purchaser to resell securities during the hold period or seasoning period in reliance upon a prospectus or an exemption from the prospectus requirement.

1.3 Distribution

(1) An issuer, or the selling security holder in the case of a control distribution, distributing securities may be subject to a requirement to file a prospectus in a jurisdiction because either the securities are distributed to purchasers in the jurisdiction or, as a result of the factors connecting the issuer to the jurisdiction, the offering constitutes a distribution in the jurisdiction even though there are no offerees or purchasers in the jurisdiction. The connecting factors may result in an issue or sale of securities to purchasers outside of a jurisdiction being subject to the securities legislation of the jurisdiction.

(2) The definition of "distribution" in securities legislation in effect in most jurisdictions includes any transaction or series of transactions involving a purchase and sale or a repurchase and resale in the course of or incidental to a distribution. A secondary market trade of securities into a jurisdiction may be a distribution if the securities have not been qualified by a prospectus in that jurisdiction by virtue of the definition of distribution even if the securities are freely tradeable in another jurisdiction in which they were distributed under a prospectus or a prospectus exemption.

1.4 Open System Jurisdictions

(1) Sections 2.5 and 2.6 of MI 45-102, which provide that a trade of securities initially distributed under an exemption from the prospectus requirement is a distribution unless certain conditions are satisfied, and section 2.15 of MI 45-102 do not apply to trades in the provinces of Manitoba, New Brunswick, Prince Edward Island or in the Yukon Territory as those jurisdictions do not impose resale restrictions on trades in securities distributed under an exemption from the prospectus requirement.

(2) For example, if an issuer with its executive office in British Columbia distributes securities to a purchaser in Manitoba, the issuer must file a prospectus or rely upon a prospectus exemption under the securities legislation of Manitoba and British Columbia. If the issuer relies upon the British Columbia $97,000 exemption, section 74(2)(*4*) of the *Securities Act* (British Columbia), section 2.5 of MI 45-102 imposes a four or 12 month hold period on resale of the securities into each jurisdiction other than Manitoba, New Brunswick, Prince Edward Island and the Yukon Territory unless the resale is permitted under securities legislation.

1.5 Qualifying Issuer - In order to be a qualifying issuer, among other conditions, an issuer must be a reporting issuer or a reporting issuer equivalent in one of the jurisdictions listed in Appendix B to MI 45-102. The reporting issuer jurisdictions are Alberta, British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan. The reporting issuer equivalent jurisdiction is Manitoba.

1.6 Legending of Securities - Paragraphs 2.5(2)3. and 2.5(3)3. of MI 45-102 require that, for securities distributed under a prospectus exemption listed in Appendix D to MI 45-102, the certificate representing the securities must carry a legend stating that, unless permitted under securities legislation, the holder of the securities shall not trade the securities before the expiry of the applicable hold period. Placing a hold period legend on a share certificate is the most practical manner of providing certainty as to the

applicable hold periods and of ensuring more effective regulation of the exempt market.

1.7 **Underlying Securities** - The hold period or seasoning period applicable to trades in underlying securities is calculated from the distribution date of the convertible security, exchangeable security or multiple convertible security.

1.8 **Pledges by Control Persons** - In addition to the provisions of MI 45-102, in particular section 2.10, the provisions of National Instrument 62-101 Control Block Distribution Issues may also apply to a trade of securities upon the exercise of a pledge or other security interest in securities acquired in a control distribution.

1.9 **Securities Exchange Take-over Bid or Issuer Bid** - Section 2.9 of MI 45-102 provides relief from the seasoning requirement for a trade of securities issued in connection with a securities exchange take-over bid or securities exchange issuer bid in circumstances where, among other things, a securities exchange take-over bid circular or securities exchange issuer bid circular is filed by the offeror issuer under securities legislation of the local jurisdiction. The basis for this exemption is that, under securities legislation, a securities exchange take-over bid circular or securities exchange issuer bid circular for a formal bid is required to contain prospectus-type disclosure for the offeror or other issuer whose securities are being offered in exchange for the securities of the offeree issuer. In the view of the securities regulatory authorities, regardless of whether a take-over bid circular or issuer bid circular is prepared in connection with a formal bid or an exempt bid, the circular relied upon for purposes of section 2.9 of MI 45-102 must meet the disclosure standards set out in the securities regulatory requirements of the local jurisdiction applicable to the form and content of take-over bid circulars or issuer bid circulars, as the case may be, as if the bid was a formal bid.

1.10 **Resales of Securities of a Non-Reporting Issuer**

(1) For the purposes of section 2.15 of MI 45-102, in determining the percentage of the outstanding securities of the class or series that are directly or indirectly held by residents of Canada and the number of holders directly or indirectly in Canada

(a) determine securities held of record by a broker, dealer, bank, trust company or nominee for any of them for the accounts of customers resident in Canada;

(b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership; and

(c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

(2) Lists of beneficial owners of securities maintained by intermediaries pursuant to SEC Rule 14a-13 under the 1934 Act or other securities law analogous to proposed National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer may be useful in determining the percentages referred to in subsection (1).

1.11 **Filing of Form 45-102F1, Form 45-102F2 and Form 45-102F3**

(1) Subsection 2.6(2) of MI 45-102 provides that the first trade of previously issued securities of an issuer that has ceased to be a private company or a private issuer is a distribution unless the conditions in subsection (4) are satisfied. The conditions include that the issuer has filed Form 45-102F1. In order for the seasoning period to expire and the securities to be freely tradeable in each jurisdiction in which section 2.6 of MI 45-102 has been implemented, being Alberta, British Columbia, Newfoundland, Northwest Territories, Nova Scotia, Nunavut, Ontario and Saskatchewan, Form 45-102F1 must be filed in each jurisdiction in which the issuer has ceased to be a private company or private issuer.

(2) Section 2.8 of MI 45-102 provides that the issuer, or the selling security holder in the case of a control distribution, shall file Form 45-102F2 within ten days of the distribution date of a trade referred to in subsection 2.5(2) or 2.6(3) of MI 45-102, and for the purpose of a trade made under subsection 2.6(5) of MI 45-102 the issuer shall file Form 45-102F2 at the time the issuer becomes a qualifying issuer. Form 45-102F2 must be filed in the jurisdictions of the purchasers of the securities if any purchasers are in a jurisdiction in which 2.8 of MI 45-102 has been implemented, being Alberta, British Columbia, Newfoundland, Northwest Territories, Nova Scotia, Nunavut, Ontario and Saskatchewan.

(3) Section 2.10 of MI 45-102 provides that the prospectus requirement does not apply to a control distribution if the conditions in subsection (2) or (3) of section 2.10 are met. Subsection 2.10(4) provides that the selling security holder of the securities must file Form 45-102F3 in the jurisdictions in which the securities are being distributed and with the exchange in Canada on which the securities that are the subject of the trade are listed.

1.12 **Filings in the Local Jurisdiction** - Sections 2.9, 2.12 and 2.13 of MI 45-102 grant an exemption from section 2.6 of MI 45-102 for a trade of a security issued in connection with a take-over bid or issuer

bid, a trade in an underlying security if the right to purchase, convert or exchange is qualified by a prospectus and a trade in an underlying security if the right to purchase, convert or exchange is qualified by a securities exchange take-over bid circular or issuer bid circular, respectively. Each of the exemptions from section 2.6 of MI 45-102 is subject to a condition that a take-over bid circular, an issuer bid circular or a prospectus was filed under securities legislation of the local jurisdiction of the person or company relying upon the exemption from section 2.6 of MI 45-102. Similarly, the exemption in section 2.9 of MI 45-102 is subject to the condition that the offeror issuer was a reporting issuer or a reporting issuer equivalent in the local jurisdiction at the date of the take up and payment for securities of the offeree issuer under the take-over bid or issuer bid. The exemptions in sections 2.12 and 2.13 of MI 45-102 also require that the issuer of the underlying security be a reporting issuer or a reporting issuer equivalent in the local jurisdiction at the time of the trade.

PART 2 AIF REQUIREMENTS

2.1 **Filing of Current AIF** - Issuers that want to allow their security holders to take advantage of a provision of MI 45-102 that requires an issuer to have a current AIF can file a current AIF at any time. An issuer filing a current AIF for the purposes of MI 45-102 should file the notice and the current AIF, if not already filed, under "Continuous Disclosure - MI 45-102" in SEDAR selecting the appropriate filing subtype/document type (i.e. either an AIF, amended AIF or notice). A filer that elects to use a current AIF that has previously been filed on SEDAR is not required to refile the document for the purposes of MI 45-102.

2.2 **Most Recent Financial Year** - Issuers wishing to file a current AIF before they have filed their audited financial statements for the most recently completed financial year may include the audited financial statements for the financial year preceding the most recently completed financial year. For example, an issuer with a December 31 financial year end could continue to use a current AIF containing or incorporating by reference audited annual financial statements for the year ended December 31, 2000 during the first 140 days of 2002, until such time as annual audited financial statements for the year ended December 31, 2001 have been prepared and filed in accordance with securities legislation.

2.3 **Loss of Eligibility** - If the issuer does not have a current AIF, security holders of the issuer that acquire securities of the issuer will not be able to utilize the provisions of MI 45-102 that require that the issuer have a current AIF. However, securities that were distributed while the issuer had a current AIF and otherwise met the conditions in subsection 2.5(2), 2.6(3) or 2.6(5) of MI 45-102 may be sold in accordance with those provisions.

2.4 **Review of AIF** - An issuer's AIF is subject to review in each jurisdiction, and, as a result of this review, changes may need to be made to the AIF. If an issuer is advised by any regulator that its AIF does not comply with the appropriate instrument, any of a wide range of compliance actions may be taken by the securities regulatory authorities, from requiring the next AIF to be filed correctly, or a clarifying press release to be issued, to more serious actions such as issuing a cease trade order against the issuer's securities, or initiating appropriate enforcement proceedings against the issuer and its directors and officers.

2.5 **Review before Distribution** - If the AIF is reviewed before a distribution of securities and an issuer is advised by any regulator that its AIF does not comply with the appropriate instrument, an issuer will not be a qualifying issuer until the issuer has made the necessary changes to the AIF. Security holders that acquire securities under the distribution will not be able to take advantage of subsection 2.5(2), 2.6(3), 2.6(5) or 2.10(2) of MI 45-102.

2.6 **Review after Distribution** - If the AIF is reviewed after a distribution of securities, and an issuer is advised by any regulator that its AIF does not comply with the applicable instrument, securities that were distributed while the issuer was a qualifying issuer may be sold in accordance with subsection 2.5(2), 2.6(3), 2.6(5) or 2.10(2) of MI 45-102 if the other conditions in the relevant subsection are met.

PART 3 FEES

3.1 **Fees** - An issuer filing a current AIF under section 3.1 of MI 45-102 must pay the filing fees for the AIF required by securities legislation, unless the current AIF is in the form of a prospectus for which the regulator has issued a receipt.

5.1.2 OSC Policy 2.2 - Public Availability of Material Filed

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 2.2 PUBLIC AVAILABILITY OF MATERIAL FILED UNDER THE SECURITIES ACT

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 2.2 entitled *Public Availability of Material Filed Under the Securities Act* ("Policy 2.2"). The amendment designates a new number for Policy 2.2 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 2.2 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 2.2 should now be read to refer to OSC Policy 13-601.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 2.2 PUBLIC AVAILABILITY OF MATERIAL FILED UNDER THE SECURITIES ACT

1.1 Amendment – OSC Policy 2.2 entitled *Public Availability of Material Filed Under the Securities Act* is amended by renumbering it so that it will now be known as OSC Policy 13-601. This amendment comes into force immediately.

5.1.3 OSC Policy 2.6 - Application for Exemption of Interim Financial Statements

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 2.6 APPLICATIONS FOR EXEMPTION FROM PREPARATION AND MAILING OF INTERIM FINANCIAL STATEMENTS, ANNUAL FINANCIAL STATEMENTS AND PROXY SOLICITATION MATERIAL

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 2.6 entitled *Applications for Exemption from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material* ("Policy 2.6"). The amendment designates a new number for Policy 2.6 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 2.6 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 2.6 should now be read to refer to OSC Policy 52-601.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 2.6 APPLICATIONS FOR EXEMPTION FROM PREPARATION AND MAILING OF INTERIM FINANCIAL STATEMENTS, ANNUAL FINANCIAL STATEMENTS AND PROXY SOLICITATION MATERIAL

1.1 Amendment – OSC Policy 2.6 entitled *Applications for Exemption from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material* is amended by renumbering it so that it will now be known as OSC Policy 52-601. This amendment comes into force immediately.

5.1.4 OSC Policy 4.2 Suspension of Registration - Criminal Charges Pending

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 4.2 SUSPENSION OF REGISTRATION – CRIMINAL CHARGES PENDING

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 4.2 entitled *Suspension of Registration – Criminal Charges Pending* ("Policy 4.2"). The amendment designates a new number for Policy 4.2 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 4.2 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 4.2 should now be read to refer to OSC Policy 34-602.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 4.2 SUSPENSION OF REGISTRATION – CRIMINAL CHARGES PENDING

1.1 Amendment – OSC Policy 4.2 entitled *Suspension of Registration – Criminal Charges Pending* is amended by renumbering it so that it will now be known as OSC Policy 34-602. This amendment comes into force immediately.

5.1.5 OSC Policy 4.6 Registration - Declaration of Personal Bankruptcy

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 4.6 REGISTRATION – DECLARATION OF PERSONAL BANKRUPTCY

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 4.6 entitled *Registration – Declaration of Personal Bankruptcy* ("Policy 4.6"). The amendment designates a new number for Policy 4.6 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 4.6 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 4.6 should now be read to refer to OSC Policy 34-601.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 4.6 REGISTRATION –DECLARATION OF PERSONAL BANKRUPTCY

1.1 Amendment – OSC Policy 4.6 entitled *Registration – Declaration of Personal Bankruptcy* is amended by renumbering it so that it will now be known as OSC Policy 34-601. This amendment comes into force immediately.

5.1.6 OSC Policy 7.4 - Business & Asset Combinations

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 7.4 BUSINESS AND ASSET COMBINATIONS

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 7.4 entitled *Business and Asset Combinations* ("Policy 7.4"). The amendment designates a new number for Policy 7.4 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 7.4 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 7.4 should now be read to refer to OSC Policy 62-602.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 7.4 BUSINESS AND ASSET COMBINATIONS

1.1 Amendment – OSC Policy 7.4 entitled *Business and Asset Combinations* is amended by renumbering it so that it will now be known as OSC Policy 62-602. This amendment comes into force immediately.

5.1.7 OSC Policy 7.5 - Reciprocal Filings

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 7.5 RECIPROCAL FILINGS

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 7.5 entitled *Reciprocal Filings* ("Policy 7.5"). The amendment designates a new number for Policy 7.5 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 7.5 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 7.5 should now be read to refer to OSC Policy 51-603.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 7.5 RECIPROCAL FILINGS

1.1 Amendment – OSC Policy 7.5 entitled *Reciprocal Filings* is amended by renumbering it so that it will now be known as OSC Policy 51-603. This amendment comes into force immediately.

5.1.8 OSC Policy 9.3 Take-Over Bids - Miscellaneous Guidelines

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY UNDER THE SECURITIES ACT – OSC POLICY 9.3 TAKE-OVER BIDS – MISCELLANEOUS GUIDELINES

Notice of Amendment

The Commission has, under section 143 of the Securities Act (the "Act"), amended OSC Policy 9.3 entitled *Take-Over Bids – Miscellaneous Guidelines* ("Policy 9.3"). The amendment designates a new number for Policy 9.3 in conformity with the numbering system adopted by the Canadian Securities Administrators. The amendment does not materially change Policy 9.3 and, accordingly under section 143.8 of the Act, the Commission has not published the amendment for comment. The amendment is effective immediately. References in existing instruments to Policy 9.3 should now be read to refer to OSC Policy 62-601.

Text of Amendment

The text of the amendment follows.

AMENDMENT TO ONTARIO SECURITIES COMMISSION POLICY 9.3 TAKE-OVER BIDS – MISCELLANEOUS GUIDELINES

1.1 Amendment – OSC Policy 9.3 entitled *Take-Over Bids – Miscellaneous Guidelines* is amended by renumbering it so that it will now be known as OSC Policy 62-601. This amendment comes into force immediately.

5.1.9 Rule 41-502 - Prospectus Requirements for Mutual Funds

ONTARIO SECURITIES COMMISSION RULE 41-502 PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS

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ONTARIO SECURITIES COMMISSION
RULE 41-502
PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS

PART 1 INTERPRETATION AND APPLICATION

1.1 Interpretation

(1) In this Rule

"material contract" means, for a mutual fund, a document that the mutual fund would be required to list in an annual information form under Item 16 of Form 81-101F2 Contents of Annual Information Form if the mutual fund filed a simplified prospectus under National Instrument 81-101 Mutual Fund Prospectus Disclosure;

"mutual fund" includes a scholarship plan; and

"personal information" means, for a mutual fund, information describing the full name, position with or relationship to the mutual fund or its manager, names and address of employer, full residential address, date and place of birth and citizenship, for

(a) each director or officer of the mutual fund;

(b) each promoter of the mutual fund, or if the promoter is not an individual, for each director and officer of the promoter; and

(c) each director or officer of the manager of the mutual fund.

(2) Terms defined in National Instrument 81-101 or National Instrument 81-102 Mutual Funds and used in this Rule have at any time the respective meanings ascribed to them in that National Instrument.

(3) In this Rule, "prospectus" does not include a simplified prospectus under National Instrument 81-101.

1.2 Application - A *pro forma* and a preliminary prospectus of a mutual fund shall comply with the requirements of this Rule that relate to a prospectus.

PART 2 APPLICATION OF RULE 41-501 GENERAL PROSPECTUS REQUIREMENTS

2.1 Application to a Prospectus Prepared in accordance with Form 15 or Form 45 - The following provisions of Rule 41-501 are the only provisions of that rule that apply to a prospectus that is prepared in accordance with Form 15 or Form 45:

1. sections 2.1 and 2.8.
2. Part 3.
3. sections 9.1, 9.3 and 9.4.
4. sections 12.2 and 12.3.
5. sections 13.4, 13.5, 13.6, 13.7, 13.8 and 13.9.
6. Part 14.

7. Part 15, as it relates to the sections and Parts listed in this section.

2.2 **Application to a Simplified Prospectus and Annual Information Form Prepared under National Instrument 81-101** - The following provisions of Rule 41-501 are the only provisions of that rule that apply to a simplified prospectus and annual information form prepared under National Instrument 81-101:

1. sections 2.1 and 2.8.
2. sections 12.2 and 12.3.
3. sections 13.4, 13.5, 13.8 and 13.9.
4. Part 14.
5. Part 15, as it relates to the sections and Part listed in this section.

PART 3 APPLICATION OF NATIONAL INSTRUMENT 41-101 PROSPECTUS DISCLOSURE REQUIREMENTS

3.1 **Application to a Prospectus Prepared in accordance with Form 15** - The following provisions of National Instrument 41-101 are the only provisions of that national instrument that apply to a prospectus that is prepared in accordance with Form 15:

1. Part 1.
2. sections 2.1 and 2.2.
3. section 4.1.
4. Part 5, as it relates to the sections and Part listed in this subsection.

3.2 **Application to a Prospectus Prepared in accordance with Form 45** - The following provisions of National Instrument 41-101 are the only provisions of that national instrument that apply to a prospectus that is prepared in accordance with Form 45:

1. Part 1.
2. sections 2.1 and 2.2.
3. Part 5, as it relates to the sections and Part listed in this subsection.

3.3 **Application to a Simplified Prospectus and Annual Information Form Prepared under National Instrument 81-101** - National Instrument 41-101 does not apply to a simplified prospectus prepared under National Instrument 81-101.

PART 4 GENERAL REQUIREMENTS FOR A PROSPECTUS PREPARED IN ACCORDANCE WITH FORM 15 OR FORM 45

4.1 **General Requirements for a Prospectus Prepared in accordance with Form 15 or Form 45** - A prospectus of a mutual fund prepared in accordance with Form 15 or Form 45

(a) shall present disclosure in a manner that is understandable to readers and in an easy to read format;

(b) shall be prepared using plain language;

(c) shall provide clear and concise explanations for technical terms;

(d) for information that is required to be disclosed on a specific date, shall update that information if there has been a material or significant change in the required information since the specific date; and

(e) need not make reference to inapplicable items and may, unless otherwise required in the applicable Form, omit negative answers to items.

PART 5 FINANCIAL STATEMENTS IN A PROSPECTUS

5.1 **Application** - This Part applies only to a prospectus prepared in accordance with Form 15 or Form 45.

5.2 **Financial Statements in a Prospectus**

(1) A prospectus of a mutual fund shall contain

(a) the financial statements of the mutual fund

(i) for its last completed financial year if those financial statements have been, or were required under the Act to have been, filed; or

(ii) for the preceding financial year if the financial statements for the last completed financial year have not been, and have not yet been required under the Act to have been, filed; and

(b) the financial statements of the mutual fund for the six month period that began immediately after the financial year to which the annual financial statements required to be included in the prospectus under paragraph (a) relate, if those six month financial statements have been, or have been required under the Act to have been, filed.

(2) Despite subsection (1), a prospectus of a mutual fund that has been in existence for less than one financial year shall contain

(a) the balance sheet of the mutual fund dated the date of inception of the mutual fund; and

(b) financial statements of the mutual fund for the period commencing with the beginning of the first financial year and ending six months before the date on which that financial year ends, if those financial

statements have been, or have been required to have been, filed.

(3) Despite subsection (1), a prospectus of a mutual fund that has been in existence for one financial year or more but that has not previously offered securities under a prospectus shall contain

(a) the financial statements of the mutual fund

(i) for its last completed financial year, or

(ii) for the preceding financial year if the prospectus is filed 140 days or less after the end of the last completed financial year; and

(b) the financial statements of the mutual fund for the six month period that began immediately after the financial year to which the annual financial statements required to be included in the prospectus under paragraph (a) relate, if the prospectus is filed 60 days or more after the end of that six month period.

5.3 Form and Contents of Financial Statements - The financial statements referred to in section 5.2 shall comply with Part IV of the Regulation.

5.4 Audit Requirement for Financial Statements - Financial statements included in a prospectus of a mutual fund shall be accompanied by an auditor's report without a reservation of opinion.

5.5 Exception to Audit Requirement for Interim Financial Statements - Despite section 5.4, a mutual fund may omit from its prospectus an auditor's report for interim financial statements required to be included under section 5.2.

5.6 Exception to Audit Requirements for Financial Statements in a *Pro Forma* Prospectus - Despite section 5.4, a mutual fund may omit from a prospectus an auditor's report for the financial statements included in a *pro forma* prospectus.

PART 6 NON-CANADIAN MANAGER

6.1 Non-Canadian Manager - A prospectus of a mutual fund, the manager of which is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, shall include the following on one of its first three pages or under a separate heading elsewhere with bracketed information completed:

The manager is incorporated, continued or otherwise governed under the laws of a foreign jurisdiction or resides outside of Canada. Although the manager has appointed [name and address of agent for service] as its agent for service of process in Ontario it may not be possible for investors to collect from the manager judgments obtained in courts in Ontario.

PART 7 ADDITIONAL FILING AND DELIVERY REQUIREMENTS FOR A MUTUAL FUND THAT PREPARES A PROSPECTUS IN ACCORDANCE WITH FORM 15 OR FORM 45

7.1 Application - This Part applies only to a mutual fund that prepares a prospectus in accordance with Form 15 or Form 45.

7.2 Interpretation

(1) Despite section 1.2, the requirements of this Part relating to the filing of a prospectus do not apply to the filing of a *pro forma* prospectus or a preliminary prospectus.

(2) The filing and delivery requirements contained in this Part are in addition to any other filing and delivery requirement imposed by securities legislation.

7.3 Additional Filing and Delivery Requirements for a Preliminary Prospectus

(1) A mutual fund that files a preliminary prospectus shall file the following with the preliminary prospectus:

1. a signed copy of the preliminary prospectus.

2. if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4.

(2) A mutual fund that files a preliminary prospectus shall deliver the following to the Commission with the preliminary prospectus:

1. any personal information for the mutual fund that has not been previously delivered to the Commission in connection with a prospectus of another mutual fund managed by the manager.

2. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to i this subsection.

3. a copy of all material contracts of, and drafts of material contracts intended to be of, the mutual fund.

4. a signed letter to the Commission from the auditor of the mutual fund prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of the mutual fund included in the preliminary prospectus is accompanied by an unsigned auditor's report.

7.4 Additional Filing and Delivery Requirements for a *Pro Forma* Prospectus

(1) A mutual fund that files a *pro forma* prospectus shall file the following with the *pro forma* prospectus:

1. a copy of any material contract of the mutual fund, and a copy of any amendment to a material contract of the mutual fund not previously filed.

2. if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4, if it has not already been filed.

(2) A mutual fund that files a *pro forma* prospectus shall deliver the following to the Commission with the *pro forma* prospectus:

1. a copy of the *pro forma* prospectus, blacklined to show changes and the text of deletions from the latest prospectus previously filed.

2. any personal information for the mutual fund that has not been previously delivered to the Commission in connection with a prospectus filing of the mutual fund or another mutual fund managed by the manager.

3. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this section.

4. a copy of a draft of each material contract of the mutual fund, and a copy of each draft amendment to a material contract of the mutual fund, in either case not yet executed but proposed to be executed by the time of filing of the prospectus.

5. a signed letter to the Commission from the auditor of the mutual fund prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of the mutual fund included in the *pro forma* prospectus is accompanied by an unsigned auditor's report.

7.5 Additional Filing and Delivery Requirements for a Prospectus

(1) A mutual fund that files a prospectus shall file the following with the prospectus:

1. a signed copy of the prospectus.

2. a copy of any material contract, and a copy of any amendment to a material contract, of the mutual fund and not previously filed.

3. if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4, if it has not already been filed.

4. any consents required by section 13.4 of Rule 41-501.

(2) A mutual fund that files a prospectus shall deliver the following to the Commission with the prospectus:

1. a copy of the prospectus blacklined to show changes and the text of deletions from the preliminary or *pro forma* prospectus.

2. details of any changes to the personal information for the mutual fund since the delivery of that information in connection with the filing of the preliminary or *pro forma* prospectus.

3. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this section.

4. a comfort letter to the Commission from the auditor of the mutual fund prepared in accordance with the relevant standards of the Handbook, if an unaudited financial statement of the mutual fund is included in the prospectus.

7.6 Additional Filing and Delivery Requirements for an Amendment to a Prospectus

(1) A mutual fund that files an amendment to a prospectus shall file the following with the amendment:

1. a copy of any material contract, and a copy of any amendment to a material contract, of the mutual fund and not previously filed.

2 any consents required by section 13.4 of Rule 41-501.

(2) A mutual fund that files an amendment to a prospectus shall deliver the following to the Commission with the amendment:

1. if the amendment is in the form of an amended and restated prospectus, a copy of that document blacklined to show changes and the text of deletions from the prospectus.

2. details of any changes to the personal information for the mutual fund since the delivery of that information in connection with the filing of the prospectus.

3. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this subsection.

4. if applicable, a comfort letter to the Commission from the auditor of the mutual fund prepared in accordance with the relevant standards of the Handbook.

7.7 **Material Contracts** - Despite any other provision of this Part, a mutual fund may delete commercial or financial information from the copy of an agreement of the mutual fund, its manager or trustee with a portfolio adviser or portfolio advisers of the mutual fund filed under this Part if the disclosure of that information could reasonably be expected to:

(a) prejudice significantly the competitive position of a party to the agreement; or

(b) interfere significantly with negotiations in which parties to the agreement are involved.

PART 8 ADDITIONAL FILING AND DELIVERY REQUIREMENTS FOR A MUTUAL FUND THAT PREPARES A SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM UNDER NATIONAL INSTRUMENT 81-101

8.1 **Application** - This Part applies only to a mutual fund that prepares a simplified prospectus and annual information form under National Instrument 81-101.

8.2 **Interpretation** - The filing and delivery requirements contained in this Part are in addition to any other filing and delivery requirement imposed by securities legislation.

8.3 **Additional Filing and Delivery Requirements for a Preliminary Simplified Prospectus**

(1) A mutual fund that files a preliminary simplified prospectus and preliminary annual information form under National Instrument 81-101 shall file the following with those documents:

1. a signed copy of the preliminary annual information form.

2. if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4.

(2) A mutual fund that files a preliminary simplified prospectus and preliminary annual information under National Instrument 81-101 shall deliver the following to the Commission with those documents:

1. any personal information for the mutual fund that has not been previously delivered to the Commission in connection with a simplified prospectus of another mutual fund managed by the manager.

2. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this subsection.

3. a signed letter to the Commission from the auditor of the mutual fund prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of the mutual fund incorporated by reference into the preliminary simplified prospectus is accompanied by an unsigned auditor's report.

8.4 **Additional Filing and Delivery Requirements for a *Pro Forma* Simplified Prospectus**

(1) A mutual fund that files a *pro forma* simplified prospectus under National Instrument 81-101 shall file, with the *pro forma* simplified prospectus, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4, if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada and if that document has not already been filed.

(2) A mutual fund that files a *pro forma* simplified prospectus under National Instrument 81-101 shall deliver the following to the Commission with the *pro forma* simplified prospectus:

1. any personal information for the mutual fund that has not been previously delivered to the Commission in connection with a

simplified prospectus of the mutual fund or another mutual fund managed by the manager.

2. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this section.

3. a signed letter to the Commission from the auditor of the mutual fund prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of the mutual fund incorporated by reference into the *pro forma* simplified prospectus is accompanied by an unsigned auditor's report.

8.5 Additional Filing and Delivery Requirements for a Simplified Prospectus

(1) A mutual fund that files a simplified prospectus and annual information form under National Instrument 81-101 shall file the following with those documents:

1. if the manager of the mutual fund is incorporated, continued or organized under the laws of a foreign jurisdiction or resides outside of Canada, a submission to the jurisdiction and appointment of an agent for service of process of the manager of a mutual fund in Form 41-501F4, if it has not already been filed.

2. any consents required by section 13.4 of Rule 41-501.

(2) A mutual fund that files a simplified prospectus and annual information form shall deliver the following to the Commission with those documents:

1. details of any changes to the personal information for the mutual fund since the delivery of that information in connection with the filing of the simplified prospectus.

2. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this section.

3. a comfort letter to the Commission from the auditor of the mutual fund prepared in accordance with the relevant standards of the Handbook, if an unaudited financial statement of the mutual fund is incorporated by reference into the simplified prospectus.

8.6 Additional Filing and Delivery Requirements for an Amendment to a Simplified Prospectus

(1) A mutual fund that files an amendment to a simplified prospectus or annual information form, or both, under National Instrument 81-101 shall file, with the amendment or amendments, any consents required by section 13.4 of Rule 41-501.

(2) A mutual fund that files an amendment to a simplified prospectus or annual information form, or both, under National Instrument 81-101 shall deliver the following to the Commission with the amendment or amendments:

1. details of any changes to the personal information for the mutual fund since the delivery of that information in connection with the filing of the simplified prospectus.

2. a completed Form 41-501F2 required by the *Freedom of Information and Protection of Privacy Act* for the collection of the personal information referred to in this section.

3. if applicable, a comfort letter to the Commission from the auditor of the mutual fund prepared in accordance with the relevant standards of the Handbook.

PART 9 PROSPECTUS UNDER SECTION 63 OF THE ACT

9.1 Prospectus under Section 63 of the Act - A preliminary simplified prospectus, simplified prospectus, or *pro forma* simplified prospectus, in each case, prepared and filed in accordance with National Instrument 81-101, is a short form of prospectus or short form of *pro forma* prospectus, as the case may be, in prescribed form for the purposes of section 63 of the Act.

PART 10 EXEMPTION FROM SUBSECTION 81(2) OF THE ACT

10.1 Exemption from Subsection 81(2) of the Act - Subsection 81(2) of the Act does not apply to a mutual fund that has obtained a receipt for a current prospectus or simplified prospectus.

PART 11 EXEMPTION

11.1 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.

11.2 Evidence of Exemption - Without limiting the manner in which an exemption under section 11.1 may be evidenced, the issuance by the Director of a receipt for a prospectus or a simplified prospectus or an amendment to a prospectus or a simplified prospectus is evidence of the granting of the exemption for any form or content requirements relating to a prospectus or a simplified prospectus if

(a) the person or company that sought the exemption delivered to the Director, with the preliminary or *pro forma* prospectus or a simplified prospectus or at least 10 days before the issuance of a receipt in the case of an amendment, a letter or memorandum describing the matters relating to the exemption and indicating why consideration should be given to the granting of the exemption; and

(b) the Director has not sent written notice to the contrary to the person or company that sought the exemption before, or concurrent with, the issuance of the receipt.

PART 12EFFECTIVE DATE

12.1 **Effective Date** - This Rule comes into force on April 5, 2001.

COMPANION POLICY 41-502CP
TO ONTARIO SECURITIES COMMISSION RULE 41-502
PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS

COMPANION POLICY 41-502CP
TO ONTARIO SECURITIES COMMISSION RULE 41-502
PROSPECTUS REQUIREMENTS FOR MUTUAL FUNDS

PART 1 INTRODUCTION

1.1 **Purpose of Policy** - The purpose of this Policy is to clarify how Rule 41-502 Prospectus Requirements for Mutual Funds (the "Rule") integrates with other rules and policies of the Ontario Securities Commission (the "Commission") and the Canadian Securities Administrators ("CSA") relating to prospectuses of mutual funds. This Policy also is designed to bring certain matters relating to the Rule to the attention of persons or companies involved with mutual fund prospectuses.

1.2 **Use of Term "Prospectus" in the Rule**

(1) The Rule generally uses the term "prospectus" in reference to the prospectus of a mutual fund. The Act uses the term "prospectus" to refer to a final prospectus, and that usage is consistent with the usage in the Rule.

(2) Section 1.2 of Rule 41-502 provides that a *pro forma* prospectus and a preliminary prospectus are required to comply with the requirements of the Rule that relate to a prospectus. Therefore, the form and content requirements of Parts 2, 3, 4, 5 and 6 of the Rule are applicable to *pro forma* prospectuses and preliminary prospectuses as well as to (final) prospectuses.

(3) The Rule treats a prospectus prepared in accordance with Form 15 or Form 45 separately from a simplified prospectus. Therefore, subsection 1.1(3) of the Rule provides that the term "prospectus" in the Rule does not include a simplified prospectus under National Instrument 81-101.

PART 2 GENERAL STRUCTURE OF THE RULE

2.1 **Relationship to Securities Legislation Applicable to Mutual Fund Instruments** - The Rule sets out the Ontario prospectus requirements that are specific to mutual funds. A person or company preparing a mutual fund prospectus must have regard to other rules and policies of the Commission and the CSA that relate to prospectuses, in addition to the applicable provisions of securities acts and regulations of the jurisdictions of Canada.

2.2 **Form Requirements** - Section 44 of the Regulation provides that a prospectus of a commodity pool or scholarship plan shall comply with Form 15. Section 237 of the Regulation provides that the prospectus of a labour sponsored investment fund corporation shall comply with Form 45.

2.3 **Rule 41-501 General Prospectus Requirements**

(1) Rule 41-501 is an Ontario-only Rule that sets out the general requirements in Ontario concerning the preparation, certification, filing and receipting of a prospectus filed in Ontario. Rule 41-501 consolidates various provisions previously set out in the Regulation and in various policy statements and notices of the Commission and Commission staff concerning the preparation, certification, filing and receipting of prospectuses.

(2) Rule 41-501 applies to a prospectus of a mutual fund filed in Ontario unless its application is excluded in the Rule. Sections 2.1 and 2.2 of the Rule operate to exclude provisions of Rule 41-501 from applying to mutual fund prospectuses. Section 2.1 of the Rule clarifies which provisions of Rule 41-501 apply to a long form prospectus prepared in accordance with Form 15 or Form 45 and section 2.2 of the Rule clarifies which provisions of Rule 41-501 apply to a simplified prospectus prepared under National Instrument 81-101.

(3) Persons or companies should also have regard to Companion Policy 41-501CP in following the requirements of Rule 41-501.

2.4 **National Instrument 41-101 Prospectus Disclosure Requirements** - National Instrument 41-101 contains a number of provisions that are applicable to all prospectuses filed in Ontario, including certain front page disclosure requirements, plan of distribution disclosure requirements and statutory rights disclosure requirements. Section 3.1 of the Rule clarifies which provisions of National Instrument 41-101 apply to a long form prospectus prepared in accordance with Form 15, and section 3.2 of the Rule clarifies which provisions of National Instrument 41-101 apply to a long form prospectus prepared in accordance with Form 45. Section 3.3 of the Rule provides that National Instrument 41-101 does not apply to a simplified prospectus or annual information form prepared under National Instrument 81-101.

2.5 **National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR)** - National Instrument 13-101 mandates the electronic filing of various documents with the Canadian securities regulatory authorities, and is applicable to mutual fund prospectuses filed in Ontario.

2.6 **National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms** - National Policy 43-201 establishes the mutual reliance review system for the filing and regulatory review of prospectuses and annual information forms, and applies, for mutual funds, both to long form prospectuses and simplified prospectuses filed in Ontario.

2.7 Summary of Applicable Prospectus Rules for Mutual Fund Prospectuses Filed in Ontario

(1) A person or company preparing and filing a mutual fund prospectus in accordance with Form 15 or Form 45 should ensure compliance with Rule 41-501 and National Instrument 41-101 (to the extent those instruments are made applicable by Rule 41-502), Rule 41-502, National Instrument 13-101 and should follow National Policy 43-201 in order to use the Mutual Reliance Review System for Prospectuses and Annual Information Forms.

(2) A person or company preparing and filing a simplified prospectus under National Instrument 81-101 should ensure compliance with Rule 41-501 (to the extent made applicable by Rule 41-502), Rule 41-502, National Instrument 81-101, National Instrument 13-101 and should follow National Policy 43-201 in order to use the Mutual Reliance Review System for Prospectuses and Annual Information Forms.

(3) In addition, reference to National Instrument 81-102 in connection with the preparation of a prospectus may be appropriate. National Instrument 81-102 references the contents of a prospectus in a number of places, generally by requiring specific prospectus disclosure of a particular matter as a condition of the mutual fund being entitled to take some specified action. For example, section 2.11 of National Instrument 81-102 requires prospectus disclosure concerning the use of specified derivatives by a mutual fund in order for the mutual fund to be permitted to commence such use.

(4) The Commission notes that the prospectus of a mutual fund that is not permitted to use the simplified prospectus disclosure system of National Instrument 81-101 and that is not either a commodity pool, labour sponsored investment fund corporation or a scholarship plan will be required to comply with Rule 41-501, as that rule applies to Ontario prospectuses generally. An exchange-traded mutual fund would be an example of this type of fund. Rule 41-502 will not generally apply to a prospectus for such a mutual fund, although it is noted that Part 6 of the Rule applies to all mutual funds, including exchange-traded funds.

2.8 National Policy Statement 29 - Mutual Funds Investing in Mortgages and Proposed National Instrument 81-104 Commodity Pools - A mutual fund that is a commodity pool will be subject to the applicable disclosure requirements contained in National Instrument 81-104 Commodity Pools when that National Instrument comes into force. A mutual fund that is a mortgage fund should continue to comply with National Policy Statement No. 29 until a replacement instrument for that policy statement comes into force.

PART 3 DISCLOSURE

3.1 Individual Trustees or General Partners

(1) The Rule requires that an issuer deliver to the Commission, at prescribed times, personal information for the mutual fund, which includes information about each director and executive officer of the issuer.

(2) The Commission is of the view that any individual that is a trustee of a mutual fund constituted as a trust is "acting in a capacity similar to that of a director of a company", according to the definition of "director" in section 1 of the Act. Therefore, the Commission is of the view that these individuals are required to provide the specified personal information. However, the Commission is of the view that this concept is not applicable to registered trust companies acting as trustees, and so personal information for the directors and officers of a registered trust company is not required to be provided as part of personal information under the Rule.

(3) The Commission is of the view that general partners of a mutual fund constituted as a limited partnership are also acting in a capacity similar to that of a director. As a result, the Commission is of the view that information concerning these general partners is part of personal information under the Rule. Furthermore, if a general partner is itself a corporation or partnership, the Commission is of the view that the personal information should be provided for each of the directors and officers of that corporation or partners of that partnership.

3.2 Notices/Consent Forms and Security Check Information

(1) Sections 7.3, 7.4, 8.3 and 8.4 of the Rule require that a mutual fund deliver to the Commission, at the time of filing a preliminary or *pro forma* prospectus or a preliminary or *pro forma* simplified prospectus, personal information that has not been previously delivered to the Commission in connection with a prospectus filing of the mutual fund or another mutual fund managed by the manager, together with the notices and consent forms required by the *Freedom of Information and Protection of Privacy Act*.

(2) Due to the repeated prospectus filings made by mutual funds, the Commission has provided in the Rule that this information must be provided only if it has not already been provided in connection with an earlier prospectus filing of the mutual fund or another mutual fund managed by the same manager. The Commission does not wish to encourage duplicative filings, and so notes that information concerning a particular individual is considered

to have been already provided if it has been provided previously by the mutual fund or by another mutual fund managed by the same manager as the mutual fund.

3.3 Material Contracts

(1) Section 5.3 of Companion Policy 41-501CP indicates that the Director will consider granting relief from the requirement to make material contracts of an issuer available for inspection if disclosure would be unduly detrimental to the issuer and the disclosure would not necessary be in the public interest.

(2) The Commission has considered this issue in the context of mutual funds, and has included section 7.7 of the Rule to permit the exclusion of certain information from certain material contracts required to be filed by a mutual fund under the Rule. Although it is recognized that there may be circumstances in which other relief from the requirement to file the entire version of a material contract may be appropriate, the Commission and the Director expect that this type of relief would not normally be granted.

PART 4 AMENDMENTS

4.1 Amendments - Subsection 57(2) of the Act provides that where an amendment to a mutual fund prospectus is filed under subsection 57(1) of the Act for the purpose of distributing securities in addition to the securities previously disclosed in the prospectus or an amendment to the prospectus, the additional distribution shall not be proceeded with for a period of 10 days after the amendment is filed or, in the event the Commission informs the party filing in writing within 10 days of the filing that it objects to the further distribution, until such time as a receipt for the amended prospectus is obtained from the Director. The Commission is of the view that subsection 57(2) applies in cases where a new class or series of securities is added to a mutual fund. Subsection 57(2) does not apply where the new class or series of securities is referable to a new separate portfolio of assets. See section 1.3 of NI 81-102. In such cases, a preliminary or simplified prospectus must be filed.

Chapter 6

Request for Comments

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds Issuers 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
03Apr01		3849988 Canada Inc. - Series A-1 Preferred Shares	2,447,295	1,550,000
27Mar01		Acuity Pooled High Income Fund - Trust Units	150,000	10,883
29Mar01		Acuity Pooled Canadian Equity Fund - Trust Units	150,000	9,937
26Mar01		Acuity Pooled Fixed Income Fund - Trust Units	170,669	14,213
04Apr01		Atikwa Minerals Limited - Special Warrants	150,000	1,250,000
04Apr01		Atikwa Minerals Limited - Flow-Through Special Warrants	150,000	833,333
23Mar01		BPI American Opportunities Fund - Units	156,490	1,243
29Mar01		Burly Bear Network, Inc. -Shares of Series C-1 Convertible Participating Preferred Stock	US$6,000,050	27,650
06Apr01		Canada Life Assurance Company, The - Promissory Note	$185,382,000	$1
22Mar01		CC&L Balanced Fund -	18,000	1,601
23Mar01		CC&L Money Market Fund -	100,000	10,000
30Mar01		Clairvest Equity Partners Limited Partnership - Limited Partnership Units	10,000,000	10,000
Mar01		Connor Clark Private Trust - Units	US$1,008,379	1,008,379
01Mar01 to 30Mar01		Elliott & Page Monthly High Income Fund - Class G Units	1,954,832	193,177
01Mar01 to 30Mar01		Elliott & Page American Growth Fund - Class G Units	143,003	6,720
01Mar01 to 30Mar01		Elliott & Page Money Fund - Class G Units	31,384,099	3,138,409
01Mar01 to 30Mar01		Elliott & Page Sector Rotation Fund - Class G Units	2,654,656	217,403
01Mar01 to 30Mar01		Elliott & Page Cabot Emerging Growth Fund - Class G Units	293,317	24,273
01Mar01 to 30Mar01		Elliott & Page Cabot Global Multi-Style Fund - Class G Units	1,237,852	81,473
01Mar01 to 30Mar01		Elliott & Page Cabot Blue Chip Fund - Class G Units	1,904,920	95,329
01Mar01 to 30Mar01		Elliott & Page Balanced Fund - Class G Units	2,095,992	170,484
01Mar01 to 30Mar01		Elliott & Page U.S. Mid-Cap Fund - Class G Units	2,055,951	145,499
01Mar01 to 30Mar01		Elliott & Page Value Equity Fund - Class G Units	533,203	50,943
22Mar01	#	Federative Republic of Brazil, The - 8⅞% US Dollar-Denominated Global Bonds due 2024	US$250,000	250, 000

Trans. Date		Security	Price ($)	Amount
30Mar01		Filogix Inc. - Series A Preferred Shares	3,002,279	829,359
02Apr01	#	Houston Lake Mining Inc. - Units	150,999	100,666
04Apr01		Ibis Petroleum Inc. - Class A Common Shares	79,950	106,600
31Mar01		Kingwest Avenue Portfolio - Units	424,713	22,235
31Mar01		Marquest Balanced Fund - Units	165,633	16,559
31Mar01		Marquest Canadian Equity Growth Fund - Units	761,876	65,183
31Mar01		Marquest Dividend Income Fund - Units	2,714,604	260,521
05Apr01		Maxxcom Inc. Common Shares	9,999,997	1,333,333
02Mar01		Ocean Lake Commerce Inc. - Common Shares	27,500	50,000
01Jan01 to 31Mar01		Royal Trust Company, The - Units	328,044,138	30,137,963
30Mar01		SpringBank TechVentures, Canadian L.P. - Limited Partnership Units	155,000	155,000
30Mar01		St Andrew Goldfields Ltd. - Units and Convertible Secured Debentures	2,000,000, 4,000,000	13,333,333, 4,000,000 Resp.
30Mar01		Systech Retail Systems Inc. - Warrants to Common Shares	9,000,000	3,295,000
03Apr01		Voice Mobility International, Inc. - Special Warrants	9,537,000	4,768,500
26Mar01		WebTransact LLC - Class A Common Units	200,000	11,111
31Mar01		Wellington Management Portfolios (Canada) - Units	20,000,000	2,338,807
30Mar01		YMG Institutional Fixed Income Fund - Units	247,000	24,698
30Mar01		YMG Institutional Fixed Income Fund - Units	5,000,000	499,975
30Mar01		YMG Institutional Fixed Income Fund - Units	5,000,000	499,975
30Mar01		YMG Institutional Fixed Income Fund - Units	5,000,000	499,975

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
3849988 Canada Inc.	03Apr01
Atikwa Minerals Limited - Common Shares	23Mar01
Spotwave Wireless Inc. (Formerly DPS Wireless Inc.)	28Mar01

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Caccamo, Joseph	Avalanche Networks Corporation - Common Shares	400,000
Buhler, John	Buhler Industries Inc. - Common Shares	458,600
Hinke, Thomson V.	Thermal Energy International Inc. - Common Class A Shares	400,000
Mourin, Stanley	Western Troy Capital Resources Inc. - Common Shares	60,000

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:
AGF International Group Limited - AGF U.S. Value Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 18th, 2001
Mutual Reliance Review System Receipt dated April 19th, 2001
Offering Price and Description:
Series F Shares
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
-
Project #347661

Issuer Name:
AT&T Canada Inc.
Type and Date:
Preliminary Short Form Prospectus dated April 18th, 2001
Receipt dated April 18th, 2001
Offering Price and Description:
US$500,000,000 7.65% Senior Notes due 2006 which may be delivered upon the exchange
of US$500,000,000 7.65% Senior Notes due 2006
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #347494

Issuer Name:
B2B Trust
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated April 17th, 2001
Mutual Reliance Review System Receipt dated April 18th, 2001
Offering Price and Description:
$ * - * Common Shares at $ * per Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Laurentian Bank Securities Inc.
BMO Nesbitt Burns Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Dundee Securities Corporation
Promoter(s):
Laurentian Bank of Canada
Project #324895

Issuer Name:
COM DEV International Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated April 12th, 2001
Offering Price and Description:
$32,000,0000 - 4,000,000 Common Shares
Underwriter(s) or Distributor(s):
TD Securities Inc.
National Bank Financial Corp.
Sprott Securities Inc.
Yorkton Securities Inc.
Harris Partners Limited
Promoter(s):
-
Project #346496

Issuer Name:
John Hancock Canadian Corporation
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated April 11th, 2001
Mutual Reliance Review System Receipt dated April 11th, 2001
Offering Price and Description:
$220,0000,000 * % Senior Notes (Unsecured) Unconditionally guaranteed as to payment of principal,
premium (if any), interest and certain other amount . Price per Note: $1,000.00
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
John Hancock Financial Services, Inc.
Project #346064

Issuer Name:
NCE Flow-Through (2001-1) Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated April 17th, 2001
Offering Price and Description:
$5,000,000 to $30,000,000 - 200,000 to 1,200,000 Limited Partnership Units. Subscription
Price $25.00 per Unit. Minimum Subscription 100 Units
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
National Bank Financial Inc.
CIBC World Markets Inc.
Dundee Securities Corporation
Raymond James Ltd.
Yorkton Securities Inc.
Research Capital Corporation
Jory Capital Inc.
Promoter(s):
Petro Assets Inc.
Project #347195

Issuer Name:
Oxbow Equities Corp.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated April 16th, 2001
Mutual Reliance Review System Receipt dated April 17th, 2001
Offering Price and Description:
$10,010,100 - 16,683,500 Common Shares issuable upon exercise of 16,683,500
Special Warrants previously issued at a price of $.0.60 per Special Warrant
Underwriter(s) or Distributor(s):
Bay Street Direct Inc.
Promoter(s):
Oxbow Equity Advisors Inc.
Project #347075

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

Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 5th, 2001
Mutual Reliance Review System Receipt dated April 11th, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #345185

Issuer Name:
AIM International Value Fund
AIM Canada Fund Inc. - AIM Canada Growth Class
AIM Global Fund Inc. - AIM Pacific Growth Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 4th, 2001 to Simplified Prospectus and Annual Information Form
dated October 25th, 2000
Mutual Reliance Review System Receipt dated 17th day of April, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #297010

Issuer Name:
Trimark RSP Equity Fund
Trimark Indo-Pacific Fund
The Americas Fund
Trimark Global High Yield Bond RSP Fund
Trimark Global Balanced RSP Fund
Trimark U.S. Companies RSP Fund
Trimark Select Growth RSP Fund
Trimark International Companies RSP Fund
Trimark Europlus RSP Fund
Trimark Indo-Pacific RSP Fund
The Americas RSP Fund
Trimark Discovery RSP Fund

Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 4th, 2001 to the Amended and Restated Simplified Prospectus and
Annual Information Form dated October 5th, 2000.
Mutual Reliance Review System Receipt dated 17th day of April, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #280671

Issuer Name:
CMP 2001 Resource Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated 12th day of April, 2001
Offering Price and Description:
-
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:
Final Prospectus dated April 11th, 2001
Mutual Reliance Review System Receipt dated 12th day of April, 2001
Offering Price and Description:
-
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:
Graniz Mondal Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 4th, 2001
Mutual Reliance Review System Receipt dated 12th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #303232

Issuer Name:
Imaging Dynamics Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated April 16th, 2001
Mutual Reliance Review System Receipt dated 18th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):

Project #340630

Issuer Name:
Pheromone Sciences Corp.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated 17th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #334621

Issuer Name:
Aliant Inc.
Principal Regulator - Nova Scotia
Type and Date:
Final Short Form Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated 12th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #345098

Issuer Name:
Gloucester Credit Card Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 11th, 2001
Mutual Reliance Review System Receipt dated 11th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
MBNA Canada Bank
Project #342917

Issuer Name:
Hollis Receivables Term Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated April 12th, 2001
Mutual Reliance Review System Receipt dated 17th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
The Bank of Nova Scotia
Project #344357

Issuer Name:
BioCapital Biotechnology and Healthcare Fund
Principal Regulator - Quebec
Type and Date:
Final Simplified Prospectus and Annual Information Form dated April 10th, 2001
Mutual Reliance Review System Receipt dated 12th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #333312

Issuer Name:
NORTHWEST RSP INTERNATIONAL FUND
NORTHWEST MONEY MARKET FUND
NORTHWEST INTERNATIONAL FUND
NORTHWEST GROWTH FUND
NORTHWEST BALANCED FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated April 6th, 2001
Mutual Reliance Review System Receipt dated 18th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Northwest Mutual Funds Inc.
Promoter(s):
-
Project #335206

Issuer Name:
Altamira Investment Services Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 7th, 2000
Withdrawn 11th day of April, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #310148

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Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Integra Capital Corporation Attention: Frederick Craig Honey 55 University Avenue Suite 1100 PO Box 42 Toronto ON M5J 2H7	Mutual Fund Dealer Limited Market Dealer (Conditional) Investment Counsel & Portfolio Manager	Mar 20/01
New Registration	Mondiale Asset Management Ltd. Attention: Philippe Tardif c/o Lang Michener BCE Place PO Box 747 Suite 2500, 181 Bay Street Toronto ON M5J 2T7	Extra Provincial Adviser Investment Counsel & Portfolio Manager Commodity Trading Manager - Non-Resident	Apr 10/01
New Registration	CG&B Investment Services Inc. Attention: James David Robertson 120 South Town Centre Boulevard Markham ON L6G 1C3	Investment Dealer Equities Options	Apr 12/01
New Registration	Quest Capital Group Ltd. Attention: Edward Kholodenko 5001 Yonge Street Suite 203 Toronto ON M2N 6P6	Investment Dealer Equities	Apr 12/01
New Registration	Peter Watson Investments Limited Attention: Peter Charles Watson 220 Randall St Oakville ON L6J 1P7	Mutual Fund Dealer	Apr 11/01
New Recognition	NP Investments 461 Cornwall Road Oakville ON L6J 5C5	Exempt Purchaser	Apr 09/01
Change of Name	CDC Securities c/o Kenneth Ottenbright 152928 Canada Inc. 199 Bay Street Commerce Court West, 53rd Floor Toronto ON M5L 1B9	From: Caisse des Depots Securities Inc. To: CDC Securities	Mar 28/01
Change in Category	Integra Capital Corporation Attention: Frederick Craig Honey 55 University Avenue Suite 1100 PO Box 42 Toronto ON M5J 2H7	From: Mutual Fund Dealer Investment Counsel & Portfolio Manager To: Mutual Fund Dealer Limited Market Dealer (Conditional) Investment Counsel & Portfolio Manager	Mar 20/01

Type	Company	Category of Registration	Effective Date
Change in Category	Quest Capital Group Ltd. Attention: Edward Kholodenko 5001 Yonge Street Suite 203 Toronto ON M2N 6P6	From: Securities Dealer To: Investment Dealer Equities	Apr 12/01
Change in Category	Beutel Goodman Managed Funds Inc. Attention: Michael James Gibson 20 Eglinton Ave West Suite 2000 Toronto ON M4R 1K8	From: Securities Dealer To: Mutual Fund Dealer	Apr 16/01
Change in Category	Peter Watson Investment Limited Attention: Peter Charles Watson 220 Randall St Oakville ON L6J 1P7	From: Securities Dealer To: Mutual Fund Dealer	Apr 16/01

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1 Universal Market Integrity Rules

Canadian Securities Administrators Request for Comment 23-401

Proposed Universal Market Integrity Rules of TSE RS and CDNX

The Canadian Securities Administrators (CSA) are seeking comments on the proposed Universal Market Integrity Rules (UMI rules) published concurrently by Toronto Stock Exchange Regulation Services (RS) and the Canadian Venture Exchange Inc. (CDNX). The UMI rules are a joint initiative of RS and CDNX undertaken to harmonize their market integrity rules.

In response to the CSA proposal on alternative trading systems (ATS), the Toronto Stock Exchange Inc. (TSE) and the Investment Dealers Association of Canada (IDA) are proposing to create a stand alone market regulator. Once the market regulator is recognized as an SRO under securities legislation, RS and CDNX propose the following:

1. the market regulator will adopt the UMI rules, and
2. the TSE and CDNX will delete their existing market integrity rules.

RS and CDNX are further proposing that the UMI rules apply to trading of all types of securities traded on all exchanges and ATSs.

Background

The CSA first published the ATS proposal for comment on July 2, 1999, and again on July 28, 2000. The ATS proposal provides a framework for regulating "marketplaces", that is, exchanges, quotation and trade reporting systems and ATSs.

In the ATS proposal, the CSA said that if a marketplace has certain characteristics, the marketplace would be regulated as an exchange. One of these characteristics is carrying out a market regulation function; this involves setting requirements governing the conduct of and disciplining marketplace participants. The proposal made it clear that ATSs could not perform a market regulation function.

Exchanges have traditionally been market regulators: they have adopted rules, established surveillance systems to monitor compliance with those rules and taken enforcement action in appropriate circumstances. With the introduction of ATSs into the Canadian market, the CSA has to establish an appropriate level of oversight for ATSs without impeding their ability to compete with exchanges.

The July 1999 ATS proposal contemplated that an approved agent should perform the market regulation function for ATSs. The CSA indicated that all exchanges in Canada were "approved agents". Commenters raised concerns about conflicts of interest arising if exchanges do the market regulation function for ATSs because exchanges and ATSs compete for order flow. The July 2000 ATS proposal discussed possible alternatives:

1. creating an independent SRO for ATSs (it was not clear, however, that ATSs could, at least initially, support the cost of establishing and operating a separate market regulator);
2. consolidating market regulation for exchanges and ATSs in an independent SRO; or
3. moving the market regulation of exchanges into separate divisions or subsidiaries to insulate them from the parts of the exchanges that compete with ATSs.

The July 2000 ATS proposal requested that the industry consider and discuss possible alternatives to market regulation in the equity market. In response, the TSE and the IDA jointly proposed to create an entity to perform market regulation for the equity market. As proposed, the market regulator would regulate trading in listed or quoted equity securities on the TSE, CDNX and ATSs. CSA staff are reviewing the following issues relating to the establishment of the market regulator: its governance structure, its fee structure, and the scope and content of the UMI rules.

The TSE and CDNX are publishing the UMI rules at this time in order to solicit comment on their scope and content. Attached is a copy of their notice and the UMI rules.

Scope of the Universal Market Integrity Rules

The UMI rules set out the following general requirements for different marketplace participants:

1. ***Marketplaces***- Certain requirements apply to marketplaces in general, such as clearing and settlement and trading halts.

2. ***Participants***- Certain requirements apply to Participants, as defined in the UMI Rules. In general, under the UMI rules, Participants include the participating organizations of an exchange and the subscribers[1] of an ATS who are

[1] "Subscriber" is defined in proposed National Instrument 21-101 as: "for an ATS, a person or company that has entered into a contractual agreement with the ATS to access the ATS for the purpose of effecting trades or submitting, disseminating or displaying orders on the ATS".

registered as dealers. The requirements that apply to Participants include the following: just and equitable principles of trade, manipulative and deceptive methods of trading, short selling, front running, best execution, order entry, order designation, clearing and settlement, trading supervision, proficiency and principal trading.

3. ***Non-Dealer Subscribers***- Some of the rules also apply to the non-dealer subscribers[2] of an ATS. These requirements are limited in scope and include the following: just and equitable principles of trade, manipulative and deceptive methods of trading, short selling, and certain order designation requirements. As proposed under the UMI rules, an ATS would be required to ensure that its non-dealer subscribers have been trained in the applicable UMI rules. The non-dealer subscribers would then be responsible for complying with the UMI rules and, if they violated the rules, the market regulator would take enforcement action directly against the non-dealer subscribers.

General areas for comment

CSA Staff solicit comments on two broad issues.

a. ***Scope and Content of UMI rules***

We are of the view that all marketplace participants should be subject to certain market integrity rules and that there should be consistent application and enforcement of those rules. We are currently discussing whether the market regulator should exercise jurisdiction over non-dealer subscribers in order to achieve consistent regulation.

Question 1: Are the scope and content of the UMI rules appropriate?

As currently drafted, the UMI rules will apply in their entirety to the participating organizations of exchanges and registered dealers that are subscribers of ATSs. Only certain of the UMI rules, however, will apply to non-dealer subscribers of ATSs (just and equitable principles of trade, manipulative and deceptive method of trading, and short selling).

ATSs, which must be registered as dealers, would be responsible for ensuring that their non-dealer subscribers have received training in the relevant UMI rules. At this time, we do not contemplate that non-dealer subscribers would be subject to trading supervision obligations and proficiency requirements. We specifically request comment on the extent to which non-dealer subscribers should be regulated[3].

Question 2: Should the market regulator regulate non-dealer subscribers directly and subject non-dealer subscribers to some or all of the trading supervision obligations described in section 7.2 of the UMI rules and to proficiency requirements? In the alternative, should there only be a requirement for an ATS to provide a copy of the rules to their non-dealer subscribers and ensure that they acknowledge that they have received the rules and understand them?

Question 3: Should the market regulator require that an ATS be responsible for training its non-dealer subscribers on the applicable rules?

b. ***CSA Trading Rules***

At the same time as the ATS proposal, the CSA proposed certain basic common trading rules that would apply to all marketplaces (including marketplaces that trade listed or quoted equities, debt or derivative instruments) as well as trading in unlisted securities. The CSA acknowledged that, if ATSs are to be allowed to operate independently of recognized exchanges, they must follow trading practices that are similar to those established by exchanges for their marketplace participants.

RS and CDNX are proposing that the UMI rules apply to trading of all types of securities on all marketplaces. We are of the view that the UMI rules have been tailored to the equity market. We would have to analyze the UMI rules further to determine which parts should apply to the debt or derivatives markets. We received preliminary comments that indicate that several provisions, such as the order exposure requirement and the standard trading unit concept, do not apply to the derivatives market. Also, it is clear that some provisions do not apply to the debt market (other than the listed debt market).

In addition, the UMI rules do not apply to over-the-counter (OTC) trading, as OTC securities will not be traded on a marketplace. We are of the view that certain market integrity rules would be required at the CSA level in order to regulate OTC trading.

We specifically request comment on whether the UMI rules should form the basis for a single set of market integrity rules to replace all or part of the CSA Trading Rules. We also request comment on the extent to which the UMI rules are applicable to the debt and derivatives markets and OTC trading.

Question 4: Should the UMI rules replace all or part of the CSA Trading Rules[4] that were published for comment at the same time as the July 2000 ATS proposal?

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2 "Non-Dealer Subscriber" is defined in the UMI rules as a subscriber who is not: (a) registered as a dealer under the securities legislation of any jurisdiction; or (b) a related entity of a Participant.

3 Under TSE Rule 2-501 "Connection of Eligible Clients of Participating Organizations" (formerly Policy XXX), participating organizations may establish electronic links that allow a specified set of "eligible clients" to send orders electronically to the participating organization for routing to the TSE. In general, a participating organization that enters into an agreement with an "eligible client" to transmit orders received from the client is responsible for compliance with exchange requirements with respect to the entry and execution of orders transmitted by eligible clients through the Participating Organization.

4 Proposed National Instrument 23-101 *Trading Rules.*

Question 5: Please comment on the extent to which the UMI rules are applicable to the debt and derivatives markets and OTC trading.

Specific areas for comment

The CSA Staff request comment on the following specific areas of the UMI rules:

a. ***"Standard Trading Unit"***

The UMI rules provide a definition of "standard trading unit". The TSE and CDNX notices provide a discussion of this definition. We agree that a concept of "standard trading unit" is necessary for purposes of the best bid price and the best ask price displayed by the data consolidator. In other words, although a marketplace could trade securities in any increment, the data consolidator should only display orders of comparable sizes. We request comment on whether the concept of a "standard trading unit" applies to the debt and derivatives markets.

Question 6: Does the concept of a standard trading unit apply to the debt and derivatives markets?

b. ***Manipulative or Deceptive Method of Trading***

Under the CSA Trading Rules, it is an offence for a person to trade if the person "knows, or ought reasonably to know" that the transaction will result in or contribute to a misleading appearance of trading activity or in an artificial price for a security or perpetrates a *fraud* on any person. This section is modelled after securities legislation in some jurisdictions. However, the UMI rules provide that it is an offence for a participant or non-dealer subscriber to "use or knowingly facilitate or participate in the use of any manipulative or deceptive method of trading...". This is an example of an area where it may be appropriate to retain rules at the CSA level that differ from the UMI rules.

We solicit comment on whether it is appropriate to provide an exemption from the provisions in the CSA Trading Rules relating to manipulation and fraud if a marketplace participant is in compliance with the manipulative and deceptive trading provisions in the UMI rules.

Question 7: Please comment on whether it is appropriate for an exemption to be granted from the CSA Trading Rules for manipulation and fraud if a marketplace participant is in compliance with the UMI rules.

c. ***Best Execution Obligation***

The RS and CDNX notice provides a discussion of the best execution obligation in the UMI rules.

We are of the view that the best execution obligation is very important because it creates the potential for market participants to focus more on the opportunity for price improvement as they compete for order flow.

We specifically request comment on whether the best execution obligation in the UMI rules should be subject to "prevailing market conditions". We also request comment on the exceptions to the best execution obligation contained in the UMI rules (part 5).

Question 8: Should the best execution obligation be subject to "prevailing market conditions"?

Question 9: Should there be exceptions to the best execution obligation? If so, what exceptions are appropriate?

d. ***Display Requirements for Marketplace Participants***

The RS and CDNX notices provide a discussion of display requirements for marketplace participants.

We are of the view that exposure of client orders is important because the display of orders:

1. promotes transparency and provides marketplace participants with a more accurate picture of trading interest in a given security;

2. enhances execution opportunities for orders and is a valuable component of price discovery; and

3. encourages deeper and more efficient markets.

Question 10: Is the proposed threshold for order exposure of 50 standard trading units appropriate?

e. ***Principal Trading***

The RS and CDNX notices provide a discussion of principal trading. The CSA Trading Rules proposed that a marketplace participant that receives an order having a value of $100,000 or less to buy or sell a security should not execute a principal transaction against that order unless the marketplace participant provides a better price (price improvement).

The UMI rules provide that a Participant that receives an order for 50 standard trading units or less with a value of $100,000 or less may execute a client-principal cross if there is price improvement.

We request comment on the threshold set out in the UMI rules (section 8.1).

Question 11: Is the proposed threshold for principal trading of 50 standard trading units appropriate?

f. ***Audit Trail Requirements***

The CSA Trading Rules contemplate that the transmission of order information relating to the audit trail requirements is to be in electronic form. We are of the view that electronic transmittal of order information is necessary for market regulation purposes.

The audit trail requirements in the UMI rules do not specifically mention that the requirement to transmit the order information

has to be met electronically. We solicit comment on whether the requirement to transmit the information in electronic form should be implemented over time.

Question 12: Should participants be permitted to implement the audit trail requirement regarding transmission of order information over time? If so, what would be the appropriate phase-in period?

g. ***Continuous/Timely Disclosure***

The RS and CDNX notices solicit comment on whether the UMI rules should be expanded to include specific responsibilities for the market regulator in respect of continuous/timely disclosure by issuers of securities that would trade on a marketplace.

As currently drafted, the UMI rules do not address continuous/timely disclosure obligations. CSA Staff will be reviewing this issue in the context of the recognition of the market regulator.

Summary of Requests for Comment

In summary, comment is requested on the following issues:

Question 1: Are the scope and content of the UMI rules appropriate?

Question 2: Should the market regulator regulate non-dealer subscribers directly and subject non-dealer subscribers to some or all of the trading supervision obligations described in section 7.2 of the UMI rules and to proficiency requirements? In the alternative, should there only be a requirement for an ATS to provide a copy of the rules to their non-dealer subscribers and ensure that they acknowledge that they have received rules and understand them?

Question 3: Should the market regulator require that an ATS be responsible for training its non-dealer subscribers on the applicable rules?

Question 4: Should the UMI rules replace all or part of the CSA Trading Rules that were published for comment at the same time as the July 2000 ATS proposal?

Question 5: Please comment on the extent to which the UMI rules are applicable to the debt and derivatives markets and OTC trading.

Question 6: Does the concept of a standard trading unit apply to the debt and derivatives markets?

Question 7: Please comment on whether it is appropriate for an exemption to be granted from the CSA Trading Rules for manipulation and fraud if a marketplace participant is in compliance with the UMI rules.

Question 8: Should the best execution obligation be subject to "prevailing market conditions"?

Question 9: Should there be exceptions to the best execution obligation? If so, what exceptions are appropriate?

Question 10: Is the proposed threshold for order exposure of 50 standard trading units appropriate?

Question 11: Is the proposed threshold for principal trading of 50 standard trading units appropriate?

Question 12: Should participants be permitted to implement the audit trail requirement regarding transmission of order information over time? If so, what would be the appropriate phase-in period?

Comments

You are invited to make written submissions on the UMI Rules. We will consider submissions received within 30 days from the date of this Notice.

Please send your submission to all of the CSA listed below in care of the OSC, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

Please also send your submission should also be addressed to the Commission des valeurs mobilières du Québec as follows:

Claude St. Pierre, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3
E-mail: claude.stpierre@cvmq.com

We request that you submit a diskette containing your submission (in DOS or Windows format, preferably WordPerfect). The confidentiality of submissions cannot be maintained because securities legislation in certain provinces requires that a summary of written comments received during the comment period be published.

April 20, 2001

April 20, 2001 No. 2001-011

Suggested Routing: Trading, Legal & Compliance

REQUEST FOR COMMENTS

Universal Market Integrity Rules

On July 28, 2000, the Canadian Securities Administrators (the "CSA") republished for comment two proposed national instruments and related documents (the "ATS Proposal") as part of their initiative to create a framework for the competitive operation of traditional exchanges and Alternative Trading Systems ("ATSs"). The ATS Proposal sought to foster the trading of securities in a competitive environment in a fair and transparent manner. The national instruments were identified as proposed National Instrument 21-101 – Marketplace Operation (the "Marketplace Operation Instrument") and proposed National Instrument 23-101 – Trading Rules (the "CSA Trading Rules").

The Canadian Venture Exchange ("CDNX") and TSE Regulation Services ("RS") initiated a project to develop an alternative to replace the CSA Trading Rules. The Toronto Stock Exchange (the "TSE") and CDNX reviewed their respective rules and policies to determine if the CSA Trading Rules were appropriate for the structure of their markets. A secondary goal of this review was to determine the extent to which differences in the rules and policies of the exchanges could be removed and trading rules harmonized. This initiative resulted in the formulation of "Universal Market Integrity Rules" ("UMIR") designed to promote a fair and orderly market and to apply on a general basis to securities listed on the TSE and CDNX or traded on another marketplace, including an ATS.

Comments on the proposed Universal Market Integrity Rules should be in writing and delivered within 30 days of the date of this notice to:

James E. Twiss
Senior Counsel
Regulatory & Market Policy
The Toronto Stock Exchange
2 First Canadian Place
Toronto, Ontario. M5X 1J2
fax: (416) 947-4398
e-mail: jtwiss@tsers.com

- and -

Sandy Jakab-Hancock
Legal Counsel (Policy)
General Counsel's Office
The Canadian Venture Exchange
P.O. Box 10333
609 Granville Street
Vancouver, British Columbia. V7Y 1H1
Fax: (604) 688-5041
e-mail: sjakab-hancock@cdnx.com

A copy should also be provided to all of the CSA listed below in care of the OSC:

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
Registrar of Securities, Northwest Territories,
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o John Stevenson
Secretary to the Commission
Ontario Securities Commission
Suite 800, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8
fax: (416) 593-2318
e-mail: jstevenson@osc.gov.on.ca

and to the Commission des valeurs mobilières du Québec as follows:

Claude St. Pierre, Secretary,
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd floor
Montréal, Québec. H4Z 1G3
e-mail: claude.stpierre@cvmq.com

The CSA is concurrently issuing a Notice and Request for Comment on UMIR.

BACKGROUND

Objectives of the Universal Market Integrity Rules

RS and CDNX propose that UMIR be adopted as an alternative to the CSA Trading Rules. RS and CDNX believe that any trading rules designed to ensure integrity and a fair and orderly market following the introduction of ATSs should be "universal" in that the rules should:

- apply to trading in all marketplaces;
- apply equally to all dealers who are accessing a marketplace;
- not be capable of being circumvented by directing trading activity to another marketplace;
- apply, to the greatest extent possible, to trading in all forms of securities; and
- incorporate, to the greatest extent possible, any exceptions to the rules that are required to accommodate the workings of an individual exchange or quotation and trade reporting system.

In the opinion of RS and CDNX, the adoption of a single set of integrity rules to be applied and enforced in competitive marketplaces is the only practicable solution which ensures that trading is carried out in a fair and orderly manner. Simply put, marketplaces should compete but market regulation should not become a commodity to be traded between marketplaces.

Market Regulation under UMIR

Under the ATS Proposal, the responsibility for administering and enforcing the CSA Trading Rules would be undertaken by "approved agents". Each exchange in Canada would have been an approved agent. However, a number of commentators on the original ATS Proposal raised concerns about conflicts of interest if an ATS was required to have its market regulation performed by an exchange with which it competed for order flow. One possible answer noted by the CSA was to consolidate the responsibility for market regulation for all exchanges and ATSs in an independent self-regulatory organization ("SRO").

The CSA published the ATS Proposal without taking a position on how market regulation should be organized for the equity market. Industry participants were invited to consider and discuss possible solutions. While the CSA indicated that it was willing to participate in discussions, it was looking to the industry to propose alternatives for market regulation in the equity market.

With the demutualization of the TSE in April 2000, RS was established as a separate division within the TSE. The TSE is considering a proposal that would result in the division being transferred to a separate subsidiary ("RS Inc."). The Investment Dealers Association would, at the outset, hold 40% of the shares and be entitled to nominate 40% of the directors. Consideration is being given to how best to provide for the representation of other markets within the governance structure of RS Inc. At least half of the directors of RS Inc.

would be independent of any exchange or marketplace for which RS Inc. provided regulation services and independent of any dealers with access to those exchanges or marketplaces.

Initially, RS Inc. would provide regulation services to the TSE and CDNX. If the proposal for the formation of RS Inc. is pursued, RS Inc. would apply to be recognized as an SRO for the purpose of administering and enforcing UMIR for the marketplaces that had retained its services. **UMIR have been drafted to recognize that other Market Regulators (in addition to RS Inc.) could exist. However, it is the view of CDNX and RS that each of the Market Regulators would enforce a standard set of market integrity rules and that the standard set of integrity rules would be UMIR.**

Upon the recognition of RS Inc. as an SRO by the applicable securities regulatory authorities, RS Inc. would adopt UMIR as the standard set of integrity rules. Any changes in UMIR requested by RS Inc. or any other Market Regulator would be subject to approval by the applicable securities regulatory authorities. If UMIR is adopted, CDNX and the TSE anticipate that the rules would become effective concurrent with the Marketplace Operation Instrument. At that time, the existing rules and policies of the TSE and CDNX would be amended to delete any provisions where the subject matter is covered by UMIR. CDNX and the TSE would retain their respective rules and policies which are specific to their markets, including provisions related to systems operation, market quality and market structure.

While the details have not been finalized for the formation of RS Inc., TSE and CDNX believe that the creation of RS Inc., its recognition as an SRO and the adoption of a standard set of market integrity rules represent the best means of achieving comprehensive and independent market regulation.

Marketplace Operation Instrument

The Marketplace Operation Instrument will govern the structure of the marketplaces and establish the workings of the data consolidator. UMIR has been drafted based on the proposed National Instrument 21-101 - Marketplace Operation as released for comment by the CSA on July 28, 2000 together with any changes in the proposed instrument which the CSA has indicated to date will be contained in the final version of that National Instrument. **Changes to the proposed UMIR may be required to accommodate the final version of the Marketplace Operation Instrument.**

A number of terms used in the draft UMIR will be defined in the Marketplace Operation Instrument, including the following:

- affiliated entity;
- alternative trading system;
- consolidated market display;
- data consolidator;
- debt security;
- marketplace;
- order;
- recognized quotation and trade reporting system;
- self-regulatory entity;
- subscriber; and
- transaction fee.

Reference should be made to the Marketplace Operation Instrument for the current proposed definition of these terms.

In drafting UMIR, it was anticipated that the Marketplace Operation Instrument will establish the securities which may be traded on a marketplace. In order to trade on a marketplace (which would include an ATS) the security would have to be:

- listed on the TSE, CDNX, Bourse de Montréal ("BDM") or other recognized exchange (individually, an "Exchange");
- quoted on a recognized quotation and trade reporting system;
- listed on a stock exchange or organized market in a foreign jurisdiction for which the securities regulatory authority is an ordinary member of the International Organization of Securities Commissions; or
- a debt security.

SUMMARY COMPARISION OF UMIR AND THE CSA TRADING RULES

Appendix "A" is a chart outlining a summary of the obligations under UMIR that would be imposed on marketplaces and on persons who may obtain access to a marketplace. The current text of the proposed UMIR is contained in Appendix "B".

UMIR has been drafted taking into account two basic differences in approach from that proposed in the CSA Trading Rules:

- ***Scope***

  The CSA Trading Rules generally applied to any "person or company", thereby extending responsibility for compliance with the integrity rules to clients as well as dealers. Since marketplaces and their "approved agents" would have a role in the administration and enforcement of the CSA Trading Rules, CDNX and RS did not believe that it was appropriate for the "approved agent" to have jurisdiction to cover more than the dealers participating in the market. UMIR has therefore been drafted to extend the application of the Rules to "Participants" (being generally dealers with access to the market through an exchange or ATS) and "Non-Dealer Subscribers" (being subscribers to an ATS who are not dealers or related to dealers). Rules relating to frontrunning, best execution obligations, client-principal trading, trading supervision and proficiency obligations do not apply to Non-Dealer Subscribers since they will not be representing client accounts. (For a discussion of the outstanding issues related to the scope of UMIR, see "Extent of Jurisdiction of the Market Regulator" and "Supervision of Trading and Proficiency".)

- ***Point of Application***

  Certain of the CSA Trading Rules were drafted to apply to "trades" or "transactions". The application of the UMIR provisions generally is triggered by order entry, which marketplace participants control, rather than by a trade, which the marketplaces effect for marketplace participants.

The following is a summary comparison of the provisions of UMIR with those of the CSA Trading Rules published on July 28, 2000. The paragraph number identifies the section of the CSA Trading Rules. The comparison is not exhaustive and reference should be made to the text of both the CSA Trading Rules and UMIR.

1. Definitions

UMIR generally applies to two categories of persons with access to a marketplace, namely:

- "Participant" (defined to be a dealer which is a Member, Participating Organization or Approved Participant of an Exchange; a subscriber to an ATS; or a person who acts as a market maker, specialist or restricted permit holder on the BDM); and

- "Non-Dealer Subscriber (defined to be a subscriber to an ATS who is not a dealer nor a related entity of a dealer).

The term "related entity" is defined in UMIR as:

- an affiliated entity (as defined in the Marketplace Operation Instrument) that carries on business in Canada and is registered as a dealer or adviser; or

- a person that has been designated by a Market Regulator.

The CSA Trading Rules proposed to use various terms for which definitions were not provided. UMIR retains the concepts and proposes to add definitions of:

- "arbitrage account";

- "board lot" (which has been defined in UMIR as "standard trading unit" in order that each marketplace would be able to retain "board lots" at whatever level they chose for the business rules related to trading on their market)

- "client order";

- "hedge";

- "non-client order; and

- "principal account".

UMIR proposes to replace the "approved agent" concept with that of a "Market Regulator" to reflect in part that the notion that the body with the responsibility for the administration and enforcement of the integrity rules should not be perceived to be an "agent" of the marketplace.

As noted under the heading "Marketplace Operation Instrument" above, UMIR uses a number of terms expected to be defined in the Marketplace Operation Instrument. UMIR also introduces a number of specific definitions that are central to the application of the integrity rules including:

- "best ask price";

- "best bid price";

- "better price";

- "last sale price";

- "net cost"; and

- "net proceeds".

UMIR also provides definitions of particular types of orders and trades that qualify for exemptions from certain of the rules including:

- "Market-on-Close Order";

- "Opening Order;

- "Special Term Order";

- "trades on a when issued basis"; and

- "Volume-Weighted Average Price Order".

2. Manipulation and Fraud

UMIR proposes to introduce a catch-all "just and equitable principles" clause. This addition is designed to ensure that certain patterns of activity affecting the marketplace which do not quite reach the level of manipulative and deceptive trading practices are nonetheless unavailable to marketplace participants. For example, Rule 4.1 dealing with frontrunning is specifically tied to misuse of information when a Participant *knows* a client order will be entered. Somewhere between the Participant who acts on certain knowledge of a client order and the Participant who acts despite a single, uncertain expression of interest are the Participants that repeatedly take advantage of *expressions of interest* in particular securities. Such Participants are not conducting business openly and fairly and in accordance with just and equitable principles of trade. The "just and equitable principles" clause prevents such unfair activity.

Unlike the CSA Trading Rules, UMIR does not contain provisions with respect to securities fraud. It was the opinion of CDNX and RS that such provisions are more appropriately contained in securities legislation and criminal law and are not properly within the purview of a Market Regulator.

UMIR also proposes to eliminate the distinction between "price manipulation" and "attempted manipulation" that

was contained in the CSA Trading Rules. UMIR provides that a marketplace participant should not use, directly or indirectly, nor knowingly facilitate or participate in the use of any manipulative or deceptive method of trading that could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price. Without limiting the generality of the general prohibition, UMIR then proposed to set out specific activities that either would or may be considered manipulative (based principally upon existing TSE and CDNX rules).

3. Short Selling

UMIR continues the basic short selling rules contained in the CSA Trading Rules in that a short sale may not be made below the last sale price. However, UMIR proposes to expand the exemptions to the rule to parallel a number of provisions presently in the rules of the TSE and CDNX (particularly for program trades, accounts of Responsible Registered Traders, derivative market maker accounts and the first sale after a security starts to trade "ex-distribution"). UMIR also proposes that for the purposes of the short sale rule, a person will be deemed not to own a security if the security which is owned is subjected to any restriction on sale imposed by securities legislation or by an exchange or recognized quotation and trade reporting system.

UMIR makes provision for the reporting of short positions by Participants and Non-Dealer Subscribers in order that this information may be utilized by Market Regulators in reviewing trading activity in a particular security.

4. Front Running and Insider Trading

The CSA Trading Rules precluded a purchase or sale as principal or agent when there was knowledge of an order that had not been "generally disclosed". UMIR proposes to replace the "generally disclosed" test with an objective standard tied to the entry of the *client* order to a marketplace. The frontrunning restriction under the CSA Trading Rules applied regardless of the size of the order. UMIR also proposes to restrict activities by a Participant only where the "unentered" *client* order could reasonably be expected to affect the market price of a security. While the CSA Trading Rules precluded all purchases and sales of a security with knowledge of an undisclosed order, UMIR proposes to restrict:

- the entry of principal or non-client orders for the security and related securities; and
- the solicitation of orders from any person for the security and related securities.

UMIR also proposes to expand the exceptions to the frontrunning rule from those contained in the CSA Trading Rules. In particular:

- principals would be allowed to hedge a position they previously assumed or agreed to assume;
- principal orders could be entered to fulfil previously existing, legally binding obligations;
- orders may be entered or trades made for the benefit of the particular client;
- an order may be solicited to facilitate the trade of the client order; and
- an order may be entered for an arbitrage account.

In the opinion of CDNX and RS, in each of these additional exemptions from the frontrunning rule the client is either not prejudiced by the activity or the activity is for the client's benefit.

Knowledge should relate to "firm" orders so that the rule is not triggered by a general expression of interest by an investor and does not unfairly restrict marketplace participants.

While each Market Regulator will play a significant role in detecting possible insider trading, it is the view of RS and CDNX that violations of insider trading rules under securities legislation are properly in the jurisdiction of the securities regulatory authorities and, as such, UMIR does not cover insider trading. However, as part of the order designation requirements under UMIR, orders for securities by an insider or significant shareholder of the issuer of the security must be marked so that Market Regulators can monitor the activities of those persons in the market.

5. Best Execution

Under the CSA Trading Rules, a dealer acting as agent for a client had to make reasonable efforts to ensure that the client received the "best execution price" and, in particular, the order could not be executed if it could be "filled at a better price" on another marketplace.

UMIR proposes to impose a general "best execution obligation" which requires a dealer to diligently pursue the execution of each client order on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

UMIR requires a Participant to make reasonable efforts to ensure that a client order is executed at the "best bid price" in the case of a sale by a client and the "best ask" price in the case of purchase by a client. UMIR recognizes that, until a market integration system is implemented, ATSs will not be linked to one another (though they will be linked to the exchanges) and, so, making reasonable efforts is the highest standard that can be required.

In order to ensure that prices are comparable between marketplaces, UMIR proposes to eliminate Special Terms Orders from the determination of best bid and best ask prices. A Special Term Order includes an order for less than a standard trading unit, an order subject to a condition and an order that would be settled other than in the ordinary course. UMIR also proposes to recognize additional exceptions from the best bid/best ask requirement where the clients has imposed various terms and conditions on an order. In addition, under UMIR a Participant would be able to take into account any

transaction fees payable to a marketplace in determining whether the marketplace had an order at the best price.

Under UMIR certain types of orders would not be subject to the "best price" requirement. In particular, UMIR would recognize an exception for a Special Terms Order, Market-on-Close Order, Opening Order and a Volume-Weighted Average Price as each of these order types trade outside of general auction market principles.

UMIR also proposes to retain the concept of client priority which is in the present rules of the TSE and CDNX but which was not contained in the CSA Trading Rules. A dealer will be required to give priority to client orders (over principal and non-client orders that are received, originated or entered after the receipt of the client order) for the same security at the same price on the same side of the market.

6. ***Display Requirements for Marketplace Participants***

The CSA Trading Rules proposed that all client orders with a value of $100,000 or less had to be immediately entered on a marketplace. In the opinion of RS and CDNX, this "one size fits all" approach did not recognize significant differences in the structure of the junior and senior markets. UMIR therefore proposes that the requirement for immediate entry to a marketplace of a client order be tied to 50 standard trading units. This provision would require immediate entry of a client order for the purchase or sale of:

- 5,000 shares for securities trading at $1.00 or more;
- 25,000 shares for securities trading at $0.10 and less than $1.00;
- 50,000 shares for securities trading at less than $0.10;
- $50,000 of principal amount for a debt security;
- 50 contracts for a derivative instrument; or
- such other number as may be determined for a particular listed or quoted security by the Exchange or recognized quotation and trade reporting system.

UMIR proposes a number of exemptions from the "client order exposure" requirement including:

- the client instructing that the order not be exposed;
- the order being executed by the Participant at a "better price";
- the order being withheld pending confirmation that the order complies with applicable securities requirements including requirements of any Exchange or recognized quotation and trade reporting system;
- the Participant determining that entering the order would not be in the "best interests" of the client based on market conditions;
- the value of the order is for more than $100,000;
- the order is an Opening Order, Special Terms Order, Market-on-Close Order, a Volume-Weighted Average Price Order or part of a wide distribution on the TSE;
- the order is to be executed by means other than entry on a marketplace.

Under UMIR, a Participant would not be required to execute an order on a marketplace when acting as principal or agent in a number of circumstances including where:

- the order was for a security which is neither a listed security nor a quoted security;
- a Market Regulator required or permitted the order to be executed other than on a marketplace;
- the trade was undertaken by journal entry to correct an error with a client order; and
- the order is executed outside of Canada on another exchange or organized regulated market that publicly disseminates details of trades.

The exemptions parallel existing provisions of the TSE and CDNX respecting when Participating Organizations and Members may execute trades "off-exchange".

The only exemption from the "order exposure" requirement under the CSA Trading Rules related to orders with a value of more than $100,000.

Until the market integration system is implemented, it's important to include in UMIR both an order exposure requirement and a trade-through concept so clients are assured best execution is achieved and orders on the book are not unfairly impacted or bypassed. Effective operation of these two rules can only be achieved if orders and prices are readily comparable between marketplaces. For that reason UMIR proposes:

- to prohibit orders at prices which include fractions of a cent (to ensure that no one marketplace can scoop order flow with a technique that does not reflect real market interest);
- to require a standard set of order designations which will apply regardless of the marketplace on which an order is entered (though provision is made for marketplaces to require designations beyond those suggested by UMIR);
- to require unique identifiers of Participants to be included with each order and disclosed to each Market Regulator for surveillance and compliance purposes (subject to each marketplace being able to determine if the identifier of the Participant or the

ATS shall be displayed in the consolidated market display);

- to preclude negative commissions;
- to provide that cancelled trades do not affect the validity of subsequent trades tied to the price of the cancelled trade unless otherwise determined by a Market Regulator;
- to provide that the consolidated market display is the official record for determining "best ask price", "best bid price" and "last sale price" (while the records of the marketplace will be the record of the contract arising out of the trading of orders on that marketplace).

In order to provide assurance to marketplace participants that trades executed on Canadian marketplaces will be settled, UMIR proposes to introduce requirements that each Participant and Non-Dealer Subscriber must be a participant or member of an appropriate clearing agency (Canadian Derivative Clearing Agency in respect of derivatives and the Canadian Depository for Securities in the case of other securities) or have entered into acceptable arrangements for clearing and settlement. Each Participant will be liable for all bids and offers which they enter on a Marketplace (whether or not the entry of the order has been authorized by the Participant). Subject to the obligation of a non-dealer subscriber, an ATS will be liable for all bids and offers which they enter on a marketplace or which is entered through their systems (whether or not the entry of the order has been authorized by the Participant or Non-Dealer Subscriber).

Without these provisions, the validity of every transaction on Canadian marketplaces is undermined, inefficiency and unfairness result and the reputation of Canadian marketplaces can be damaged.

In order to ensure the basic integrity of the Canadian marketplace, UMIR proposes a number of additional rules including requirements for:

- Participants to adopt written policies and procedures to ensure compliance with UMIR;
- Participants to review orders prior to entry to ensure compliance with UMIR and the policies and procedures;
- Participants to supervise trading activities of employees;
- Participants to ensure employees demonstrated proficiency in UMIR;
- ATSs to ensure that Non-Dealer Subscribers are trained in UMIR;
- Restrictions on trading during a securities exchange take-over bid apply in all marketplaces; and
- Restrictions on trading listed or quoted securities by market makers and specialists in derivatives apply in all marketplaces.

These additional requirements in UMIR are designed to reflect that the primary responsibility for compliance with the integrity rules must continue to rest with the persons who have been granted access to trading in the Canadian marketplace. These additional rules, together with the requirements on order marking described above, ensure that the existence of multiple marketplaces for the trading of securities does not allow persons with access to "sidestep" integrity rules.

7. Principal Trading

The CSA Trading Rules provided that a Participant with a client order of $100,000 or less could execute that order in a principal transaction provided the client was given a better price. UMIR proposes to modify this requirement by using the threshold of 50 standard trading units (the same level as for the order exposure rules in Rule 6.3) while retaining the $100,000 cap. UMIR also proposes to expand the requirement by:

- extending the restriction to cover client trades with non-client orders (as well as principal orders);
- requiring that the Participant take reasonable steps to ensure that the price to the client is the "best available price" taking into account the condition of the market; and
- confirming that trading with a client order which is larger than the thresholds is nonetheless still subject to the requirement for "best execution" of client orders (under Rule 5.1).

UMIR also provides a number of exemptions from the client-principal trading rule where the transaction is undertaken at a price determined by the marketplace and where a better price would not be expected, such as with an Opening Order, Market-on-Close Order and Volume-Weighted Average Price Order.

8. Regulatory Halts

Under the CSA Trading Rules, trading was not permitted on a marketplace if a securities regulatory authority, recognized exchange or recognized quotation and trade reporting system prohibited trading in a particular security. UMIR proposes to continue this basic requirement but clarify that trading in other marketplaces may continue if trading in one or more securities on the exchange or quotation and trade reporting system has been:

- halted or delayed as a result of technical problems affecting only the trading system or the exchange or recognized quotation and trade reporting system;
- suspended for failure to meet minimum listed or quotation requirements; and

- suspended for failure of the issuer to pay any fees to the exchange or the recognized quotation and trade reporting system.

UMIR also proposes to clarify that where trading in a security has been halted on marketplaces, a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an exchange or organized regulated market that publicly disseminates detail of trades.

9. Trading Hours

CDNX and RS were of the opinion that the inclusion of a provision on the establishment of "Trading Hours" by a marketplace was unnecessary in UMIR as such a provision is more properly a business rule established by each marketplace.

10. Monitoring and Enforcement

The CSA Trading Rules were premised on the ability of marketplaces to negotiate contracts with their "approved agent" and for the marketplaces and approved agents to negotiate arrangements for enforcement and compliance including the sharing of information. In drafting UMIR, CDNX and RS were of the opinion that reliance on "negotiated arrangements" would lead to uncertainties and potentially uneven application of the basic market integrity rules. UMIR has been drafted therefore to impose a direct obligation on marketplace participants to comply with the rules and clear obligations on marketplace participants who are Members or Participating Organizations in exchanges to submit to the jurisdiction of the Market Regulator if these rules are breached. UMIR also imposes a positive obligation on the part of marketplaces to share information with one another for surveillance, investigative and enforcement purposes. UMIR proposes to set out specifically the powers that each Market Regulator will have in the administration of the integrity rules (and these powers are similar to those provided to Market Surveillance Officials under the current TSE Rules). A marketplace would be able to engage a Market Regulator to provide additional services but UMIR would establish the base responsibilities and powers rather than leaving such matters to negotiation.

The CSA Trading Rules did not specify any penalty for breach of the rules. Under UMIR, a breach of the rules by a Participant who is a Member, Participating Organization or Approved Participant of an Exchange will result in disciplinary and enforcement action by the Market Regulator in accordance with the established practice and procedure of the Exchange. In these circumstances, the Market Regulator may impose of such penalty or remedy as may be authorized by any requirement of the Exchange. For other Participants and for Non-Dealer Subscribers, a breach of UMIR may result in:

- a reprimand;
- a fine net to exceed the greater of $1,000,000 and an amount equal to triple the financial benefit resulting from the breach of UMIR;
- suspension of access to the marketplace; and
- revocation of access to the marketplace.

If the access of any person to the marketplace is suspended or revoked by a Market Regulator, such suspension or revocation shall automatically apply to all other marketplaces unless the applicable securities regulatory authority shall otherwise determine.

UMIR extends the ambit of certain rules (just and equitable principles of trade, manipulative and deceptive method of trading, short sale) to related entities of a Participant or a Non-Dealer Subscriber and to directors, officers, partners and employees of the Participant, Non-Dealer Subscriber or their related entity. UMIR also extends the frontrunning rule to persons connected to a Participant. As the frontrunning rule does not apply to Non-Dealer Subscribers, UMIR does not extend it to persons connected to a Non-Dealer Subscriber. In addition, UMIR proposes a general anti-avoidance rule that permits a Market Regulator to designate a person as acting in conjunction with a person otherwise subject to UMIR. Any designation by a Market Regulator would be subject to review by the applicable securities regulatory authority.

11. Audit Trail Requirements

The CSA Trading Rules proposed to introduce an electronic order trail. That concept has been retained in UMIR though the information to be retained and transmitted has been amended. Ultimately, it is intended that the information will be provided to the applicable Market Regulator in an electronic format. It is recognized that technical constraints may make such a requirement impractical for implementation concurrent with the introduction of the Marketplace Operation Instrument. As such, the application of Rule 10.5(5) may be deferred until a future time. Prior to subsection (5) coming into force, Participants nonetheless would be required to maintain the information otherwise required for the "order record" as set out in subsections (1) to (4) of Rule 10.5.

The CSA Trading Rules proposed that a dealer retain records of trades for a period of seven years with the records being in a readily accessible location during the first two years. UMIR proposes to continue these requirements even though it is recognized that this retention period is in excess of that required under certain securities regulatory provisions.

On a purely administrative level, UMIR proposes that each Participant and marketplace be assigned a unique identifier for trading purposes and that each security that trades on a marketplace also be assigned a unique symbol for trading purposes. Such measures are designed to facilitate market surveillance and compliance activities by marketplace participants. Unless otherwise provided, such identifiers and symbols shall be assigned by the TSE after consultation with BDM and CDNX.

12. Exemption

Under the CSA Trading Rules, an exemption from the rules had to be granted by the securities regulatory authority. Under UMIR, each Market Regulator would have discretion to grant exemptions to a particular person or transaction if the Market Regulator was satisfied that the exemption would not be contrary to applicable securities legislation nor prejudicial to the public interest or maintenance of a fair and orderly market. Under UMIR, exemptions of "general application" would be achieved by an amendment to UMIR or, where appropriate, the adoption of a policy to elaborate on the workings of a particular UMIR provision. Any amendment to UMIR or adoption of a policy would require the approval of the applicable securities regulatory authorities.

UMIR also proposes to introduce a mechanism whereby any direction, order or decision of a Market Regulator may be reviewed by the applicable securities regulatory authority.

IDENTIFICATION OF OUTSTANDING ISSUES

In formulating UMIR as an alternative to replace the CSA Trading Rules, CDNX and RS have consulted with the advisory committees and the boards of directors of CDNX and TSE and the Regulation Committee of RS. In addition, comments were received from representatives of the CSA and from the Bourse de Montréal.

While "common ground" was often found on the general principles that should be included in the market integrity rules, a number of the suggestions and comments were not easily reconciled. Among the issues that remain "under discussion" and for which comment is particularly sought are the following:

- ***"Universal" Application***
  - UMIR has been drafted to replace the CSA Trading Rules and to provide a base of market integrity rules to apply in all marketplaces to permit the proper functioning of the "integrated market" contemplated by the ATS Proposal.
  - In the opinion of RS and CDNX, the adoption of a single set of integrity rules to be applied and enforced in competitive marketplaces is the only practicable solution which ensures that trading is carried out in a fair and orderly manner.
  - *Comment is requested on the following questions:*
    - *Is it acceptable to have multiple Market Regulators if there is a single set of market integrity rules applicable in all marketplaces?*
    - *How would overall market integrity be assured in an "integrated market" if each Market Regulator adopts different standards and rules to govern trading in their particular marketplace?*
- ***Extent of Jurisdiction of the Market Regulator***
  - The initial draft of UMIR prepared by CDNX and the TSE contemplated that the securities regulatory authorities would retain enforcement and disciplinary jurisdiction over subscribers who were not Participating Organizations or Members of an Exchange.
  - CSA staff requested that UMIR contain provisions for the Market Regulator to exercise jurisdiction over "Non-Dealer Subscribers (on the basis that such persons will be direct participants in the marketplace).
  - The proposed UMIR provides jurisdiction to each Market Regulator for the marketplace for which Market Regulator is retained to provide regulation services, respecting the activities of dealers participating in the marketplace and Non-Dealer Subscribers who have access to the marketplace.
  - *Comment is requested on the following questions:*
    - *Is it appropriate for a Market Regulator to have enforcement and disciplinary jurisdiction over subscribers who are not dealers under applicable securities legislation? In particular, if retail investors or non-residents are subscribers to an ATS should the jurisdiction of the Market Regulator extend to such persons?*
    - *What should be the responsibility of the ATS in these circumstances?*
    - *Should a marketplace be be permitted to have more than one Market Regulator provided each Market Regulator applies the same set of integrity rules?*
- ***Supervision of Trading and Proficiency***
  - UMIR requires dealers who are Members or Participating Organizations of an Exchange or subscribers to an ATS to adopt policies and procedures for trading and to supervise trading by their employees to ensure compliance with UMIR and other regulatory requirements.
  - UMIR proposes that these provisions not apply to Non-Dealer Subscribers to an ATS, but that the ATS would have an obligation to train the Non-Dealer Subscriber in UMIR.
  - *Comment is requested on the following questions:*
    - *As a dealer, should an ATS have "compliance responsibility" for monitoring trading activity of subscribers who are not dealers?*

- *Should subscribers to an ATS who are not dealers be limited to "trading for their own account"?*
- *To what extent should "subscribers" be considered "clients" of the ATS in its capacity as a dealer?*

- ***Order Exposure***
  - UMIR proposes that a client order for 50 "standard trading units" or less must be entered on a marketplace subject to a number of exemptions. An exemption is available if:
    - a Participant executing the client order at a "better price";
    - a Participant withholding the order if the Participant "determines based on market conditions that entering the order would not be in the best interest of the client";
    - the order is an Opening Order, Special Terms Order, Volume-Weighted Average Price Order or Market-on-Close Order; and
    - the value of the order exceeds $100,000 (the threshold proposed in the CSA Trading Rules).
  - Presently, the TSE Rule requires the exposure of client orders for 1,200 shares or less and provides exemptions for certain types of securities (such as preferred shares, limited partnership units and securities trading in US funds).
  - *Comment is requested on the following questions:*
    - *Are the proposed exemptions from the requirement to expose client orders appropriate?*
    - *Is a variable threshold preferable to a fixed dollar amount (e.g. $100,000 as proposed in the CSA Trading Rules) or fixed share amount (e.g. 1,200 shares as in the present TSE Rules)?*

- ***Client/Principal Trading***
  - UMIR proposes that the requirement to provide clients with a "better price" would apply to client orders for 50 "standard trading units" or less with a value of $100,000 or less.
  - Presently, the TSE rule applies to an order for 5,000 shares or less (with no cap on the value of the order). The 50 "standard trading unit" requirement would be the same as the present TSE rule for securities trading at $1.00 or more. The UMIR proposal would increase the threshold to 25,000 shares for securities at $0.10 or more and less than $1.00 and to 50,000 shares for securities trading at less than $0.10.
  - *Comment is requested on the following questions:*
    - *Is it appropriate to retain the $100,000 "cap" originally proposed in the CSA Trading Rules?*
    - *Is a variable threshold preferable to a fixed dollar amount (e.g. $100,000 as proposed in the CSA Trading Rules) or fixed share amount (e.g. 5,000 shares as in the present TSE Rules)?*

- ***Order Designations***
  - UMIR proposes to adopt specific order designation requirements to ensure that orders can be compared between marketplaces. Each marketplace would still be able to establish its own rules with respect to the trading of orders.
  - UMIR requires particular order designations for securities listed on the TSE to ensure that the market-making system is not compromised. An order entered through an ATS may not trade on the TSE under the market-making system (including the Minimum Guaranteed Fill and odd-lot facilities) if the order would not have been eligible to participate in the TSE's market-making structure if entered directly on the TSE.
  - With the introduction of multiple and competitive marketplaces, UMIR proposes to introduce a requirement that an order to buy or sell a security by an insider or significant shareholder of the issuer of the security be marked at the time of entry.
  - UMIR contemplates that each marketplace may decide whether the identification number assigned to a Participant should be disclosed with the order information in the consolidated market display.
  - *Comment is requested on the following questions:*
    - *Are the proposed order designations and, in particular the requirement to mark orders by insiders and significant shareholders, appropriate?*
    - *Should the marketplace be allowed to decide whether the identification number of Participants is included in the consolidated market display?*

- ***Best Execution Obligation***
  - UMIR proposes that a Participant diligently pursue the execution of each client order on the

most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

- UMIR also proposes a more specific test in that the Participant must make reasonable efforts to ensure that client orders are executed at the best available price on a marketplace as displayed in the consolidated market display. Special Terms Orders (defined to include orders for less than a standard trading unit and orders subject to a condition or non-standard settlement terms) would not be subject to the best available price obligation unless the order was otherwise immediately tradable. Nonetheless, a Special Terms Order would be subject to the more general "execution obligation". Special Terms Orders would not be taken into account to establish the best available price.

- *Comment is requested on the following questions:*

  - *Should a Special Terms Order be taken into account to establish the best available price?*

  - *Should a dealer have an obligation imposed under UMIR to check market prices for a particular security trading on exchanges or organized markets outside of Canada before trading the security on a marketplace?*

- ***Trading Increments***

  - In order to ensure comparability of orders between marketplaces, UMIR proposes to prohibit orders for part of a share ("fractional shares") and at a price which includes a fraction or a part of a cent.

  - *Comment is requested on the following questions:*

    - *Should each marketplace be able to determine whether it will trade fractional shares and at prices of less than a cent? Should this depend on the specific type of security being traded?*

    - *Should the matter be determined by the systems capacity of the data consolidator and/or data vendors?*

- ***Short Sale Rule***

  - The TSE presently provides that short sales may be undertaken at a price below the last sale on the TSE if undertaken at a price above the last sale on a recognized exchange in the United States.

  - The exemption was not carried over in UMIR for logistical reasons (e.g. in a penny increment trading environment, the application of varying exchange rates between marketplaces and participants would result in an unequal playing field).

  - *Comment is requested on the following questions:*

    - *Is a special mechanism required to govern the short sale of securities that are also listed on an exchange or traded on an organized market in the United States?*

    - *What provision, if any, should be made for securities which are listed on exchanges in jurisdictions other than the United States?*

- ***Definitions***

  - UMIR would permit an "arbitrage account" to undertake a short sale below the last sale price and to trade ahead of an otherwise undisclosed client order. An arbitrage account has been defined as a principal account that makes a usual practice of trading to take advantage of the difference in the price of securities in different markets or between convertible or exchangeable securities.

  - UMIR proposes that various prices (including last sale price, best ask price and best bid price) and thresholds (Rule 6.3 on Exposure of Client Orders and Rule 8.1 on Client-Principal Trading) be established in part by reference to "standard trading units". Essentially, the definition incorporates the existing definition of "board lot" used by the TSE and CDNX and also provides that for derivative instruments the standard trading unit will be 1 contract. For securities trading at $1.00 or more, the standard trading unit is 100 shares.

  - *Comment is requested on the following questions:*

    - *Should the definition of "arbitrage account" be expanded to include client and non-client accounts?*

    - *Is the definition of "standard trading unit" appropriate, and in particular, should less than 100 shares be adopted as a standard trading unit for higher-priced securities (what number at what price level)?*

- ***Continuous/Timely Disclosure***

  - The TSE and CDNX presently require issuers to provide notice to the exchanges prior to the issuance of press releases. This information is used to determine whether a halt should be imposed on trading for the dissemination of the

information and as an alert to watch for unusual trading patterns.

- *Comments are solicited on whether UMIR should be expanded to include specific responsibilities for the Market Regulator in respect of continuous/timely disclosure by issuers of securities that would trade on a marketplace. In particular:*
  - *Should the requirements for disclosure be limited only to the issuers of securities listed on an Exchange or quoted on a recognized quotation and trade reporting system?*
  - *Should the disclosure requirements be standard or should each Exchange and recognized quotation and trade reporting system be able to establish their own policy?*

- ***Negative Commissions/Payment for Order Flow***
  - UMIR incorporates provisions preventing "negative commissions" in the context of trading client orders to ensure the comparability of displayed prices for a security between marketplaces.
  - *Comments are requested on whether "payment for order flow" by a marketplace should be prohibited, restricted or regulated in the context of UMIR.*

- **Application to Derivative Instruments**
  - The CSA Trading Rules proposed to extend the requirement for exposing client orders and the restrictions on principal client trading to derivative securities. Presently, the BDM does not have any such requirements or restrictions for the trading of derivative instruments listed on the BDM.
  - UMIR has been drafted to apply the integrity rules (including Rule 6.3 on the Exposure of Client Orders and Rule 8.1 on Client-Principal Trading) to all forms of securities traded on a marketplace.
  - *Comment is specifically requested on the following questions:*
    - *Should trading of derivative instruments on a marketplace be subject to UMIR?*
    - *Should an exemption be granted to BDM from Rule 6.3 and 8.1 to accommodate their current market structure?*
    - *Should there be any other exemptions or additional integrity provisions in connection with the trading of derivative instruments?*

- **Application to Debt Securities**
  - The CSA Trading Rules proposed that all of the basic market integrity rules (with the exception of the short sale rule) would apply to the trading of debt securities on a marketplace. However, the July 28, 2000 version of the Marketplace Operation Rule excluded "inter-dealer bond brokers" from the definition of a marketplace.
  - Presently, the "short sale" rules of the CDNX and the TSE apply to the trading of debt securities listed on those exchanges.
  - UMIR would apply to the trading of a debt security listed on an Exchange or quoted on a recognized quotation and trade reporting system. UMIR has also been drafted so that it could apply to the trading of a debt security that is not otherwise listed or quoted but which trades on an ATS.
  - *Comment is specifically requested on the following questions:*
    - *Should trading of debt securities on a marketplace be subject to UMIR?*
    - *Should an exemption from Rule 3.1 on short selling be granted for trading in debt securities (including listed or quoted debt securities)?*
    - *Should there be any other exemptions or additional integrity provisions in connection with the trading of debt securities?*

QUESTIONS

Questions concerning this notice may be directed to Regulatory and Market Policy by contacting either Patrick Ballantyne, Director at (416) 947-4281 or James E. Twiss, Senior Counsel at (416) 947-4333.

BY ORDER OF THE BOARD OF DIRECTORS

LEONARD P. PETRILLO
VICE PRESIDENT, GENERAL
COUNSEL AND SECRETARY

APPENDIX "A"

SUMMARY OF OBLIGATIONS OF MARKETPLACES AND PERSONS WITH ACCESS

UMIR Section	Rule Description	Marketplaces		Persons with Access		
		Exchange	ATS	P/O Member	Dealer subscriber	Non-Dealer Subscriber
Part 2	**Manipulative or Deceptive Method of Trade**					
2.1	Just and Equitable Principles – requirement to conduct business on a marketplace openly and fairly			✓	✓	✓
2.2	Manipulative or Deceptive Method of Trading – prohibition on certain practices when trading on a marketplace			✓	✓	✓
Part 3	**Short Selling**					
3.1	Restrictions on Short Selling – restrictions on selling securities short at a price below the last sale price			✓	✓	✓
Part 4	**Frontrunning**					
4.1	Frontrunning – prohibition on frontrunning client orders			✓	✓	
Part 5	**Best Execution Obligation**					
5.1	Best Execution of Client Orders – general obligation to ensure a client order is executed on most advantageous terms			✓	✓	
5.2	Best Price Obligation – obligation to ensure a client order could not be executed on another marketplace at a better price			✓	✓	
5.3	Client Priority – priority for client orders over principal and non-client orders			✓	✓	
Part 6	**Order Entry and Exposure**					
6.1	Entry of Orders to a Marketplace – establishment of standard trading increments for orders and all orders to be subject to special trading rules issued by an exchange or recognized quotation and trade reporting system	✓	✓	✓	✓	✓
6.2	Disclosure of Designations and Identifiers – requirement for standard designations and identifiers to be on each order entered on a marketplace	✓	✓	✓	✓	✓1
6.3	Exposure of Client Orders – requires client orders below specified size to be immediately entered on a marketplace			✓	✓	
6.4	Trades to be on a Marketplace – general requirement that trades by dealers and related entities be on a marketplace			✓	✓	
Part 7	**Trading in a Marketplace**					
7.1	Clearing Obligations – requirement that all persons with access to a marketplace have satisfactory clearing and settlement arrangements			✓	✓	✓
7.2	Trading Supervision Obligations – requirement to have written trading policies and procedures, appointment of supervisory staff and review of orders prior to entry to a marketplace			✓	✓	
7.3	Proficiency Obligations – requirement that persons entering orders to a marketplace have demonstrated proficiency in trading rules and the ATS to have the obligation to ensure Non-Dealer Subscribers are trained in the rules		✓2	✓	✓	
7.4	Liability for Bids, Offers and Trades – provides that all bids and offers accepted on marketplace become binding contracts and the responsibility for the order and contracts by a Participant or ATS where the order has been entered on the ATS by a Non-Dealer Subscribers		✓3	✓	✓	

UMIR Section	Rule Description	Marketplaces		Persons with Access		
		Exchange	ATS	P/O Member	Dealer subscriber	Non-Dealer Subscriber
7.5	Contract Record and Official Transaction Record – contract record of marketplace to govern settlement and disputes – obligation of marketplace to provide information on trades to the data consolidator	✓	✓			
7.6	Record Prices – limits negative commissions on trade with clients			✓	✓	
7.7	Cancelled Trades – provides that a cancelled trade does not effect validity of subsequent trades	✓	✓	✓	✓	✓
7.8	Restrictions on Trading by a Participant Involved in a Distribution – restricts trading in a listed security or quoted on a marketplace by an underwriter			✓	✓	
7.9	Restrictions on Trading During a Securities Exchange Take-over Bid – restricts transactions by a dealer-manager on a marketplace in a security offered as consideration under a take-over bid			✓	✓	
7.10	Trading in Listed or Quoted Securities by Market Makers and Specialists – requires compliance with additional requirements of any exchange or recognized quotation and trade reporting system			✓	✓	
Part 8	**Principal Trading**					
8.1	Client-Principal Trading – general obligation of a dealer when trading a client order against a principal or non-client order			✓	✓	
Part 9	**Trading Halts, Delays and Suspensions**					
9.1	Trading Halts, Delays and Suspensions – establishes uniform provisions for halts, delays and suspensions to be observed on all marketplaces	✓	✓	✓	✓	✓
Part 10	**Compliance**					
10.1	Enforcement and Compliance – general requirement to comply with UMIR and framework for enforcement proceedings			✓	✓	✓ 4
10.2	Extension of Restrictions – extends the application of certain rules to related entities of persons with market access and to directors, officers, partners and employees of the person with access and related entities			✓	✓	✓
10.3	Power of Market Integrity Officials – provides the general power required to administer UMIR and regulate the marketplaces	✓	✓	✓	✓	✓
10.4	Report of Short Positions – requirement to provide information on short positions to the Market Regulator			✓	✓	✓
10.5	Audit Trail Requirements – requirement that each dealer record and provide information on each order entered to a marketplace to the Market Regulator and for each dealer and Non-Dealer Subscriber to provide such additional information as may be required regarding the trade or prior or subsequent orders for the same security or a related security			✓	✓	✓ 5
10.6	Retention and Inspection of Records and Instructions – requirement that dealers retain records of orders and that dealers and Non-Dealer Subscriber allow an appropriate Market Regulator to inspect the records			✓	✓	✓ 6
10.7	Exchange and Provision of Information by Market Regulators – requires Market Regulators to provide information and assistance to other regulatory entities for the administration and enforcement of the rules	✓	✓			
10.8	Synchronization of Clocks – requires all marketplaces and participants to synchronize clocks for the recording of data	✓	✓	✓	✓	

UMIR Section	Rule Description	Marketplaces		Persons with Access		
		Exchange	ATS	P/O Member	Dealer subscriber	Non-Dealer Subscriber
10.9	Assignment of Identifiers and Symbols – provides a mechanism for the assignment of unique identifiers to marketplaces and dealers and for unique symbols to securities which are eligible to trade on a marketplace	✓	✓	✓	✓	✓
Part 11	**Administration of Rules**					
11.1	General Exemptive Relief – provides each Market Regulator with the power to exempt a particular person or transaction from the application of a rule	✓	✓	✓	✓	✓
11.2	General Prescriptive Power – provides each Market Regulator with the power to make a policy to aid in the administration of a rule	✓	✓	✓	✓	✓
11.3	Review of Market Regulator Decisions - any decision of a Market Regulator or Market Integrity Official may be reviewed by a securities regulatory authority	✓	✓	✓	✓	✓

Notes: Certain provisions of UMIR would have a limited application to either ATSs or Non-Dealer Subscribers. In particular:

1. Rule 6.2 - Certain order designations are applicable to dealers only (such as the requirement to mark a principal order, non-client order, jitney order etc.). Non-Dealer Subscribers would be required to mark orders as to type, including whether the order is a short sale, and whether the Non-Dealer Subscriber is an insider or significant shareholder of the security subject to the order.

2. Rule 7.3 - An ATS would be under an obligation ensure that a Non-Dealer Subscriber has been trained in the Rules.

3. Rule 7.4 - An ATS has responsibility for all trades arising from orders entered through the ATS subject to the obligation of a Non-Dealer Subscriber for compliance with the requirements of the Rules and each Policy.

4. Rule 10.1 - For failure to comply with the requirements of the Rules, the penalties which may be imposed on a Non-Dealer Subscriber are more limited in scope than those which would apply to a member or a participating organization of an Exchange.

5. Rule 10.5 - A Non-Dealer Subscriber is not required to maintain or to transmit an electronic record of an order to a Market Regulator. A Non-Dealer Subscriber is under an obligation to provide to the Market Regulator of the marketplace on which an order was entered or executed certain information respecting that order or trade or other prior or subsequent orders or trades in the same security or a related security.

6. Rule 10.6 - A Non-Dealer Subscriber is not required to maintain specific records of each order. However, the Market Regulator of the marketplace on which an order was entered or executed may inspect any records which are maintained by the Non-Dealer Subscriber regarding an order or trade.

APPENDIX "B"

TEXT OF THE UNIVERSAL MARKET INTEGRITY RULES

PART 1 - DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Rules, unless the subject matter or context otherwise requires:

"arbitrage account" means a principal account in which the holder makes a usual practice of buying and selling:

(a) securities in different markets to take advantage of differences in prices available in each market; or

(b) securities which are or may become convertible or exchangeable by the terms of the securities or operation of law into other securities in order to take advantage of differences in prices between the securities.

"BDM" means the Bourse de Montréal Inc.

"best ask price" means the lowest price of an order on any marketplace as displayed in the consolidated market display to sell a particular security, but does not include the price of any Special Terms Order.

"best bid price" means the highest price of an order on any marketplace as displayed in the consolidated market display to buy a particular security, but does not include the price of any Special Terms Order.

"better price" means, in respect of a particular security:

(a) a price lower than the best ask price, in the case of a purchase; and

(b) a price higher than the best bid price, in the case of a sale.

"CDNX" means the Canadian Venture Exchange Inc.

"client order" means an order for the purchase or sale of a security received or originated by a Participant for the account of a client of the Participant or a client of an affiliated entity of the Participant, but does not include a principal order or a non-client order.

"derivative market maker account" means the account of a person who performs the function ordinarily associated with a market maker or specialist on the BDM in connection with a derivative instrument.

"Exchange" means:

(a) the BDM;

(b) the CDNX;

(c) the TSE; and

(d) a person recognized by the applicable securities regulatory authority under securities legislation to carry on business as an exchange.

"hedge" means the purchase or sale of a security by a person to offset, in whole or in part, the risk assumed on a prior purchase or sale or to be assumed on a subsequent purchase or sale of that security or a related security.

"insider" means a person who is an insider of an issuer for the purpose of applicable securities legislation.

"intentional cross" means a trade resulting from the entry by a Participant of both the order to purchase and the order to sell a security, but does not include a trade in which the Participant has entered one of the orders as a jitney order.

"internal cross" means an intentional cross between two client accounts of a Participant which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the clients and includes a trade where the Participant is acting as a portfolio manager in authorizing the trade between the two client accounts.

"jitney order" means an order entered on a marketplace by a Participant acting for or on behalf of another Participant.

"last sale price" means the price of the last sale of at least one standard trading unit of a particular security displayed in the consolidated market display.

"limit order" means an order to:

(a) buy a security to be executed at a specified maximum price; or

(b) sell a security to be executed at a specified minimum price.

"listed security" means a security listed on an Exchange.

"market order" means an order to:

(a) buy a security to be executed upon entry to a marketplace at the best ask price; or

(b) sell a security to be executed upon entry to a marketplace at the best bid price.

"Market-on-Close Order" means an order for the purchase or sale of a security:

(a) received by a Participant during a Regular Session of an Exchange to execute at the closing price of the listed security in the Regular Session on that Exchange on that trading day; or

(b) entered on a special facility operated by a marketplace for the purpose of calculating and executing at the closing price of the security on that marketplace.

"Market Regulator" means:

(a) in respect of the TSE, [RS Inc.];

(b) in respect of the CDNX, [RS Inc.];

(c) in respect of the BDM, the Regulatory Division of BDM; and

(d) in respect of any other marketplace, the person approved by the applicable securities regulatory authority to administer these Rules in connection with trades in that marketplace.

"Market Integrity Official" means an employee of a Market Regulator designated by the Market Regulator to exercise the powers of the Market Regulator under these Rules.

"non-client order" means an order for the purchase or sale of a security received or originated by a Participant for an account:

(a) for a partner, director, officer or a person holding a similar position or acting in a similar capacity of the Participant or of a related entity of the Participant;

(b) for an employee of the Participant or of a related entity of the Participant who holds approval from an Exchange or a self-regulatory entity; or

(c) which is considered to be an employee account or a non-client account by a self-regulatory entity, but does not include a principal account.

"net cost" means the amount by which the sum of the total cost of the trade on the purchase of securities based on the purchase price on the marketplace and any commission charged to the client by the Participant exceeds the amount of any allowance, discount, rebate and any other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person.

"net proceeds" means the amount by which the sum of the total proceeds of the trade on the sale of securities based on the sale price on the marketplace and the amount of any allowance, discount, rebate and other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person exceeds any commission charged to the client by the Participant.

"Non-Dealer Subscriber" means a subscriber who is not:

(a) registered as a dealer under the securities legislation of any jurisdiction; or

(b) a related entity of a Participant.

"offered security" means the security offered in a securities exchange take-over bid.

"Opening Order" means an order for the purchase or sale of a security:

(a) entered by a Participant prior to a Regular Session of an Exchange to execute at the opening price of the listed security in the Regular Session on that Exchange on that trading day; or

(b) entered on a special facility operated by a marketplace for the purpose of calculating and executing the opening price of the security on that marketplace.

"Participant" means:

(a) a dealer registered in accordance with securities legislation of any jurisdiction and who is:

  (i) an Approved Participant of the BDM,

  (ii) a Member or Participating Organization of the CDNX,

  (iii) a Participating Organization of the TSE,

  (iv) a subscriber; or

(b) a person who has been granted trading access to a marketplace and who performs the functions ordinarily associated with a market maker, specialist or restricted permit holder on the BDM.

"Policy" means a policy statement adopted by a Market Regulator in connection with the administration or application of these Rules as such policy statement is amended, supplemented and in effect from time to time.

"principal account" means an account in which a Participant or a related entity of the Participant holds a direct or indirect interest other than an interest in the commission charged on a transaction.

"principal order" means an order for the purchase or sale of a security received or originated by a Participant for a principal account.

"quoted security" means a security quoted on a recognized quotation and trade reporting system.

"Regular Session" means the time period during a trading day when an Exchange is ordinarily open for trading, but does not include any extended or special trading facility of the Exchange.

"related entity" means, in respect of a particular person:

(a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and

(b) a person who has been designated by a Market Regulator in accordance with Rule 10.2(3) as a person who acts in conjunction with the particular person.

"related security" means, in respect of a particular security:

(a) a security which is convertible or exchangeable into the particular security;

(b) a security into which the particular security is convertible or exchangeable;

(c) a derivative instrument for which the particular security is the underlying interest;

(d) a derivative instrument for which the market price varies materially with the market price of the particular security; and

(e) if the particular security is a derivative instrument, a security which is the underlying interest of the derivative instrument or a significant component of an index which is the underlying interest of the derivative instrument.

"restricted person" means, in respect of a securities exchange take-over bid:

(a) the Participant appointed by the offeror to be dealer-manager or manager in respect of such securities exchange take-over bid;

(b) a related entity of the Participant;

(c) a partner, director, officer or a person holding a similar position or acting in a similar capacity, of the Participant or of a related entity of the Participant; or

(d) an employee of the Participant or of a related entity of the Participant who has been granted approval from an Exchange or a self-regulatory entity.

"Rules" means these Universal Market Integrity Rules as amended, supplemented and in effect from time to time.

"securities exchange take-over bid" means a take-over bid where the consideration for the securities of the offeree is to be, in whole or in part, securities traded on a marketplace.

"short sale" means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

(a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;

(b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;

(c) has an option to purchase the security and has exercised the option;

(d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or

(e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

(f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition; or

(g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or recognized quotation and trading reporting system as a condition of the listing or quoting of the security.

"significant shareholder" means any person holding separately, or in combination with other persons, more than 20 per cent of the outstanding voting securities of an issuer.

"Special Terms Order" means an order for the purchase or sale of a security:

(a) for less than a standard trading unit;

(b) the execution of which is subject to a condition other than as to price or date of settlement; or

(c) that on execution would be settled on a date other than:

(i) the third business day following the date of the trade, or

(ii) any settlement date specified in a special rule or direction referred to in Rule 6.2(2) that is issued by an Exchange or recognized quotation and trade reporting system.

"standard trading unit" means, in respect of:

(a) a derivative instrument, 1 contract;

(b) a debt security, $1,000 in principal amount;

(c) any equity or similar security:

(i) 1,000 units of a security trading at less than $0.10 per unit,

(ii) 500 units of a security trading at $0.10 or more per unit and less than $1.00 per unit, and

(iii) 100 units of a security trading at $1.00 or more per unit;

(d) a particular listed security or class of listed securities, such other number of units of the security as may be specified from time to time by the Exchange on which such security is listed; or

(e) a particular quoted security or class of quoted securities, such other number of units of the security as may be specified from time to time by the quotation and trade reporting system on which such security is quoted.

"trades on a when issued basis" means purchases or sales of a security to be issued pursuant to:

(a) a prospectus offering where a receipt for the final prospectus for the offering has been issued by the applicable securities regulatory authority but the offering has not closed and settled;

(b) a proposed plan of arrangement, an amalgamation or a take-over bid prior to the effective date of the amalgamation or the arrangement or the expiry date of the take-over bid; or

(c) any other transaction that is subject to the satisfaction of certain conditions,

and the trade is to be settled only if the security is issued and the trade in the security prior to the issuance would not contravene the applicable securities legislation.

"trading day" means a calendar day during which trades are executed on a marketplace.

"TSE" means The Toronto Stock Exchange Inc.

"Volume-Weighted Average Price Order" means an order for the purchase or sale of a security:

(a) entered by a Participant prior to a Regular Session of an Exchange to be executed at an average price of the listed security traded on that Exchange during that Regular Session weighted in accordance with the volume traded at each price increment; or

(b) entered on a special facility operated by a marketplace for the purpose of executing trades at an average price of the security traded on that marketplace.

1.2 Interpretation

(1) Unless otherwise defined or interpreted, every term used in these Rules that is:

(a) defined in subsection 1.1(3) of National Instrument 14-101 - Definitions has the meaning ascribed to it in that subsection;

(b) defined or interpreted in National Instrument 21-101 - Marketplace Operation has the meaning ascribed to it in that National Instrument; and

(c) a reference to a requirement of an Exchange or a recognized quotation and trade reporting system shall have the meaning ascribed to it in the applicable by-law, rule or policy of the Exchange or recognized quotation and trade reporting system.

(2) For the purposes of these Rules, the following terms shall be as defined by applicable securities legislation except that:

"person" includes any corporation, incorporated association, incorporated syndicate or other incorporated organization.

"trade" includes a purchase or acquisition of a security for valuable consideration.

(3) In determining the value of an order for the purposes of Rule 6.3 and 8.1, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated by multiplying the number of units of the security to be bought or sold under the order by :

(a) in the case of a limit order for the purchase of a security, the specified maximum price in the order;

(b) in the case of a limit order for the sale of a security, the specified minimum price in the order;

(c) in the case of a market order for the purchase of a security, the best ask price; and

(d) in the case of a market order for the sale of a security, the best bid price.

(4) For the purposes of determining the "last sale price", if a sale of at least a standard trading unit of a particular security has not been previously displayed in the consolidated market display the last sale price shall be deemed to be the price:

(a) of the last sale of the security on an Exchange, if the security is a listed security;

(b) of the last sale of the security an a recognized quotation and trade reporting system, if the security is a quoted security;

(c) at which the security has been issued or distributed to the public, if the security has not previously traded on a marketplace;

(d) which has been accepted by a Market Regulator, in any other circumstance.

(5) For the purposes of determining the price at which a security is trading for the purposes of the definition of a "standard trading unit", the price shall be the last sale price of the particular security on the immediately preceding trading day.

PART 2 - MANIPULATIVE OR DECEPTIVE METHOD OF TRADING

2.1 Just and Equitable Principles

A Participant or Non-Dealer Subscriber shall transact business openly and fairly and in accordance with just and equitable principles of trade when:

(a) trading on a marketplace; or

(b) trading or otherwise dealing in securities which are eligible to be traded on a marketplace.

2.2 Manipulative or Deceptive Method of Trading

(1) A Participant or Non-Dealer Subscriber shall not, directly or indirectly, use nor knowingly facilitate nor participate in the use of any manipulative or deceptive method of trading in connection with the entry of an order or orders to trade on a marketplace for the purchase or sale of any security which creates or which could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for the security or a related security.

(2) Without limiting the generality of subsection (1), the following activities when undertaken on a marketplace constitute deceptive and manipulative methods of trading:

(a) making a fictitious trade;

(b) effecting a trade in a security which involves no change in the beneficial or economic ownership;

(c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and

(d) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in the consolidated market display.

(3) Without limiting the generality of subsection (1), the following activities shall be considered deceptive and manipulative methods of trading when undertaken on a marketplace with the intention of creating a false or misleading appearance of trading activity or an artificial price for a security or a related security:

(a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;

(b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;

(c) making purchases of, or offers to purchase, a security at successively higher prices;

(d) making sales of or offers to sell a security at successively lower prices;

(e) entering an order or orders for the purchase or sale of a security to:

(i) establish a predetermined price or quotation,

(ii) effect a high or low closing price or closing quotation, or

(iii) maintain the trading price, ask price or bid price within a predetermined range; and

(f) entering a series of orders for a security that are not intended to be executed.

(4) A price will be considered artificial if the price is not justified by real demand or supply in a security.

(5) For the purposes of subsection (4), a price in a security may be considered not justified by real demand or supply if:

(a) the price is higher or lower than the previous price and the market immediately returns to the previous price following the trade; and

(b) the bid price is raised or the ask price is lowered by an order which, at the time of entry, is the only order at that price and the order is cancelled prior to trading.

PART 3 - SHORT SELLING

3.1 Restrictions on Short Selling

(1) Except as otherwise provided, a Participant or Non-Dealer Subscriber shall not make a short sale of a security on a marketplace unless the price is at or above the last sale price.

(2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:

(a) a program trade in accordance with the requirements of an Exchange;

(b) for the account of the Responsible Registered Trader and made in accordance with the requirements of the TSE;

(c) for the account of the market maker for the security on a recognized quotation and trade reporting system and is made in accordance with the requirements of that recognized quotation and trade reporting system;

(d) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then available and the seller intends to accept such offer immediately;

(e) for a derivative market maker account and is made:

(i) in accordance with the market making obligations of the seller in connection with the security or a related security, and

(ii) to hedge a pre-existing position in the security or a related security; or

(f) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution.

PART 4 - FRONTRUNNING

4.1 Frontrunning

(1) A Participant with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order,

(a) enter a principal order or a non-client order on a marketplace, stock exchange or market, including any over-the-counter market, for the purchase or sale of the security or any related security;

(b) solicit an order from any other person for the purchase or sale of the security or any related security; or

(c) inform any other person, other than in the necessary course of business, of the client order.

(2) A Participant does not contravene subsection (1) if:

(a) no director, officer, partner, employee or agent of the Participant who made or participated in making the decision to enter a principal order or to solicit an order had actual knowledge of the client order;

(b) an order is entered or trade made for the benefit of the client for whose account the order is to be made;

(c) an order is solicited to facilitate the trade of the client order;

(d) a principal order is entered to hedge a position that the Participant had assumed or agreed to assume before having actual knowledge of the client order provided the hedge is:

(i) commensurate with the risk assumed by the Participant, and

(ii) entered into in accordance with the ordinary practice of the Participant

when assuming or agreeing to assume a position in the security;

(e) a principal order is made to fulfil a legally binding obligation entered into by the Participant before having actual knowledge of the client order; or

(f) the order is entered for an arbitrage account.

PART 5 - BEST EXECUTION OBLIGATION

5.1 Best Execution of Client Orders

A Participant shall diligently pursue the execution of each client order on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

5.2 Best Price Obligation

(1) A Participant shall make reasonable efforts prior to the execution of a client order to ensure that:

(a) in the case of an offer by the client, the order is executed at the best bid price; and

(b) in the case of a bid by the client, the order is executed at the best ask price.

(2) Subsection (1) does not apply to the execution of an order which is:

(a) required or permitted by a Market Regulator to be executed other than on a marketplace in order to maintain a fair or orderly market;

(b) a Special Terms Order unless:

(i) the security is a listed security or quoted security and the rules of the Exchange or recognized quotation and trade reporting system governing the trading of a Special Terms Order provide otherwise, or

(ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in the consolidated market display;

(c) a Volume-Weighted Average Price Order;

(d) a Market-on-Close Order; or

(e) an Opening Order.

(3) For the purposes of subsection (1), the Participant may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed to the data consolidator.

5.3 Client Priority

(1) A Participant shall give priority to a client order of the Participant over all principal orders and non-client orders of the Participant for the same security at the same price on the same side of the market which are received, originated or entered on a marketplace after the receipt of the client order.

(2) Despite subsection (1) but subject to Rule 4.1, a Participant is not required to give priority to a client order if:

(a) the client specifically has consented to the Participant entering principal orders and non-client orders for the same security at the same price on the same side of the market; or

(b) the client order has not been entered on a marketplace as a result of:

(i) the client specifically instructing the Participant to deal otherwise with the particular order,

(ii) the client specifically granting discretion to the Participant with respect to entry of the order, or

(iii) the Participant determining, based on market conditions, that entering the order would not be in the best interests of the client,

and no director, officer, partner, employee or agent of the Participant with knowledge that the client order has not been entered on a marketplace enters a principal order or a non-client order for the same security on the same side of the market.

PART 6 - ORDER ENTRY AND EXPOSURE

6.1 Entry of Orders to a Marketplace

(1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of a cent.

(2) Each order to purchase or sell a listed security or a quoted security entered to trade on a marketplace shall be subject to any special rule or direction issued by the Exchange on which the security is listed or by the recognized quotation and trade reporting system on which the security is quoted with respect to:

(a) clearing and settlement; and

(b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.

6.2 Disclosure of Designations and Identifiers

(1) Each order entered on a marketplace shall contain:

(a) the identifier of:

(i) the Participant entering the order as assigned to the Participant in accordance with Rule 10.9, or

(ii) the ATS on which the order is entered as assigned to the ATS in accordance with Rule 10.9, if the order has been entered by a Non-Dealer Subscriber;

(b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:

(i) an Opening Order,

(ii) a Market-on-Close Order,

(iii) a Special Terms Order,

(iv) a Volume-Weighted Average Price Order,

(v) a short sale,

(vi) part of a program trade in accordance with the requirements of an Exchange,

(vii) a non-client order,

(viii) a principal order,

(ix) a jitney order,

(x) part of an intentional cross,

(xi) for a derivative market maker account,

(xii) for the account of a person who is an insider of the issuer of the security which is the subject of the order,

(xiii) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or

(xiv) of a type for which the Market Regulator may from time to time require a specific or particular designation; and

(c) if the order is for the purchase or sale of a security listed on the TSE, a designation acceptable to [RS Inc.], if the order is, in accordance with the requirements of the TSE:

(i) for the account of a Registered Trader,

(ii) an internal cross,

(iii) ineligible to participate in the Minimum Guaranteed Fill facility, or

(iv) of a type for which [RS Inc.] may from time to time require a specific or particular designation.

(2) If the order entered on a marketplace is a Special Terms Order, the order shall contain, in addition to all designations and identifiers required by subsection (1), information in such form as is acceptable to the Market Regulator of the marketplace on which the order is entered respecting:

(a) any condition on the execution of the order; and

(b) the settlement date.

(3) If following the entry of an order on a marketplace for the sale of security that has not been designated as a short sale such order would become a short sale on execution, the order shall be modified to include the short sale designation required by subsection (1).

(4) Each order entered on a marketplace including all designations and identifiers required by subsection (1) shall be disclosed to each Market Regulator.

(5) The marketplace on which the order is entered shall determine if the identifier of the Participant or the ATS shall be displayed in the consolidated market display.

6.3 Exposure of Client Orders

(1) A Participant shall immediately enter on a marketplace a client order to purchase or sell 50 standard trading units or less of a security unless:

(a) the client has specifically instructed the Participant to deal otherwise with the particular order;

(b) the Participant executes the order upon receipt at a better price;

(c) the Participant returns the order for confirmation of the terms of the order;

(d) the Participant withholds the order pending confirmation that the order complies with applicable securities requirements or, if

applicable, the requirements of any Exchange on which the security is listed or of any recognized quotation and trade reporting system on which the security is quoted;

(e) the Participant determines based on market conditions that entering the order would not be in the best interests of the client;

(f) the order has a value of more than $100,000;

(g) the order is part of a trade to be made in accordance with Rule 6.4 by means other than entry on a marketplace; or

(h) the order is:

(i) an Opening Order,

(ii) a Special Terms Order,

(iii) a Volume-Weighted Average Price Order,

(iv) a Market-on-Close Order, or

(v) part of a wide distribution made in accordance with the requirements of the TSE.

(2) If a Participant withholds a client order from entry based on market conditions in accordance with clause (1)(e), the Participant may enter the order in parts over a period of time or adjust the terms of the order prior to entry but the Participant must guarantee that the client receives:

(a) a price at least as good as the price the client would have received if the client order had been executed on receipt by the Participant; and

(b) if the Participant executes the client order against a principal order or non-client order, a better price than the price the client would have received if the client order had been executed on receipt by the Participant.

6.4 Trades to be on a Marketplace

A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is:

(a) **Unlisted or Non-Quoted Security** - in a security which is not a listed security or a quoted security;

(b) **Regulatory Exemption** - required or permitted by a Market Regulator to be executed other than on a marketplace in order to maintain a fair or orderly market and provided, in the case of a listed security or quoted security, the Market Regulator requiring or permitting the order to be executed other than on a marketplace shall be the Market Regulator of the Exchange on which the security is listed or of the recognized quotation and trade reporting system on which the security is quoted;

(c) **Error Adjustment** - to adjust by a journal entry an error in connection with a client order;

(d) **On Another Market** - on another exchange or organized regulated market that publicly disseminates details of trades in that market;

(e) **Outside of Canada** - as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts provided such trade is reported to an Exchange or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market;

(f) **Term of Securities** - as a result of a redemption, retraction, exchange or conversion of a security in accordance with the terms attaching to the security;

(g) **Options** - as a result of the exercise of an option, right, warrant or similar pre-existing contractual arrangement;

(h) **Prospectus and Exempt Distributions** - pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer.

PART 7 - TRADING IN A MARKETPLACE

7.1 Clearing Obligations

(1) Each Participant and Non-Dealer Subscriber shall:

(a) at the time of the entry to a marketplace of an order for the purchase or sale of a security other than a derivative instrument:

(i) be a participant of Canadian Depository for Securities Limited, or

(ii) have entered into an arrangement for the clearing and settlement of trades with a person which is a participant of the Canadian Depository for Securities Limited and such arrangement shall be in a form which is satisfactory to the Canadian Depository for Securities Limited; and

(b) at the time of the entry to a marketplace of an order for the purchase or sale of a derivative instrument:

(i) be a member of Canadian Derivatives Clearing Corporation, or

(ii) have entered into an arrangement for the clearing and settlement of trades with a person which is a member of the Canadian Derivatives Clearing Corporation and such arrangement shall be in a form which is satisfactory to the Canadian Derivatives Clearing Corporation.

(2) A marketplace shall not permit a Participant or Non-Dealer Subscriber to enter an order for the purchase or sale of a security on that marketplace, if the Participant or Non-Dealer Subscriber is not in compliance with the requirements of subsection (1).

7.2 Trading Supervision Obligations

(1) Each Participant shall adopt written policies and procedures to be followed by directors, officers, partners and employees of the Participant which are adequate, taking into account the business and affairs of the Participant, to ensure compliance with these Rules and each Policy.

(2) Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with:

(a) applicable regulatory standards with respect to the review and approval of orders;

(b) the policies and procedures adopted in accordance with subsection (1);

(c) all requirements of these Rules and each Policy.

(3) Each Participant shall appoint a head of trading who shall be responsible to supervise the trading activities of the Participant in a marketplace.

(4) The head of trading together with each person who has authority or supervision over or responsibility to the Participant for an employee of the Participant shall fully and properly supervise such employee as necessary to ensure the compliance of the employee with these Rules and each Policy.

7.3 Proficiency Obligations

(1) No order to purchase or sell a security shall be entered by a Participant on a marketplace unless the Participant or the director, officer, partner or employee of the Participant entering the order or responsible for the order has:

(a) completed the Trader Training Course of the Canadian Securities Institute;

(b) received approval of an Exchange for the entry of orders to the trading system of the Exchange; or

(c) completed such course, examination or other means of demonstrating proficiency in these Rules and Policies as may be acceptable to the Market Regulator of the marketplace on which the order is entered or the applicable securities regulatory authority.

(2) An ATS shall ensure that each Non-Dealer Subscriber of the ATS is trained in these Rules and Policies.

(3) Training materials which an ATS proposes to use for the purposes of subsection (2) must be approved by the Market Regulator of the ATS prior to use.

7.4 Liability for Bids, Offers and Trades

(1) All bids and offers for securities made and accepted on a marketplace shall be binding and all contracts thereby effected shall be subject to the exercise by the marketplace on which the trade is executed of the powers vested in the marketplace and the Market Regulator of that marketplace.

(2) A Participant shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of a marketplace and that originate from any terminal or computer system allowing access to trading on the marketplace that is operated by or is under the control of that Participant whether or not the Participant has authorized the entry of the order.

(3) Subject to the obligation of a Non-Dealer Subscriber for compliance with these Rules and each Policy, an ATS shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of the ATS and that originate from any terminal or computer system allowing access to trading on the ATS that is operated by or is under the control of the Non-Dealer Subscriber of that ATS whether or not the Non-Dealer Subscriber has authorized the entry of the order.

7.5 Contract Record and Official Transaction Record

(1) The electronic record of a trade in a security as maintained by the data consolidator is the official transaction record for the purpose of determining:

(a) best ask price;

(b) best bid price; and

(c) last sale price.

(2) Despite subsection (1), the electronic record of a trade in a security as maintained by the marketplace on which the trade occurred shall be the record of the contract made on that trade and in the event of a dispute between parties to the contract or discrepancy with the records of the clearing agency effect shall be given to the record of the marketplace.

(3) Each marketplace shall provide to the data consolidator information respecting each cancellation, variation or correction of a trade as soon as practicable after the cancellation, variation or correction has been made to the record of the contract as maintained by the marketplace and the data consolidator shall amend the official transaction record accordingly.

7.6 Recorded Prices

(1) No Participant acting as agent shall execute a transaction through a marketplace in which the price recorded on the marketplace is:

(a) in the case of a purchase by a client, higher than the net cost to the client; or

(b) in the case of a sale by a client, lower than the net proceeds to the client.

(2) No Participant acting as principal shall execute a transaction through a marketplace in which the price recorded on the marketplace is:

(a) in the case of a sale to a client, lower than the net cost to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size; and

(b) in the case of a purchase from a client, higher than the net proceeds to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size.

7.7 Cancelled Trades

If a trade is cancelled, a subsequent trade on any marketplace which was:

(a) executed as a result of the price of the cancelled trade; or

(b) permitted only as a result of the price of the cancelled trade,

shall stand unless cancelled by the consent of the buyer and the seller or by a Market Integrity Official who is of the opinion that the cancellation of the subsequent trade is appropriate under the circumstances.

7.8 Restrictions on Trading by a Participant Involved in a Distribution

If a Participant is involved in the distribution of a listed security or quoted security as an underwriter, the Participant shall comply with any restriction or prohibition on the trading of the security and any related security during the distribution as established by the requirements of the Exchange on which the security is listed or the recognized quotation and trade reporting system on which the security is quoted.

7.9 Restrictions on Trading During a Securities Exchange Take-over Bid

(1) A restricted person shall not bid for nor purchase the offered security at any time from the first public announcement of a securities exchange take-over bid until the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the bid is withdrawn.

(2) Despite subsection (1), a restricted person may bid for or purchase the offered security as agent for an unsolicited client order provided the client is not:

(a) the offeror;

(b) an insider of the offeror; or

(c) an associate or affiliated entity of the offeror.

7.10 Trading in Listed or Quoted Securities by Market Makers and Specialists

A Participant who performs the function ordinarily associated with a market maker, specialist or restricted permit holder on the BDM shall comply when trading on any marketplace with such additional requirements as may be required by:

(a) an Exchange when trading on that Exchange in listed securities; and

(b) a recognized quotation and trade reporting system when trading on that recognized quotation and trade reporting system in quoted securities.

PART 8 - PRINCIPAL TRADING

8.1 Client-Principal Trading

(1) A Participant that receives a client order for 50 standard trading units or less of a security with a value of $100,000 or less may execute the client order against a principal order or non-client order at a better price provided the

Participant has taken reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market at that time.

(2) A Participant that receives a client order for more than 50 standard trading units of a security or with a value of more than $100,000 may execute the client order against a principal order or non-client order provided the Participant has:

(a) complied with Rule 5.1; and

(b) taken reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market at that time.

(3) Subsections (1) and (2) do not apply if the client order is:

(a) an Opening Order;

(b) a Market-on-Close Order; or

(c) a Volume-Weighted Average Price Order.

PART 9 - TRADING HALTS, DELAYS AND SUSPENSIONS

9.1 Trading Halts, Delays and Suspensions

(1) No order for the purchase or sale of a security shall be executed on a marketplace or over-the-counter, at any time while:

(a) an order of a securities regulatory authority to cease trading in the security remains in effect;

(b) in the case of a listed security, the Market Regulator of the Exchange on which the security is listed has delayed, halted or suspended trading in the security in accordance with the requirements of the Exchange while such delay, halt or suspension remains in effect;

(c) in the case of a quoted security, the Market Regulator of the quotation and trade reporting system has delayed, halted or suspended trading in the security in accordance with the requirements of the recognized quotation and trade reporting system while such delay, halt or suspension remains in effect; and

(d) in the case of any security listed on a stock exchange or organized market in a foreign jurisdiction in which the securities regulatory authority is a member of the International Organization of Securities Commissions, a Market Regulator has halted trading for the purposes of the public dissemination of material information.

(2) Despite subsection (1), an order may trade on a marketplace, if the Exchange or recognized quotation and trading system has:

(a) suspended trading in the security by reason only that the issuer of the security has:

(i) ceased to meet minimum listing or quotation requirements, or

(ii) failed to pay to the Exchange or recognized quotation and trading system any fees in respect of the listing or quotation of securities of the issuer; or

(b) delayed or halted trading in the security as a result of technical problems affecting only the trading system of the Exchange or recognized quotation and trading system.

(3) If trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an exchange or organized regulated market that publicly disseminates details of trades in that market.

PART 10 - COMPLIANCE

10.1 Enforcement and Compliance

(1) Each Participant and Non-Dealer Subscriber shall comply with these Rules and any Policies.

(2) If a Participant which is an Approved Participant, Participating Organization or Member of an Exchange has failed to comply with any requirement of these Rules, the Market Regulator for the Exchange may take such disciplinary and enforcement action in accordance with the established practice and procedure of the Exchange as against the Participant and may impose such penalty or remedy as may be authorized by any requirement of the Exchange.

(3) If a Non-Dealer Subscriber or a Participant which is not an Approved Participant, Participating Organization or Member of an Exchange has failed to comply with any requirement of these Rules, the Market Regulator for the marketplace on which the person has been granted access for trading purposes may take such disciplinary and enforcement action in accordance with the practice and procedure established by Policy and may impose, as the Market Regulator considers appropriate in the circumstances, one or more of the following penalties or remedies:

(a) a reprimand;

(b) a fine not to exceed the greater of:

(i) $1,000,000, and

(ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the violation;

(c) the suspension of access to the marketplace for such period and upon such terms and conditions, if any, considered appropriate; and

(d) the revocation of access to the marketplace.

(4) For greater certainty, any enforcement or disciplinary action as against a person by a Market Regulator for failure to comply with these Rules and any applicable Policies shall not affect or limit any enforcement or disciplinary action as against the person by any securities regulatory authority, self-regulatory entity or other Market Regulator with jurisdiction over the Participant.

(5) If a Market Regulator suspends or revokes the access of any person to a marketplace in accordance with any enforcement or disciplinary action under subsection (2) or (3), such person shall be denied access to any other marketplace and shall have any access to any other marketplace automatically suspended or revoked unless the applicable securities regulatory authority otherwise determines in a review of the decision of the Market Regulator undertaken in accordance with Rule 11.3.

(6) Upon a Market Regulator suspending or revoking the access of any person to a marketplace, the Market Regulator shall provide notice of such revocation to:

(a) the person whose access has been revoked;

(b) each marketplace;

(c) each Market Regulator; and

(d) each applicable securities regulatory authority.

10.2 Extension of Restrictions

(1) A related entity of a Participant and a director, officer, partner or employee of the Participant or a related entity of the Participant shall:

(a) comply with the provisions of these Rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading, short sales and frontrunning as if references to "Participant" in Rules 2.1, 2.2, 3.1 and 4.1 included reference to such person; and

(b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to penalties and remedies set out in Rule 10.1(3) unless such person is subject to the jurisdiction of an Exchange.

(2) A related entity of a Non-Dealer Subscriber and a director, officer, partner or employee of the Non-Dealer Subscriber or a related entity of the Non-Dealer Subscriber shall in respect of trading on a marketplace on behalf of the Non-Dealer Subscriber or related entity of the Non-Dealer Subscriber:

(a) comply with the provisions of these rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading and short sales as if references to "Non-Dealer Subscriber" in Rules 2.1, 2.2 and 3.1 included reference to such person; and

(b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to the penalties and remedies set out in Rule 10.1(3).

(3) If, in the opinion of a Market Regulator, a particular person to whom these Rules apply, including any particular person to whom these Rules have been extended in accordance with subsection (1) and (2), has organized their business and affairs for the purpose of avoiding the application of any provision of these Rules, the Market Regulator may designate any person involved in such business and affairs as a person acting in conjunction with the particular person.

(4) Upon a Market Regulator making a designation in accordance with subsection (3), the Market Regulator shall provide notice of such designation to:

(a) the particular person;

(b) the designated person;

(c) each Market Regulator; and

(d) each applicable securities regulatory authority.

10.3 Power of Market Integrity Officials

(1) A Market Integrity Official may, in governing trading in securities on the marketplace:

(a) refuse to allow any bid price or ask price to be recorded at any time if, in the opinion of such Market Integrity Official, such quotation is unreasonable or not in compliance with these Rules or any Policy;

(b) settle any dispute arising from trading in securities on the marketplace where such authority is not otherwise provided for in any requirement governing trading on the marketplace;

(c) disallow or cancel any trade which, in the opinion of such Market Integrity Official, is unreasonable or not in compliance with these Rules or any Policy;

(d) vary or cancel any trade upon application of the buyer and seller provided such application has been made by the end of trading on the day following the day on which the trade was made or such earlier time as may be established in any requirement of the marketplace on which the trade was executed;

(e) in respect of any trade which has not complied with the requirements of Part 5, correct the price of the trade to a price at which the trade would have complied with such requirement, or

(f) require the Participant to satisfy the better bid or offer up to the volume of the trade which failed to comply with the requirements of Part 5;

(g) provide to any person an interpretation of any provision of these Rules and any Policy in accordance with the purpose and intent of provision and shall ensure that any such interpretation is observed by such person;

(h) exercise such powers as are specifically granted to a Market Regulator or Market Integrity Official by these Rules and any Policy; and

(i) exercise such powers as are specifically granted to the Market Regulator by the marketplace where the marketplace is entitled to grant such powers.

(2) In determining whether any quotation or trade in a security is unreasonable, the Market Regulator shall consider:

(a) prevailing market conditions;

(b) the last sale price of the security as displayed in the consolidated market display;

(c) patterns of trading in the security on the marketplace including volatility, volume and number of transactions;

(d) whether material information concerning the security is in the process of being disseminated to the public; and

(e) the extent of the interest of the person for whose account the order is entered in changing the price or quotation for the security.

10.4 Report of Short Positions

(1) A Participant shall calculate, as of 15th day and as of the last day of each calendar month, the aggregate short position of each individual account in respect of each listed security and quoted security.

(2) Unless a Participant maintains the account in which a Non-Dealer Subscriber has the short position in respect of a listed security or quoted security, the Non-Dealer Subscriber shall calculate, as of the 15th day and as of the last day of each calendar month, the aggregate short position of the Non-Dealer Subscriber in respect of each listed security and quoted security.

(3) Unless otherwise provided, each Participant and Non-Dealer Subscriber shall file a report of the calculation with [RS Inc.] in such form as may be required by [RS Inc.] not later than two trading days following the date on which the calculation is to be made.

10.5 Audit Trail Requirements

(1) **Recording Requirements for Receipt or Origination of an Order** - Immediately following the receipt or origination of an order, a Participant shall record:

(a) the order identifier;

(b) the trading symbol of the security;

(c) the number of units of the security to which the order applies;

(d) the strike date and strike price, if the security is a derivative instrument;

(e) whether the order is a buy or sell order;

(f) all order designations required by Rules 6.2(1)(b) and (c);

(g) whether the order is a market order, limit order or other type of order, and if the order is other than a market order, the price at which the order is to trade;

(h) the date and time the order is originated or received by the Participant;

(i) the client account number or client identifier or, in the case of a jitney order, the identifier of the Participant placing the order;

(j) the identifier of any investment adviser or registered representative receiving the order;

(k) the date and time that the order expires;

(l) any client instructions or consents respecting the handling or trading of the order, if applicable;

(m) any information respecting the special terms attaching to the order required by Rule 6.2(2), if applicable; and

(n) the currency of the order.

(2) **Recording Requirements for Entry of an Order** - Immediately following the entry of an order to trade on a marketplace, a Participant shall add to the record maintained in accordance with subsection (1):

(a) the identifier of the Participant through which any trade would be cleared and settled;

(b) the identifier assigned to the Participant entering the order;

(c) the marketplace on which the order is entered; and

(d) the date and time the order is entered.

(3) **Recording Requirements for Variation, Correction or Cancellation of an Order** - Immediately following the modification or cancellation of an order, a Participant shall add to the record maintained in accordance with subsection (1):

(a) the date and time the variation, correction or cancellation was originated or received;

(b) whether the order was varied, corrected or cancelled on the instructions of the client;

(c) in the case of variation or correction, the information required by subsection (1) which has been changed; and

(d) the date and time the variation, correction or cancellation of the order is entered.

(4) **Recording Requirements for Execution of an Order** - Immediately following the execution in whole or in part of an order, a Participant shall add to the record maintained in accordance with subsection (1):

(a) the marketplace where the order was executed or the identifier of the Participant executing the order if the order has not been executed on a marketplace;

(b) the date and time of the execution of the order;

(c) whether the Participant has executed the order as principal;

(d) if the order has been partially executed, the number of units of the security bought or sold if shares or contracts;

(e) the price at which the order was executed; and

(f) in the case of a client order, the commission charged.

(5) **Transmittal of Order Information to a Marketplace** - Immediately following the execution of an order, the Participant shall transmit the record of the order required to be maintained by the Participant by this section to:

(a) the Market Regulator for the marketplace on which the trade was executed; or

(b) if the order was not executed on a marketplace,

(i) a Market Regulator if the security is not listed on an Exchange or traded on a recognized quotation and trade reporting system, and

(ii) the Market Regulator for the Exchange or recognized quotation and trade reporting system on which the security is listed or quoted,

in such manner and form as may be required by the Market Regulator.

(6) **Provision of Additional Information** - In addition to any information provided by a Participant to a Market Regulator in accordance with subsection (5), the Participant shall provide to the Market Regulator forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:

(a) any additional information respecting the order or trade reasonably requested; and

(b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Participant whether or not such order was entered or executed on the marketplace of the Market Regulator.

(7) **Provision of Information by a Non-Dealer Subscriber** - Where an order has been entered on a marketplace by a Non-Dealer Subscriber, the Non-Dealer Subscriber shall provide to the Market Regulator of the marketplace on which the order was entered or the Market Regulator of

the marketplace on which the order was executed forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:

(a) any information respecting the order or trade reasonably requested; and

(b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Non-Dealer Subscriber whether or not such order was entered or executed on the marketplace of the Market Regulator making the request.

10.6 Retention and Inspection of Records and Instructions

(1) A Participant shall retain:

(a) the record of each order as required by Rule 10.5; and

(b) sufficient information to identify the beneficial owner of each account for which a record of an order is retained,

for a period of not less than seven years from the creation of the record of the order, and for the first two years, such record and information shall be kept in a readily accessible location.

(2) A Participant shall allow the Market Regulator of the marketplace:

(a) of which the Participant is a Member, Participating Organization, Approved Participant or subscriber;

(b) on which the order was entered; or

(c) on which the order was executed,

to inspect and make copies of the record of an order, any record related to the order required to be maintained by the Participant in accordance with applicable securities legislation or the requirements of any self-regulatory organization of which the Participant is a member and information on the beneficial owner of the account at any time during ordinary business hours during the period that such record and information is required to be retained by the Participant.

(3) A Non-Dealer Subscriber shall allow the Market Regulator of the marketplace:

(a) of which the Non-Dealer Subscriber is a subscriber; or

(b) on which the order was executed,

to inspect and make copies of any information respecting an order at any time during ordinary business hours during the period of not less than seven years from the date of the origination of the order, and for the first two years, such information shall be kept in a readily accessible location.

10.7 Exchange and Provision of Information by Market Regulators

Each Market Regulator shall provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes including the administration and enforcement of these Rules to:

(a) a self-regulatory entity;

(b) a self-regulatory organization in a foreign jurisdiction;

(c) a securities regulatory authority;

(d) a securities regulatory authority in a foreign jurisdiction; and

(e) another Market Regulator.

10.8 Synchronization of Clocks

Each marketplace, Participant and Market Regulator shall synchronize the clocks used for recording the time and date of any event that must be recorded pursuant to these Rules to the clock used by the data consolidator for this purpose.

10.9 Assignment of Identifiers and Symbols

(1) Each Participant and marketplace shall be assigned a unique identifier for trading purposes.

(2) Unless otherwise provided, the TSE shall assign each identifier for the purposes of subsection (1) after consultation with BDM and CDNX.

(3) Each security that trades on a marketplace shall be assigned a unique symbol for trading purposes.

(4) Unless otherwise provided, the TSE shall assign each symbol for the purposes of subsection (3) after consultation with BDM and CDNX.

PART 11 - ADMINISTRATION OF RULES

11.1 General Exemptive Relief

A Market Regulator may exempt any particular person or particular transaction from the application of a Rule, if in the opinion of the Market Regulator, the provision of such exemption:

(a) would not be contrary to the provisions of any applicable securities legislation and the regulation and rules thereunder;

(b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and

(c) is warranted after due consideration of the circumstances of the particular person or transaction.

11.2 General Prescriptive Power

(1) A Market Regulator may, from time to time, make or amend a Policy.

(2) A Policy or an amendment to a Policy shall not become effective without the approval of the applicable securities regulatory authority.

11.3 Review of Market Regulator Decisions

Any person directly affected by any direction, order or decision of a Market Regulator or Market Integrity Official made in connection with the administration and enforcement of these Rules and any Policy may apply to the applicable securities regulatory authority for a hearing and review of such direction, order or decision in accordance with the procedure for a hearing and review as established from time to time by the securities regulatory authority.

13.1.2 TSE - Yorkton Securities Inc.

NOTICE TO PUBLIC

Subject: Toronto Stock Exchange Regulation Services adjourns hearing date *In the Matter of Yorkton Securities Inc.*

The Hearing to consider an Offer of Settlement between TSE Regulation Services and Yorkton Securities Inc. has been adjourned by consent from April 25, 2001 to June 4, 2001, commencing at 10:00 a.m. or as soon thereafter as the Hearing can be held.

The Hearing will be held at the offices of the Toronto Stock Exchange, 3rd Floor, 130 King Street West, Toronto, Ontario. The Hearing is open to the public.

Notice of this Hearing was first published on March 16, 2001 at (2001) 24 OSCB 1745.

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

PLEDGE WITHIN ESCROW

COMPANY NAME	DATE	FROM	TO	NO. AND TYPE OF SHARES
Sextant Entertainment Group Inc.	April 10, 2001	Gregory M. Clarkes	Hearthstone Investments Ltd.	500,000 common shares

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