The Ontario Securities Commission

OSC Bulletin

June 15, 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
Cadillac Fairview Tower
Suite 800, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

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416-362-5211 or 1-800-387-2689

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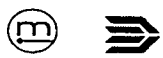

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1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

June 15, 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

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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
July 9 - 12 July 16 -19 July 23-26 July 30 - Aug 2 August 13 -16 August 20,22,23 August 27-30 /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 K. Daniels / M. Code / J. Naster / I. Smith in attendance for staff. Panel: HIW / DB / RWD
August 13/ 2001 10:00 a.m.	**Jack Banks et al.** s. 127 Mr. Tim Moseley in attendance for staff. Panel: TBA

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
July 13, 2001 1:30 p.m. Courtroom C	**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
September 17/2001 9:30 a.m.	**Einar Bellfield** s. 122 Ms. Sarah Oseni in attendance for staff. Courtroom 111, Provincial Offences Court Old City Hall, Toronto

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

1.1.2 TSE - Amendment to Rule No. 1.101

THE TORONTO STOCK EXCHANGE – AMENDMENT TO RULE NO 1.101

REQUEST FOR COMMENTS

A request for comments on the amendment of Rule 1.101 of the Rule Book of The Toronto Stock Exchange is published in Chapter 13 of the Bulletin.

1.1.3 TSE Acquisition of CDNX

NOTICE

THE TORONTO STOCK EXCHANGE INC. ACQUISITION OF CANADIAN VENTURE EXCHANGE INC.

The Toronto Stock Exchange Inc. (the "TSE") is publishing a notice and submission regarding the TSE acquisition of the Canadian Venture Exchange Inc. ("CDNX"). Subject to comments received, Staff will recommend to the Commission that no changes are necessary to the TSE's current recognition order dated April 3, 2001 published at (2000) 23 OSCB 2495.

In connection with the TSE acquisition of CDNX, two by-law amendments are proposed. The by-law amendments propose that the following two provisions be added to TSE By-law No.1:

1. A requirement that the President of CDNX shall be deemed not to be associated with a TSE Participating Organization.

2. A requirement that at least 25% of the members of the TSE Board of Directors will have experience in , or an association with, the Canadian public venture capital market and that they shall collectively provide a broad geographic representation within Canada.

The by-law amendments are published for comment in Chapter 13 of this Bulletin.

The Commission requests comments regarding the TSE submission and Staff's proposed recommendation that no changes are necessary to the TSE's current recognition order. We will consider submissions received by July 13, 2001. Please send your submission to the OSC:

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

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.

June 15, 2001.

DELIVERED BY COURIER & E-MAIL

June 11, 2001

Ms. Randee Pavalow
Deputy Director of Capital Markets &
Manager, Market Regulation
Ontario Securities Commission
20 Queen Street West
P.O. Box 55
Suite 800
Toronto, Ontario
M5H 3S8

Dear Ms. Pavalow

Re: Notice of Change in Matters Concerning The Toronto Stock Exchange Inc. ("TSE")

By this letter, the TSE hereby gives the Ontario Securities Commission ("OSC") formal notice that the TSE proposes to acquire all of the outstanding shares of the Canadian Venture Exchange Inc. ("CDNX") and that, as a consequence, the TSE intends to make certain changes to its corporate governance structure and its operations.

Pursuant to an acquisition agreement dated April 30, 2001, the TSE and CDNX have agreed that the TSE will purchase all of the outstanding shares of CDNX for a purchase price of $50,000,000 (the "Transaction"). After the completion of the Transaction, CDNX will become a separate wholly-owned subsidiary of the TSE. In order to complete the Transaction, the TSE is required to make certain changes to its corporate governance structure. In addition, the TSE expects to implement certain changes in its operations. A detailed discussion of these changes can be found in the TSE submission which accompanies this Notice. The submission also discusses the potential impact, if any, that the Transaction will have on the terms and conditions of the TSE's current recognition order.

As set out in the accompanying submission, the TSE believes that the changes contemplated as a result of the Transaction are not prejudicial to the public interest and should not require changes to the existing terms and conditions of the TSE's current recognition order.

Yours truly,

LPP:ez

cc: Ms. Susan Greenglass, OSC.

June 11, 2001
Ontario Securities Commission
20 Queen Street West
P.O. Box 55
Suite 800
Toronto, ON M5H 3S8

Attention: Randee Pavalow
Deputy Director of Capital Markets and Manager,
Market Regulation

Dear Ms. Pavalow

Acquisition of Shares of Canadian Venture Exchange Inc. ("CDNX") by The Toronto Stock Exchange Inc. ("TSE")

On April 30, 2001, an acquisition agreement was entered into between the TSE and CDNX pursuant to which the TSE and CDNX have agreed that the TSE will acquire all of the outstanding shares of CDNX for an aggregate purchase price of $50,000,000 (the "Transaction"). Following the closing of the Transaction, CDNX will become a separate wholly-owned subsidiary of the TSE that will be operated on a "for profit" basis. As a condition precedent to the closing of the Transaction, both the TSE and CDNX are required to obtain all necessary approvals from the applicable securities regulatory authorities.

Staff of the Ontario Securities Commission (the "OSC") have requested that the TSE review the terms and conditions of the TSE's April 3, 2000 recognition order (the "Recognition Order") and make a submission concerning the impact of the Transaction, if any, on those terms and conditions.

This letter represents the TSE's submission, including its responses to certain issues raised by OSC staff in connection with the OSC's review of the Transaction. For ease of reference, where applicable, the terms and conditions of the Recognition Order are set out in italics, as are specific questions posed by OSC staff to the TSE. The TSE's responses are set out immediately thereafter.

A. DISCUSSION OF TERMS AND CONDITIONS OF THE TSE'S RECOGNITION ORDER

The TSE's Recognition Order was obtained in the context of the TSE's demutualization. In order to ensure that the TSE would continue to act in the public interest after its continuance under the *Business Corporations Act* (Ontario), the Recognition Order contained a number of terms and conditions. As mentioned above, the OSC has requested that the TSE review the terms and conditions of the Recognition Order given the potential impact of the Transaction on the structure and operations of the TSE.

Having reviewed the existing terms and conditions of the Recognition Order in light of the impact of the Transaction on the structure and operations of the TSE, the TSE submits that, for the reasons outlined below, the Transaction will not give rise to public interest concerns so as to require changes to the existing terms and conditions of the TSE's Recognition Order.

1. CORPORATE GOVERNANCE

The TSE's Recognition Order outlines certain terms and conditions with respect to the TSE's corporate governance. These terms and conditions outline the OSC's concerns with respect to the TSE's corporate governance and represent the essential conditions which the OSC has determined are necessary for the protection of the public interest.

Corporate Governance

(a) *The TSE's arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules of the TSE, namely, the governing body, shall be such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of the TSE ("Participating Organizations"), and, in recognition that the protection of the public interest is a primary goal of the TSE, a reasonable number and proportion of directors shall not be associated with Participating Organizations within the meaning of the TSE's by-laws in order to ensure diversity of representation on the Board. In particular, the TSE shall ensure that at least 50 per cent of its directors shall consist of individuals who are not associated with Participating Organizations within the meaning of the TSE's by-laws, and, in the event that at any time it fails to meet such requirement, it shall promptly remedy such situation.*

(b) *Without limiting the generality of the foregoing, the TSE's governance structure shall provide for:*

(i) *fair and meaningful representation on its governing body, in the context of the nature and structure of the TSE, and any governance committee thereto and in the approval of rules;*

(ii) *appropriate representation of persons not associated with Participating Organizations on TSE committees and on any executive committee or similar body within the meaning of the TSE's by-laws; and*

(iii) *appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of the TSE generally.*

Changes in Governance Structure

As a consequence of the Transaction, the TSE is proposing to make the following changes to its corporate governance structure:

(a) Effective on closing, the TSE by-laws will be amended to provide that 25% of the TSE Board of Directors shall, in the opinion of the Governance Committee acting reasonably, be made up of individuals who have expertise in, or an association with, the Canadian public venture capital market (the "Public Venture Capital Members") and these Public Venture Capital Members will provide a broad geographic representation.

(b) To initially satisfy the 25% Public Venture Capital Member requirement, effective on closing, five current directors of the CDNX will be proposed for election as additional directors of the TSE by the TSE shareholders. In particular, the current Chair of the CDNX, Mr. Scott Paterson, will be elected or appointed to the TSE Board of Directors and, immediately upon closing, be appointed as a Vice-Chair of the TSE. As well, the current President and Chief Executive Officer of CDNX, Mr. William Hess, will be elected or appointed to the TSE Board of Directors and, effective upon closing, will continue to be President of the CDNX.

(c) To accommodate the appointment of the President and Chief Executive Officer of CDNX to the TSE Board of Directors while continuing to ensure that at least 50% of the members of the TSE Board are unaffiliated with a Participating Organization, effective on closing the TSE by-laws will be amended to provide that the President of CDNX shall be deemed not to be associated with a TSE Participating Organization. This treatment of the CDNX President will be similar to the treatment currently accorded to the President of the TSE under the TSE's by-laws. This by-law amendment is considered to be an interim measure that will permit the TSE to avoid making other changes to the TSE Board to comply with the by-law requirement for independent directors. Accordingly, the TSE has agreed to seek shareholder approval to reverse this by-law amendment not later than the time of its next annual and general meeting of shareholders.

(d) The President and Chief Executive Officer of the TSE will be the new Chief Executive Officer of CDNX.

(e) The initial Public Venture Capital Members are eligible under the TSE's directorship practices to be re-elected and to serve as directors on the TSE Board of Directors, subject to annual re-election, for a maximum of six years.

(f) On or before closing, an Advisory Board comprised of 8 to 15 people will be established to advise the TSE on policy matters relating to the public venture capital market and the role of CDNX in respect of that market. The initial members of the Advisory Board will be recommended by the current Board of Directors of the CDNX, with subsequent members to be

determined by the TSE's Governance Committee on the recommendation of the Public Venture Capital Members.

(g) The Chair of the TSE, the President and Chief Executive Officer of the TSE, and the President of CDNX shall be ex-officio members of the Advisory Board.

Discussion of Recognition Order Terms and Conditions

The TSE and CDNX have structured the terms of the Transaction to ensure continued compliance with the corporate governance terms and conditions of the Recognition Order.

PROPER BALANCE & FAIR AND MEANINGFUL REPRESENTATION

The TSE's governing structure after the completion of the Transaction has been organized to ensure that there is a proper balance between the different entities desiring access to the TSE's facilities and that there is fair and meaningful representation on the Board given its new structure.

The post-Transaction TSE will be the sole shareholder of CDNX. Because CDNX is a public venture capital market, a number of changes to the TSE's governing structure were believed to be necessary to ensure that the interests of participants in the Canadian public venture capital market were properly represented. The TSE and CDNX have therefore sought to balance the interests of public venture capitalists and the junior companies who require access to venture capital funding with the interests of current TSE participants and companies and to ensure that venture capital participants' interests are fairly and meaningfully represented on the TSE's governing body. As is evident from terms of the Transaction, the Transaction was specifically negotiated to ensure that the TSE continues to meet its recognition obligations by providing a governing structure that meaningfully represents the interests of venture capital participants who will now have access to some TSE facilities.

Many of the companies currently listed on CDNX are from Western Canada. In order to balance the interests of all the regions of Canada that will utilize the facilities of the TSE and CDNX after the closing of the Transaction, the parties to the Transaction believed that it was necessary to ensure that the TSE's governing body reflected this geographic diversity. To accomplish this, it will be a requirement for membership on the TSE Board of Directors that the Public Venture Capital Members be selected so as to provide for a broad geographic representation.

INDEPENDENT DIRECTORS

The TSE's Recognition Order requires that at least 50% of the TSE's Board of Directors consist of individuals who have no affiliation with a Participating Organization. This requirement for independent directors is designed to foster diversity of representation on the governing bodies and to ensure that the protection of the public interest is a primary goal of the exchanges.

At all times before, during and after the completion of the Transaction, this corporate governance requirement will continue to be met. The TSE Board of Directors currently has 15 members, 8 of whom are unaffiliated with a Participating Organization (including Barbara Stymiest, President and Chief Executive Officer of the TSE, who is deemed by the TSE by-laws not to be affiliated with a Participating Organization). After completion of the Transaction, it is expected that there will be 20 members on the TSE Board of Directors, 9 of whom will be unaffiliated with a Participating Organization and 2 of whom will be deemed to be unaffiliated with a Participating Organization (after giving effect to the amendment to the TSE by-laws to provide that the President of CDNX will be deemed to be unaffiliated with a TSE Participating Organization). As mentioned in the discussion of the changes to the TSE's governance structure above, the TSE has agreed to seek shareholder approval to reverse this by-law amendment not later than the time of its next annual and general meeting of shareholders.

OTHER RULES RELATING TO DIRECTORS

Except as outlined above, there are no contemplated changes to any other rules relating to the existing directorship practices of the TSE. Specifically, members of the TSE Board of Directors will continue to be subject to annual re-election and will continue to have a maximum tenure of 6 years. As such, completion of the Transaction will have no effect on the TSE's ability to comply with the terms of the Recognition Order regarding qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and others.

Will there be any changes to the committee structure of the TSE Board or the mandate of any committee of the TSE Board?

The Transaction will not give rise to any changes to the committee structure of the TSE Board or the mandate of any committee of the TSE Board.

Will there be any changes to the role/status of the TSE's Chief Executive Officer or its Vice-Chairs?

The offices of the Chief Executive Officer and any Vice-Chairs appointed by the TSE are established under the TSE by-laws. No changes to these by-law provisions are required in connection with the Transaction. Following the Transaction, there will be two Vice-Chairs appointed, one of whom will be an independent director.

What are the details of the proposed Advisory Board and its mandate?

As outlined above, following completion of the Transaction there will be an Advisory Board, initially composed of 12 individuals, established to advise the TSE on policy matters relating to the public venture capital market and the role of CDNX in respect of that market. The initial constitution of the Advisory Board and the process for appointing replacement members is discussed in some detail above under "Corporate Governance–Transaction Structure". The Terms of Reference for the Advisory Board are attached as Schedule "A".

Will there be any changes to the quorum requirements for the TSE Board of Directors or any committee of the Board?

The Transaction will not give rise to any changes to the quorum requirements for the TSE Board or any of the TSE committees. The quorum requirements will continue to be governed by the current provisions set out in the TSE by-laws. As the Transaction will result in the creation of an Advisory Board made up of experienced public venture capital members, the Terms of Reference for the Advisory Board provide that a quorum at any meeting of the Advisory Board shall be a majority of the members of the Advisory Board.

In conclusion, we submit that complying with the terms and conditions of the TSE's Recognition Order was a central objective underlying the design of the proposed governance structure and that these terms and conditions continue to be fully reflected in the principles that will govern that structure in the future. We believe that the current terms and conditions continue to fully protect the public interest.

2. ACCESS AND FEES

The TSE's Recognition Order outlines certain terms and conditions regarding access to the TSE's facilities and the fees to be charged for use of the TSE's facilities.

Access

(a) *The requirements of the TSE shall permit all properly registered dealers that are members of a recognized self-regulatory organization and that satisfy the TSE's criteria to access the trading facilities of the TSE.*

(b) *Without limiting the generality of the foregoing, the TSE shall:*

(i) *establish written standards for granting access to trading on its facilities;*

(ii) *not unreasonably prohibit or limit access by a person or company to services offered by it; and*

(iii) *keep records of:*

(A) *each grant of access including, for each entity granted access to its trading facilities, the reasons for granting such access; and*

(B) *each denial or limitation of access, including the reasons for denying or limiting access to any applicant.*

Fees

(a) *Any and all fees imposed by the TSE on its Participating Organizations shall be equitably allocated. Fees shall not have the effect of creating barriers to access and shall be balanced with the criteria that the TSE have sufficient revenues to satisfy its responsibilities.*

(b) *The TSE's process for setting fees shall be fair and appropriate.*

The Transaction does not contemplate any changes to the way in which access to the facilities of the TSE is granted or denied or to the manner in which fees for such access are set. The right to access the TSE market will be governed by a contractual relationship. All other existing criteria which must be satisfied before an entity can become a Participating Organization will also remain unchanged.

After the completion of the Transaction, current members and participants of CDNX will maintain their status with CDNX and will have the opportunity to become Participating Organizations of the TSE. However, Participating Organization status with the TSE will not be granted until the CDNX member or participant properly applies and satisfies all existing TSE requirements.

At this time, 55 of 63, or 87%, of CDNX members are also Participating Organizations of the TSE. As such, the TSE would experience a maximum increase of 8 Participating Organizations if all of the current CDNX members that are not TSE Participating Organizations applied and received approval. Given that the TSE annually approves approximately 6 to 10 applications for Participating Organization status, the TSE does not anticipate any difficulties accommodating additional applications for access to its facilities from CDNX members or participants.

Will access to trading facilities continue to be dealt with separately by the TSE and CDNX?

In order to maximize efficiency, it is proposed that the trading operations of CDNX will be transferred to the TSE's trading platform as soon as practicable following the completion of the Transaction. Until such time, the trading facilities of each exchange will continue to be operated and supported separately by the TSE and CDNX. After trading in CDNX listings has been transferred to the TSE's platform, operation and support of the trading facilities will be centralized to some extent within the TSE. It is expected that applications for access as exchange participants will continue to be handled separately by the TSE and CDNX but that technical operations and support in relation to trading facilities will be handled by TSE personnel.

3. FINANCIAL VIABILITY AND FINANCIAL STATEMENTS

The TSE's Recognition Order outlines certain terms and conditions designed to ensure the TSE's financial viability.

Financial Viability

(a) *The TSE shall maintain sufficient financial resources for the proper performance of its functions.*

(b) *The TSE shall file quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of year-end.*

(c) *The TSE shall report to the Commission when: (1) its liquidity measure is equal to or less than zero [working capital plus borrowing capacity: two years each of net operating income (less depreciation which is a non-cash item), capital*

investment and debt repayment requirements]; (2) its solvency ratio is equal to or less than 1.3:1 (total assets: total liabilities); or (3) its financial leverage ratio is equal to or greater than 4.0 (total assets: total capital).

(d) *If the TSE fails to satisfy any of the above acceptable liquidity measure, solvency or financial leverage ratios for a period of more than three months, its President will deliver a letter advising the Commission of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem, and the TSE will not, without the prior approval of the Director, make any capital expenditures not already reflected in the financial statements, or make any loans, bonuses, dividends or other distributions of assets to any director, officer, related company or shareholder until the deficiencies have been eliminated for at least six months.*

(e) *The TSE shall provide a report annually of the monthly calculation of the measure and ratios, the appropriateness of the calculations and whether any alternative calculations should be considered.*

Considering the acquisition of CDNX, does the TSE continue to have sufficient financial resources for the proper performance of its functions?

The TSE currently has a substantial cash position that it intends to use to finance the acquisition of CDNX. For the first quarter ended March 31, 2001, the TSE had cash and marketable securities of $231.5 million which substantially exceeds the $50 million purchase price. Accordingly, the TSE believes that it will continue to have sufficient financial resources for the proper performance of its functions.

Are the financial ratios set out in the terms and conditions of the TSE Recognition Order still appropriate?

The TSE believes that the measures and ratios currently used to assess the TSE's financial viability will continue to be appropriate following the TSE's acquisition of CDNX. Any financial resources that the TSE deploys in making its acquisition of CDNX or in providing ongoing services to CDNX will be reflected in the TSE's own financial statements and, therefore, will have an impact on the calculation of the financial measures and ratios currently in place. As such, it is submitted that there is no need to change the existing financial measures and ratios used by the OSC to assess the ongoing financial viability of the TSE.

4. CAPACITY AND INTEGRITY OF SYSTEMS

The TSE's Recognition Order outlines certain terms and conditions concerning the capacity and integrity of the TSE's trading systems designed to protect against any unnecessary interruption in securities trading.

Systems

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, the TSE shall:

(a) *make reasonable current and future capacity estimates;*

(b) *conduct capacity stress tests of critical systems on a reasonably frequent basis to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;*

(c) *develop and implement reasonable procedures to review and keep current the development and testing methodology of those systems;*

(d) *review the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards and natural disasters;*

(e) *establish reasonable contingency and business continuity plans;*

(f) *on an annual basis, perform an independent review, in accordance with established audit procedures and standards, of its current systems technology plans and whether there are appropriate processes in place to manage the impact of change in technology on the exchange and parties interfacing with exchange systems. This will include an assessment of the TSE's controls for ensuring that each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements is in compliance with paragraphs (a) through (e) above. Senior management will conduct a review of a report containing the recommendations and conclusions of the independent review; and*

(g) *promptly notify the Commission of material systems failures and changes.*

The Transaction will not result in any deviation from any of the above initiatives regarding the capacity and integrity of the TSE's systems. The TSE has just successfully completed its own migration of trading in all TSE listings from its legacy trading system, CATS, to its new trading engine ("NTE"). All capacity stress tests, system audits, contingency and business continuity plans, guideline and procedures development, annual reviews and commission notifications will continue to be carried out in accordance with the above terms and conditions. The TSE feels that these mechanisms are essential to protect against any unnecessary interruption in securities trading.

The TSE believes that the terms and conditions of the Recognition Order respecting the capacity and integrity of systems will continue to adequately address concerns

regarding potential trading stoppages after the TSE and CDNX trading systems are fully operating on the NTE.

What, if any, changes will be made to the systems of the TSE? What is the schedule for moving to a common trading platform?

It is not contemplated that any changes will be made to the TSE systems as a consequence of completion of the Transaction until such time as the CDNX trading systems are transferred to the NTE. It is currently anticipated that this will be implemented by the end of 2001. In order to facilitate the transfer of the CDNX trading systems to the TSE trading platform, it may be necessary to rationalize the trading rules and to make certain consequential programming changes to accommodate this.

In accordance with the terms and conditions of the TSE's Recognition Order, the TSE has considered the capacity of its NTE to accommodate the additional trading volumes that would result from the transfer of the CDNX trading systems to NTE. Capacity tests have illustrated that NTE provides the TSE with considerably increased capacity to deal with additional orders and trades. We note that during 2000, the total number of trades executed through CDNX was approximately 4,382,741 trades, reflecting a daily average of 12,008 trades. As this is a relatively insignificant amount in the context of NTE's daily capacity, the TSE believes that NTE will be more than adequate to handle any additional trading activity resulting from the migration of CDNX trading to the TSE trading platform.

5. **RULES AND RULE MAKING**

Purpose of Rules

The TSE shall, subject to the terms and conditions of this Recognition Order and the jurisdiction and oversight of the Commission in accordance with Ontario securities laws, through Regulatory Services and otherwise, establish such rules, regulations, policies, procedures, practices or other similar instruments as are necessary or appropriate to govern and regulate all aspects of its business and affairs and shall in so doing specifically govern and regulate so as to:

(a) *seek to ensure compliance with securities legislation;*

(b) *seek to prevent fraudulent and manipulative acts and practices;*

(c) *seek to promote just and equitable principles of trade;*

(d) *seek to foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and*

(e) *seek to provide for appropriate discipline.*

After the completion of the Transaction, the TSE will continue to establish rules, regulations or other instruments necessary to effectively govern and regulate all aspects of the TSE's business and will ensure that any such rule, regulation or instrument will further the above noted objectives.

6. **BUSINESS AND OPERATIONS IMPACT**

The acquisition of CDNX by the TSE will have some impact on the business practices and operations of the TSE. However, in the TSE's opinion, any contemplated change to the TSE's business practices and operations will have a positive impact on the TSE, as the terms of the Transaction were designed to reduce the costs associated with operating an exchange, to eliminate unnecessary bureaucracy, and to facilitate the graduation and maturation of Canadian public companies.

After the completion of the Transaction, the TSE will preserve the CDNX brand identity and will take all initiatives and provide all commercially reasonable resources to promote, support, and enhance the CDNX as a unique and identifiable operation. In so doing, the TSE will augment its services to CDNX listed companies which will best serve the interests of the CDNX venture capital market. In addition, while the CDNX will continue to provide a separate web interface for its listed companies and market participants, the Transaction contemplates that the TSE and CDNX will explore common opportunities. The TSE believes that these initiatives are essential to the continued success of the Canadian capital markets.

In addition, as soon as possible after the completion of the Transaction, the TSE intends to implement a regulatory process that will provide for a simple and orderly graduation of CDNX-listed companies from early stage public companies to TSE-listed senior market companies. The TSE believes that such amendments are essential to ensure the continued strength and expansion of the CDNX venture market and the TSE.

The acquisition of CDNX by the TSE poses a unique opportunity for both exchanges to reduce costs by removing unnecessary duplication. The business of the TSE will be positively impacted by the centralization of some of its operations with those of CDNX namely, trading systems, technology development and operations, market information services, internal and external communications, human resources and administration, finance and payroll, and the provision of corporate secretary and legal services.

B. BY-LAW APPROVAL

In order to complete the Transaction, the TSE agreed with CDNX that it would seek to make two amendments to the TSE by-laws. One proposed amendment to the TSE by-laws provides for the requirement that at least 25% of the members of the TSE Board of Directors will have experience in, or an association with, the Canadian public venture capital market and that they shall collectively provide a broad geographic representation within Canada. The second proposed by-law amendment provides that the President of CDNX shall be deemed not to be associated with a Participating Organization for the purposes of the TSE by-laws.

OSC staff have asked the TSE to submit the by-law amendments for OSC approval in accordance with the protocol established in the Memorandum of Understanding between the

TSE and the OSC dated November 7, 1997 (the "Rules MOU"). Contemporaneous with this submission, the TSE has submitted the above mentioned by-law amendments for OSC approval in accordance with the Rules MOU.

Any other consequential changes to the by-laws, rules, regulations and policy statements of general application that may be required following completion of the Transaction will be submitted for review and approval by the OSC, where required, in accordance with the procedures outlined in the Rules MOU.

C. CONCLUSION

It is the TSE's submission, as outlined in detail herein, that the Transaction will not give rise to public interest concerns so as to require changes to the existing terms and conditions of the TSE's Recognition Order. Accordingly, if the OSC is satisfied with this submission, it is the TSE's intention to proceed with the Transaction, subject to receiving approval to amend its by-laws in the manner discussed above.

We hope that you will find this submission responsive to the issues that OSC staff have identified in connection with the Transaction. Should you have any questions concerning the contents of this submission or require any further information, please contact the undersigned.

Thank you for your prompt attention to this matter.

Yours truly,

The Toronto Stock Exchange Inc.

Leonard Petrillo
Vice President, General Counsel and Secretary

SCHEDULE "A"

The Toronto Stock Exchange Inc.'s CDNX Advisory Board Terms of Reference

Composition

7. The CDNX Advisory Board (the "Advisory Board") shall be composed of:

   (a) between 8 and 15 individuals having expertise on matters relating to the Canadian public venture capital market. The initial members will be those recommended by the current CDNX Board of Directors prior to the closing of the Transaction between CDNX and the TSE. The Chair of the TSE and the President and Chief Executive Officer of the TSE and President of CDNX shall be ex-officio members;

   (b) The first chair of the Advisory Board shall be recommended by the current CDNX Board of Directors prior to the closing of the Transaction between CDNX and the TSE and shall be one of the current directors on the CDNX Board of Directors immediately prior to the closing of the Transaction; and

   (c) In subsequent years, the composition of the Advisory Board, including its chair (who shall be one of the directors on the Board having expertise in or an association with the Canadian public venture capital market (the "Public Venture Capital Members"), shall be determined by the Governance Committee in the same manner as all TSE committee members are chosen. The Public Venture Capital Members shall make recommendations to the Governance Committee with respect to Advisory Board nominees.

Quorum

The quorum at any meeting of the CDNX Advisory Board shall be a majority of the members of the Advisory Board, present in person or by telephone, unless otherwise fixed by the Board. Subject to any resolution of the Board, the Advisory Board may from time to time regulate the manner in which it may act and its procedures generally.

Frequency of Meetings

The Advisory Board may meet up to once a month by telecommunication as determined by the Chair. The Board shall provide sufficient resources such that the Advisory Board may meet not less than twice per year in person.

Terms of Reference

1. The Advisory Board shall have the responsibility for advising or making recommendations to the Board on policy matters relating to the public venture capital market and the role of CDNX in relation to such matters.

2. Recommend to the Governance Committee nominees for appointment to the Board who have expertise in or an association with the Canadian public venture capital market (the "Public Venture Capital Members") and who provide broad geographic representation.

1.1.4 TSE - Amendments to By-law No. 1

THE TORONTO STOCK EXCHANGE INC. - AMENDMENTS TO BY-LAW NO. 1

REQUEST FOR COMMENTS

A request for comments on the amendments of By-lay No. 1 of the Toronto Stock Exchange Inc. is published in Chapter 13 of Bulletin.

1.1.5 Committee for Equal Treatment of Asbestos Minority Shareholders v. OSC

NOTICE OF COMMITTEE FOR EQUAL TREATMENT OF ASBESTOS MINORITY SHAREHOLDERS V. ONTARIO (SECURITIES COMMISSION)

The copy of the decision reproduced in Chapter 3 is not an official version and is provided for reference purposes only. Requests for an official version of this decision should be directed to the Supreme Court of Canada. The SCC may be reached by telephone at 613-995-4330, or through their web-site at www.scc-csc.gc.ca.

1.1.6 TSE Rule 4-501

THE TORONTO STOCK EXCHANGE

AMENDMENT TO RULE 4-501, THE IN-HOUSE CLIENT PRIORITY RULE, AND ENACTMENT OF POLICY 4-501 NOTICE OF COMMISSION APPROVAL

The Commission has approved the amendments to Rule 4-501, the In-House Client Priority Rule, and the enactment of related Policy 4-501 (collectively, the "Amendments"). The Amendments were necessitated by the move to time priority, as the TSE will no longer be able to system-enforce the rules due to the fact that time priority and in-house client priority are incompatible. The Amendments were initially published on August 4, 2000 at (2000) 23 OSCB 5471. Some changes have been made to the Amendments since the time it was previously published. The Amendments are being republished in Chapter 13 of this Bulletin, along with a summary of comments received and responses from the Toronto Stock Exchange Inc. The Amendments have been black lined to indicate the changes from the previously published version.

1.1.7 Universal Market Integrity Rules

No. 2001-022
June 15, 2001

REQUEST FOR COMMENTS – EXTENSION OF TIME

UNIVERSAL MARKET INTEGRITY RULES

On April 20, 2001, the Exchange issued Regulatory Notice No. 2001-011 requesting comments on draft rules entitled "Universal Market Integrity Rules" ("UMIR") that were formulated jointly by The Canadian Venture Exchange ("CDNX") and TSE Regulation Services. Concurrent with the publication of UMIR, the CSA issued Request for Comment 23-401 which specifically sought comment on twelve questions related to UMIR and its application. The CSA has extended the time for submission of comments in response to this request until July 15, 2001. As a result, the Exchange and CDNX have also extended the period for commenting on UMIR to July 15, 2001. Comments should be in writing and delivered to the persons and agencies listed in Regulatory Notice 2001-011.

A French translation of Regulatory Notice 2001-011 is available on the French-language section of the Exchange's website at tse.com under the heading "Règles universelles d'intégrité du marché". This translation has been for information purposes and in the event of an inconsistency between the French and English versions, reference should be made to the English-language document.

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

1.1.8 CSA Notice 46-302 - Consent to Amend Existing Escrow Agreements

CANADIAN SECURITIES ADMINISTRATORS
NOTICE 46-302

Consent to Amend Existing Escrow Agreements

The Canadian Securities Administrators (CSA) have developed guidelines under which securities regulators and securities regulatory authorities will permit existing escrow agreements to be amended to reflect the release terms included in the proposed uniform escrow regime outlined in CSA Notice 46-301 *Proposal for Uniform Terms of Escrow Applicable to Initial Public Distributions.*

Background

In May 1998, the CSA published for comment a proposal for uniform terms of escrow applicable to initial public offerings by prospectus (IPOs). Since then, issuers conducting IPOs could choose to follow either the proposed uniform escrow regime or the escrow policy in effect in their own jurisdictions.

On March 17, 2000, we published CSA Notice 46-301 describing a revised proposal for an IPO escrow regime and permitting issuers to use it at their option. After publication of that Notice, the Canadian exchanges began requiring issuers to enter into escrow agreements based on the revised proposal as a condition of listing.

We expect to implement a uniform IPO escrow policy this summer. We will also seek public comment to determine whether further changes are necessary. We anticipate that the uniform escrow policy will include some changes from the March 2000 proposed uniform escrow regime reflecting our response to public comment, but we do not anticipate making any changes to the release terms.

After publishing our earlier proposals we received requests to approve amendments to existing agreements to permit the release of escrow shares on the terms in the proposals. We generally considered that it would be premature to do so because the uniform escrow terms had not been finalized.

Given the widespread application of the March 2000 proposed uniform escrow regime, and our intention to implement the uniform escrow policy this summer, we believe that amendments to the release terms in existing escrow agreements should now be permitted for reasons of fairness and uniformity.

Amendments

The securities regulators and securities regulatory authorities consent to amendments to escrow agreements to reflect the release terms of the March 2000 proposed uniform escrow regime on the following conditions:

- The issuer's directors must have approved the amendment.
- All parties to the existing escrow agreement, except parties whose shares are no longer in escrow, must have agreed to the amendment.
- The issuer must have obtained any exchange approvals required by the existing escrow agreement.
- The amendment must have been approved by a majority vote of the shareholders of the issuer, or consented to by shareholders holding a majority of the shares of the issuer, excluding in each case escrow shareholders and their affiliates and associates.
- The amendment to the release terms must apply to all shares in escrow.
- Once the escrow agreement has been amended and all conditions in this Notice have been met, the issuer must issue a news release at least 60 days prior to the first release under the amended escrow agreement notifying the market of the amendment and the new escrow release terms.
- The issuer's escrow classification must be determined at the date of the news release.
- The news release must set out the date of the first release under the amended escrow agreement. The first release date must be at least 60 days after the news release.
- If the issuer is an exempt issuer, all escrow shares may be released no earlier than 60 days after the news release, subject to the 10% limit below.
- If the issuer is an emerging or an established issuer, the new release schedules must be the schedules included in the March 2000 proposed uniform escrow regime for those issuers, subject to the 10% limit below.
- The number of shares to be released from escrow at any one time may not exceed 10% of the issuer's outstanding shares at the time of release. Shares remaining in escrow after the last scheduled release will continue to be released at 6 month intervals until all shares are released from escrow.
- Each release of escrow shares must be pro rata.
- The issuer must file with the securities regulator or securities regulatory authority in all jurisdictions where the original escrow agreement was filed:
    - a copy of the amended escrow agreement, and
    - a certificate of a director or senior officer of the issuer confirming that the escrow agreement has been amended in accordance with this Notice and that all conditions to the amendment have been met.

Our consent does not limit the right of an exchange to require additional conditions or more stringent release terms.
For further information contact:

Wayne Redwick
Director, Corporate Finance
British Columbia Securities Commission
Telephone: (604) 899-6699
Fax: (604) 899-6506
e-mail: wredwick@bcsc.bc.ca

Adrianne Marskell
Senior Legal Counsel, Policy and Legislation
British Columbia Securities Commission
Telephone: (604) 899-6645
Fax: (604) 899-6506
e-mail: amarskell@bcsc.bc.ca

Agnes Lau
Deputy Director, Capital Markets
Alberta Securities Commission
Telephone: (780) 422-2191
Fax: (780) 422-0777
e-mail: Agnes.Lau@seccom.ab.ca

Stephen Murison
Legal Counsel
Alberta Securities Commission
Telephone: (403) 297-4233
Fax: (403) 297-6156
e-mail: Stephen.Murison@seccom.ab.ca

Ian McIntosh
Deputy Director, Corporate Finance
Saskatchewan Securities Commission
Telephone: (306) 787-5867
Fax: (306) 787-5899
e-mail: imcintosh@ssc.gov.sk.ca

Rick Whiler
Senior Accountant, Corporate Finance
Ontario Securities Commission
Telephone: (416) 593-8127
Fax: (416) 593-8244
e-mail: rwhiler@osc.gov.on.ca

Pierre Martin
Legal Counsel
Commission des valeurs mobilières du Québec
Telephone: (514) 940-2199 Ext. 4557
Fax: (514) 864-6381
e-mail: pierre.martin@cvmq.com

June 15, 2001.

1.1.9 OSC Staff Notice 51-705 Re. Junior Resources Issuers

OSC STAFF NOTICE 51-705

NOTICE OF COMMISSION INTENTION TO ALLOW RULE TO LAPSE: IN THE MATTER OF CERTAIN TRADES IN SECURITIES OF JUNIOR RESOURCE ISSUERS

OSC Policy Statement No. 5.2, now a rule entitled *In the Matter of Certain Trades in Securities of Junior Resource Issuers* ((1997), 20 OSCB 1220, effective March 1, 1997 (the "Rule")), is scheduled to lapse on the earlier of the date on which a new rule intended to replace it comes into force and July 1, 2001. The Commission does not intend to develop a new rule to replace the Rule and therefore intends to permit the Rule to lapse on July 1, 2001.

The Rule regulates the financing and, to some extent, the operations of junior natural resource reporting issuers in Ontario that are not listed on The Toronto Stock Exchange Inc. (the "TSE"). It does not regulate technical reporting and disclosure. (These matters are the focus of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* which was effective February 1, 2001.)

The Commission, in arriving at its determination, considered the following factors:

- as a result of Canada's exchange restructuring, junior natural resource issuers are now primarily listed on Canadian Venture Exchange Inc. ("CDNX") which has broadly equivalent regulation to that contained in the Rule;
- developments in the junior natural resource sector and in the securities industry have diminished the relevance of, and need for, the Rule;
- the OSC Task Force on Small Business Financing recommended that financing requirements and regulatory regimes not be industry specific; and
- as an Ontario only rule, the Rule is inconsistent with the objective of the CSA to establish consistent regulation across its member jurisdictions.

A notice of the Commission's preliminary determination to permit the Rule to lapse on July 1, 2001 was published on January 5, 2001 ((2001) 24 OSCB 115). Interested parties were invited to make written submissions regarding the Commission's preliminary determination during a comment period which expired on March 30, 2001. Three submissions were received. A summary of the submissions and the Commission's response thereto may be found in Appendix A.

Persons or companies affected by the Commission's determination to permit the Rule to lapse on July 1, 2001 are invited to discuss their circumstances with staff of the Commission.

Questions may be referred to:

Rick Whiler
Senior Accountant
Corporate Finance Branch
(416) 593-8127

APPENDIX A

NOTICE OF COMMISSION INTENTION TO ALLOW RULE TO LAPSE: IN THE MATTER OF CERTAIN TRADES IN SECURITIES OF JUNIOR RESOURCE ISSUERS

SUMMARY OF COMMENTS RECEIVED AND RESPONSE OF THE COMMISSION

The Commission received three submissions regarding the Commission's preliminary determination to permit the Rule to lapse.

The Commission has carefully considered the submissions received and would like to thank the commenters for providing their views.

The following is a summary of the comments received, together with the Commission's response.

Comments

Two of the commenters were of the view that the Rule in its current form should be permitted to lapse.
One of the commenters expressed concern about the ability of unlisted issuers to raise capital in Ontario. The commenter recommended that the Commission consider whether junior resource issuers should continue to be afforded relief from prospectus requirements in connection with debt settlements and financial assistance from insiders. This form of relief is contained in the Rule. The commenter also recommended that resource property acquisitions by junior mining companies be subject to revised regulation. The commenter acknowledged that the regulation contained in the Rule in this area is unworkable.

The second commenter expressed dissatisfaction that the Commission has not modified the Rule over time in response to the expressed concerns and recommendations of members of the Standing Liaison Committee and other industry participants. The Standing Liaison Committee, which is provided for in the Rule, is to be comprised of seven members including representatives of the Commission, the Prospectors and Developers Association of Canada, registered dealers, lawyers and others. The Committee, however, has not been operational for several years. The commenter also expressed concern about whether there will be reasonable regulation for unlisted issuers. Finally, the commenter expressed views about two ancillary matters: concern about the impact of CDNX and the Canadian Unlisted Board Inc. on junior resource issuers and support for the implementation of the recommendations of the OSC Task Force on Small Business Financing.

The third commenter recommended that the Rule be retained. The commenter felt that the Rule provides valuable regulation and questioned the effectiveness of CDNX's review and regulatory processes. In this commenter's view, the Rule should be retained until the full impact of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and the TSE acquisition of shares of CDNX can be assessed.

Response

The Commission remains of the view that the Rule should be permitted to lapse on July 1, 2001. Developments in the junior resource sector and in the securities industry have diminished the relevance of the Rule. Further, junior natural resource issuers are currently primarily listed on CDNX which has broadly equivalent regulation to that contained in the Rule.

In the Commission's view, the recommendation that relief should be afforded from prospectus requirements in connection with debt settlements and financial assistance from insiders should not be considered on an industry specific basis. With respect to the recommendation that the acquisition of resource properties by junior mining companies be subject to revised regulation, the Commission notes that the most contentious transactions, non arm's length transactions, are governed by OSC Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* although they may be exempt therefrom.

The Commission concurs with the comment that the Rule provides useful regulation in certain areas. However, as noted above, it is satisfied that CDNX, where most junior natural resource issuers are currently listed, has broadly equivalent regulation to that contained in the Rule. Further, CDNX retains qualified technical staff to review transactions in the junior natural resource sector. The Commission also notes that many areas of the Rule have outlived their regulatory usefulness. The Commission does not concur with the recommendation that the Rule be retained until the full impact of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and the TSE acquisition of shares of CDNX can be assessed. The Rule regulates the financing and, to some extent, the operations of non-TSE listed junior natural resource reporting issuers in Ontario. It does not regulate technical reporting and disclosure, the focus of National Instrument 43-101. In the Commission's view, the TSE acquisition of shares of CDNX is not in itself a sufficient reason to retain the Rule.

The Commission intends to monitor the evolution of Canada's capital markets and to provide responsive leadership as the need arises. The Commission is sensitive to the concern regarding the lack of industry specific regulation for junior resource issuers that do not qualify to list on a Canadian exchange. However, given the rapid structural changes to Canada's capital markets which are currently underway and the uncertain outcome of those changes, the Commission is of the view that the development of regulation at this time to replace the Rule in whole or in part would be premature. If any such regulation is developed in the future, it may be appropriate for it to apply to all unlisted issuers. Further, it would be desirable that any such regulation be developed by the CSA on a national basis in order to enhance the efficiency of Canada's capital markets.

June 15, 2001.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 BioCapital Investments Limited Partnership - MRRS Decision

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

AND

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

AND

IN THE MATTER OF
BIOCAPITAL INVESTMENTS LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

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

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

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

1. The Filer is a closed-end investment limited partnership established under the laws of the Province of Québec pursuant to a limited partnership agreement (the "Limited Partnership Agreement") dated May 8, 1997, as amended;

2. The General Partner of the Filer is 9100-1883 Québec Inc. (the "General Partner");

3. The head office of the General Partner is located at 1170 Peel Street, Montréal (Québec);

4. On April 12, 2001, the Filer had issued and outstanding 9 965 208 units;

5. Le Fonds de solidarité des travailleurs du Québec (F.T.Q.) (the "Fonds de solidarité") is the sole holder of all securities of the Filer following a reorganization (the "Reorganization") of the Filer which consisted of :

   (i) the transfer (the "Transfer of Investments") by the Filer to a newly formed mutual fund (the "Mutual Fund") of all securities of public companies held by the Filer and all of its available cash in exchange for units of the Mutual Fund (the "Mutual Fund Units");

   (ii) a distribution (the "Distribution") by the Filer to the limited partners of the Filer (the "Limited Partners") (on a *pro rata* basis) of all the Mutual Fund Units it has received in connection with the Transfer of Investments;

   (iii) the removal of BioCapital Management Inc. as general partner of the Filer in accordance with Section 14.3 of the Limited Partnership Agreement and the appointment of the General Partner as the new general partner of the Filer; and

   (iv) an amendment (the "Amendment") to the Limited Partnership Agreement pursuant to which each Limited Partner (other than the Fonds de solidarité) was required to sell, assign and transfer to the Fonds de solidarité and the Fonds de solidarité was required to purchase from such Limited Partners, all of the units of the Filer (the "Units") they held at a purchase price of $10.40 per Unit, on the date on which the approval of the Limited Partners to amend the Limited Partnership Agreement was obtained and all other closing conditions were satisfied (or waived);

6. The Purchase Price was payable by the Fonds de solidarité half in cash and the other half by the transfer from the Fonds de solidarité to the Limited Partners of the Mutual Fund Units (according to the value of such units on the date of transfer) received by the Fonds de solidarité pursuant to the Distribution;

7. The Reorganization was effective as of April 12, 2001;

8. The Filer is a reporting issuer, or the equivalent thereof, under the Legislation and, to the best of its knowledge, is not, as of the date hereof, in default of any requirement of such Legislation or any other securities or corporate legislation to which it is subject;

9. Following the Reorganization, the Filer no longer has any of its securities listed on any exchange or traded over the counter in Canada or elsewhere and does not currently intend to seek public financing by way of an issue of securities;

10. The Filer has no other securities, including debt securities, outstanding; and

11. The Fonds de solidarité is, as of the date hereof, the sole beneficial holder of all of the issued and outstanding Units of the Filer.

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

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

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

DATED at Montréal, Québec, on June 6, 2001.

"Edvie Elysee"

2.1.2 Guardian Group of Funds Ltd. - Decision

Headnote

Section 5.1 of O.S.C. Rule 31-506 – SRO Membership – Mutual Fund Dealers – mutual fund manager exempted from the requirements of the Rule that it be a member of the Mutual Fund Dealers Association ("MFDA") and file with the MFDA an application and prescribed fees for the application for membership, provided that it complies with terms and conditions of registration.

Statutes Cited

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

Rules Cited

O.S.C. Rule 31-506 SRO Membership – Mutual Fund Dealers, ss. 2.1, 3.1, 5.1.

Published Documents Cited

Letter Sent to The Investment Funds Institute of Canada and the Investment Counsel Association of Canada, December 6, 2000, (2000) 23 OSCB 8467.

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

AND

ONTARIO SECURITIES COMMISSION
RULE 31-506 SRO MEMBERSHIP
– MUTUAL FUND DEALERS
(the "Rule")

AND

IN THE MATTER OF
GUARDIAN GROUP OF FUNDS LTD.

DECISION
(Section 5.1 of the Rule)

UPON The Director having received an application (the "Application") from Guardian Group of Funds Ltd. (the "Registrant") for a decision, pursuant to section 5.1 of the Rule, exempting the Registrant from the requirements in sections 2.1 and 3.1 of the Rule, which would otherwise require that the Registrant be a member of the Mutual Fund Dealers Association (the "MFDA") on and after July 2, 2002, and file with the MFDA, no later than May 23, 2001, an application and corresponding fees for membership;

UPON considering the Application and the recommendation of staff of the Ontario Securities Commission;

AND UPON the Registrant having represented to the Director that:

1. the Registrant is registered under the Act as a dealer in the categories of mutual fund dealer, investment counsel and portfolio manager, and limited market dealer (conditional);

2. the Registrant is the manager of the existing GGOF mutual funds (the "Current Funds") and will be the manager of any GGOF mutual funds established in the future (the "Future Funds", together with the Current Funds, the "Funds");

3. the securities of the mutual funds managed by the Registrant are generally sold to the public through other registered dealers;

4. the principal business of the Registrant is managing the Funds;

5. as a registered mutual fund dealer, the Registrant must obtain membership in the Mutual Fund Dealers Association (the "MFDA") by filing the appropriate application and fee within the prescribed time or obtain an exemption from such requirements;

6. registration as a member in the MFDA is not appropriate due to the nature of the Registrant's business as being primarily a mutual fund manager;

7. the Registrant will continue to maintain its registration as a mutual fund dealer and comply with applicable securities legislation and rules;

8. the Registrant's trading activities as a mutual fund dealer currently represent and will continue to represent activities that are incidental to its principal business activities;

9. the Registrant has agreed to the imposition of the terms and conditions on the Registrant's registration as a mutual fund dealer set out in the attached Schedule "A", which outlines the activities the Registrant has agreed to adhere to in connection with its application for this Decision;

10. any person or company that is not currently a client of the Registrant on the effective date of this Decision, will, before they are accepted as a client of the Registrant, receive prominent written notice from the Registrant that:

> *The Registrant is not currently a member, and does not intend to become a member of the Mutual Fund Dealers Association; consequently, clients of the Registrant will not have available to them investor protection benefits that would otherwise derive from membership of the Registrant in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA;*

11. upon the next general mailing to its account holders and in any event before May 23, 2002, the Registrant shall provide, to any client that was a client of the Registrant on the effective date of this Decision, the prominent written notice referred to in paragraph 10, above;

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

IT IS THE DECISION of the Director, pursuant to section 5.1 of the Rule, that, effective May 23, 2001, the Registrant is exempt from the requirements in sections 2.1 and 3.1 of the Rule;

PROVIDED THAT:

The Registrant complies with the terms and conditions on its registration under the Act as a mutual fund dealer set out in the attached Schedule "A".

"June 7, 2001"

"Peggy Dowdall-Logie"

SCHEDULE "A"
TERMS AND CONDITIONS OF REGISTRATION
OF
GUARDIAN GROUP OF FUNDS LTD.
AS A MUTUAL FUND DEALER

Definitions

1. For the purposes hereof, unless the context otherwise requires:

   (a) "Act" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

   (b) "Adviser" means an adviser as defined in subsection 1(1) of the Act;

   (c)" Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where the person or company is shown on the records of the mutual fund or of an other mutual fund managed by the Registrant or an affiliate of the Registrant as the holder of securities of such mutual fund, and the trade consists of:

      (A) a purchase, by the person or company, through the Registrant, of securities of the mutual fund; or

      (B) a redemption, by the person or company, through the Registrant, of securities of the mutual fund;

   and where, the person or company is either a client of the Registrant that was not solicited by the Registrant or was an existing client of the Registrant on the Effective Date;

(d) "Commission" means the Ontario Securities Commission;

(e) "Effective Date" means May 23, 2001;

(f) "Employee", for the Registrant, means:

(A) an employee of the Registrant;

(B) an employee of an affiliated entity of the Registrant; or

(C) an individual that is engaged to provide, on a *bona fide* basis, consulting, technical, management or other services to the Registrant or to an affiliated entity of the Registrant, under a written contract between the Registrant or the affiliated entity and the individual or a consultant company or consultant partnership of the individual, and, in the reasonable opinion of the Registrant, the individual spends or will spend a significant amount of time and attention on the affairs and business of the Registrant or an affiliated entity of the Registrant;

(g) "Employee", for a Service Provider, means an employee of the Service Provider or an affiliated entity of the Service Provider, provided that, at the relevant time, in the reasonable opinion of the Registrant, the employee spends or will spend, a significant amount of time and attention on the affairs and business of:

(A) the Registrant or an affiliated entity of the Registrant; or

(B) a mutual fund managed by the Registrant or an affiliated entity of the Registrant;

(h) "Employee Rule" means Ontario Securities Commission Rule 45-503 Trades To Employees, Executives and Consultants;

(i) "Executive", for the Registrant, means a director, officer or partner of the Registrant or of an affiliated entity of the Registrant;

(j) "Executive", for a Service Provider, means a director, officer or partner of the Service Provider or of an affiliated entity of the Service Provider;

(k) "Exempt Trade", for the Registrant, means:

(i) a trade in securities of a mutual fund that is made between a person or company and an underwriter acting as purchaser or between or among underwriters; or

(ii) any other trade for which the Registrant would have available to it an exemption from the registration requirements of clause 25(1)(a) of the Act if the Registrant were not a "market intermediary" as such term is defined in section 204 of the Regulation;

(l) "Fund-on-Fund Trade", for the Registrant, means a trade that consists of:

(i) a purchase, through the Registrant, of securities of a mutual fund that is made by another mutual fund;

(ii) a purchase, through the Registrant, of securities of a mutual fund that is made by a counterparty, an affiliated entity of the counterparty or an other person or company, pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; or

(iii) a sale, through the Registrant, of securities of a mutual fund that is made by another mutual fund where the party purchasing the securities is:

(A) a mutual fund managed by the Registrant or an affiliated entity of the Registrant; or

(B) a counterparty, affiliated entity or other person or company that acquired the securities pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; and

where, in each case, at least one of the referenced mutual funds is a mutual fund that is managed by either the Registrant or an affiliated entity of the Registrant;

(m) an "In Furtherance Trade" means, for the Registrant, a trade by the Registrant that consists of any act, advertisement, or solicitation, directly or indirectly in furtherance of an other trade in securities of a mutual fund, where the other trade consists of:

(i) a purchase or sale of securities of a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(ii) a purchase or sale of securities of a mutual fund where the Registrant acts as the principal distributor of the mutual fund; and

where, in each case, the purchase or sale is made by or through an other registered dealer if the Registrant is not otherwise permitted to

make the purchase or sale pursuant to these terms and conditions;

(n) "Mutual Fund Instrument" means National Instrument 81-102 Mutual Funds, as amended;

(o) "Permitted Client", for the Registrant, means a person or company that is a client of the Registrant, and that is, or was at the time the person or company became a client of the Registrant:

(i) an Executive or Employee of the Registrant;

(ii) a Related Party of an Executive or Employee of the Registrant;

(iii) a Service Provider of the Registrant or an affiliated entity of a Service Provider of the Registrant;

(iv) an Executive or Employee of a Service Provider of the Registrant; or

(v) a Related Party of an Executive or Employee of a Service Provider of the Registrant;

(p) "Registered Plan" means a registered pension plan, deferred profit sharing plan, registered retirement savings plan, registered retirement income fund, registered education savings plan or other deferred income plan registered under the Income Tax Act (Canada);

(q) "Registrant" means Guardian Group of Funds Ltd.;

(r) "Regulation" means R.R.O. 1990, Reg. 1015, as amended, made under the Act;

(s) "Related Party", for a person, means an other person who is:

(i) the spouse of the person;

(ii) the issue of:

(A) the person,

(B) the spouse of the person, or

(C) the spouse of any person that is the issue of a person referred to in subparagraphs (A) or (B) above;

(iii) the parent, grandparent or sibling of the person, or the spouse of any of them;

(iv) the issue of any person referred to in paragraph (iii) above; or

(v) a Registered Plan established by, or for the exclusive benefit of, one, some or all of the foregoing;

(vi) a trust where one or more of the trustees is a person referred to above and the beneficiaries of the trust are restricted to one, some, or all of the foregoing;

(vii) a corporation where all the issued and outstanding shares of the corporation are owned by one, some, or all of the foregoing;

(t) "securities", for a mutual fund, means shares or units of the mutual fund;

(u) "Seed Capital Trade" means a trade in securities of a mutual fund made to a person or company referred to in any of subparagraphs 3.1(1)(a)(i) to 3.1(1)(a)(iii) of the Mutual Fund Instrument;

(v) "Service Provider", for the Registrant, means:

(i) a person or company that provides or has provided professional, consulting, technical, management or other services to the Registrant or an affiliated entity of the Registrant;

(ii) an Adviser to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(iii) a person or company that provides or has provided professional, consulting, technical, management or other services to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant

2. For the purposes hereof, a person or company is considered to be an "affiliated entity" of an other person or company if the person or company would be an affiliated entity of that other person or company for the purposes of the Employee Rule.

3. For the purposes hereof:

(a) "issue", "niece", "nephew" and "sibling" includes any person having such relationship through adoption, whether legally or in fact;

(b) "parent" and "grandparent" includes a parent or grandparent through adoption, whether legally or in fact;

(c) "registered dealer" means a person or company that is registered under the Act as a dealer in a category that permits the person or company to act as dealer for the subject trade; and

(d) "spouse", for an Employee or Executive, means a person who, at the relevant time, is the spouse of the Employee or Executive.

4. Any terms that are not specifically defined above shall, unless the context otherwise requires, have the meaning:

   (a) specifically ascribed to such term in the Mutual Fund Instrument; or

   (b) if no meaning is specifically ascribed to such term in the Mutual Fund Instrument, the same meaning the term would have for the purposes of the Act.

Restricted Registration

Permitted Activities

5. The registration of the Registrant as a mutual fund dealer under the Act shall be for the purposes only of trading by the Registrant in securities of a mutual fund where the trade consists of:

   (a) a Client Name Trade;

   (b) an Exempt Trade;

   (c) a Fund-on-Fund Trade;

   (d) an In Furtherance Trade;

   (e) a trade to a person who is a Permitted Client or who represents to the Registrant that he or she is a person included in the definition of Permitted Client; or

   (f) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (e), the trades are limited and incidental to the principal business of the Registrant.

2.1.3 Acuity Funds Ltd. - Decision

Headnote

Section 5.1 of O.S.C. Rule 31-506 – SRO Membership – Mutual Fund Dealers – mutual fund manager exempted from the requirements of the Rule that it be a member of the Mutual Fund Dealers Association ("MFDA") and file with the MFDA an application and prescribed fees for the application for membership, provided that it complies with terms and conditions of registration.

Statutes Cited

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

Rules Cited

O.S.C. Rule 31-506 *SRO Membership – Mutual Fund Dealers*, ss. 2.1, 3.1, 5.1.

Published Documents Cited

Letter Sent to The Investment Funds Institute of Canada and the Investment Counsel Association of Canada, December 6, 2000, (2000) 23 OSCB 8467.

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

AND

ONTARIO SECURITIES COMMISSION RULE 31-506
SRO MEMBERSHIP
– MUTUAL FUND DEALERS
(the "Rule")

AND

IN THE MATTER OF
ACUITY FUNDS LTD.

DECISION
(Section 5.1 of the Rule)

UPON The Director having received an application (the "Application) from Acuity Funds Ltd. (the "Registrant") for a decision, pursuant to section 5.1 of the Rule, exempting the Registrant from the requirements in sections 2.1 and 3.1 of the Rule, which would otherwise require that the Registrant be a member of the Mutual Fund Dealers Association (the "MFDA") on and after July 2, 2002, and file with the MFDA, no later than May 23, 2001, an application and corresponding fees for membership;

UPON considering the Application and the recommendation of staff of the Ontario Securities Commission;

AND UPON the Registrant having represented to the Director that:

1. the Registrant is registered under the Act as a dealer in the category of mutual fund dealer and limited market dealer;

2. the Registrant is the manager of a number of mutual funds that it has established and will be the manager of other mutual funds it expects to establish in the future;

3. the securities of the mutual funds managed by the Registrant are generally sold to the public through other registered dealers;

4. the Registrant's trading activities as a mutual fund dealer currently represent and will continue to represent activities that are incidental to its principal business activities;

5. the Registrant has agreed to the imposition of the terms and conditions on the Registrant's registration as a mutual fund dealer set out in the attached Schedule "A", which outlines the activities the Registrant has agreed to adhere to in connection with its application for this Decision;

6. any person or company that is not currently a client of the Registrant on the effective date of this Decision, will, before they are accepted as a client of the Registrant, receive prominent written notice from the Registrant that:

   The Registrant is not currently a member, and does not intend to become a member of the Mutual Fund Dealers Association; consequently, clients of the Registrant will not have available to them investor protection benefits that would otherwise derive from membership of the Registrant in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA;

7. upon the next general mailing to its account holders and in any event before May 23, 2002, the Registrant shall provide, to any client that was a client of the Registrant on the effective date of this Decision, the prominent written notice referred to in paragraph 6, above;

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

IT IS THE DECISION of the Director, pursuant to section 5.1 of the Rule, that, effective May 23, 2001, the Registrant is exempt from the requirements in sections 2.1 and 3.1 of the Rule;

PROVIDED THAT:

The Registrant complies with the terms and conditions on its registration under the Act as a mutual fund dealer set out in the attached Schedule "A".

"June 7, 2001"

"Peggy Dowdall-Logie"

SCHEDULE "A"

TERMS AND CONDITIONS OF REGISTRATION

OF

ACUITY FUNDS LTD.

AS A MUTUAL FUND DEALER

Definitions

1. For the purposes hereof, unless the context otherwise requires:

   (a) "Act" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

   (b) "Adviser" means an adviser as defined in subsection 1(1) of the Act;

   (c) "Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where the person or company is shown on the records of the mutual fund or of an other mutual fund managed by the Registrant or an affiliate of the Registrant as the holder of securities of such mutual fund, and the trade consists of:

      (A) a purchase, by the person or company, through the Registrant, of securities of the mutual fund; or

      (B) a redemption, by the person or company, through the Registrant, of securities of the mutual fund;

   and where, the person or company is either a client of the Registrant that was not solicited by the Registrant or was an existing client of the Registrant on the Effective Date;

   (d) "Commission" means the Ontario Securities Commission;

   (e) "Effective Date" means May 23, 2001;

   (f) "Employee", for the Registrant, means:

      (A) an employee of the Registrant;

      (B) an employee of an affiliated entity of the Registrant; or

      (C) an individual that is engaged to provide, on a *bona fide* basis, consulting, technical, management or other services to the Registrant or to an affiliated entity of the Registrant, under a written contract between the Registrant or the affiliated entity and the individual or a consultant company or consultant partnership of the

individual, and, in the reasonable opinion of the Registrant, the individual spends or will spend a significant amount of time and attention on the affairs and business of the Registrant or an affiliated entity of the Registrant;

(g) "Employee", for a Service Provider, means an employee of the Service Provider or an affiliated entity of the Service Provider, provided that, at the relevant time, in the reasonable opinion of the Registrant, the employee spends or will spend, a significant amount of time and attention on the affairs and business of:

(A) the Registrant or an affiliated entity of the Registrant; or

(B) a mutual fund managed by the Registrant or an affiliated entity of the Registrant;

(h) "Employee Rule" means Ontario Securities Commission Rule 45-503 Trades To Employees, Executives and Consultants;

(i) "Executive", for the Registrant, means a director, officer or partner of the Registrant or of an affiliated entity of the Registrant;

(j) "Executive", for a Service Provider, means a director, officer or partner of the Service Provider or of an affiliated entity of the Service Provider;

(k) "Exempt Trade", for the Registrant, means:

(i) a trade in securities of a mutual fund that is made between a person or company and an underwriter acting as purchaser or between or among underwriters; or

(ii) any other trade for which the Registrant would have available to it an exemption from the registration requirements of clause 25(1)(a) of the Act if the Registrant were not a "market intermediary" as such term is defined in section 204 of the Regulation;

(l) "Fund-on-Fund Trade", for the Registrant, means a trade that consists of:

(i) a purchase, through the Registrant, of securities of a mutual fund that is made by another mutual fund;

(ii) a purchase, through the Registrant, of securities of a mutual fund that is made by a counterparty, an affiliated entity of the counterparty or an other person or company, pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; or

(iii) a sale, through the Registrant, of securities of a mutual fund that is made by another mutual fund where the party purchasing the securities is:

(A) a mutual fund managed by the Registrant or an affiliated entity of the Registrant; or

(B) a counterparty, affiliated entity or other person or company that acquired the securities pursuant to an agreement to purchase the securities to effect a hedge of a liability relating to a contract for a specified derivative or swap made between the counterparty and another mutual fund; and

where, in each case, at least one of the referenced mutual funds is a mutual fund that is managed by either the Registrant or an affiliated entity of the Registrant;

(m) an "In Furtherance Trade" means, for the Registrant, a trade by the Registrant that consists of any act, advertisement, or solicitation, directly or indirectly in furtherance of an other trade in securities of a mutual fund, where the other trade consists of:

(i) a purchase or sale of securities of a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(ii) a purchase or sale of securities of a mutual fund where the Registrant acts as the principal distributor of the mutual fund; and

where, in each case, the purchase or sale is made by or through an other registered dealer if the Registrant is not otherwise permitted to make the purchase or sale pursuant to these terms and conditions;

(n) "Mutual Fund Instrument" means National Instrument 81-102 Mutual Funds, as amended;

(o) "Permitted Client", for the Registrant, means a person or company that is a client of the Registrant, and that is, or was at the time the person or company became a client of the Registrant:

(i) an Executive or Employee of the Registrant;

(ii) a Related Party of an Executive or Employee of the Registrant;

(iii) a Service Provider of the Registrant or an affiliated entity of a Service Provider of the Registrant;

(iv) an Executive or Employee of a Service Provider of the Registrant; or

(v) a Related Party of an Executive or Employee of a Service Provider of the Registrant;

(p) "Registered Plan" means a registered pension plan, deferred profit sharing plan, registered retirement savings plan, registered retirement income fund, registered education savings plan or other deferred income plan registered under the Income Tax Act (Canada);

(q) "Registrant" means Acuity Funds Ltd.;

(r) "Regulation" means R.R.O. 1990, Reg. 1015, as amended, made under the Act;

(s) "Related Party", for a person, means an other person who is:

(i) the spouse of the person;

(ii) the issue of:

(A) the person,

(B) the spouse of the person, or

(C) the spouse of any person that is the issue of a person referred to in subparagraphs (A) or (B) above;

(iii) the parent, grandparent or sibling of the person, or the spouse of any of them;

(iv) the issue of any person referred to in paragraph (iii) above; or

(v) a Registered Plan established by, or for the exclusive benefit of, one, some or all of the foregoing;

(vi) a trust where one or more of the trustees is a person referred to above and the beneficiaries of the trust are restricted to one, some, or all of the foregoing;

(vii) a corporation where all the issued and outstanding shares of the corporation are owned by one, some, or all of the foregoing;

(t) "securities", for a mutual fund, means shares or units of the mutual fund;

(u) "Seed Capital Trade" means a trade in securities of a mutual fund made to a persons or company referred to in any of subparagraphs 3.1(1)(a)(i) to 3.1(1)(a)(iii) of the Mutual Fund Instrument;

(v) "Service Provider", for the Registrant, means:

(i) a person or company that provides or has provided professional, consulting, technical, management or other services to the Registrant or an affiliated entity of the Registrant;

(ii) an Adviser to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(iii) a person or company that provides or has provided professional, consulting, technical, management or other services to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant

2. For the purposes hereof, a person or company is considered to be an "affiliated entity" of an other person or company if the person or company would be an affiliated entity of that other person or company for the purposes of the Employee Rule.

3. For the purposes hereof:

(a) "issue", "niece", "nephew" and "sibling" includes any person having such relationship through adoption, whether legally or in fact;

(b) "parent" and "grandparent" includes a parent or grandparent through adoption, whether legally or in fact;

(c) "registered dealer" means a person or company that is registered under the Act as a dealer in a category that permits the person or company to act as dealer for the subject trade; and

(d) "spouse", for an Employee or Executive, means a person who, at the relevant time, is the spouse of the Employee or Executive.

4. Any terms that are not specifically defined above shall, unless the context otherwise requires, have the meaning:

(a) specifically ascribed to such term in the Mutual Fund Instrument; or

(b) if no meaning is specifically ascribed to such term in the Mutual Fund Instrument, the same meaning the term would have for the purposes of the Act.

Restricted Registration

Permitted Activities

5. Subject to paragraph 6, the registration of the Registrant as a mutual fund dealer under the Act shall be for the purposes only of trading by the Registrant in securities of a mutual fund where the trade consists of:

(a) a Client Name Trade;

(b) an Exempt Trade;

(c) a Fund-on-Fund Trade;

(d) an In Furtherance Trade;

(e) a trade to a person who is a Permitted Client or who represents to the Registrant that he or she is a person included in the definition of Permitted Client; or

(f) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (e), the trades are limited and incidental to the principal business of the Registrant.

2.1.4 Caterpillar Financial Services Corporation and Caterpillar Financial Services Limited - MRRS Decision

Headnote

Mutual Reliance Review System

NI 44-101 - Director grants exemptions from: (a) the requirement of ss.2.5(1)2 to allow a wholly owned Canadian subsidiary of a MJDS eligible U.S. issuer to issue approved rating debt, fully and unconditionally guaranteed by the parent company, under Short Form Prospectus System; and (b) the GAAP Reconciliation Requirement in ss.71(2)(b).

Commission grants continuous disclosure relief to Canadian subsidiary.

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

National Instruments Cited

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

Ontario Rule Cited

Rule 51-501 AIF and MD&A.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
CATERPILLAR FINANCIAL SERVICES CORPORATION
AND CATERPILLAR FINANCIAL SERVICES LIMITED

MRRS DECISION DOCUMENT

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

from Caterpillar Financial Services Corporation ("Caterpillar Financial") and its subsidiary Caterpillar Financial Services Limited (the "Issuer", and together with Caterpillar Financial, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

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

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

(c) that,

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

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

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

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

(d) that, in Ontario, Quebec and Saskatchewan, the Issuer file with the applicable Decision Maker an annual information form, and, where applicable, interim and annual management discussion and analysis (collectively the "Annual Information Form Requirement");

shall not apply;

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

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

1. Caterpillar Financial was incorporated under the laws of the State of Delaware in 1981 and is not a reporting issuer or the equivalent in any of the Jurisdictions.

2. Caterpillar Financial has been a reporting company under the United States Securities Exchange Act of 1934, as amended (the "1934 Act") since 1994 with respect to its debt securities. Caterpillar Financial has filed with the United States Securities and Exchange Commission (the "SEC") all filings required to be made with the SEC under sections 13 and 15(d) of the 1934 Act since it first became a reporting company.

3. As at December 31, 2000, Caterpillar Financial had approximately US$8.307 billion in notes and debentures outstanding. All of Caterpillar Financial's outstanding long-term debt is rated "A+" by Standard & Poor's and "A2" by Moody's Investors Service.

4. The common stock in the capital of Caterpillar Financial is owned by Caterpillar Inc. ("Caterpillar"), a publicly owned Delaware corporation.

5. Caterpillar Financial provides retail financing choices to customers of Caterpillar and its subsidiaries and to dealers world-wide for Caterpillar and non-competitive related equipment. Caterpillar Financial also provides wholesale financing to Caterpillar dealers and purchases short-term dealer receivables from Caterpillar. Caterpillar Financial's net portfolio balance at December 31, 2000 was US$13.380 billion and its net profit for the year ended December 31, 2000 was US$159 million.

6. The registered and principal office of the Issuer is in Ontario.

7. The Issuer was incorporated under the *Business Corporations Act* (Ontario) on December 12, 1985, and is an indirectly wholly-owned subsidiary of Caterpillar Financial.

8. The Issuer is a wholly-owned finance subsidiary of Caterpillar Financial Nova Scotia Corporation ("Caterpillar Nova Scotia"). Caterpillar Nova Scotia is an unlimited liability company that is a wholly-owned subsidiary of Caterpillar Financial. Caterpillar Financial has no present intention of commencing any operations out of Caterpillar Nova Scotia or to sell any of its interest in the shares of Caterpillar Nova Scotia. The Issuer provides retail and wholesale financing of Caterpillar earthmoving, construction, and materials handling machinery, compact construction equipment and engines sold in Canada. The equipment financed or used as collateral is generally insured against physical damage.

9. The Issuer is not a reporting issuer or its equivalent in any of the Jurisdictions. As a result of its filing a short form shelf prospectus in each of the Jurisdictions to establish the Offering, the Issuer will become a

reporting issuer or the equivalent in each Jurisdiction which imposes such a concept.

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

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

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

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

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

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

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

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

June 8, 2001.

"Iva Vranic"

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

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

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

(i) Caterpillar Financial files with the Decision Makers an AIF in the form of an annual report on Form 10-K ("Caterpillar Financial's AIF") for the fiscal year ended December 21, 2000, in electronic format through SEDAR (as defined in National Instrument 13-101) under the Issuer's SEDAR profile, and

(ii) Caterpillar Financial files with the Decision Makers, in electronic format under the Issuer's SEDAR profile, the documents that Caterpillar Financial has filed under sections 13 and 15(d) of the 1934 Act since its last fiscal year-end being, as of the date hereof, Caterpillar Financial's 2000 annual report on Form 10-K, its quarterly report on Form 10-Q for the period ended March 31, 2001 and two Form 8-Ks dated May 8, 2001 and May 15, 2001, respectively;

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

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

(e) the Prospectus incorporates by reference disclosure made in Caterpillar Financial's most recent Form 10-K (as filed under the 1934 Act) together with all Form 10-Qs and Form 8-Ks filed under the 1934 Act in respect of the financial year following the year that is the subject of Caterpillar Financial's most recently filed Form 10-K and incorporates by reference any documents of the foregoing type filed after the date of the Prospectus and prior to termination of the Offering and states that purchasers of the Notes will not receive separate continuous disclosure information regarding the Issuer;

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

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

(h) Caterpillar Financial signs the prospectus as credit support and promoter;

(i) Caterpillar Financial remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of the Issuer;

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

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

June 8, 2001.

"Iva Vranic"

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

1. Caterpillar Financial files with each of the Decision Makers, in electronic format under the Issuer's SEDAR profile, copies of all documents filed by it with the SEC under sections 13 and 15(d) of the 1934 Act, within one business day of filing with the SEC including, but not limited to, copies of any Form 10-K, Form 10-Q and Form 8-K (including press releases);

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

(b) Caterpillar Financial remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of the issuer;

(c) Caterpillar Financial maintains a class of securities registered pursuant to section 12 of the 1934 Act;

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

(e) Caterpillar Financial continues to fully and unconditionally guarantee the Notes as to the payments required to be made by the Issuer to holders of the Notes;

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

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

(h) the Issuer files, in electronic format, annual comparative selected financial information derived from the Issuer's audited consolidated financial statements for its most recently completed financial year and the financial year immediately preceding such financial year, prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"), accompanied by a specified procedures report of the auditors to the Issuer. The Issuer's annual comparative selected financial information shall define and include the following line items:

(i) total revenues;

(ii) income/loss from continuing operations (if applicable), income/loss from discontinued operations (if applicable) and net income/loss;

(iii) finance receivables, together with a descriptive note on the dollar amount of the allowance for credit losses;

(iv) total assets;

(v) commercial paper;

(vi) term debt;

(vii) all other liabilities; and

(viii) total shareholders' equity;

(i) the Issuer files, in electronic format, interim comparative selected financial information derived from it's the Issuer's consolidated financial statements for its most recently completed interim period and the corresponding interim period in the previous financial year, prepared in accordance with Canadian GAAP. The Issuer's interim comparative selected financial information shall define and include the following line items:

(i) total revenues;

(ii) income/loss from continuing operations (if applicable), income/loss from discontinued operations (if applicable) and net income/loss;

(iii) finance receivables, together with a descriptive note on the dollar amount of the allowance for credit losses;

(iv) total assets;

(v) commercial paper;

(vi) term debt;

(vii) all other liabilities; and

(viii) total shareholders' equity;

(j) such filings as are referred to in (i) and (j) above are to be made within the time limits required by the Legislation in respect of such financial information, provided that the first filing to be made by the Issuer under clause (j) shall be in respect of the first quarter ending February 28, 2001 and the first filing to be made by the Issuer under clause (i) shall be in respect to the financial year ended November 30, 2000; and

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

June 8, 2001.

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

2.1.5 Dynamic Mutual Funds Ltd. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Revocation and replacement of existing decision document - Section 9.1 of National Instrument 81-105 *Mutual Fund Sales Practices* ("NI 81-105") - mutual fund dealers may calculate and disclose the equity interests of representatives required by section 8.2 of NI 81-105 on the basis that certain special shares have been converted into common shares at the then prevailing conversion ratio - future-oriented relief granted

National Instrument Cited

National Instrument 81-105 Mutual Fund Sales Practices.

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

AND

IN THE MATTER OF
NATIONAL INSTRUMENT 81-105
MUTUAL FUND SALES PRACTICES

AND

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

AND

IN THE MATTER OF
DYNAMIC MUTUAL FUNDS LTD.
DUNDEE SECURITIES CORPORATION AND
DUNDEE PRIVATE INVESTORS INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Dynamic Mutual Funds Ltd. ("Dynamic"), Dundee Securities Corporation ("Dundee Securities") and Dundee Private Investors Inc. ("Private Investors") (collectively the "Filers") for a decision pursuant to section 9.1 of National Instrument 81-105 Mutual Fund Sales Practices (the "National Instrument") to permit the equity interests of representatives (and their respective associates) of Dundee Securities, Private Investors and any other broker or dealer (collectively the "Dundee Dealers") which becomes an affiliate of Dundee Wealth Management Inc. ("Dundee

Wealth") to be calculated and disclosed for purposes of the National Instrument on the basis that the special shares of Dundee Wealth have been converted into common shares of Dundee Wealth at the then prevailing conversion ratio;

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 decision;

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

1. Dynamic is the manager of mutual funds, the securities of which are qualified for distribution in some or all of the provinces and territories of Canada pursuant to simplified prospectuses and annual information forms for which receipts have been issued by the applicable Decision Makers. The mutual funds managed by Dynamic, together with such other mutual funds of which Dynamic or another affiliate (collectively, the "Dundee Managers") of Dundee Wealth is or becomes the manager, are referred to collectively herein as the "Related Mutual Funds". The sale of securities of each Related Mutual Fund is subject to the requirements of the National Instrument.

2. Each Filer is a direct or indirect wholly-owned subsidiary of Dundee Wealth. Consequently, for purposes of the National Instrument, each Dundee Dealer and Dundee Manager is or will be a member of the organization of each Related Mutual Fund. Each Dundee Dealer also is a participating dealer for purposes of the National Instrument.

3. Dundee Wealth is a reporting issuer in all the provinces of Canada. The common shares ("Common Shares") of Dundee Wealth are listed and posted for trading on The Toronto Stock Exchange (the "TSE"). Dundee Wealth is a majority-owned subsidiary of Dundee Bancorp Inc. ("Dundee Bancorp"). Dundee Bancorp is a reporting issuer in all the provinces and territories of Canada. The class A subordinate voting shares of Dundee Bancorp are listed and posted for trading on the TSE.

4. Representatives (and their associates) of the Dundee Dealers may own equity securities in Dundee Wealth and/or Dundee Bancorp. However, no representative (or their associate) of a Dundee Dealer owns more than 10% of the outstanding voting or equity securities of Dundee Wealth or Dundee Bancorp.

5. The authorized capital of Dundee Wealth consists of, among other securities, an unlimited number of Common Shares and an unlimited number of special shares ("Special Shares"), issuable in series. Special Shares and Common Shares have similar rights to vote, receive dividends from, and participate in the distribution of assets by, Dundee Wealth. Special Shares are convertible into Common Shares in certain circumstances and may be repurchased by Dundee Wealth in certain circumstances. Special Shares are intended to be a temporary substitute for Common Shares in order to provide Dundee Wealth with flexibility to structure transactions involving the issue of shares by Dundee Wealth;

6. Dynamic, Infinity Investment Counsel Ltd., Dundee Securities and Private Investors received relief from the National Instrument by way of an MRRS Decision Document dated September 15, 1999 in all of the Jurisdictions except Saskatchewan and by way of a Decision dated January 17, 2000 in Saskatchewan (collectively, the "Existing Decision Document").

7. The filers now wish to revoke and replace the terms of the Existing Decision Document by:

   (a) deleting the condition that the disclosure relating to equity interests provided to purchasers in accordance with the National Instrument include a statement that sales representatives of each Dundee Dealer own, in the aggregate, less than (or not more than) a stated percentage of the outstanding shares of Dundee Wealth; and

   (b) extending the relief to representatives of registered brokers and dealers who may become affiliates of Dundee Wealth in the future.

8. The condition noted in submission 7(a) is no longer appropriate because Dundee Wealth is now a reporting issuer in Canada and has a class of its securities listed on a Canadian stock exchange. Consequently, equity interests in Dundee Wealth now may be calculated in the manner contemplated by paragraph (a) of the definition of "equity interest" in section 1.1 of the National Instrument.

9. The requested extension noted in submission 7(b) is appropriate as Dundee Wealth may, from time to time, establish or acquire other registered brokers and dealers who will be members of the organisations of the Related Mutual Funds.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the securities legislation of each of the Jurisdictions (the "Legislation") that provides the Decision Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Existing Decision Document is hereby revoked;

AND THE DECISION of the Decision Makers pursuant to the National Instrument is that, for purposes of the National Instrument, the equity interests of representatives (and their respective associates) of the Dundee Dealers may be calculated and disclosed by the Dundee Dealers and the Dundee Managers on the basis that the Special Shares of Dundee Wealth have been converted into Common Shares of Dundee Wealth at the then prevailing conversion ratio.

June 1, 2001.

"J.A. Geller" "Stephen Paddon"

2.1.6 SNP Split Corp. & Scotia Capital Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirements of s. 6.2.6 of *Alberta Securities Commission Policy 7.1* in connection with a proposed offering of capital shares and preferred shares; relief from the prospectus requirements in connection with market making trades by the lead agent.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, ss. 1(f)(iii), 112, 81(1) and 116(1).

Alberta Securities Commission Policy 7.1, ss. 4.1 and 6.2.6.

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

AND

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

AND

IN THE MATTER OF
SNP SPLIT CORP. AND SCOTIA CAPITAL INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland, New Brunswick and Prince Edward Island (the "Jurisdictions") has received an application from SNP Split Corp. (the "Issuer") and Scotia Capital Inc. ("Scotia Capital") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that:

   1.1 the restrictions contained in the Legislation, except for the legislation of Saskatchewan, Manitoba, Ontario and Nova Scotia, restricting registrants from acting as underwriters in connection with the distribution of securities of a related or connected issuer, or the equivalent, (the "Underwriting Restrictions") shall not apply to Scotia Capital in connection with the initial public offering (the "Offering") of class A capital shares (the "Capital Shares") and class A preferred shares (the "Preferred Shares") of the Issuer; and

   1.2 the requirements contained in the Legislation, except for the legislation of Québec, of each of the Jurisdictions to file and obtain a receipt for a preliminary prospectus and final prospectus (the "Prospectus Requirements") shall not apply to Market Making Trades (as hereinafter defined) by Scotia Capital in Capital Shares and Preferred Shares of the Issuer;

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 Issuer has represented to the Decision Makers that:

   3.1 Scotia Capital is a direct, wholly-owned subsidiary of The Bank of Nova Scotia and is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and The Toronto Stock Exchange Inc. (the "TSE");

   3.2 the Issuer was incorporated on April 23, 2001 under the laws of the Province of Ontario;

   3.3 the Issuer has filed with the securities regulatory authorities or regulators of each Jurisdiction a preliminary prospectus dated April 24, 2001 (the "Preliminary Prospectus") in respect of the Offering;

   3.4 the Issuer intends to become a reporting issuer, or the equivalent, under the Legislation by filing a final prospectus (the "Final Prospectus") relating to the Offering;

   3.5 prior to the filing of the Final Prospectus, the Articles of the Issuer will be amended so that the authorized capital of the Issuer will consist of an unlimited number of Capital Shares, an unlimited number of Preferred Shares, an unlimited number of Class B, Class C, Class D and Class E capital shares, issuable in series, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series and an unlimited number of Class J shares ("Class J Shares"), having the attributes set forth under the headings "Description of Share Capital" and "Details of the Offerings" commencing on page 23 of the Preliminary Prospectus;

   3.6 the Capital Shares and Preferred Shares may be surrendered for retraction at any time in the manner described in the Preliminary Prospectus;

   3.7 Application will be made to list the Capital Shares and Preferred Shares on the TSE;

   3.8 Class J Shares will be the only voting shares in the capital of the Issuer;

   3.9 there are currently, and will be at the time of filing the Final Prospectus, 100 Class J Shares issued and outstanding;

3.10 Scotia Capital owns 50 of the issued and outstanding Class J Shares and SNP Split Holdings Corp. ("Holdco") owns the remaining 50 issued and outstanding Class J Shares;

3.11 two employees of Scotia Capital each own 50% of the issued and outstanding common shares of Holdco;

3.12 the Issuer has a board of directors which currently consists of three directors all of whom are employees of Scotia Capital;

3.13 prior to filing the Final Prospectus, it is contemplated that at least two additional directors, independent of Scotia Capital, will be appointed to the board of directors of the Issuer;

3.14 the offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Issuer are held by employees of Scotia Capital;

3.15 pursuant to an agreement (the "Agency Agreement") to be made between the Issuer and Scotia Capital and such other agents as may be appointed after the date of this application (collectively, the "Agents" and individually, an "Agent"), the Issuer will appoint the Agents, as its agents, to offer the Capital Shares and Preferred Shares on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agents in accordance with the Legislation;

3.16 although Scotia Capital will be lead underwriter of the Offering, it is not known at this time what proportions of the Offering will be sold by additional agents other than Scotia Capital;

3.17 by virtue of Scotia Capital's relationship with the Issuer, the Issuer is a connected issuer, or the equivalent and a related issuer of Scotia Capital under the Legislation;

3.18 the Issuer is considered to be a mutual fund as defined in the Legislation, except under the legislation of Québec, but since the Issuer does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Instrument 81-102 in the relevant Jurisdictions;

3.19 the Issuer is a passive investment company whose principal undertaking will be to invest the net proceeds of the Offering in a portfolio (the "Portfolio") of publicly listed common shares (the "Portfolio Shares") of the issuers that make up the *S&P 100 Index* (the"Portfolio Share Issuers") in order to generate dividend income for the holders of Preferred Shares and to enable the holders of the Capital Shares to participate in capital appreciation in the Portfolio Shares after payment of operating expenses and a portion of the fixed distribution on the Preferred Shares;

3.20 the fixed distributions on the Preferred Shares will be funded from the dividends received on the Portfolio Shares together with premiums from writing covered call options on the Portfolio Shares and where appropriate premiums from writing cash covered put options, and where call option premiums and put option premiums are insufficient, from draws on the revolving credit facility;

3.21 the Final Prospectus will disclose selected information with respect to the dividend and trading history of the Portfolio Shares;

3.22 the Portfolio Shares are listed and traded on either the New York Stock Exchange or the Nasdaq Stock Market;

3.23 the Issuer is not, and will not upon the completion of the Offering, be an insider of the Portfolio Shares Issuers within the meaning of the Legislation;

3.24 Scotia Capital's economic interest in the Issuer and in the material transactions involving the Issuer include the following:

3.24.1 agency fees with respect to the Offering;

3.24.2 an administration fee under the Administration Agreement;

3.24.3 interest and reimbursement of expenses, in connection with the acquisition of Portfolio Shares;

and are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interest of Management and Others in Material Transactions";

3.25 the net proceeds from the sale of the Capital Shares and Preferred Shares under the Final Prospectus, after payment of commissions to the Agents and expenses of issue will be used by the Issuer to:

3.25.1 pay the acquisition cost (including any related costs or expenses) of the Portfolio Shares; and

3.25.2 pay the initial fee payable to Scotia Capital for its services under the Administration Agreement (as defined below);

3.26 all Capital Shares and Preferred Shares outstanding on a date approximately 5 years from the closing of the Offering will be redeemed by the Issuer on such date and Preferred Shares will be redeemable at the option of the Issuer on any Annual Retraction Payment Date (as described in the Preliminary Prospectus);

3.27 pursuant to an agreement (the "Securities Purchase Agreement") to be entered into between the Issuer and Scotia Capital, Scotia Capital will purchase, as agent for the benefit of the Issuer, Portfolio Shares in the market on

commercial terms or from non-related parties with whom Scotia Capital and the Issuer deal at arm's length;

3.28 the aggregate purchase price to be paid by the Issuer for the Portfolio Shares (together with carrying costs and other expenses incurred in connection with the purchase of Portfolio Shares) will not exceed the net proceeds from the Offering;

3.29 it will be the policy of the Issuer to hold the Portfolio Shares and to not engage in any trading of the Portfolio Shares, except:

3.29.1 to fund retractions or redemptions of Capital Shares and Preferred Shares;

3.29.2 upon the exercise of a call option written by the Issuer or to meet obligations of the Issuer; and

3.29.3 in certain limited circumstances as described in the Preliminary Prospectus, including to track changes to the constituent companies in the S&P 100 Index;

3.30 pursuant to an investment management agreement to be entered into the Issuer will retain CC&L Capital Markets Inc. to manage the Portfolio so that the Portfolio tracks the weightings of the constituent companies of the *S&P 100 Index* and will write covered call options and where appropriate cash covered put options, on a portion of the Portfolio Shares;

3.31 pursuant to an administration agreement (the "Administration Agreement") to be entered into, the Issuer will retain Scotia Capital to administer the ongoing operations of the Issuer and will pay Scotia Capital a fee equal to:

3.31.1 a monthly fee determined with reference to the market value of the Portfolio Shares held in the Portfolio; and

3.31.2 any interest income earned by the Issuer during the term of the Administration Agreement excluding interest earned on any investment of surplus dividends received on the Portfolio Shares and interest earned on any cash or cash equivalents held to cover put options;

3.32 Scotia Capital will be a significant maker of markets for the Capital Shares and Preferred Shares, although it is not anticipated that Scotia Capital will be appointed the registered pro-trader by the TSE with respect to the Issuer, and, as such, Scotia Capital will, from time to time, purchase and sell Capital Shares and Preferred Shares and trade in such securities as agent on behalf of its clients, the primary purpose of such trades (the "Market Making Trades") being to provide liquidity to the holders of Capital Shares and Preferred Shares;

3.33 all trades made by Scotia Capital as principal will be recorded daily by the TSE;

3.34 As Scotia Capital owns 50% of the Class J Shares of the Issuer, Scotia Capital will be deemed to be in a position to effect materially the control of the Issuer and consequently, each Market Making Trade will be a "distribution" or a "primary distribution to the public" within the meaning of the Legislation, except under the legislation of Québec;

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:

6.1 the Underwriting Restrictions shall not apply to Scotia Capital in connection with the Offering;

6.2 the Prospectus Requirements shall not apply to the Market Making Trades by Scotia Capital in the Capital Shares and Preferred Shares provided that at the time of each Market Making Trade, Scotia Capital and its affiliates do not beneficially own or have the power to exercise control or direction over a sufficient number of voting securities of a Portfolio Share Issuer, securities convertible into voting securities of a Portfolio Share Issuer, options to acquire voting securities of a Portfolio Share Issuer, or any other securities which provide the holder with the right to exercise control or direction over voting securities of a Portfolio Share Issuer which, in the aggregate, permit Scotia Capital to affect materially the control of the Portfolio Share Issuer and without limiting the generality of the foregoing, the beneficial ownership of or the power to exercise control or direction over securities representing in the aggregate, 20% or more of the votes attaching to all the then issued and outstanding voting securities of a Portfolio Share Issuer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of the Portfolio Share Issuer.

May 29, 2001.

"Wendy E. Best" "Glenda A. Campbell"

2.1.7 Pursuit Financial Management Corporation - Decision

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to a condition, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer is reorganizing its activities and intends to cease to be a mutual fund dealer.

Statute Cited

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

Rule Cited

O.S.C. Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1, 5.1.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION
RULE 31-506 SRO MEMBERSHIP - MUTUAL FUND DEALERS

AND

IN THE MATTER OF
PURSUIT FINANCIAL MANAGEMENT CORPORATION

DECISION
(Section 5.1)

UPON the application (the "Application") of Pursuit Financial Management Corporation ("PFMC") to the Ontario Securities Commission (the "Commission") for a decision pursuant to section 5.1 of Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers (the "Rule") granting relief from section 3.1 of the Rule requiring PFMC to prepare and submit an application for membership with the Mutual Fund Dealers Association of Canada ("MFDA") by May 23, 2001 ("MFDA Application Deadline");

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

AND UPON PFMC having represented to the Commission as follows:

1. PFMC is a corporation established under the laws of the Province of Ontario.

2. PFMC is registered as a mutual fund dealer under the *Securities Act* (Ontario) (the "Act") and this application is not being made in any other jurisdiction.

3. PFMC acts as a mutual fund dealer, manager, promoter and principal distributor of the Pursuit Group of Mutual Funds (the "Funds"). The Funds are offered for sale only in Ontario.

4. The MFDA was recognized as a self-regulatory organization ("SRO") by the Commission on February 6, 2001. Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers (the "Rule") requires all mutual fund dealers to become members of a SRO.

5. Section 3.1 of the Rule requires all mutual fund dealers 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 no later than the thirtieth day after the date the Rule comes into force. It is expected that the Rule will come into force on April 23, 2001. Applications for membership are therefore required to be submitted to the MFDA by May 23, 2001 ("MFDA Application Deadline").

6. Pursuant to section 2.1 of the Rule, all mutual fund dealers must become members of the MFDA by July 2, 2002 ("MFDA Membership Deadline").

7. In order to ensure effective and efficient compliance with this new regulatory regime PFMC has undertaken a corporate reorganization. PFMC has incorporated a subsidiary company, currently named 1465026 Ontario Limited ("Subco"), of which PFMC is the sole shareholder. The name of Subco will be changed to Pursuit Financial Management Inc. (or variation thereon) upon approval of Subco as a mutual fund dealer.

8. Subco intends to make application for registration as a mutual fund dealer with the Commission and for membership with the MFDA on or prior to the MFDA Application Deadline.

9. As soon as Subco is approved as a mutual fund dealer by the Commission (and becomes a member of the MFDA), PFMC will surrender its mutual fund registration and transfer to Subco all assets and obligations with regard to the mutual fund dealer business currently carried on by PFMC (the "Dealer Business").

10. The transfer of the Dealer Business will coincide with Subco's MFDA membership and registration with the Commission. With the exception of necessary signage and any particular requirements of the MFDA which Subco will have to comply with, it is expected that there will be no change to the current physical premises of the Dealer Business. It is also anticipated that there will be no change to the directors and officers of Subco as a result of the reorganization.

11. In order to ensure that the Funds can be distributed on a continuous basis without interruption, PFMC will not surrender its mutual fund dealer licence until the time that Subco is approved as a mutual fund dealer by the Commission and is able to take over the Dealer Business.

12. It is not expected that Subco will be approved as a mutual fund dealer by the Commission prior to the MFDA Application Deadline.

13. The Rule requires PFMC to prepare and submit an application for membership to the MFDA, together with the MFDA's prescribed fees, by the MFDA Application Deadline, even though PFMC intends to cease to be a mutual fund dealer, as a result of the reorganization, prior to the MFDA Membership Deadline.

14. The requirement for PFMC to prepare and file an MFDA application by the MFDA Application Deadline will result in a duplication of applications and fees which would prove to be both time consuming and costly for PFMC and Subco.

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

NOW THEREFORE pursuant to section 5.1 of the Rule, the Commission hereby exempts, effective May 23, 2001, PFMC from section 3.1 of the Rule to the extent that section 3.1 requires PFMC to prepare and submit to the MFDA, an application for membership, together with the MFDA's prescribed fees by the MFDA Application Deadline, provided that Subco prepares and submits an application for membership to the MFDA, either concurrently with its application for registration as a mutual fund dealer with the Commission, or at the latest, by the required MFDA Application Deadline.

May 30, 2001.

"William R. Gazzard"

2.1.8 Hirsch Asset Management Corp. - Decision

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to a condition, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer is reorganizing its activities and intends to cease to be a mutual fund dealer.

Statute Cited

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

Rule Cited

O.S.C. Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1, 5.1

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION
RULE 31-506 SRO MEMBERSHIP - MUTUAL FUND DEALERS

AND

IN THE MATTER OF
HIRSCH ASSET MANAGEMENT CORP.

DECISION
(Section 5.1)

UPON the application (the "Application") of Hirsch Asset Management Corporation ("Hirsch") to the Ontario Securities Commission (the "Commission") for a decision pursuant to section 5.1 of Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers (the "Rule") granting relief from section 3.1 of the Rule requiring Hirsch to prepare and submit an application for membership with the Mutual Fund Dealers Association of Canada ("MFDA") by May 23, 2001;

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

AND UPON Hirsch having represented to the Commission as follows:

1. Hirsch is a corporation established under the laws of the Province of Ontario.

2. Hirsch is registered as a mutual fund dealer under the *Securities Act* (Ontario) (the "Act") and this application is not being made in any other jurisdiction.

3. Prior to January 12, 2001, Hirsch acted as the manager, trustee and principal distributor of the Hirsch Group of Funds. On January 12, 2001, Hirsch assigned its obligations under the declarations of trust, management agreements and distribution agreements of the Funds to iPerformance Fund Corp. ("iPerformance").

4. Hirsch owns a majority interest in iPerformance Fund Inc., a corporation whose securities are listed for trading on the Canadian Venture Exchange Inc. and which is the parent company of iPerformance.

5. iPerformance has made an application to the Commission to be registered as a mutual fund dealer and has submitted an application and required fees to the MFDA. Upon receipt of the registration as a mutual fund dealer by iPerformance, it is Hirsch's intention to transfer any house accounts to iPerformance and surrender its registration as a mutual fund dealer. It is not expected that iPerformance will be approved as a mutual fund dealer by the Commission prior to the MFDA Application Deadline.

6. Except as described in paragraph 7, Hirsch has not been carrying on a direct mutual fund distribution business, but had maintained the Registration primarily because it provided it with greater flexibility in fulfilling its past role as principal distributor of the Funds and in carrying out marketing and wholesale activities in respect of the Funds.

7. Hirsch from time to time has permitted individuals, including employees or family members of employees to purchase units of the Funds, directly through Hirsch. Hirsch presently has 70 house accounts, of which 56 are third-party accounts.

8. The MFDA was recognized as a self-regulatory organization ("SRO") by the Commission on February 6, 2001. Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers (the "Rule") requires all mutual fund dealers to become members of a SRO.

9. Section 3.1 of the Rule requires all mutual fund dealers 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 no later than the thirtieth day after the date the Rule comes into force. The Rule came into force on April 23, 2001. Applications for membership are therefore required to be submitted to the MFDA by May 23, 2001 ("MFDA Application Deadline").

10. Pursuant to section 2.1 of the Rule, all mutual fund dealers must become members of the MFDA by July 2, 2002 ("MFDA Membership Deadline").

11. The Rule requires Hirsch to prepare and submit an application for membership to the MFDA, together with the MFDA's prescribed fees, by the MFDA Application Deadline, even though Hirsch intends to cease to be a mutual fund dealer, as a result of the reorganization, prior to the MFDA Membership Deadline.

12. The requirement for Hirsch and iPerformance to prepare and file an MFDA application by the MFDA Application Deadline will result in a duplication of applications and fees which would prove to be both time consuming and costly for Hirsch.

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

NOW THEREFORE pursuant to section 5.1 of the Rule, the Commission hereby exempts, effective May 23, 2001, Hirsch from the requirement of section 3.1 of the Rule that Hirsch submit to the MFDA, an application for membership, together with the MFDA's prescribed fees by the MFDA Application Deadline, provided that iPerformance prepares and submits an application for membership to the MFDA by the required MFDA Application Deadline.

May 30, 2001.

"William R. Gazzard"

2.1.9 CIBC Securities Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - mutual fund dealer exempted from the requirement that it file an application for membership with the Mutual Fund Dealers Association of Canada (the AMFDA@) - mutual fund dealer is reorganizing its activities and intends to be voluntarily wound up - new subsidiary will register as mutual fund dealer and file an application for membership with the MFDA within the prescribed time.

Local Rule Considered

Ontario Securities Commission Rule 31-506 *SRO Membership - Mutual Fund Dealers*

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

AND

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

AND

IN THE MATTER OF
CIBC SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Saskatchewan and Alberta (the "Jurisdictions") has received an application from CIBC Securities Inc. ("CIBC SI" or the "Applicant") for a decision pursuant to the securities legislation and other regulatory requirements of the Jurisdictions (the "Legislation") that the Applicant be exempt from the requirement contained in the Legislation to submit an application for membership with the Mutual Fund Dealers Association of Canada ("MFDA") on or before the date specified in the Legislation of each Jurisdiction (the "MFDA Membership Requirement");

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

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

1. The Applicant currently acts as the principal distributor as well as the manager and trustee of three families of mutual funds that are known, respectively, as the "CIBC Mutual Funds", the "Imperial Pools" and the "CIBC Protected Funds" (collectively referred to herein as the "Mutual Funds").

2. The Applicant has determined to effect a reorganization of the governance structure of the Mutual Funds that is expected to take effect on June 30, 2001. As part of the reorganization process, the Applicant will be voluntarily wound up on or about June 30, 2001.

3. A new company ("Newco") will obtain registration as a mutual fund dealer from the securities regulatory authorities in all the applicable provinces and territories of Canada and take over the Applicant's function as principal distributor of the Mutual Funds on or about June 30, 2001. Newco will also file its application for membership together with the prescribed fees with the MFDA in accordance with the legislative and regulatory requirements in each Jurisdiction.

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 Decision would not be prejudicial to the public interest;

IT IS THE DECISION of the Decision Makers pursuant to the Legislation that, effective May 23, 2001, the MFDA Membership Requirement shall not apply to the Applicant.

May 30, 2001.

"William R. Gazzard"

2.1.10 BPI Limited Partnership IV et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the registration and prospectus requirements in respect of trades made as part of a merger of limited partnerships - reporting issuer history of the partnerships considered in calculating 12 month restriction on resale.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 52, 72(5), 72(7), 74(1) .

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am. ss. 21 and 25.

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

AND

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

AND

IN THE MATTER OF
BPI LIMITED PARTNERSHIP IV
BPI LIMITED PARTNERSHIP V
BPI LIMITED PARTNERSHIP VI
BPI LIMITED PARTNERSHIP VII
BPI LIMITED PARTNERSHIP VIII
BT LANDMARK LIMITED PARTNERSHIP 1992
BT LANDMARK LIMITED PARTNERSHIP 1994
CANADIAN INTERNATIONAL 1993 LIMITED PARTNERSHIP
CANADIAN INTERNATIONAL 1993-1994 LIMITED PARTNERSHIP
CANADIAN INTERNATIONAL 1994 LIMITED PARTNERSHIP
UNIVERSAL SAVINGS 1989 LIMITED PARTNERSHIP
UNIVERSAL 1991 LIMITED PARTNERSHIP
UNIVERSAL 1992 LIMITED PARTNERSHIP
(the "Applicants")

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon and Nunavut (the "Jurisdictions") has received an application from the Applicants for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the transfer to BPI Limited Partnership VI ("Master LP") of units ("Existing Units") of each Applicant other than Master LP (collectively, the "Partnerships") by the limited partners thereof and the issue of units of Master LP ("Master LP Units") to such limited partners (collectively, the "Trades") are not subject to the registration and prospectus requirements of the securities legislation (the "Legislation") of the Jurisdictions in connection with the merger (the "Merger") of the Partnerships into Master LP;

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

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

1. Each Applicant is a limited partnership formed under the laws of the Province of Ontario. Each Applicant, other than Canadian International 1993 Limited Partnership, Universal Savings 1989 Limited Partnership and Universal 1991 Limited Partnership (the "Private Partnerships") has been a reporting issuer in the Province of Ontario (and a reporting issuer or equivalent in some or all of the other Jurisdictions) for more than 36 months and is not in default of any of the requirements of the Legislation.

2. CI GP Limited, a corporation amalgamated under the laws of Ontario, is the general partner (the "General Partner") of each Applicant. The General Partner is a wholly-owned subsidiary of CI Mutual Funds Inc.

3. The business of each Applicant is to arrange for the distribution of securities (the "Distributed Securities") of mutual funds on a deferred sales charge basis for a defined period, in return for an annual fee and for a fee equal to the amount of any deferred sales charges paid by the holders of Distributed Securities.

4. The purposes of the Merger are to reduce the aggregate operating expenses of the Applicants and to improve liquidity for the limited partners of each Applicant. Master LP will have all of the assets and carry on the business activities currently carried on by each Applicant that approved the Merger.

5. The units of the Applicants are not listed on any prescribed stock exchange and thus are not easily transferable. In addition, units of the Applicants are not currently qualified investments for registered retirement savings plans and similar tax deferred plans (collectively, "Tax Plans"). Master LP has obtained a conditional listing of its limited partnership units on The Toronto Stock Exchange (the "TSE").

6. A meeting of the limited partners of each Applicant (collectively, the "Meetings") was held to adopt an extraordinary resolution (a "Extraordinary Resolution") that approved the amendments to the limited partnership agreements of the Applicants and related matters necessary to complete the Merger. In connection with the Meetings, limited partners of the

Applicants were mailed a notice of special meetings, joint management information circular and form of proxy and power of attorney (the "Meeting Documents"). The Meeting Documents contained prospectus level disclosure with respect to the Merger, Master LP and the Master LP Units, including a copy of the proposed amended and restated limited partnership agreement of Master LP and a description of the material differences between such amended and restated limited partnership agreement and the current limited partnership agreements of the Applicants.

7. Limited partners of the Applicants only voted in respect of the Applicants in which they held units and limited partners who may be considered non-arm's length to the Applicants did not vote any units of the Applicants held by them.

8. After completion of the Merger, the holders of Master LP Units will have substantially the same legal status, rights and liabilities as did limited partners of the Applicants prior to the Merger, except for such changes as were described in the Meeting Documents.

9. Master LP will offer, among other things, the following benefits to the limited partners of the Applicants:

   (a) Liquidity – The number of limited partners of Master LP is expected to be almost as large as the aggregate number of limited partners of each Applicant that approved the Merger. Master LP Units will be listed and posted for trading on the TSE. These factors should contribute to significantly greater liquidity and more efficient pricing for limited partners.

   (b) Tax Plan Eligibility – Units of the Applicants currently are not qualified investments for Tax Plans. Once listed and posted for trading on the TSE, Master LP Units will be qualified investments for Tax Plans.

   (c) Economies of Scale – As the approving Partnerships will be dissolved following the Merger, the Merger is expected to result in a significant reduction of costs and expenses, which should have a beneficial effect on the financial returns to limited partners of Master LP.

10. Because each Applicant, other than the Private Partnerships, has been a reporting issuer in the Province of Ontario (and a reporting issuer or equivalent in some or all of the other Jurisdictions) for more than 36 months, a considerable amount of information concerning such Applicants is publicly available through SEDAR. Information (including the proposed amended and restated limited partnership agreement for Master LP) concerning Master LP after giving effect to the Merger is contained in the Meeting Documents and is publicly available through SEDAR. On a going forward basis, continuous disclosure documents concerning Master LP will be publicly available through SEDAR.

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

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

THE DECISION of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply to the Trades;

PROVIDED THAT the first trade in Master LP Units acquired pursuant to the exemption granted in this Decision in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation of such Jurisdiction (the "Applicable Legislation") unless otherwise exempt thereunder or unless such first trade is made in the following circumstances:

   a) at the time of such first trade, Master LP is a reporting issuer or the equivalent under the Applicable Legislation or, in the case of Newfoundland, is a reporting issuer in any of the other Jurisdictions and has made the same continuous disclosure filings in Newfoundland as are required by reporting issuers, or, in the case of Manitoba, Prince Edward Island, New Brunswick, the Yukon Territory, the Northwest Territories and the Nunavut Territory, Master LP has made the same continuous disclosure filings as are required by reporting issuers or issuers having a status equivalent to that of a reporting issuer;

   (b) Master LP is not in default of any requirements of the Applicable Legislation;

   (c) the seller is not in a special relationship (as defined in the Applicable Legislation) with Master LP, or, if the seller of the Master LP Units is in a special relationship with Master LP, the seller has no reasonable grounds to believe that Master LP is in default of any requirement of the Applicable Legislation;

   (d) no unusual effort is made to prepare the market or to create a demand for the Master LP Units and no extraordinary commission or consideration is paid in respect of such trade; and

   (e) the first trade is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of Master LP so as to affect materially the control of Master LP or more than 20% of the outstanding voting securities of Master LP, except where there is evidence showing that the holding of those securities does not affect materially the control of Master LP.

June 11, 2001.

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

2.1.11 Phillips, Hager & North Investment Management Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - mutual fund dealer exempted from the requirement that it file an application for membership with the Mutual Fund Dealers Association of Canada (the "MFDA") by the deadline, subject to certain conditions - mutual fund dealer is reorganizing its activities.

Ontario Rule Considered

Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers.

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

AND

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

AND

IN THE MATTER OF
PHILLIPS, HAGER & NORTH INVESTMENT MANAGEMENT LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan and Ontario (the "Jurisdictions") has received an application from Phillips, Hager & North Investment Management Ltd. ("PH&N") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation for PH&N to apply for membership in the Mutual Fund Dealers Association (the "MFDA") by the date specified in the Legislation (the "MFDA Application Deadline") not apply to PH&N;

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

AND WHEREAS PH&N has represented to the Decision Makers that:

1. PH&N is a company incorporated under the laws of British Columbia and is registered as a portfolio manager and mutual fund dealer (or their equivalent) in each of the Jurisdictions;

2. under PH&N's current business structure, PH&N is engaged in both portfolio management/investment counselling-related activities and mutual fund dealing-related activities, including:

   (a) the administration and management of mutual funds and pooled funds established by PH&N;

   (b) the management of fully-managed client accounts containing individual securities (that is, segregated accounts);

   (c) the management of fully-managed client accounts containing only mutual fund securities;

   (d) the direct sale of mutual fund securities on an exempt basis; and

   (e) the direct sale of mutual fund securities which are qualified for sale to the public pursuant to a prospectus filed with applicable securities regulatory authorities (the "Retail Distribution Business");

3. under the Legislation, PH&N, as a registered mutual fund dealer, is required to apply to become a member of the MFDA before the MFDA Application Deadline, however, certain of the Rules of the MFDA do not allow for business structures such as those of PH&N;

4. Phillips, Hager & North Investment Funds Ltd. ("Dealerco") is a corporation incorporated on April 10, 2001 under the laws of British Columbia and is a wholly-owned subsidiary of PH&N formed for the purpose of carrying on the Retail Distribution Business;

5. PH&N is in the process of causing Dealerco to concurrently apply for mutual fund dealer registration in each of the Jurisdictions and membership in the MFDA; such applications are anticipated to be made within one to two months;

6. upon Dealerco obtaining registration as a mutual fund dealer in each of the Jurisdictions, PH&N will transfer all of the Retail Distribution Business to Dealerco (the "Reorganization");

7. after the completion of the Reorganization, Dealerco will carry on the Retail Distribution Business and it is expected that PH&N's business will be restricted to the following:

   (a) the administration and management of mutual funds and pooled funds established by PH&N;

   (b) the management of fully-managed client accounts containing individual securities (that is, segregated accounts);

   (c) the management of fully-managed client accounts containing only mutual fund securities; and

   (d) the direct sale of mutual fund securities on an exempt basis;

8. after the completion of the Reorganization, PH&N will either:

   (a) apply for membership in the MFDA;

(b) surrender its registration as a mutual fund dealer in the Jurisdictions (and in the other provinces and the territories in which it is currently registered); or

(c) apply for a permanent exemption from the requirements set out in the Legislation that PH&N become a member of the MFDA; and

9. PH&N requires additional time to effect the Reorganization, including applying for and obtaining all required regulatory approvals for the registration of Dealerco as a mutual fund dealer in the Jurisdictions (and in the other provinces and the territories in which PH&N is currently registered as a mutual fund dealer or equivalent);

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

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

THE DECISION of the Decision Makers under the Legislation, effective May 23, 2001, is that the requirement to apply to become a member of the MFDA before the MFDA Application Deadline shall not apply to PH&N provided that, prior to October 10, 2001, PH&N will either:

(a) have applied for membership in the MFDA; or

(b) with respect to each of the Jurisdictions, have either:

(i) surrendered its registration as a mutual fund dealer in the Jurisdiction; or

(ii) applied for and obtained a permanent exemption from the requirement to become a member of the MFDA from the Decision Maker in the Jurisdiction.

June 4, 2001.

"Gerry Halischuk"

2.1.12 PrimeWest Energy Trust et al. - MRRS Decision

Headnote

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

Applicable Ontario Regulations

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

Applicable Ontario Rules

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

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

AND

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

AND

IN THE MATTER OF
SCOTIA CAPITAL INC., TD SECURITIES INC.,
BMO NESBITT BURNS INC. AND RBC DOMINION
SECURITIES INC.

AND

IN THE MATTER OF
PRIMEWEST ENERGY TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Ontario, Quebec, and Newfoundland (the "**Jurisdictions**") has received an application from Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc. (collectively the "**Filers**"), for a decision pursuant to the securities legislation of the jurisdictions (the "**Legislation**") that the requirement contained in the Legislation for an independent underwriter where an offering of securities of an issuer is otherwise being underwritten by underwriters in respect of which the issuer is a "connected issuer" or the equivalent (the "**Independent Underwriter Requirement**") shall not apply to a proposed offering (the "**Offering**") of trust units by PrimeWest Energy Trust (the "**Trust**");

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

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

1. The Trust is an open-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated August 2, 1996.

2. The Trust's principle assets are royalties in certain petroleum and natural gas properties owned by PrimeWest Energy Inc. ("**PrimeWest**") and certain other related entities and debt instruments issued to the Trust by such entities. The royalties and debt instruments entitle the Trust to receive substantially all of the net cash flow generated by those properties, after certain costs and deductions.

3. The Trust is authorized to issue an unlimited number of transferable, redeemable trust units (the "**Trust Units**"). Each Trust Unit represents an equal fractional undivided beneficial interest in the net assets of the Trust, and entitles its holder to one vote at meetings of unitholders of the Trust and to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, if any.

4. The Trust became a reporting issuer under the securities legislation in each of the provinces of Canada which has such a concept when it obtained a receipt pursuant to such legislation for its prospectus dated October 3, 1996. As of the date hereof, the Trust continues to be a reporting issuer under such legislation and does not appear on the list of reporting issuers in default maintained by the securities regulatory authorities in each province.

5. The Trust Units are listed and posted for trading on The Toronto Stock Exchange.

6. The Trust, PrimeWest and certain other related entitles have certain revolving and non-revolving credit facilities to a maximum of $400,000,000 (the "**Credit Facilities**") under which the lender is a syndicate of Canadian financial institutions, including The Toronto Dominion Bank, The Bank of Nova Scotia, Bank of Montreal and Royal Bank of Canada (the "**Banking Group**"). The Filers are each subsidiaries of members of the Banking Group. Accordingly, the Trust may be considered a connected issuer of the Applicants under the applicable securities laws of each of the Jurisdictions.

7. The revolving portion of the Credit Facilities is subject to an annual review. At the time of the annual review, the revolving portion may be extended, at the Banking Group's option, for a further 365 days. If the Banks revert the revolving portion to a non-revolving facility, the amounts outstanding under the Credit Facilities become repayable in instalments over a period of up to three years following the maturity date of the revolving facility. The cost of funds borrowed under the Credit Facilities is calculated by reference to CIBC's Prime Rate or United States Base Rate or a specified adjusted interbank deposit rate, stamping fee or discount rate, depending on the form of borrowing. Security for amounts outstanding is provided by a floating charge oil and gas debenture over all of the present and after-acquired assets of the Trust, PrimeWest and certain other related entities.

8. As at May 17, 2001, there was $350,000,000 outstanding under the Credit Facilities.

9. The Trust is doing an offering of trust units which will be effected on a "bought deal" basis pursuant to a short form prospectus to be dated on or about June 6, 2001.

10. The Filers, together with Merrill Lynch Canada Inc. and Yorkton Securities Inc., intend to act as underwriters in connection with the Offering.

11. The head office of the lead underwriter for the Offering is in Toronto, Ontario.

12. Merrill Lynch Canada Inc. and Yorkton Securities Inc. are independent underwriters within the meaning of Proposed Multijurisdictional Instrument 33-105 (the "**Proposed Instrument**") and will underwrite 12% of the Offering. The independent underwriters will participate in the pricing of the Offering and in the due diligence activities performed by the underwriters for the Offering, and will sign the preliminary prospectus certificate and the prospectus certificate as required by securities legislation in the Jurisdictions.

13. The Trust anticipates that the proceeds of the Offering will be used to reduce the indebtedness of the Trust and PrimeWest under the Credit Facilities.

14. The members of the Banking Group did not and will not participate in the decision to make the Offering or in the determination of its terms.

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

16. As a result of the foregoing, the underwriting syndicate for the Offering may not meet the requirements for certain minimum proportions of the distribution to be underwritten by independent registrants, as set forth under the applicable securities laws in each of the Jurisdictions.

17. Each of the preliminary prospectus and the prospectus prepared in connection with the Offering will contain the information specified in Appendix C to the Proposed Instrument.

18. Neither the Trust nor PrimeWest is a related issuer as defined in the Proposed Instrument of any prospective member of the underwriting syndicate. Neither the Trust nor PrimeWest is a specified party as defined in the Proposed Instrument.

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

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

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

A. the Trust is not a related issuer, as defined in the Proposed Instrument, to the Filers at the time of the Offering, and

B. the Trust is not a specified party, as defined in the Proposed Instrument, at the time of the Offering.

June 12, 2001.

"Paul Moore" "J.A. Geller"

2.1.13 SNC - Lavalin Group Inc. et al. - MRRS Decision

Headnote

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

Applicable Ontario Statutes

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

Applicable Ontario Regulations

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

Rules Cited

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

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

AND

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

AND

IN THE MATTER OF
SNC-LAVALIN GROUP INC.,
BMO NESBITT BURNS LTD.,
RBC DOMINION SECURITIES INC.,
SCOTIA CAPITAL INC. AND
NATIONAL BANK FINANCIAL INC

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Ontario, Québec and Newfoundland (the "Jurisdictions") has received an application from BMO Nesbitt Burns Ltd., RBC Dominion Securities Inc., Scotia Capital Inc. and National Bank Financial Inc. (collectively the "Applicants") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement (the "Independent Underwriter Requirement") contained in the Legislation regarding acting as an underwriter in connection

with a distribution of securities of a connected party or the equivalent shall not apply to BMO Nesbitt Burns Ltd., RBC Dominion Securities Inc., Scotia Capital Inc. and National Bank Financial Inc with respect to the proposed offering of common shares (the "Offering") by SNC-Lavalin Group Inc.(the "Issuer").

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

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

1. The Issuer was incorporated pursuant to the *Canada Business Corporations Act* on May 18, 1967. The Issuer's head office is located at 455 René Lévesque Blvd. West, Montreal, Québec HZ2 1Z3.

2. The Issuer is a reporting issuer in all provinces of Canada. The Issuer's outstanding common shares are listed on The Toronto Stock Exchange.

3. The proposed Offering will consist of common shares.

4. The Issuer will enter into an underwriting agreement with BMO Nesbitt Burns Ltd., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., Merrill Lynch.

5. Canada Inc. and Desjardins Securities Inc. (the "Underwriters") in connection with the Offering.The Issuer will file a Short-Form Preliminary Prospectus with the Commission and other similar authorities on June 4, 2001.The Applicants, pursuant to the Underwriting Agreement, will hold 92.5% of the Offering. None of the Applicants will be an "independent underwriter", as such term is defined in the Legislation.

6. The Issuer has entered into a Master Credit Agreement with various financial institutions, including the Canadian chartered banks (the "Banks") which are affiliates of the Applicants. The Banks are not part of a banking syndicate. As of June 1, 2001, a small portion of the credit made available by those Banks to the Issuer being used. In addition, the net proceeds of the Offering will not be used to reduce any indebtedness.

7. The Issuer may be considered a "connected issuer" as such term is defined in the Legislation, and as such term is defined in the proposed Multilateral Instrument 33-105 ("Proposed Instrument 33-105"). Furthermore, the Applicants will not comply with the proportional requirements of Proposed Instrument 33-105.

8. The Offering does not comply with the Independent Underwriter Requirement contained in the Legislation which restricts a registrant from acting as an underwriter in connection with a distribution of securities by an issuer made by means of a prospectus, where the issuer is a connected issuer (or the equivalent) of the registrant, unless a portion of the distribution at least equal to that portion underwritten by non-independent underwriters is underwritten by independent underwriters.

9. The nature and details of the relationship between the Issuer and the Applicants will be described in the Prospectus. The Prospectus will contain the information specified in Appendix C of Proposed Instrument 33-105.

10. The Prospectus will contain a certificate signed by each Underwriter in accordance with National Instrument 44-101.

11. The net proceeds of the Offering will be used for general corporate purposes and will not be used to repay the Banks.

12. The Issuer is not a "related issuer" (as that term is defined in the Legislation and in Proposed Instrument 33-105) of any of the Underwriters.

13. The decision to proceed with the Offering, including the determination of the terms of distribution, will be made through negotiation between the Issuer and the Underwriters without involvement of the Banks. The Underwriters will participate as a group in such negotiations and in the due diligence process.

14. The Applicants will not receive any benefit from the Offering other than payment of their fees.

15. The Issuer is not in financial difficulty and is not under any immediate financial pressure to undertake the Offering. The Issuer is not a "specified party" as defined in Proposed Instrument 33-105.

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

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

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

June 11, 2001.

"Me Jean Lorrain"

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

ET

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

ET

DANS L'AFFAIRE DE GROUPE SNC-LAVALIN INC., BMO NESBITT BURNS INC., RBC DOMINION VALEURS MOBILIÈRES INC., SCOTIA CAPITAUX INC., FINANCIÈRE BANQUE NATIONALE INC.

DOCUMENT DE DÉCISION DU REC

ATTENDU QUE les autorités ou l'agent responsable local de réglementation des valeurs mobilières (le « *décideur* ») de chacune des provinces de la Colombie-Britannique, d'Alberta, d'Ontario, de Québec et de Terre-Neuve (les « *territoires* ») a reçu une demande de BMO Nesbitt Burns Inc., RBC Dominion valeurs mobilières Inc., Scotia Capitaux Inc. et Financière Banque Nationale Inc. (collectivement appelées les « *déposants* ») pour une décision en vertu de la législation sur les valeurs mobilières des territoires (la « *législation* ») selon laquelle l'exigence contenue dans la législation relative aux activités de preneur ferme (l' « *obligation d'avoir un preneur ferme indépendant* »)dans le cadre d'un placement de titres d'un émetteur relié ou l'équivalent ne s'appliquera pas au déposant, en ce qui a trait au placement proposé d'actions ordinaires du Groupe SNC-Lavalin Inc.

ATTENDU QUE, en vertu du système d'examen coordonné des demandes de dispense (le « *système* »), la Commission des valeurs mobilières du Québec est l'autorité principale pour la présente demande;

ET ATTENDU QUE le déposant a déclaré aux décideurs ce qui suit:

1. Groupe SNC-Lavalin Inc. (l'« *émetteur* ») a été constituée en vertu de la *Loi Canadienne sur les sociétés par actions* le 18 mai 1967. Le siège social de l'émetteur est situé au 455, boulevard René Lévesque Ouest, Montréal (Québec) H2Z 1Z3.

2. L'émetteur est un émetteur assujetti dans toutes les provinces du Canada. Les actions ordinaires en circulation de l'émetteur sont inscrites à la cote de la Bourse de Toronto.

3. Le placement proposé sera constitué d'actions ordinaires du Groupe SNC-Lavalin Inc.

4. L'émetteur conclura une convention de prise ferme (la « *convention de prise ferme* ») avec BMO Nesbitt Burns Inc., RBC Dominion valeurs mobilières Inc., Scotia Capitaux Inc., Financière Banque Nationale Inc., Merrill Lynch Canada Inc. et Valeurs mobilières Desjardins Inc. (collectivement appelées les « *preneurs fermes* ») à l'égard du placement.

5. L'émetteur déposera un prospectus simplifié provisoire (le « *prospectus provisoire* ») auprès de la Commission vers le 4 juin 2001, de même qu'auprès des autorités de réglementation des valeurs mobilières de chacune des autres provinces canadiennes pour viser le placement dans ces provinces. Les déposants, aux termes d'une convention de prise ferme, détiendront 92,5 % du placement. Malgré la présence de deux preneurs fermes sans lien avec le groupe de banques, aucun déposant ne sera indépendant au sens de la réglementation.

6. L'émetteur a une convention cadre de crédit auprès de diverses institutions financières, y compris les banques à charte canadiennes (les « *banques* ») du groupe desquelles BMO Nesbitt Burns Inc., RBC Dominion valeurs mobilières Inc., Scotia Capitaux Inc. et Financière Banque Nationale Inc. sont membres. Les banques ne sont pas membres d'un syndicat bancaire. En date du 1er juin 2001, une faible proportion du crédit mis à la disposition du Groupe SNC-Lavalin Inc. par ces banques était utilisée. De plus, le produit net du placement ne servira pas à réduire l'endettement.

7. L'émetteur peut être considéré comme un « *émetteur associé* » ou l'équivalent en vertu de la législation applicable sur les valeurs mobilières ou selon la norme multilatérale proposée.

8. La structure du placement ne satisfait pas aux exigences (l'exigence du preneur ferme indépendant) prévus à la législation qui limite une personne inscrite à agir à titre de preneur ferme dans le cadre du placement de valeurs mobilières par voie de prospectus lorsque l'émetteur est un « émetteur associé » (ou l'équivalent) de la personne inscrite, à moins qu'une portion du placement au-moins égale à la portion prise ferme par les preneurs fermes non indépendants est souscrites par des preneurs fermes indépendants.

9. La nature de la relation entre l'émetteur, ainsi que les requérantes et les banques sera décrite dans le prospectus provisoire et dans le prospectus simplifié définitif concernant le placement (le « *prospectus* »).

10. Le prospectus contiendra une attestation signée par chaque preneur ferme conformément à la Norme canadienne 44-101.

11. Le produit net du placement sera affecté aux fins corporatives générales et ne servira pas à rembourser les banques.

12. L'émetteur n'est pas un « *émetteur relié* » ou l'équivalent à l'un des preneurs fermes aux fins de la Norme. Cependant, en vertu de la convention de crédit-cadre décrite ci-dessus et de la tranche de la dette due aux termes de celle-ci à chacune des banques, l'émetteur peut, dans le cadre du placement, être un « *émetteur associé* » ou l'équivalent aux requérants, aux fins de la norme.

13. La décision d'effectuer le placement, y compris l'établissement de ses modalités, sera prise par négociation entre l'émetteur et les preneurs fermes, sans aucune participation de la part des banques. Les preneurs fermes participeront en tant que groupe au processus de négociation avec l'émetteur et dans le processus de vérification diligente auprès de l'émetteur.

14. Les preneurs fermes ne tireront aucun avantage du placement, outre le paiement de leur rémunération.

15. L'émetteur n'est pas en difficulté financière et ne connaît aucune pression financière immédiate le forçant à entreprendre le placement. L'émetteur n'est pas une « *partie désignée* » au sens de la norme.

ATTENDU QUE, en vertu du système, le présent document de décision du REC atteste la décision de chaque décideur (collectivement, la « *décision* »);

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

LA DÉCISION des décideurs en vertu de la législation est que les déposants sont dispensés des exigences du preneur ferme indépendant relativement aux exigences contenues dans la législation concernant les activités de preneur ferme dans le cadre d'un placement de titres de l'émetteur associé tel que défini dans la norme multilatérale à l'égard du placement en autant que l'émetteur n'est pas un émetteur relié tel que défini et qu'il n'est pas une « partie désignée » au moment du placement.

Fait à Montréal, ce jour 11e jour de juin 2001.

"Me Jean Lorrain"

2.1.14 Beaver Lake Resources Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision under section 125 of the Act declaring a corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
BEAVER LAKE RESOURCES CORPORATION

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta and Ontario (the "Jurisdictions") has received an application from Beaver Lake Resources Corporation ("Beaver Lake") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Beaver Lake be deemed to have ceased to be a reporting issuer 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** Beaver Lake has represented to the Decision Makers that:

   3.1 Beaver Lake is a corporation amalgamated under the *Business Corporations Act* (Alberta) (the "ABCA");

   3.2 the principal office of Beaver Lake is in Calgary, Alberta;

   3.3 Beaver Lake is a reporting issuer in each of the Jurisdictions;

   3.4 with the exception of not filing its annual audited financial statements for the year December 31, 2000, Beaver Lake is not in default of any requirement under the Legislation;

3.5 the authorized capital of Beaver Lake consists of an unlimited number of common shares (the "Common Shares");

3.6 there are 14,437,322 Common Shares outstanding;

3.7 all of the outstanding Common Shares are held by Northern Bear Resources Ltd., which acquired them from Greka Energy Corporation ("Greka") on January 21, 2001;

3.8 Greka acquired all of the Common Shares, effective July 29, 1999, under a plan of arrangement under the ABCA;

3.9 the Common Shares had been listed for trading on The Alberta Stock Exchange, but were delisted at the close of business on September 13, 1999;

3.10 no securities of Beaver Lake are listed on any exchange or quoted on any market;

3.11 no securities of Beaver Lake, including debt obligations, are currently outstanding other than the Common Shares;

3.12 Beaver Lake does not intend to seek public financing by way of an offering of 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 Beaver Lake is deemed to have ceased to be a reporting issuer under the Legislation.

May 28, 2001.

"Patricia Johnston"

2.2 Orders

2.2.1 O&Y Real Estate Investment Trust - s. 4.2 & s. 4.1(2) of Rule 56-501

Headnote

Rule 56-501 – section 4.2 - issuer exempt from certain minority approval requirements of Part 3 of Rule 56-501 with respect to initial public offering of trust units where trust was a private trust prior to offering - section 4.1(2) - units designated as limited voting units.

Statutes Cited

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

Rules Cited

Rule 56-501 Restricted Shares (1999) 22 O.S.C.B. 6803,corrected (1999) 22 O.S.C.B. 7091.

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

AND

IN THE MATTER OF
O&Y REAL ESTATE INVESTMENT TRUST

ORDER
(Section 4.2 and Section 4.1(2) of Rule 56-501)

WHEREAS O&Y Real Estate Investment Trust (the "Trust") has applied to the Director (the "Director") for an exemption from the requirements of Part 3 of Commission Rule 56-501 - Restricted Shares ("Rule 56-501") in connection with the distributions of trust units of the Trust ("Units") in the Province of Ontario;

AND WHEREAS the Trust has applied to the Director that the appropriate restricted share term to be used to designate the Units be "Limited Voting Units" in connection with the distributions of the Units of the Trust in the Province of Ontario;

AND WHEREAS the Trust has represented to the Director that:

1. The Trust is an unincorporated trust governed by the laws of the Province of Ontario which has been formed to provide unitholders with cash distributions from investments primarily in office properties located across Canada. The principal executive offices of the Trust are located in Toronto, Ontario.

2. The Trust proposes to complete an initial public offering of Units and has filed a preliminary prospectus dated April 23, 2001 and proposes to file a final prospectus in that regard.

3. On closing of the initial public offering, the Trust will acquire a portfolio of office properties from O&Y Properties Inc. ("OYPI"), a subsidiary of O&Y Properties Corporation. The Trust will also acquire from OYPI an economic interest in First Canadian Place through a participating loan which it will advance on closing. The Trust also will be granted an option to acquire an office property currently being developed by OYPI and will advance to OYPI on closing a mezzanine loan to be used to fund the costs expended by OYPI to develop the property.

4. As a result of these transactions, on closing OYPI will own a number of Units that is expected to represent between 50% to 55% of the total outstanding Units of the Trust.

5. The authorized capital of the Trust consists of an unlimited number of units of one class, each of which represents a unitholder's proportionate undivided beneficial interest in the Trust.

6. All Units have one vote per Unit except that such voting rights may vary as described below.

7. If OYPI and its affiliates directly or indirectly beneficially own or control a majority of all outstanding Units, all Units will have one vote attached thereto.

8. If OYPI and its affiliates directly or indirectly beneficially own or control less than a majority of all outstanding Units but at least 8 million Units, OYPI will have an enhanced voting right (the "Voting Right") which will entitle it and its affiliates to cast 50% of the votes attaching to all Units outstanding at any meeting of unitholders.

9. If OYPI and its affiliates directly or indirectly beneficially own or control less than 8 million Units, the percentage of votes which OYPI and its affiliates will be entitled to cast at any meeting of unitholders will be irrevocably reduced thereafter and will be equal to the percentage determined by multiplying 50% by a fraction, the numerator of which is the number of such Units so owned or controlled and the denominator of which is 8 million.

10. The Voting Right forever ceases to be applicable and OYPI will be entitled to cast only one vote per Unit at any meeting of unitholders if at any time either OYPI and its affiliates directly or indirectly beneficially own or control less than 3.5 million Units or OYPI and certain parties connected to OYPI directly or indirectly beneficially own or control less than 10% of all outstanding Units. The Voting Right will also terminate in the event there is an acquisition of control of OYPI or O&Y Properties Corporation.

11. The Voting Right cannot be transferred by OYPI except to an affiliate.

12. Until the Voting Right ceases, distributions on the Units held by OYPI and its affiliates subject to the Voting Right (initially 8 million Units) will be reduced so that they receive a 5% reduction on distributions, as

compared with all other Units. All Units will receive equal distributions of the assets of the Trust on termination

13. On closing of the initial public offering, OYPI will hold a majority of the outstanding Units. Accordingly, until OYPI's ownership position changes, all unitholders (including OYPI and its affiliates) will be entitled to one vote at any meeting.

14. The Units will be listed on the Toronto Stock Exchange ("TSE").

15. The Units are restricted shares within the meaning of Rule 56-501 because they are equity securities which do not permit the holder under all circumstances to exercise voting rights irrespective of the number or percentage of units owned that are not less, on a per unit basis, than the voting rights which may be exercised by certain other unitholders, namely OYPI and its affiliates.

16. In accordance with Part 3 of Rule 56-501, the Director may not issue a receipt for a prospectus for a stock distribution of Units unless (i) such stock distribution received minority approval (as defined in Rule 56-501, hereinafter "minority approval") or (ii) each reorganization carried out by the Trust related to the Units received minority approval.

17. Part 3 of Rule 56-501 also provides that the prospectus exemptions under Ontario securities law will not be available for a stock distribution of Units by the Trust unless (i) such stock distribution received minority approval, or (ii) each reorganization carried out by the Trust related to the Subordinate Voting Shares received minority approval.

18. Part 3, subsection (4)(i) of Rule 56-501 also provides that subsection (i) described above does not apply if the stock distribution is of an issuer that was a private company immediately before the filing of the preliminary prospectus or prospectus for the stock distribution.

19. In accordance with Part 3, subsection (4)(i) of Rule 56-501, the Trust's status prior to the filing of the preliminary prospectus was one of a private trust and, therefore, in accordance with Part 3 of Rule 56-501, minority shareholder approval would be required for the distribution of the Units.

20. In accordance with Part 4 of Rule 56-501, if the Director determines that the Units are restricted shares, the Director may also determine the appropriate restricted share term to be used to designate the Units, taking into account the voting attributes attached to the Units and the term that will best describe the attributes.

21. The preliminary prospectus does and the final prospectus will contain the disclosure required by Part 2 of Rule 56-501.

AND WHEREAS the Director is satisfied that it would not be prejudicial to the public interest to grant the exemption requested;

IT IS ORDERED pursuant to section 4.2 of Rule 56-501 that the Trust be and it is hereby exempted from the requirements of Part 3 of Rule 56-501 in connection with the proposed stock distribution of the Units since the initial public offering is of securities of an issuer that was a private trust immediately prior to the filing of the preliminary prospectus.

IT IS ALSO ORDERED pursuant to section 4.1(2) of Rule 56-501 that the appropriate restricted share term to be used to designate the Units be "Limited Voting Units" in connection with the distribution of the Units.

June 5, 2001.

"Margo Paul"

2.2.2 Synergy Asset Management Inc. & James E. Ross – s. 4.1 of Rule 31-505

Headnote

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

Statutes Cited

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

Rules Cited

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

Ontario Securities Commission Rule 31-502 (2000) 23 O.S.C.B. 5658.

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

AND

IN THE MATTER OF
SYNERGY ASSET MANAGEMENT INC. AND JAMES E. ROSS

EXEMPTION ORDER
(Rule 31-505)

UPON the application of Synergy Asset Management Inc. ("Synergy") and James E. Ross ("Ross") dated May 9, 2001, pursuant to section 4.1 of Ontario Securities Commission Rule 31-505 (the "Rule") for an exemption from the requirement under subsection 1.3(3) of the Rule that Ross meet certain proficiency requirements under Ontario Securities Commission Rule 31-502 ("Rule 31-502") in order for supervisory functions, other than the supervisory functions enumerated in subsection 1.3(2) of the Rule, to be delegated to Ross by the designated compliance officer of Synergy (the "Application");

AND UPON considering the Application;

AND UPON Synergy and Ross having represented to the Director that:

1. Synergy is a registered adviser under the Act in the category of investment counsel and portfolio manager;

2. Ross is Vice President, Services and Corporate Secretary of Synergy and was, prior to the introduction of the Rule, responsible for the firm's legal and compliance functions. Ross was also previously registered as a trading officer of Synergy and has completed the Canadian Securities Course, the Partners, Directors and Officers Examination, the Canadian Options Course and the Canadian Futures Examination. Ross was admitted to the Law Society of Upper Canada in 1989 and, prior to joining Synergy in 1997, worked as legal counsel at the Ontario Securities Commission for seven years. Ross does not, however, meet the qualification criteria in subsection 1.3(3) of the Rule to be delegated supervisory functions by the designated compliance officer of Synergy;

3. The designated compliance officer of Synergy will not delegate and Ross will not assume the supervisory functions enumerated in subsection 1.3(2) of the Rule;

IT IS ORDERED, pursuant to section 4.1 of the Rule, that Ross is exempt from the requirement of subsection 1.3(3) of the Rule that Ross meet the proficiency requirements of Rule 31-502 in order for Ross to be delegated supervisory functions by the designated compliance officer of Synergy provided that the designated compliance officer of Synergy shall not delegate and Ross shall not assume the supervisory functions enumerated in subsection 1.3(2) of the Rule.

June 11, 2001.

"Peggy Dowdall-Logie"

2.3 Rulings

2.3.1 Michigan Sugar Beet Growers, Inc. - ss. 74(1)

Headnote

Application for relief from registration and prospectus requirements in connection with the issuance from time to time of shares of a Michigan sugar beet cooperative to sugar beet growers in Ontario and subsequent trades in such shares among members and approved candidates of the cooperative. Shares acquired for a business purpose and not with an investment intent. Trades to members and approved candidates not subject to section 25 or 53 subject to conditions.

Statutes Cited

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

Regulations Cited

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

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

AND

IN THE MATTER OF
MICHIGAN SUGAR BEET GROWERS, INC.

RULING
(Subsection 74(1))

UPON the application (the "Application") of Michigan Sugar Beet Growers, Inc. (the "Cooperative") to the Ontario Securities Commission (the "Commission") for a ruling, pursuant to subsection 74(1) of the Act, that the issuance, from time to time, of shares of Common Stock (as defined below) and Patron Preferred Stock (as defined below) of the Cooperative to sugar beet growers resident in Ontario qualifying for membership in the Cooperative and subsequent trades in such shares among members of the Cooperative (the "Members") resident in Ontario or to sugar beet growers resident in Ontario and approved for membership in the Cooperative by the Board of Directors of the Cooperative ("Approved Candidates"), shall not be subject to sections 25 and 53 of the Act;

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

AND UPON the Cooperative having represented to the Commission that:

1. The Cooperative is a Michigan cooperative corporation that was formed in August of 2000 under the *Michigan General Corporation Act, Act 327 of 1931*, for the purpose of acquiring all of the outstanding share capital of a sugar beet processing company, Michigan Sugar Company ("Michigan Sugar").

2. The Cooperative's authorized share capital presently consists of 2,000 shares of common stock (the "Common Stock") and 300,000 shares of preferred stock (the "Patron Preferred Stock"). As of April 1, 2001, there were 13 shares of Common Stock and no shares of Patron Preferred Stock issued and outstanding.

3. The Cooperative intends to raise approximately U.S.$25,000,000 by way of an offering to sugar beet growers qualifying for membership in the Cooperative, and approximately U.S.$40,000,000 in term loans from institutional lenders in order to purchase all of the outstanding shares of Michigan Sugar from Imperial Sugar Company ("Imperial"). The Cooperative is offering 2,000 shares of Common Stock and 125,000 shares of Patron Preferred Stock for sale to sugar beet growers qualifying for membership in the Cooperative, the proceeds of which will be used as part of the purchase price for the acquisition of Michigan Sugar.

4. Michigan Sugar owns and operates sugar beet processing plants and related assets in: Caro, Carrollton, Croswell and Sebewaing, Michigan. Upon completion of the acquisition, the Cooperative will own and be in a position to operate the factories formerly operated by Michigan Sugar. Through the operation of the factories, the Cooperative intends to provide members of the Cooperative (the "Members") with the ability to have their sugar beets processed into refined sugar and sugar by-products.

5. To date, the Cooperative has not engaged in active operations, but has been involved in negotiations with Imperial for the acquisition of Michigan Sugar. The Cooperative recently entered into a Letter of Intent with Imperial, dated March 20, 2001, outlining the material terms of the proposed acquisition.

6. The Cooperative intends to operate Michigan Sugar to process sugar beets provided by its Members, market the resulting sugar and by-products and to distribute profits from such activities to Members based on the amount of sugar beets they supply to the Cooperative, which is determined by the number of shares of Patron Preferred Stock they own and their yield per acre.

7. The Cooperative plans to purchase all of the sugar beets for processing in its facilities from Members of the Cooperative.

8. The Cooperative is not a reporting issuer under the Act or in any other province or territory in Canada, and the Cooperative has no present intention of becoming a reporting issuer in Ontario. The Cooperative's shares are not listed or quoted on any stock exchange or market.

9. The Cooperative is not a "private company" within the meaning of the Act and, accordingly, the private company exemptions to the registration and prospectus

requirements of the Act do not apply to the Cooperative or its shareholders.

10. There is currently no market for the Common Stock and the Patron Preferred Stock. Both the Common Stock and the Patron Preferred Stock may be transferred only with the consent of the Cooperative's Board of Directors to other Members or Approved Candidates.

11. The shares of the Cooperative have not been registered with the United States Securities and Exchange Commission because the shares do not constitute "securities" under Section 2(1) of the *Securities Act of 1933*, or, if the shares are "securities", they are exempt from registration pursuant to an exemption for agricultural cooperatives provided by Section (3)(a)(5) of the *Securities Act of 1933.*

12. Membership in the Cooperative is available only to agricultural producers, or a cooperative association composed of agricultural producers. "Agricultural producer" includes individuals, partnerships, business corporations, cooperative associations, or other entities that are actually engaged in the production of sugar beets, and cooperative associations of such agricultural producers. Individuals or entities that are tenants on land used for the production of sugar beets or lessors of such land who receive as rent part of the product of such land shall be considered to be actually engaged in the production of sugar beets.

13. In addition, to be eligible for membership, the "agricultural producer" must execute a Member Marketing Agreement with the Cooperative, in the form and substance as determined by the Board of Directors. The Member Marketing Agreement will not be presented to the Members until after completion of the acquisition of Michigan Sugar.

14. To become a member of the Cooperative, agricultural producers must acquire one Common Share and at least one share of Patron Preferred Stock.

15. No Member may own more than one share of Common Stock. Ownership of Common Stock entitles the Member to one vote for the election of directors and on other matters relating to the affairs of the Cooperative as may be submitted to a vote of the Members. Only holders of Common Stock are entitled to vote. Each Member has an equal vote in the election of directors and on other matters, regardless of the number of shares of Patron Preferred Stock owned or the volume of business the Member does with the Cooperative.

16. Ownership of Patron Preferred Stock gives a Member the right to deliver sugar beets to the Cooperative and obligates the Member to grow sugar beets for delivery to the Cooperative. The Board of Directors determines the acreage that may be grown for each share of Patron Preferred Stock owned. Each share of Patron Preferred Stock presently represents the right to deliver the sugar beets produced on one acre of land to the Cooperative for processing and obligates the Member to plant one acre of land in sugar beets.

17. Upon purchasing Patron Preferred Stock, the Member will be required to enter into a Sugar Beet Contract (a "Contract") obligating the Member to deliver one acre of sugar beets to the Cooperative each year for each share of Patron Preferred Stock that is purchased. This Contract will specify each of the parties' rights and obligations with respect to production, quotas and prices, delivery time and methods, quality specifications, price adjustments and other issues and will replace any current grower's agreement with Michigan Sugar.

18. By having Members commit a portion of their farm acreage to the Cooperative, the Cooperative will be guaranteed a predictable supply of sugar beets in order to run the processing plants at their most efficient capacity, and the growers benefit by being assured a market for their crops.

19. The Cooperative will establish an information pool to facilitate temporary exchanges of Patron Preferred Stock in each factory district. The stock available to participants in the pool will come from Members who will not be able to grow enough sugar beets to fulfill the amount required to be supplied to the Cooperative during a particular year, which is determined by the number of shares of Patron Preferred Stock they hold as well as by their yield per acre. Those who temporarily need additional Patron Preferred Stock to cover additional acreage will be able to ascertain from the pool those Members who have extra Patron Preferred Stock that year and will negotiate with such Members for a temporary transfer of such shares.

20. Upon the occurrence of any event of termination described in the Bylaws of the Cooperative, the Board of Directors, may, by resolution, determine that a Member is no longer eligible to be a Member. An event of termination includes the Member becoming ineligible for membership for any reason. Upon such determination, the Board of Directors may redeem the Member's share of Common Stock in accordance with the Articles of Incorporation and Bylaws of the Cooperative at the lesser of par and book value, and thereafter, the terminated Member will cease to have voting rights as a shareholder. The Patron Preferred Stock are not redeemable and the Cooperative does not intend to repurchase shares of Patron Preferred Stock from terminated Members.

21. The redemption of Common Stock by the Cooperative from a Member after an event of termination would constitute an "issuer bid", as defined in section 89(1) of the Act. Such issuer bid would be exempt from the application of sections 95, 96, 97, 98 and 100 of the Act pursuant to clause 93(3)(a) of the Act.

22. A detailed offering memorandum (the "U.S. Offering Memorandum") will be provided to each U.S. purchaser of shares in the Cooperative. Ontario purchasers shall receive a copy of the U.S. Offering Memorandum with a Canadian wrap which will provide certain information relevant to Ontario purchasers which is not contained in the U.S. Offering Memorandum.

23. Purchasers resident in Ontario will have the benefit of the contractual rights of action provided in connection with an offering memorandum contained in Ontario securities legislation. The contractual right of action will be described in the Canadian wrap to the U.S. Offering Memorandum.

24. All proceeds received by the Cooperative, after deducting operating expenses and costs, payment of taxes and other deductions, as set out in the Bylaws, will be distributed and paid to Members on the basis of the amount of sugar beets they supply to the Cooperative, which is determined by the number of shares of Patron Preferred Stock they own and their yield per acre.

25. The order and priority for distribution of the Cooperative's assets upon dissolution of the Cooperative, each category to be satisfied in full before any distribution is made to the next category, is as follows: first, all debts and liabilities of the Cooperative must be paid according to their respective priorities; second, the holders of all Common Stock will receive the par value of their shares on a pro rata basis; third, the holders of all Patron Preferred Stock will receive the par value of their shares on a pro rata basis; and fourth, any remaining assets of the Cooperative will be distributed on a pro rata basis to the holders of all capital, other than capital stock, furnished through patronage, without priority on a pro rata basis to the Members and patrons to whom it is allocated on the books of the Cooperative.

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 distribution by the Cooperative, from time to time, of shares of Common Stock and Patron Preferred Stock to sugar beet growers resident in Ontario qualifying for membership in the Cooperative and subsequent trades in such shares among Members resident in Ontario or to Approved Candidates resident in Ontario, shall not be subject to section 25 and 53 of the Act provided that:

A. prior to the initial trade of any shares by the Cooperative to a sugar beet grower resident in Ontario pursuant to this Ruling, the Cooperative shall deliver to such sugar beet grower a copy of:

   i) the Articles of Incorporation of the Cooperative,

   ii) the most recent annual audited financial statements of the Cooperative, if such have then been prepared,

   iii) this Ruling, and

   iv) an offering memorandum as described in paragraph 22 hereof;

B. the exemptions contained in this Ruling cease to be effective if any of the provisions of the Articles of Incorporation relevant to the exemptions granted herein are amended in any material respect without prior written notice to, and consent of, a Director of the Commission; and

C. the first trade of any shares of Common Stock or Patron Preferred Stock to a person or company who is not any of the Cooperative, a Member or an Approved Candidate shall be deemed to be a distribution.

June 5, 2001.

"Paul Moore" "John A. Geller"

2.3.2 Alexander Gluskin Investments Inc. - ss. 74(1) & s. 147

Headnote

Subsection 74(1) - Certain trades in units that constitute an initial investment in a pooled fund, and 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.

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.

Rules Cited

Ontario Securities Commission Rule 45-501 "Exempt Distributions", ss. 3.1, 7.1.

Ontario Securities Commission Rule 81-501 "Mutual Fund Reinvestment Plans", s. 2.1.

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

AND

IN THE MATTER OF
ALEXANDER GLUSKIN INVESTMENTS INC.

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

UPON the application (the "**Application**") of Alexander Gluskin Investments Inc. (the "**Applicant**") to the Ontario Securities Commission (the "**Commission**") for: (i) a ruling pursuant to subsection 74(1) of the Act that (A) certain trades in units ("**Units**") of pooled fund trusts established by the Applicant, namely the AGII Growth Fund and the AGII RRSP Growth Fund, and any future pooled fund trusts formed and managed by the Applicant (collectively the "**Funds**" and individually a"**Fund**"), are not subject to sections 25 or 53 of the Act and (B) certain trades in additional units of a Fund are not subject to sections 25 or 53 of the Act; and (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 section 7.1 of Rule 45-501 of the Commission (**"Rule 45-501"**) with respect to the filing of a Form 45-501F1 in respect of trades in Units of such pooled fund trusts, provided a Form 45-501F1 and the prescribed fee are filed within 30 days of the financial year end of each pooled fund trust;

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 is or will be the manager of the Funds.

3. The existing Funds, AGII Growth Fund and AGII RRSP Growth Fund, were established by way of a trust indenture pursuant to which The Canada Trust Company (the **"Trustee"**) acts as the trustee of such Funds and as custodian of the trust property comprising each such Fund.

4. The Funds are or will be pooled investment trusts organized under the laws of the Province of Ontario in which each participant has an undivided *pro rata* interest evidenced by units in a Fund ("**Units**"). Units are redeemable at their net asset value on any valuation day, as set forth in the applicable trust indenture. Accordingly, each Fund is or will be a "mutual fund" and a "mutual fund in Ontario" as such terms are defined in section 1(1) of the Act.

5. Since each Fund is or will be a "mutual fund in Ontario", each Fund is or will be required to comply with the requirements of section 78 of the Act regarding the filing of annual financial statements, the requirements of section 79 of the Act regarding the delivery of such financial statements to holders of Units and the prohibitions set out in section 111 of the Act. The Funds are not subject to the requirements of National Instrument 81-102 as the Units have not and will not be offered pursuant to a prospectus.

6. In addition to providing holders of Units with annual audited financial statements, each holder of Units will be provided with periodic account summaries which detail the number of Units held, the Unit price, as well as timely confirmation of distributions and/or redemptions of Units for the holder's account.

7. None of the Funds is or is expected to become a reporting issuer in any jurisdiction or to be listed on any stock exchange.

8. In order to acquire Units of a Fund, an investor must make an initial investment of not less than $150,000 (the "**Initial Investment**"). Where the Initial Investment is made by an investor alone, the Units which comprise the Initial Investment are and will continue to be issued in reliance upon the registration and prospectus exemptions contained in, respectively, paragraph 35(1)5 of the Act and clause 72(1)(d) of the Act as amended by Section 3.1 of Rule 45-501.

9. 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 and his or her registered retirement savings plan or registered retirement income fund and his or her wholly-owned holding companies, or any combination of the foregoing (a " **Combined Unitholder**").

10. Following an Initial Investment in a Fund, it is proposed that a Combined Unitholder be permitted to subscribe for additional Units of such Fund ("**Additional Units**"), provided that at the time of such subsequent acquisition, the Combined Unitholder holds Units of the same Fund having an aggregate acquisition cost or aggregate net asset value of at least $150,000.

AND UPON the Commission being satisfied that granting 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 Trustee on behalf of a Fund of Units or Additional Units of such Fund to a Combined Unitholder as described above will not be subject to sections 25 and 53 of the Act, provided that:

A. 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;

B. at the time of the acquisition of Units of the Fund, the aggregate acquisition cost of the Initial Investment to the Combined Unitholder is not less than $150,000;

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

D. this ruling will terminate upon 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 by the Trustee on behalf of a Fund of Units and Additional Units of such Fund is not subject to subsection 72(3) of the Act and section 7.1 of 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 trades in Units of the Fund during such financial year and pays the fee prescribed by section 7.3 of Rule 45-501.

June 5, 2001.

"Paul Moore" "J.A. Geller"

2.3.3 Merck & Co., Inc. - ss. 74(1)

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements for trades involving former employees pursuant to an equity incentive plan.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Rules

Rule 45-503 - Trades to Employees, Executives and Consultants (1998), 21 OSCB 117.

Rule 72-501 - Prospectus Exemption for First Trade Over a Market Outside Ontario (1998), 21 OSCB 3873.

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

AND

IN THE MATTER OF MERCK & CO., INC.

RULING
(Subsection 74(1))

UPON the application of Merck & Co., Inc. (the "Applicant") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act that the issuance of common shares of the Applicant ("Common Shares") upon the exercise of options ("Options") granted to certain former Ontario employees ("Former Ontario Employees") of Merck Frosst Canada & Co. (the "Subsidiary") and on the first trade of the Common Shares pursuant to the 1991 Incentive Stock Plan ("1991 Plan"), 1996 Incentive Stock Plan ("1996 Plan") and the 2001 Incentive Stock Plan ("2001 Plan" and collectively, "Plans") not be subjected to section 25 and 53 of the Act;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation governed by the law of the State of New Jersey with its registered office therein.

2. The Common Shares are listed and posted for trading on the New York Stock Exchange ("NYSE"). As at March 9, 2001 there were approximately 2,302,860,033 Common Shares issued and outstanding.

3. The Applicant is subject to the requirements of the Securities Exchange Act of 1934 (the "1934 Act") of the United States of America (the "U.S.") and is not exempt

from reporting requirements of the 1934 Act pursuant to Rule 12g 3-2 made under the 1934 Act.

4. The Subsidiary is an indirectly wholly-owned subsidiary of the Applicant and constituted under the *Companies Act* (Nova Scotia).

5. On April 1, 2001, as a part of a corporate reorganization, the Subsidiary transferred two of its business units to its wholly-owned subsidiary, Merck Frosst Canada Ltd. ("Merck Canada"). Included in the transfer were employees of the business units that became employees of Merck Canada.

6. Merck Canada is a corporation incorporated under the *Canada Business Corporation Act*. All references herein to the Subsidiary and former Ontario employees will include Merck Canada and former Ontario employees of Merck Canada.

7. The Applicant, the Subsidiary and Merck Canada are not, and have no intention of becoming, reporting issuers under the Act.

8. Currently, less than 10% of the Common Shares are held by persons or companies whose last address as shown on the books of the Applicant is in Ontario and such persons or companies do not represent more than 10% of the total number of holders of Common Shares.

9. As of March 31, 2001, the Subsidiary employed or had employed approximately 112, 110 and 234 individuals residing in Ontario that are eligible to participate ("Eligible Ontario Participants") in the 1991 Plan, 1996 Plan and the 2001 Plan, respectively.

10. The Eligible Ontario Participants consist of current Ontario employees of the Subsidiary ("Current Eligible Ontario Employees") and Former Ontario Employees resident in Ontario, including retirees, terminated employees or estates of deceased employees, as stated in the Plans.

11. The purpose of the Plans is to provide an incentive to eligible employees and to encourage or facilitate the holding of Common Shares of the Applicant by its employees and the employees of its subsidiaries and affiliates.

12. Participation by the Eligible Ontario Participants in the Plans is voluntary, and such employees are not and will not be induced to participate by expectation of employment or continued employment with the Subsidiary.

13. The Plans provide for the issuance of Options, stock appreciation rights, restricted stock grants and performance share awards to employees of the Applicant's subsidiaries and affiliates. The Applicant has granted and intends to grant only Options under the Plans to the Subsidiary's Eligible Ontario Participants.

14. Options were granted under the 1991 Plan until December 31, 1995 and Options were granted under the 1996 Plan until December 31, 2000. As the Options granted under the Plans generally expire ten years after the date of the grant, Common Shares will continue to be issued under the 1991 Plan until December 31, 2005 and under the 1996 Plan until December 31, 2010.

15. The Plans are administered by the Compensation and Benefits Committee (the "Committee") of the Board of Directors of the Applicant. The Committee is authorized to establish the rules and regulations of the Plans as it deems necessary for its proper administration.

16. As of March 31, 2001, there are 58, 39 and 107 Current Eligible Ontario Participants holding Options granted under the 1991 Plan, 1996 Plan and the 2001 Plan, respectively, covering in the aggregate 102,061 Common Shares. Also, there are 7 Former Ontario Employees holding Options and Common Shares from the exercise of Options covering, in the aggregate 9000 Common Shares.

17. The Former Ontario Employees acquired the Options while they were employees of the Subsidiary.

18. The Applicant uses the services of an administrator, currently Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Administrator"), a broker-dealer registered in the U.S. but not in Ontario. The Administrator's role in the Plans involves various functions and may include: (i) assisting employees, with the exercise of Options, including cashless exercise; (ii) holding Common Shares issued by the Applicant upon the exercise of options or otherwise; and (iii) facilitating the resale of Common Shares acquired under the Plans outside of Canada. The foregoing functions equally apply to Former Ontario Employees and their representatives even though they are no longer employed by the Applicant.

19. There is no market for the Common Shares in Canada and none is expected to develop; therefore, any trades of the Common Shares by the Former Ontario Employees will be effected through the facilities of and in accordance with the rules of the NYSE and in accordance with the laws applicable to such trading, subject to the Ruling.

20. In conformity with the requirements of the 1933 Act, the Applicant has prepared and filed with the U.S. Securities and Exchange Commission (the "SEC") a Registration Statement on Form S-8 for the Plans. Each Registration Statement incorporates by reference a separate prospectus describing the applicable plan.

21. The Eligible Ontario Employees who have received Options under the Plans have received or will receive a copy of the corresponding prospectus and a booklet entitled "Shared Success: A Guide to Stock Options" either in paper form or made available to them on the Applicant's intranet.

22. All shareholder material to be filed with the SEC will be provided or made available to the Former Ontario Employees who became shareholders of the Applicant at the same time and in the same manner as such

materials are provided or made available to U.S. resident shareholders of the Applicant.

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:

(i) the registration and prospectus requirements under sections 25 and 53 of the Act shall not apply to the distribution and/or trade of Common Shares acquired from the exercise of Options to the Former Ontario Employees in connection with the Plans, provided that the first trade in the Common Shares acquired pursuant to the foregoing is a distribution subject to the prospectus requirement under the Act; and

(ii) the first trade in any Common Share acquired under the Plans by Former Ontario Employees is not subject to the registration and prospectus requirements under sections 25 and 53 of the Act provided that:

(i) at the time of the acquisition of the Common Shares, persons or companies whose last address as shown on the books of the Applicant is in Ontario and did not hold, in the aggregate, more than 10% of the outstanding Common Shares did not represent in number more than 10% of the total number of holders of Common Shares;

(ii) at the time of the acquisition of the Common Shares, persons or companies who were resident in Ontario and who beneficially owned Common Shares did not beneficially own more than 10% of the outstanding Common Shares and did not represent in number more than 10% of the total number of holders of Common Shares;

(iii) at the time of the trade of any Common Shares, the Applicant is not a reporting issuer under any of the Legislation; and

(iv) such first trade is executed through the facilities of a stock exchange outside of Canada in accordance with the rules of such exchange or market and all applicable laws.

June 8, 2001.

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

2.3.4 Triax CaRTS Trust - ss. 74(1) & ss. 59(1)

Headnote

Subsection 74(l) - Exemption from sections 25 and 53 of the Act in connection with the writing of over-the-counter covered call options and cash covered put options by the issuer, subject to certain conditions.

Section 59, Schedule I -Issuer exempt from section 28 of Schedule I to the Regulation in connection with the writing of over-the-counter covered call options and cash covered put options.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R. R. O. 1990, Reg. 1015, as am., ss. 28 and 59 of Schedule I.

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

AND

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

AND

IN THE MATTER OF
TRIAX CaRTS TRUST

RULING AND EXEMPTION
(Subsection 74(1) of the Act and Subsection 59(1) of Schedule 1 of the Regulation)

UPON the application of Triax Investment Management Inc. ("TIMI"), as manager of Triax CaRTS Trust (the "Trust"), to the Ontario Securities Commission (the "Commission") for a ruling:

(i) pursuant to subsection 74(l)of the Act that the writing of certain over-the-counter covered call options and cash covered put options (collectively, the "OTC Options") by the Trust is not subject to sections 25 and 53 of the Act; and

(ii) pursuant to subsection 59(l) of Schedule 1 of the Regulation for an exemption from the fees required to be paid under section 28 of Schedule 1 of the Regulation in connection with the writing of certain OTC Options by the Trust;

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

AND UPON TIMI having represented to the Commission as follows:

1. The Trust is an investment trust that was established under the laws of the Province of pursuant to a trust agreement (the "Trust Agreement") entered into between TIMI, in its capacity as manager, and in its capacity as trustee of the Trust.

2. The Trust has been authorized to issue an unlimited number of transferable, redeemable trust units (the "Units" or "CaRTS").

3. The Trust is a reporting issuer under the Act having filed a prospectus (the "Prospectus") dated May 23, 2000 with the Commission and with the securities regulatory authority in each of the other provinces of Canada with respect to an offering of Units.

4. The Units are listed for trading on The Toronto Stock Exchange under the symbol TXK.UN.

5. By virtue of the redemption features attaching to the Units, the Trust is considered a "mutual fund" within the meaning of the Act and other applicable legislation.

6. TIMI is a corporation amalgamated under the laws of the Province of Ontario on January 1, 2001. TIMI acts as manager of the Trust pursuant to the Trust Agreement.

7. TIMI acts as investment manager of the Trust pursuant to the Trust Agreement. Elijah Asset Management, LLC ("EAM"), located in San Francisco, California is currently responsible for execution of the investment strategy of the Active Portfolio (as defined below) as sub-advisor to TIMI. On May 25, 2001, TIMI announced that on or about June 1, 2001, TIMI will assume the responsibilities for the Active Portfolio (as defined below) previously fulfilled by EAM.

8. TIMI is registered under the Act in the categories of investment counsel and portfolio manager.

9. The Trust's investment objectives are:

   (i) Capital Repayment: to pay to holders of CaRTS ("Holders") on or about May 31, 2010 (the "Termination Date") an amount per CaRTS equal to the subscription price paid for CaRTS offered hereby (the "Original Investment Amount");

   (ii) Distribution: To provide Holders with a stable stream of quarterly distributions of at least $0.5781 per CaRTS ($2.3125 per annum to yield 9.25% on the subscription price); and

   (iii) Capital Appreciation: to achieve capital appreciation above the Original Investment Amount through the active management of a portfolio of equity securities (the Active Portfolio described below).

10. To achieve the capital repayment objective, the Trust entered into a forward purchase and sale agreement dated as of May 31, 2000 (the "Forward Agreement") with TD Global Finance ("TDGF"), a member of the TD Bank Financial Group, pursuant to which TDGF has agreed to pay to the Trust the Original Investment Amount per CaRTS outstanding on the Termination Date in exchange for the Trust agreeing to deliver to TDGF equity securities which the Trust acquired with approximately 52% of the gross proceeds of the Offering (the "Capital Portfolio"). The obligations of TDGF pursuant to the Forward Agreement are guaranteed by The Toronto-Dominion Bank.

11. In order to achieve the Trust's distribution and capital appreciation objectives, the balance of the net proceeds of the Offering were invested in a diversified portfolio (the "Active Portfolio") consisting principally of equity securities of mid- and large-capitalization companies (with market capitalization greater the U.S.$1.5 billion) which were selected primarily from the S&P 500 Index (the "Active Portfolio Universe").

12. To generate additional returns above the dividend income generated by the Active Portfolio, the Trust will, from time to time, write covered call options in respect of all or part of the equity securities in such portfolio. As call options will be written only in respect of equity securities that are in the Active Portfolio and the investment criteria of the Trust will prohibit the sale of equity securities subject to an outstanding option, the call options will be covered at all times.

13. The Trust may, from time to time, hold a portion of its assets in Cash Equivalents (as that term is defined in the Prospectus). The Trust may utilize such Cash Equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash covered put options will only be written in respect of securities in which the Trust is permitted to invest.

14. The purchasers of OTC Options written by the Trust will generally be major Canadian financial institutions and all purchasers of OTC Options will be persons or entities described in Schedule 1 to this ruling.

15. The writing of OTC Options by the Trust will not be used as a means for the Trust to raise new capital.

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(l)of the Act, that the writing of OTC Options by the Trust, as contemplated by paragraphs 12 and 13 of this ruling, shall not be subject to sections 25 and 53 of the Act provided that:

   (a) the portfolio adviser advising the Trust with respect to such activities is registered as an adviser under the Act and meets the proficiency requirements in Ontario for advising with respect to options; and

(b) each purchaser of an OTC Option written by the Trust is a person or entity described in Schedule 1 to this ruling;

AND PURSUANT to section 59 of Schedule 1 to the Regulation the Trust is hereby exempted from the fees which would otherwise be payable pursuant to Section 28 of Schedule 1 to the Regulation in connection with any OTC Options written by the Trust in reliance on the above ruling.

June 8, 2001.

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

SCHEDULE 1

QUALIFIED PARTIES

Interpretation

1. The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of paragraph 3 of this Schedule have the same meaning as they have in the *Business Corporations Act* (Ontario).

2. All requirements contained in this Schedule that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Qualified Parties Acting as Principal

3. The following are qualified parties for all OTC derivatives transactions, if acting as principal:

Banks

(a) A bank listed in Schedule I, II or III to the *Bank Act* (Canada).

(b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(a) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(b) A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust* and *Loan Companies Act* (Canada), or under comparable legislation in any other province or territory of Canada.

(c) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(d) An insurance company licensed to do business in Canada or a province or territory of Canada.

(e) An insurance company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(f) A person or company that, together with its affiliates,

(i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

(A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount: and

(B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous I5-month period.

Individuals

(g) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding the value of his or her principal residence.

Governments/Agencies

(h) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(i) A national government of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules of the Basel Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government.

Municipalities

(j) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(k) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (g) or (h), with total revenue or assets in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(l) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(m) A mutual fund or non-redeemable investment fund if each investor in the fund is a qualified party.

(n) A mutual fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

(o) A non-redeemable investment fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(p) A person or company registered under the Act or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(q) A person or company registered under the Act as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Futures Commission Merchants

(r) A person or company registered under the CFA as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

Charities

(s) A registered charity under the *Income Tax Act* (Canada) with assets not used directly in charitable activities or administration, as shown on its last audited balance sheet, of at least $5 million or its equivalent in another currency.

Affiliates

(t) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j), (n), (o), (s), (t) or (u).

(u) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(v) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(w) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(x) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another qualified party.

Qualified Party Not Acting as Principal

4. The following are qualified parties, in respect of all OTC derivative transactions:

Managed Accounts

(a) Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (s), (t), (u) or (w) of paragraph 3 or a broker or

investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation.

Subsequent Failure to Qualify

5. A party is a qualified party for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

2.3.5 New Millennium Technology Trust - ss. 74(1) & ss. 59(1)

Headnote

Subsection 74(l) - Exemption from sections 25 and 53 of the Act in connection with the writing of over-the-counter covered call options by the issuer, subject to certain conditions.

Section 59, Schedule I -Issuer exempt from section 28 of Schedule I to the Regulation in connection with the writing of over-the-counter covered call options.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R. R. O. 1990, Reg. 1015, as am., ss. 28 and 59 of Schedule I.

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

AND

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

AND

IN THE MATTER OF
NEW MILLENNIUM TECHNOLOGY TRUST

RULING AND EXEMPTION
(Subsection 74(1) of the Act and Subsection 59(1) of Schedule 1 of the Regulation)

UPON the application of Triax Investment Management Inc. ("TIMI"), as manager of New Millennium Technology Trust (the "Trust"), to the Ontario Securities Commission (the "Commission") for a ruling:

i) pursuant to subsection 74(l)of the Act that the writing of certain over-the-counter covered call options (the "OTC Options") by the Trust is not subject to sections 25 and 53 of the Act; and

(ii) pursuant to subsection 59(l) of Schedule 1 of the Regulation for an exemption from the fees required to be paid under section 28 of Schedule 1 of the Regulation in connection with the writing of certain OTC Options by the Trust;

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

AND UPON TIMI having represented to the Commission as follows:

1. The Trust is an investment trust that was established under the laws of the Province of Ontario pursuant to a trust agreement dated June 28, 1999 (the "Trust Agreement") entered into between TIMI as manager and Montreal Trust Company of Canada as trustee.

2. The Trust has been authorized to issue an unlimited number of transferable, redeemable trust units (the "Units")

3. The Trust is a reporting issuer under the Act having filed a prospectus (the "Prospectus") dated June 28, 1999 with the Commission and with the securities regulatory authority in each of the other provinces of Canada with respect to an offering of Units.

4. The Units are listed for trading on the Toronto Stock Exchange under the symbol NMT.UN.

5. By virtue of the redemption features attaching to the Units, the Trust is considered a "mutual fund" within the meaning of the Act and other applicable legislation.

6. TIMI is a corporation amalgamated under the laws of the Province of Ontario on January 1, 2001. TIMI acts as manager of the Trust pursuant to the Trust Agreement.

7. TIMI acts as investment manager of the Trust pursuant to the Trust Agreement. Elijah Asset Management, LLC ("EAM"), located in San Francisco, California is currently responsible for execution of the investment strategy of the Active Portfolio (as defined below) as sub-advisor to TIMI. On May 25, 2001, TIMI announced that on or about June 1, 2001, TIMI will assume the responsibilities for the Active Portfolio (as defined below) previously fulfilled by EAM.

8. TIMI is registered under the Act in the categories of investment counsel and portfolio manager.

9. The Trust's investment objective is to achieve superior total returns through active management of a diversified portfolio of equity securities issued primarily by leading U.S. based information technology companies with a market capitalization in excess of U.S. $1.0 billion and listed on a major North American stock exchange or quoted on the NASDAQ National Market.

10. The Trust expects to provide returns to holders of Units ("Holders") through (a) appreciation in the value of the portfolio and (b) quarterly distributions.

11. In order to achieve returns for Holders, the Trust will invest the net proceeds of the sale of Units principally in equity securities of issuers selected from companies which are engaged in the information technology sector, including, but not limited to, the following sub-sectors: computer hardware, computer software, telecommunication equipment and services, Internet commerce and services and semiconductor and related equipment manufacturers.

12. In order to reduce the overall volatility of returns on its portfolio, the Trust will write covered call options on the portfolio securities which will account for approximately 25% of the Trust's Net Asset Value (as defined in the Prospectus). As call options will be written in respect of securities held by the Trust and the investment restrictions of the Trust prohibit the sale of common shares subject to an outstanding option, the call options will be covered at all times.

13. The purchasers of OTC Options written by the Trust will generally be major Canadian financial institutions and all purchasers of OTC Options will be persons or entities described in Schedule 1 to this ruling.

14. The writing of OTC Options by the Trust will not be used as a means for the Trust to raise new capital.

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(l)of the Act, that the writing of OTC Options by the Trust, as contemplated by paragraph 14 of this ruling, shall not be subject to sections 25 and 53 of the Act provided that:

(a) the portfolio adviser advising the Trust with respect to such activities is registered as an adviser under the Act and meets the proficiency requirements in Ontario for advising with respect to options; and

(b) each purchaser of an OTC Option written by the Trust is a person or entity described in Schedule 1 to this ruling;

AND PURSUANT to section 59 of Schedule 1 to the Regulation the Trust is hereby exempted from the fees which would otherwise be payable pursuant to Section 28 of Schedule 1 to the Regulation in connection with any OTC Options written by the Trust in reliance on the above ruling.

June 8, 2001.

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

SCHEDULE 1

QUALIFIED PARTIES

Interpretation

1. The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of paragraph 3 of this Schedule have the same meaning as they have in the *Business Corporations Act* (Ontario).

2. All requirements contained in this Schedule that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Qualified Parties Acting as Principal

3. The following are qualified parties for all OTC derivatives transactions, if acting as principal:

Banks

(a) A bank listed in Schedule I, II or III to the *Bank Act* (Canada).

(b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(c) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(d) A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust* and *Loan Companies Act* (Canada), or under comparable legislation in any other province or territory of Canada.

(e) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(f) An insurance company licensed to do business in Canada or a province or territory of Canada.

(g) An insurance company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(h) A person or company that, together with its affiliates,

(i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

(A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount: and

(B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous 15-month period.

Individuals

(i) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding the value of his or her principal residence.

Governments/Agencies

(j) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(k) A national government of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules of the Basel Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government.

Municipalities

(l) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(m) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (g) or (h), with total revenue or assets in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(n) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(o) A mutual fund or non-redeemable investment fund if each investor in the fund is a qualified party.

(p) A mutual fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

(q) A non-redeemable investment fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(r) A person or company registered under the Act or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(s) A person or company registered under the Act as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Futures Commission Merchants

(t) A person or company registered under the CFA as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

Charities

(u) A registered charity under the *Income Tax Act* (Canada) with assets not used directly in charitable activities or administration, as shown on its last audited balance sheet, of at least $5 million or its equivalent in another currency.

Affiliates

(v) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j), (n), (o), (s), (t) or (u).

(w) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(x) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(y) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(z) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another qualified party.

Qualified Party Not Acting as Principal

4. The following are qualified parties, in respect of all OTC derivative transactions:

Managed Accounts

(a) Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (s), (t), (u) or (w) of paragraph 3 or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation.

Subsequent Failure to Qualify

5. A party is a qualified party for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

2.3.6 Triax CaRTS Technology Trust - ss. 74(1) & ss. 59(1)

Headnote

Subsection 74(l) - Exemption from sections 25 and 53 of the Act in connection with the writing of over-the-counter covered call options and cash covered put options by the issuer, subject to certain conditions.

Section 59, Schedule I -Issuer exempt from section 28 of Schedule I to the Regulation in connection with the writing of over-the-counter covered call options and cash covered put options.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R. R. O. 1990, Reg. 1015, as am., ss. 28 and 59 of Schedule I.

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

AND

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

AND

IN THE MATTER OF
TRIAX CaRTS TECHNOLOGY TRUST

RULING AND EXEMPTION
(Subsection 74(1) of the Act and Subsection 59(1) of Schedule 1 of the Regulation)

UPON the application of Triax Investment Management Inc. ("TIMI"), as manager of Triax CaRTS Technology Trust (the "Trust"), to the Ontario Securities Commission (the "Commission") for a ruling:

(i) pursuant to subsection 74(l)of the Act that the writing of certain over-the-counter covered call options and cash covered put options (collectively, the "OTC Options") by the Trust is not subject to sections 25 and 53 of the Act; and

(ii) pursuant to subsection 59(l) of Schedule 1 of the Regulation for an exemption from the fees required to be paid under section 28 of Schedule 1 of the Regulation in connection with the writing of certain OTC Options by the Trust;

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

AND UPON TIMI having represented to the Commission as follows:

1. The Trust is an investment trust that was established under the laws of the Province of Ontario pursuant to a trust agreement dated October 30, 2000 (the "Trust Agreement") entered into between TIMI, in its capacity as manager, and in its capacity as trustee of the Trust.

2. The Trust has been authorized to issue an unlimited number of transferable, redeemable trust units (the "Units" or "CaRTS").

3. The Trust is a reporting issuer under the Act having filed a prospectus (the "Prospectus") dated October 30, 2000 with the Commission and with the securities regulatory authority in each of the other provinces of Canada with respect to an offering of Units.

4. The Units are listed for trading on the Toronto Stock Exchange under the symbol TXR.UN.

5. By virtue of the redemption features attaching to the Units, the Trust is considered a "mutual fund" within the meaning of the Act and other applicable legislation.

6. TIMI is a corporation amalgamated under the laws of the Province of Ontario on January 1, 2001. TIMI acts as manager of the Trust pursuant to the Trust Agreement.

7. TIMI is registered under the Act in the categories of investment counsel and portfolio manager.

8. The Trust's investment objectives are:

   (i) Distributions: to provide holders of CaRTS ("Holders") with a stable stream of quarterly distributions of at least $0.5781 per CaRTS ($2.3125 per annum to yield 9.25% on the subscription price of $25.00 per CaRTS);

   (ii) Capital Repayment: to pay to Holders, on or about June 30, 2011 (the "Termination Date"), an amount per CaRTS equal to the subscription price ($25.00 per CaRTS) paid for CaRTS offered hereby (the "Original Investment Amount"); and

   (iii) Capital Appreciation: to pay to Holders on the Termination Date, in addition to the Original Investment Amount, at least $10.00, being the approximate initial value per CaRTS of the Active Portfolio (as defined below).

9. To achieve the capital repayment objective, the Trust entered into a forward purchase and sale agreement dated November 10, 2000 (the "Forward Agreement") with TD Global Finance ("TDGF"), a member of the TD Bank Financial Group, pursuant to which TDGF has agreed to pay to the Trust the Original Investment Amount per CaRTS outstanding on the Termination Date in exchange for the Trust agreeing to deliver to TDGF equity securities which the Trust acquired with approximately 52% of the gross proceeds of the

Offering (the "Capital Portfolio"). The obligations of TDGF pursuant to the Forward Agreement are guaranteed by The Toronto-Dominion Bank.

10. In order to achieve the Trust's distribution and capital appreciation objectives, the balance of the net proceeds of the Offering were invested in a diversified portfolio (the "Active Portfolio") consisting principally of equity securities issued primarily by leading U.S. and Canadian based technology companies with a market capitalization in excess of U.S.$1 billion and listed on a major North American stock exchange or quoted on the Nasdaq National Market® (the "Active Portfolio Universe").

11. To generate additional returns above the dividend income generated by the Active Portfolio, the Trust will, from time to time, write covered call options in respect of all or part of the equity securities in such portfolio. As call options will be written only in respect of equity securities that are in the Active Portfolio and the investment criteria of the Trust will prohibit the sale of equity securities subject to an outstanding option, the call options will be covered at all times.

12. The Trust may, from time to time, hold a portion of its assets in Cash Equivalents (as that term is defined in the Prospectus). The Trust may utilize such Cash Equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash covered put options will only be written in respect of securities in which the Trust is permitted to invest.

13. The purchasers of OTC Options written by the Trust will generally be major Canadian financial institutions and all purchasers of OTC Options will be persons or entities described in Schedule 1 to this ruling.

14. The writing of OTC Options by the Trust will not be used as a means for the Trust to raise new capital.

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(l)of the Act, that the writing of OTC Options by the Trust, as contemplated by paragraphs 11 and 12 of this ruling, shall not be subject to sections 25 and 53 of the Act provided that:

(a) the portfolio adviser advising the Trust with respect to such activities is registered as an adviser under the Act and meets the proficiency requirements in Ontario for advising with respect to options; and

(b) each purchaser of an OTC Option written by the Trust is a person or entity described in Schedule 1 to this ruling;

AND PURSUANT to section 59 of Schedule 1 to the Regulation the Trust is hereby exempted from the fees which would otherwise be payable pursuant to Section 28 of Schedule 1 to the Regulation in connection with any OTC Options written by the Trust in reliance on the above ruling.

June 8, 2001.

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

SCHEDULE 1

QUALIFIED PARTIES

Interpretation

1. The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of paragraph 3 of this Schedule have the same meaning as they have in the *Business Corporations Act* (Ontario).

2. All requirements contained in this Schedule that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Qualified Parties Acting as Principal

3. The following are qualified parties for all OTC derivatives transactions, if acting as principal:

Banks

(a) A bank listed in Schedule I, II or III to the *Bank Act* (Canada).

(b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(d) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(e) A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust* and *Loan Companies Act* (Canada), or under comparable legislation in any other province or territory of Canada.

(f) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(g) An insurance company licensed to do business in Canada or a province or territory of Canada.

(h) An insurance company subject to the regulatory regime of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules set out in the Basel Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(i) A person or company that, together with its affiliates,

(i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

(A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount: and

(B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous l5-month period.

Individuals

(j) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding the value of his or her principal residence.

Governments/Agencies

(k) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(l) A national government of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules of the Basel Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government.

Municipalities

(m) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(n) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (g) or (h), with total revenue or assets in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(o) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(p) A mutual fund or non-redeemable investment fund if each investor in the fund is a qualified party.

(q) A mutual fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

(r) A non-redeemable investment fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(s) A person or company registered under the Act or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(t) A person or company registered under the Act as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Futures Commission Merchants

(u) A person or company registered under the CFA as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

Charities

(v) A registered charity under the *Income Tax Act* (Canada) with assets not used directly in charitable activities or administration, as shown on its last audited balance sheet, of at least $5 million or its equivalent in another currency.

Affiliates

(w) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j), (n), (o), (s), (t) or (u).

(x) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(y) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(z) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(za) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another qualified party.

Qualified Party Not Acting as Principal

4. The following are qualified parties, in respect of all OTC derivative transactions:

Managed Accounts

(a) Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (s), (t), (u) or (w) of paragraph 3 or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation.

Subsequent Failure to Qualify

5. A party is a qualified party for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Decision

3.1.1 Committee for Equal Treatment of Asbestos Minority Shareholders v. OSC

COMMITTEE FOR EQUAL TREATMENT OF ASBESTOS MINORITY SHAREHOLDERS V. ONTARIO (SECURITIES COMMISSION)

APPELLANT

Committee for the Equal Treatment of Asbestos Minority Shareholders

v.

RESPONDENTS

Her Majesty in Right of Quebec, Ontario Securities Commission and Société nationale de l'amiante

Indexed as: Committee for Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)
Neutral citation: 2001 SCC 37. File No.: 27252.
2000: December 15; 2001: June 7.

PRESENT: McLachlin C.J. and L'Heureux-Dubé, Gonthier, Iacobucci, Major, Bastarache and Arbour JJ.

ON APPEAL FROM THE COURT OF APPEAL FOR ONTARIO

Securities -- Ontario Securities Commission -- Public interest jurisdiction -- Nature and scope of Commission's public interest jurisdiction to intervene in activities related to Ontario capital markets -- Whether Commission's decision not to exercise its public interest jurisdiction in this case reasonable -- Securities Act, R.S.O. 1990, c. S.5, s. 127(1), para. 3.

Administrative law -- Judicial review -- Securities commissions -- Standard of review -- Standard of review for Ontario Securities Commission's decisions involving application of its public interest jurisdiction.

In 1977, the Quebec Government decided to take control of Asbestos Corp., a leading asbestos producer in the province. The common shares of Asbestos traded on the Toronto Stock Exchange and the Montreal Stock Exchange. Approximately 30 percent of the Asbestos common shares were held by minority shareholders resident in Ontario while DG Canada, a subsidiary of an American company, held the controlling interest. As a vehicle to take control of Asbestos, Quebec incorporated the Société nationale de l'amiante (SNA), a Crown corporation wholly owned by the province. In 1981, Quebec reached an agreement with the American company pursuant to which SNA would acquire voting control of GD Canada and, therefore, indirect control of Asbestos. Despite statements made in previous years by the Quebec Minister of Finance suggesting the prospect of a follow-up offer to the minority shareholders of Asbestos, Quebec announced that it did not intend to make such an offer. In response to that announcement, the shares of Asbestos fell to a four-year low. Five years later, SNA purchased the remaining common shares of GD Canada. The appellant sought redress pursuant to s. 127 of the Ontario Securities Act (then s. 124), specifically for an order removing Quebec's and SNA's trading exemptions. The OSC determined that the transaction was not a take-over bid and this finding was not appealed. Even though the OSC found that the actions of the Quebec Government and SNA were abusive of the minority shareholders of Asbestos and were manifestly unfair to them, the OSC declined to exercise its public interest jurisdiction under s. 127(1), para. 3, and take away Quebec's trading exemption in the Ontario capital markets. The Divisional Court set aside the decision, holding that the OSC had erred by imposing two jurisdictional prerequisites to its s. 127(1), para. 3 jurisdiction: a "transactional connection" with Ontario and a conscious motive to avoid the takeover laws in Ontario. The Court of Appeal reinstated the OSC's decision.

Held: The appeal should be dismissed.

Pursuant to s. 127(1) of the Securities Act, the OSC has the jurisdiction and a broad discretion to intervene in Ontario capital markets if it is in the public interest to do so. The permissive language of s. 127(1) expresses an intent to leave it to the OSC to determine whether and how to intervene in a particular case. However, the discretion to act in the public interest is not unlimited. In exercising its discretion, the OSC should consider the protection of investors and the efficiency of, and public confidence in, capital markets generally. In addition, s. 127(1) is a regulatory provision. The sanctions under the section are preventive in nature and prospective in orientation. Therefore, s. 127 cannot be used in response to Securities Act misconduct alleged to have caused harm or damages to private parties or individuals.

The standard of review applicable in this case is one of reasonableness. The OSC is a specialized tribunal with a wide discretion to intervene in the public interest and the protection of the public interest is a matter falling within the core of the OSC's expertise. Therefore, although there is no privative clause shielding the decisions of the OSC from review by the courts, taking into consideration that body's relative expertise in the regulation of the capital markets, the purpose of the Act as a whole and s. 127(1) in particular, and the nature of the problem before the OSC, those factors all militate in favour of a high degree of curial deference. However, as there is a statutory right of appeal from the decision of the OSC to the courts, when this factor is considered with all the other factors, an intermediate standard of review is indicated.

The OSC did not commit a reviewable error. First, the OSC did exercise the discretion that is incidental to its public interest jurisdiction. The OSC did not consider a transactional connection with Ontario and an intention to avoid Ontario law to be jurisdictional barriers or pre-conditions to an order under s. 127(1), para. 3 of the Act. The OSC properly rejected the argument that its public interest jurisdiction was subject to an implicit precondition. In analyzing the appellant's application for a remedy under s. 127(1), para. 3, the OSC identified and considered several factors relevant to the exercise of its discretion under that provision. The transactional connection with Ontario and the motive behind the structure of the transaction were two of several factors considered.

Second, the OSC's decision not to grant a remedy to the aggrieved minority shareholders through the exercise of its jurisdiction to act in the public interest was reasonable. The OSC's decision was informed by the legitimate and relevant considerations inherent in s.127(1) and in the OSC's previous jurisprudence on public interest jurisdiction. These considerations include: (i) the seriousness and severity of the sanction applied for; (ii) the effect of imposing such a sanction on the efficiency of, and public confidence in, Ontario capital markets; (iii) a reluctance to use the open-ended nature of the public interest jurisdiction to police out-of-province activities; and (iv) a recognition that s. 127 powers are preventative in nature, not remedial. The OSC's findings of fact that the transaction in this case was not intentionally structured to avoid Ontario law and that the capital markets in general, and the minority shareholders of Asbestos in particular, were not materially misled by the statements of Quebec's Minister of Finance respecting the prospect of a follow-up offer were reasonable and supported by the evidence.

Cases Cited

Referred to: Re Canadian Tire Corp. (1987), 10 O.S.C.B. 857, aff'd (1987), 59 O.R. (2d) 79; leave to appeal to C.A. denied (1987), 35 B.L.R. xx; Re H.E.R.O. Industries Ltd. (1990), 13 O.S.C.B. 3775; Pezim v. British Columbia (Superintendent of Brokers), [1994] 2 S.C.R. 557; Canada (Director of Investigation and Research) v. Southam Inc., [1997] 1 S.C.R. 748; R. v. Wholesale Travel Group Inc., [1991] 3 S.C.R. 154; Re Albino (1991), 14 O.S.C.B. 365; Re Mithras Management Ltd. (1990), 13 O.S.C.B. 1600; U.E.S., Local 298 v. Bibeault, [1988] 2 S.C.R. 1048; Pushpanathan v. Canada (Minister of Citizenship and Immigration), [1998] 1 S.C.R. 982; Trinity Western University v. British Columbia College of Teachers, 2001 SCC 31; Re Atco Ltd. (1980), 15 O.S.C.B. 412; Re Electra Investments (Canada) Ltd. (1983), 6 O.S.C.B. 417; Re Turbo Resources Ltd. (1982), 4 O.S.C.B. 403C; Re Genstar Corp. (1982), 4 O.S.C.B. 326C; Global Securities Corp. v. British Columbia (Securities Commission), [2000] 1 S.C.R. 494, 2000 SCC 21.

Statutes and Regulations Cited

Securities Act, R.S.O. 1980, c. 466, s. 124(1).

Securities Act, R.S.O. 1990, c. S.5, ss. 1.1 [ad. 1994, c. 33, s. 2], 2.1, para.5 [idem], 122 [rep. & sub. 1994, c. 11, s. 373], 127 [idem, s. 375], 128 [idem], Part XXIII.

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APPEAL from a judgment of the Ontario Court of Appeal (1999), 43 O.R. (3d) 257, 169 D.L.R. (4th) 612, 117 O.A.C. 224, [1999] O.J. No. 388 (QL), setting aside a decision of the Divisional Court (1997), 33 O.R. (3d) 651, 146 D.L.R. (4th) 721, 100 O.A.C. 46, 46 Admin. L.R. (2d) 128, 34 B.L.R. (2d) 103, 13 C.C.L.S. 50, [1997] O.J. No. 1872 (QL). Appeal dismissed.

David W. Scott, Q.C., Barry H. Bresner and Ira Nishisato, for the appellant.

Sheila R. Block, James C. Tory, Michel Jolin and Claude G. Rioux, for the respondent Her Majesty in Right of Quebec.

Glenn F. Leslie and Matthew J. Halpin, for the respondent Société nationale de l'amiante.

Tim Moseley, for the respondent Ontario Securities Commission.

Solicitors for the appellant: Borden Ladner Gervais, Ottawa.

Solicitors for the respondent Her Majesty in Right of Quebec: Torys, Toronto.

Solicitors for the respondent Société nationale de l'amiante: Blake, Cassels & Graydon, Toronto.

Solicitor for the respondent Ontario Securities Commission: The Ontario Securities Commission, Toronto.

CITATION

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IACOBUCCI J. --

1. This appeal arises out of a series of transactions in the course of which Société nationale de l'amiante ("SNA"), a crown corporation wholly owned by Her Majesty in right of Quebec (the "Quebec Government" or "Quebec"), acquired effective control of the federally incorporated, Asbestos Corporation Limited ("Asbestos"). The acquisition of control of Asbestos by SNA was achieved without a follow-up offer to the minority shareholders of Asbestos. Subsequent to SNA taking control, the market value of Asbestos shares fell. A group of the minority shareholders of Asbestos formed an unincorporated association to represent the

interests of all the minority shareholders. That association, called the Committee for the Equal Treatment of Asbestos Minority Shareholders, sought redress pursuant to s. 127 of the Ontario Securities Act, R.S.O. 1990, c. S.5, (the "Act") (formerly R.S.O. 1980, c. 466, s. 124). Specifically, the association sought an order under s. 127(1), para. 3 removing the trading exemptions of SNA and/or the Province of Quebec.

2 The basic question raised by this appeal is whether the Court should intervene in the refusal of the Ontario Securities Commission ("OSC") to grant a remedy to the aggrieved minority shareholders through the exercise of its jurisdiction to act in the public interest under s. 127(1) of the Act.

I. FACTS

3. There do not appear to be any substantive factual issues in dispute on this appeal. A comprehensive review of the background to this case, the agreed upon facts, the details of the transactions at issue, and the other evidence before the OSC is available in the reasons of the Commission in Re Asbestos Corp. (1994), 17 O.S.C.B. 3537. The following is intended to be a synopsis only of the salient factual matters in this appeal.

4. In the fall of 1977, the province of Quebec was the largest asbestos producer in the Western world, accounting for perhaps 29 percent of annual world asbestos production. However, it had virtually no secondary asbestos industry in that approximately 95 percent of the raw product was shipped elsewhere for manufacture.

5. During that same time period, Quebec's newly elected Parti Québecois Government pursued a policy of creating an asbestos manufacturing industry in Quebec to complement the asbestos mining industry. To accomplish its objective, the Quebec Government decided to take control of Asbestos, a leading asbestos producer in the province.

6. The common shares of Asbestos traded on the Toronto Stock Exchange and the Montreal Stock Exchange. Approximately 30 percent of the Asbestos common shares were held by minority shareholders resident in Ontario. General Dynamics Corporation (Canada) Limited ("GD Canada") held the controlling interest of 54.6 percent of the common shares of Asbestos. However, ultimate control of Asbestos resided in GD Canada's parent company, General Dynamics Corporation ("GD U.S."), a Delaware corporation with its head office in Missouri. GD Canada was a wholly owned subsidiary of GD U.S.

7. On October 22, 1977, Premier Lévesque announced the Quebec Government's intention to take control of Asbestos. He was quoted in the press as saying that other shareholders would be "uncomfortable" if they were minority shareholders while the Government held control as the Quebec Government must take positions and achieve objectives that are not always those of ordinary shareholders. At the same time, the press quoted Quebec's Finance Minister, Mr. Parizeau, as saying, "we will in any case make a bid for all public shares"; and that a public offer for Asbestos Corp. shares would be at "an equivalent price" to that paid for the General Dynamics block.

8. In May 1978, Quebec incorporated the SNA as a vehicle to take control of Asbestos. All of SNA's shares were allotted to Quebec's Minister of Finance.

9. In September 1979, SNA made its first bid to acquire control of Asbestos. SNA offered to purchase all of GD Canada's shares in Asbestos for $42 per share. The offer stated that once it acquired the shares held by GD Canada, the Quebec Government would offer to purchase the remaining Asbestos shares at the same price. This offer was rejected by GD U.S., as parent of GD Canada. Their valuation came in at $99 per share. The difference in share price arose from the parties' projections for the future asbestos market.

10. In June 1979, SNA's incorporating statute was amended to permit Quebec to expropriate the assets of Asbestos. However, in the debates concerning this amendment, both Premier Lévesque and Finance Minister Parizeau emphasized their preference to acquire control of Asbestos by agreement with GD U.S. and their intention to expropriate only if negotiations failed.

11. Negotiations ceased while Asbestos challenged the constitutionality of the legislation permitting Quebec to expropriate its assets. In the spring of 1981, the Quebec Court of Appeal rejected the constitutional challenge ([1981] C.A. 43, aff'g [1980] C.S. 331) and this Court denied leave to appeal, [1981] 1 S.C.R. v. Quebec then imposed a November 30, 1981 deadline for a negotiated agreement with GD U.S., failing which it would expropriate.

12. On November 9, 1981, Quebec and GD U.S. reached an agreement pursuant to which SNA would acquire voting control of GD Canada and, therefore, indirect control of Asbestos. Under that agreement, SNA acquired control over GD Canada, however, SNA's payment for GD Canada was deferred through the operation of a "put and call" agreement. This form of the transaction was designed to benefit the tax position of GD U.S., and to provide GD U.S. with a means to acquire the benefits of any subsequent improvement in the asbestos market.

13. The 1981 transaction differed materially from the offer rejected by GD U.S. in 1979. Under the 1981 transaction, SNA purchased GD Canada shares rather than Asbestos shares as it would have under the 1979 offer. Furthermore, the 1981 transaction was not accompanied by an undertaking to the minority shareholders of Asbestos to purchase their shares. On November 11, 1981, two days after the agreement was reached, Quebec announced that it did not intend to make a follow-up offer to the minority shareholders. Instead, the Finance Minister said in a press release, [translation] "it will be up to GD Canada to evaluate over the course of years the advantage of increasing

eventually its interest in [Asbestos Corp.]." In response to that statement, the shares of Asbestos fell to a four-year low. Six days later the Finance Minister was quoted by the press as saying: "[b]ut at the present time, I'm not buying the shares of General Dynamics . . . [b]ut if I force them out . . . then obviously I should do something with the minority shareholders."

14. On February 12, 1982 the agreement among Quebec, SNA, and GD U.S. was formalized. GD Canada's name was changed to Mines SNA Inc. and its registered office was moved from Ottawa, Ontario to Thetford Mines, Quebec. In November 1986, GD U.S. exercised its put option; and on December 9, 1986, SNA purchased the remaining common shares of GD Canada held by GD U.S. No follow-up offer was ever made to the minority shareholders of Asbestos.

15. In April 1988, the OSC issued a notice of hearing to determine two questions: (i) whether the transaction amounted to a take-over bid in Ontario, requiring SNA to make a follow-up offer to the minority shareholders of Asbestos; and (ii) whether the OSC should exercise its public interest jurisdiction under s. 124(1) (now s. 127(1), para. 3) of the Securities Act and take away Quebec's trading exemptions in the Ontario capital markets.

16. In addition to the details of the negotiations and transaction, the evidence before the OSC included press reports of the statements made by members of the Quebec Government, noted above, as well as other articles quoting analysts as recommending caution and warning against the speculative nature of an investment in Asbestos. The OSC also examined the market performance of Asbestos shares during the relevant period in light of all of the information about Asbestos and the change of control transaction that was available to the market during the material times. The OSC also considered the testimony of witnesses called by the appellant. The OSC concluded that the statements made by members of the Quebec Government did not constitute a promise to make a follow-up offer, that the minority shareholders and market analysts were aware of the speculative nature of an investment in Asbestos, and that the market was not materially misled by Quebec or SNA.

II. DECISIONS BELOW

1. The 1988 Jurisdictional Proceedings

17. Immediately after the OSC issued the Notice of Hearing in this case, Quebec challenged the jurisdiction of the OSC to inquire into the transaction. In a decision dated August 15, 1988, a majority of the OSC held that it had jurisdiction to decide the issues raised in the notice of hearing: (1988), 11 O.S.C.B. 3419. A combined appeal and judicial review application brought by Quebec was dismissed by the Divisional Court. A further appeal was dismissed by the Court of Appeal: (1992), 10 O.R. (3d) 577, with leave to appeal to this Court denied, [1993] 2 S.C.R. x.

18. At the Court of Appeal, McKinlay J.A., writing for the court, held that the provisions of the Act raised in the notice of hearing were within the province's legislative competence and that it was neither fair nor reasonable to suggest only Ontario residents are subject to Ontario regulatory rules when operating in Ontario capital markets. She wrote, at p. 595:

> . . . I am of the view that territorial jurisdiction of the OSC under s. 124 does not depend solely upon the province or country in which relevant transactions may have taken place, but rather upon whether or not persons availing themselves of the benefits of trading in the Ontario capital markets act in a manner consistent with the provisions of the Act.

19 McKinlay J.A. also held the OSC's public interest jurisdiction was not "subject to an implicit precondition" (p. 592) that the conduct in question "must have a 'sufficient Ontario connection' (p. 593). She wrote at pp. 592-93:

> I have difficulty understanding the argument of the appellant that s. 124(1) must be interpreted as being subject to an implicit precondition that the conduct relied upon by the OSC as the basis for the exercise of its discretion must have a "sufficient Ontario connection". The Ontario connection required by the section is "the public interest". I construe "the public interest" in that provision as being not only the interest of residents of Ontario, but the interest of all persons making use of Ontario capital markets. The discretion being contemplated by the OSC is a discretion to withdraw special privileges given, in this case, to the government of another province. I see nothing in the Act, nor do I see any constitutional or policy reason why any limited interpretation should be placed on the clear wording of the section.

20 Following the Court of Appeal's decision, the OSC resumed its hearing into whether the transaction amounted to a take-over bid, or whether it should exercise its public interest jurisdiction to remove Quebec's trading exemptions.

2. Ontario Securities Commission (Vice Chair Geller, Commissioners Kitts and Carscallen concurring) (1994), 4 C.C.L.S. 233

21. The OSC considered two questions: (i) whether the transaction amounted to a take-over bid in Ontario, requiring SNA to make a follow-up offer to the minority shareholders of Asbestos; and (ii) whether the OSC should exercise its public interest jurisdiction under s. 124(1) (now s. 127(1), para. 3) of the Securities Act and take away Quebec's trading exemptions in the Ontario capital markets.

22. First, the OSC panel held that the transaction was not a take-over bid, nor a deemed take-over bid, under the Act. Thus, the transaction was not a breach of the Act and no follow-up offer was required under its express provisions or the regulations thereunder. This finding has not been appealed.

23. Next, the panel considered whether it should exercise its public interest jurisdiction: In doing so, the panel relied on its previous jurisprudence in Re Canadian Tire Corp. (1987), 10 O.S.C.B. 857, and Re H.E.R.O. Industries Ltd. (1990), 13 O.S.C.B. 3775. The panel noted that it does not need to find a breach of the Act or of the regulations thereunder in order to exercise its s. 127 jurisdiction. It emphasized, however, that it should be cautious in exercising its s. 127 jurisdiction, and should not use its open-ended nature to correct perceived abuses regardless of a connection with Ontario. Then, the panel went on to consider the following four factors: (i) whether the transaction had been designed to avoid the animating principles behind the legislation and the rules respecting take-over bids, (ii) whether the transaction was manifestly unfair to public minority shareholders, (iii) whether there was a sufficient nexus with Ontario to warrant the OSC's intervention, or whether the transaction was structured to make an Ontario transaction appear to be a non-Ontario one, and (iv) whether the transaction was abusive of the integrity of the capital markets in the province.

24. With regard to the first two factors, the panel held that both Quebec and GD U.S. had a moral obligation to the minority shareholders and that

> the actions of the Quebec Government and SNA failed to comply with the spirit underlying the take-over bid rules of the Act, were abusive of the minority shareholders of Asbestos and were manifestly unfair... (para. 71).

25. However, with respect to the third factor, the panel held that a sufficient Ontario nexus had not been established, and that the principal and, so far as the evidence went, the sole purpose for structuring the transaction in its final form was the minimization of taxes on the profit received by GD Canada and GD U.S.

26. Furthermore, the panel found that, although it would have been fairer if the Quebec Government had not equivocated about its plans regarding a follow-up offer, its equivocation did not result in the market being materially misled or investors purchasing shares on the "promise" that there would be a follow-up offer.

27. The OSC concluded that, although the minority shareholders of Asbestos were unfairly and badly dealt with by the Quebec Government, they are unable to look to the Act for a remedy (para. 90).

3. Ontario Divisional Court (Crane J., O'Driscoll J. concurring; Steele J. dissenting in part) (1997), 33 O.R. (3d) 651

28. The Divisional Court was unanimous in reversing the decision of the OSC. The Court held that the OSC had erred by imposing two jurisdictional prerequisites to its s. 127(1), para. 3 jurisdiction: a "transactional connection" with Ontario, and a conscious motive to avoid the takeover laws in Ontario and abuse minority shareholders. On the first jurisdictional error, the court further held that the OSC had erred in concluding that a sufficient Ontario nexus had not been established. On the second jurisdictional error, the court held that the OSC must look at the effect of the transaction, not the motivation of the parties.

29. Based on these findings, a majority of the Divisional Court directed the OSC to order the Quebec Government to make a follow-up offer to the minority shareholders within 90 days, failing which the OSC was to deny the Quebec Government all of the exemptions that allowed it to participate in the Ontario capital market. The OSC was also directed to order the Quebec Government to pay the appellant's costs of the 1994 proceedings before the OSC, as well as present costs at the Divisional Court and the future costs of appearances before the OSC on this matter, if any. Steele J. concurred with the majority's reasons but would have granted a different order. The substance of Steele J.'s order was the same as that of the majority, however Steele J. would have left the "mechanics and details" to be determined by the OSC. In other words, Steele J. would have remitted the matter to the OSC for a determination of the prescribed time period for the follow-up offer to be made, the exemptions to be disallowed, the interest rate to be applied, and the liability for future costs.

4. Court of Appeal for Ontario (Laskin J.A., Doherty and Rosenberg JJ.A. concurring) (1999), 43 O.R. (3d) 257

30. In comprehensive and lucid reasons written by Laskin J.A., the Court of Appeal for Ontario unanimously allowed the appeal and reinstated the OSC's decision. The Court of Appeal concluded that the Divisional Court made four main errors in that it:

(1) applied the wrong standard of review,

(2) mischaracterized what the OSC did,

(3) failed to appreciate that whether the acquisition of control of Asbestos had a sufficient "transactional connection" with Ontario, whether Quebec intended to avoid Ontario law and whether Quebec's public statements misled investors into believing a follow-up offer would be made, were relevant factors for the OSC to consider in exercising its discretion under s. 127(1)3, and

(4) misconceived the purpose of the OSC's public interest jurisdiction by treating it as remedial.

31. With respect to the first error noted above, the Court of Appeal was of the opinion that the Divisional Court had applied a standard of correctness without first addressing the necessary issue of appropriate standard of review: The Court of Appeal then applied Pezim v. British Columbia (Superintendent of Brokers), [1994] 2 S.C.R. 557, and Canada (Director of Investigation and Research) v. Southam Inc., [1997] 1 S.C.R. 748, and concluded that the appropriate standard of review in this case was "reasonableness".

32. With respect to the second and third errors, in interpreting the reasons of the OSC in this case, Laskin J.A. was of the view that the OSC did not decide it could not make an order under s. 127, rather it decided it would not do so. In his view, the OSC treated the transactional connection to Ontario and the intention to avoid Ontario law as factors relevant to the exercise of its discretion, not as conditions precedent (at p. 273):

> ... the Commission did not set up any jurisdictional preconditions to the exercise of its discretion. Instead, it took into account and indeed gave prominence to factors that were relevant to the exercise of its discretion. It weighed those factors and made findings of fact on them that were reasonably supported by the evidence. Finally, it properly considered whether the abusive and unfair conduct that it found to have been established warranted an order under s. 127(1)3 of the Act, removing Quebéc's trading exemptions. In refusing to make such an order, I am not persuaded that the Commission exercised its discretion unreasonably or, to use the familiar language of review of discretionary orders, committed an error in principle, or acted capriciously, arbitrarily or unjustly.

33. Further, Laskin J.A. held that the Divisional Court erred in considering only the effect of the transaction. He stated that this was relevant and was considered by the panel, but it acted reasonably in considering other factors as well. Laskin J.A. was also of the view that it was relevant to consider the motivation of the Quebec Government, and that the panel's findings in this regard were reasonable.

34. Laskin J.A. held that the panel's finding that there was not a sufficient Ontario connection was reasonably supported by the evidence and therefore not reviewable. Laskin J.A. rejected the appellant's alternative argument that the panel had erred in giving the connection to Ontario and the intention to avoid Ontario law too much weight. According to Laskin J.A., the panel acted reasonably in emphasizing these factors.

35. Laskin J.A. also held that the panel's conclusions that the public was not misled and could not have reasonably relied on the statements of Quebec's Minister of Finance were reasonably supported by the record and therefore not reviewable. Furthermore, Laskin J.A. held that the panel had to consider the potential for future harm to the integrity of Ontario's capital markets and the likelihood that Quebec's unfair treatment of investors would be repeated.

36. With respect to the fourth error noted by the Court of Appeal, Laskin J.A. held that the Divisional Court erred by focussing only on investor abuse and viewing s. 127(1), para. 3 as remedial. It was the opinion of the court that s. 127(1), para. 3 is not remedial (at p. 272):

> The purpose of the Commission's public interest jurisdiction is neither remedial nor punitive; it is protective and preventive, intended to be exercised to prevent likely future harm to Ontario's capital markets. The past conduct of offending market participants is relevant but only to assessing whether their future conduct is likely to harm the integrity of the capital markets.

37. Finally, Laskin J.A. commented on the Divisional Court order. He held that the Divisional Court had no jurisdiction to make the order in respect of future costs. However, he was of the view that the court did have the jurisdiction to include the other aspects of the order but held that it ought not to have. Rather, it should have remitted the matter back to the OSC to determine what order should be made.

III. ISSUES ON APPEAL

38. There are three main issues in this appeal:

1. What is the nature and scope of s. 127 jurisdiction to intervene in the public interest?
2. What is the appropriate standard of review?
3. Did the OSC make a reviewable error?

IV. ANALYSIS

1. What is the Nature and Scope of section 127 Jurisdiction to Intervene in the Public Interest?

39. Section 127(1) of the Act provides the OSC with the jurisdiction to intervene in activities related to the Ontario capital markets when it is in the public interest to do so. The legislature clearly intended that the OSC have a very wide discretion in such matters. The permissive language of s. 127(1) expresses an intent to leave it for the OSC to determine whether and how to intervene in a particular case:

> 127. (1) The Commission may make one or more of the following orders if in its opinion it is in the public interest to make the order or orders:
>
> [...]
>
> (Emphasis added)

40. The breadth of the OSC's discretion to act in the public interest is also evident in the range and potential seriousness of the sanctions it can impose under s. 127(1). Furthermore, pursuant to s. 127(2), the OSC has an unrestricted discretion to attach terms and conditions to any order made under s. 127(1):

> (2) An order under this section may be subject to such terms and conditions as the Commission may impose.

41. However, the public interest jurisdiction of the OSC is not unlimited. Its precise nature and scope should be assessed by considering s. 127 in context. Two aspects of the public interest jurisdiction are of particular importance in this regard. First, it is important to keep in mind that the OSC's public interest jurisdiction is animated in part by both of the purposes of the Act described in s. 1.1, namely "to provide protection to investors from unfair, improper or fraudulent practices" and "to foster fair and efficient capital markets and

confidence in capital markets". Therefore, in considering an order in the public interest, it is an error to focus only on the fair treatment of investors. The effect of an intervention in the public interest on capital market efficiencies and public confidence in the capital markets should also be considered.

42. Second, it is important to recognize that s. 127 is a regulatory provision. In this regard, I agree with Laskin J.A. that "[t]he purpose of the Commission's public interest jurisdiction is neither remedial nor punitive; it is protective and preventive, intended to be exercised to prevent likely future harm to Ontario's capital markets" (p. 272). This interpretation of s. 127 powers is consistent with the previous jurisprudence of the OSC in cases such as Re Canadian Tire Corp., supra, aff'd (1987), 59 O.R. (2d) 79 (Div. Ct.); leave to appeal to C.A. denied (1987), 35 B.L.R. xx, in which it was held that no breach of the Act is required to trigger s. 127. It is also consistent with the objective of regulatory legislation in general. The focus of regulatory law is on the protection of societal interests, not punishment of an individual's moral faults: see R. v. Wholesale Travel Group Inc., [1991] 3 S.C.R. 154, at p. 219.

43. Furthermore, the above interpretation is consistent with the scheme of enforcement in the Act. The enforcement techniques in the Act span a broad spectrum from purely regulatory or administrative sanctions to serious criminal penalties. The administrative sanctions are the most frequently used sanctions and are grouped together in s. 127 as "Orders in the public interest". Such orders are not punitive: Re Albino (1991), 14 O.S.C.B. 365. Rather, the purpose of an order under s. 127 is to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets. The role of the OSC under s. 127 is to protect the public interest by removing from the capital markets those whose past conduct is so abusive as to warrant apprehension of future conduct detrimental to the integrity of the capital markets: Re Mithras Management Ltd. (1990), 13 O.S.C.B. 1600. In contradistinction, it is for the courts to punish or remedy past conduct under ss. 122 and 128 of the Act respectively: see D. Johnston and K. Doyle Rockwell, Canadian Securities Regulation (2nd ed. 1998), at pp. 209-11.

44. More specifically, s. 122 makes it an offence to contravene the Act and, though the OSC's consent is required before a proceeding under s. 122 can commence, the provision authorizes the courts to impose fines and terms of imprisonment. Under s. 128, the OSC may apply to the Ontario Court (General Division) for a declaratory order. In making such an order, the courts may resort to a wide range of remedial powers detailed in that section, including an order for compensation or restitution which would be aimed at providing a remedy for harm suffered by private parties or individuals. In addition, further remedial powers are available under Part XXIII of the Act which deals with civil liability for misrepresentation and tipping and creates rights of action for rescission and damages.

45. In summary, pursuant to s. 127(1), the OSC has the jurisdiction and a broad discretion to intervene in Ontario capital markets if it is in the public interest to do so. However, the discretion to act in the public interest is not unlimited. In exercising its discretion, the OSC should consider the protection of investors and the efficiency of, and public confidence in, capital markets generally. In addition, s. 127(1) is a regulatory provision. The sanctions under the section are preventive in nature and prospective in orientation. Therefore, s. 127 cannot be used merely to remedy Securities Act misconduct alleged to have caused harm or damages to private parties or individuals.

2. What Is the Appropriate Standard of Review?

46. A determination of the appropriate standard of review calls for the application of the "pragmatic and functional" approach first adopted by this Court in U.E.S., Local 298 v. Bibeault, [1988] 2 S.C.R. 1048. That approach was further developed by this Court in cases such as Pezim, supra, and Southam Inc., supra.

47. The recent jurisprudence of this Court on standards of review was summarized by Bastarache J. in Pushpanathan v. Canada (Minister of Citizenship and Immigration) [1998] 1 S.C.R. 982. The focus of the inquiry is on the particular provision being interpreted by the tribunal, and the central question is: was the question that the provision raises one that was intended by the legislators to be left to the exclusive decision of the administrative tribunal? There are four factors that are used to determine the appropriate degree of curial deference: (i) privative clauses; (ii) relative expertise of the tribunal; (iii) the purpose of the Act as a whole and the provision in particular; and (iv) the nature of the problem: a question of law or fact? None of the four factors is alone dispositive. Each factor indicates a point falling on a spectrum of the proper level of deference to be shown to the decision in question.

48. Most recently, in Trinity Western University v. British Columbia College of Teachers, 2001 SCC 31, at para. 17, it was emphasized that Pushpanathan did not modify the decisions of this Court in Pezim and Southam noted above. In fact, in my view, this Court's decision in Pezim is particularly applicable to the present appeal, since both cases concern the exercise of a provincial securities commission's discretion to determine what is in the public interest.

49. In this case, as in Pezim, it cannot be contested that the OSC is a specialized tribunal with a wide discretion to intervene in the public interest and that the protection of the public interest is a matter falling within the core of the OSC's expertise. Therefore, although there is no privative clause shielding the decisions of the OSC from review by the courts, that body's relative expertise in the regulation of the capital markets, the purpose of the Act as a whole and s. 127(1) in particular, and the nature of the problem before the OSC, all militate in favour of a high degree of curial deference. However, as there is a statutory right of appeal from the decision of the OSC to the courts, when this factor is considered with all the other factors, an intermediate standard of review is

indicated. Accordingly, the standard of review in this case is one of reasonableness.

3. Did the OSC Make a Reviewable Error?

(a) The Interpretation of the OSC Decision

50. The parties to this appeal offer two different interpretations of the OSC reasons for judgment. The proper interpretation depends on how one views the OSC's treatment of the issue of the transactional connection with Ontario and the motive for structuring the transaction as it was done in this case. The appellant argues that the OSC "adopted a transactional nexus as a jurisdictional precondition" and "imposed an alternative prerequisite" by requiring "proof of a conscious motive to evade regulation as a pre-condition to the exercise of its public interest jurisdiction." The appellant argues that by failing to consider other factors affecting an assessment of the public interest the OSC "failed or refused to carry out the mandate vested in it by the Legislature." In contrast, the respondents argue that the OSC considered the transactional connection as one of many factors relevant to the exercise of its discretion, and that it was appropriate for the OSC to consider motive as a factor in deciding whether it would exercise its public interest jurisdiction in this case.

51. I agree with Laskin J.A. that "the Commission did not set up any jurisdictional preconditions to the exercise of its discretion" (p. 273). In my view, the erection of such a jurisdictional barrier by the OSC is inconsistent with its having fought in the earlier proceedings for the recognition of its jurisdiction to hear this matter. Furthermore, in its reasons in the present case, the OSC clearly rejected the idea that the transactional connection factor could act as a jurisdictional barrier to the exercise of its public interest discretion. At para. 63, the OSC quoted the decision of McKinlay J.A. in the earlier proceedings rejecting a transactional connection with Ontario as an implied precondition to the exercise of its s. 127 jurisdiction. The OSC then continued, at para. 64:

...we regard this statement as a refusal to impose a "sufficient Ontario connection" as a jurisdictional requirement which must be satisfied in any clause 127(1)3 proceedings before the Commission's discretion arises, thus leaving it to the Commission to make the necessary discretionary determination unencumbered by any a priori requirement imposed by the court as a matter of interpretation of the statutory provision.

52. Moreover, at para. 68 of its reasons, rather than raising "transactional connection" as a jurisdictional barrier, the OSC identified the transactional connection with Ontario as one of several relevant factors to be considered in determining whether to exercise its public interest discretion, including, inter alia, the motive behind the structure of the transaction at issue:

Were the transactions before us "clearly abusive of investors and of the capital market," to quote Canadian Tire? Were they "clearly designed to avoid the animating principles behind [the take-over bid] legislation and rules," to quote the same decision? Were they "clearly abusive of the integrity of the capital markets, which have every right to expect that market participants ... will adhere to both the letter and the spirit of the rules that are intended to guarantee equal treatment of offerees in the course of a take-over bid, no matter by whom the bid is made" and is the result "manifestly unfair to the public minority shareholders ... who lose the opportunity to tender their shares ... at a substantial premium" to quote H.E.R.O.? And finally, does "the transaction in question [have] a sufficient Ontario connection or 'nexus' to warrant intervention to protect the integrity of the capital markets in the province", to quote that decision?

53. Although in its reasoning, the OSC placed significant weight on the transactional connection factor, it did not, as alleged by the appellant, stop the inquiry upon finding there was an insufficient transactional connection with Ontario. Furthermore, in this respect, it was appropriate for the OSC to consider, as a factor relevant to the determination of whether to exercise its public interest jurisdiction in this case, the presence or absence of a motivation to structure the transaction so as to make what was essentially an Ontario transaction appear to be a non-Ontario transaction. In effect, the OSC found that what could otherwise appear to be the absence of an Ontario connection might be overcome by a finding that a transaction was improperly and deliberately structured so as to give such an appearance.

54. The Court of Appeal correctly confirmed that it was appropriate for the OSC to consider motive as a factor in deciding whether it would exercise its public interest jurisdiction (at p. 277):

The Commission also reasonably considered whether Québec and SNA intended to avoid Ontario law as relevant to the exercise of its discretion under s. 127(1)3. As I have already said, the purpose of an order under that section is to protect the Ontario capital markets by removing a participant who, based on past misconduct, represents a continuing or future threat to the integrity of these markets. Therefore, the Commission could not focus only on the effect of the transaction. This transaction was lawful. The Commission had to consider whether the Québec Government deliberately attempted to avoid the requirements of the Act.

Therefore, Quebec's intention was relevant.

55. The OSC did not identify motive as a precondition to the exercise of its public interest jurisdiction. On the contrary, the OSC held that it could consider motive as a factor in deciding whether to exercise the jurisdiction that it clearly had. Indeed, the OSC saw motive as a factor that might prompt it to make an order that it may not otherwise have made. Rather than a limitation on jurisdiction, the OSC considered motive as enlarging the circumstances under which the public interest would warrant intervention.

56. In summary, I agree with Laskin J.A. that "[the OSC] did not consider a transactional connection and an

intention to avoid Ontario law to be, as the Divisional Court contended, jurisdictional barriers or pre-conditions to an order under s. 127(1)3 of the Act" (p. 277-78). The OSC clearly and properly rejected the argument that its public interest jurisdiction was subject to an implicit precondition. In analyzing the appellant's application for a remedy under s. 127(1), para. 3, the OSC proceeded by identifying and considering several factors relevant to the exercise of its discretion under that provision. The transactional connection with Ontario and the motive behind the structure of the transaction were two of several factors considered. I also agree with Laskin J.A. that the OSC "took into account and indeed gave prominence to factors that were relevant to the exercise of its discretion. It weighed those factors and made findings of fact on them ..." (p. 273). Therefore, properly interpreted, the OSC did not adopt any jurisdictional preconditions, but instead exercised the discretion that is incidental to its public interest jurisdiction.

(b) Was the OSC Decision Reasonable?

57. The OSC was cautious in the application of its public interest jurisdiction in this case. This approach was informed by the OSC's previous jurisprudence and by four legitimate considerations inherent in s. 127 itself: (i) the seriousness and severity of the sanction applied for, (ii) the effect of imposing such a sanction on the efficiency of, and public confidence in Ontario capital markets, (iii) a reluctance to use the open-ended nature of the public interest jurisdiction to police out of province activities, and (iv) a recognition that s. 127 powers are preventative in nature, not remedial.

58. As noted above, in reaching its decision in this case, the OSC relied on its previous jurisprudence in Canadian Tire, supra and H.E.R.O., supra, to identify the relevant factors to be considered. The OSC found that "the actions of the Quebec Government and SNA failed to comply with the spirit underlying the take-over bid rules of the Act..." (para. 71). However, the OSC did not, on the evidence, conclude that the transaction in this case was intentionally structured to avoid Ontario law (at para. 73):

We were not presented with any evidence that the transaction which finally occurred was structured so as to make an Ontario transaction appear to be a non-Ontario one. This is not the case, like Canadian Tire, of "transactions that are clearly designed to avoid the animating principles behind" Ontario's take-over bid legislation and rules. The evidence was clear that the principal (and so far as the evidence went, the sole) purpose for structuring the transaction in its final form was the minimisation of taxes on the profit received by GD Canada and GD U.S. In our view, the structuring of the transaction was not abusive of the integrity of the capital markets of this province, and cannot be relied on to provide the required nexus.

This finding of fact is reasonable and supported by the evidence.

59. Granted, the OSC did find that "the actions of the Quebec Government and SNA ... were abusive of the minority shareholders of Asbestos and were manifestly unfair to them" (para. 71). However, whether a s. 127(1) sanction is warranted depends on a consideration of all of the relevant factors together. In this case, the OSC also found that the capital markets in general, and the minority shareholders of Asbestos in particular, were not materially misled by the statements of Quebec's Minister of Finance respecting the prospect of a follow-up offer. This finding is supported by the evidence, including the several published reports that recommended caution and characterized an investment in Asbestos as speculative. In this case, such a finding can and did properly inform the OSC's discretion under s. 127.

60. In addition, consistent with the two purposes of the Act described in s. 1.1 and because s. 127(1) sanctions are preventive in nature, it was open to the OSC to give weight to the fact that there has been no abuse of investors or other misconduct by the Province of Québc or SNA in the 13 years since the transaction at issue in this appeal. The OSC was also entitled to give weight to the fact that the removal of the Province's exemptions is a very serious response that could have negative repercussions on other investors and the Ontario capital markets in general.

61. Furthermore, the OSC did not find that there was no transactional connection with Ontario in this case, but that the transactional connection was insufficient to justify its intervening in the public interest. As noted by Chairman Beck in his dissenting opinion in Re Asbestos Corp. (1988), 11 O.S.C.B. 3419, a review of the OSC decisions on s. 124 (now s. 127) indicates that there has been careful use of the public interest jurisdiction and that in each case there was a clear and direct transactional connection with Ontario, contrary to the facts here: see Re H.E.R.O., supra; Re Atco Ltd. (1980), 15 O.S.C.B. 412; Re Electra Investments (Canada) Ltd. (1983), 6 O.S.C.B. 417; Re Turbo Resources Ltd. (1982), 4 O.S.C.B. 403C; Re Genstar Corp. (1982), 4 O.S.C.B. 326C .

62. It is true that the OSC placed significant emphasis on the transactional connection factor. However, it was entitled to do so in order to avoid using the open-ended nature of s. 127 powers as a means to police too broadly out of province transactions. Capital markets and securities transactions are becoming increasingly international: see Global Securities Corp. v. British Columbia (Securities Commission), [2000] 1 S.C.R. 494, 2000 SCC 21, at paras. 27-28. There are a myriad of overlapping, regulatory jurisdictions governing securities transactions. Under s. 2.1, para. 5 of the Act, one of the fundamental principles that the OSC has to consider is that "[t]he integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes". A transaction that is contrary to the policy of the Ontario Securities Act may be acceptable under another regulatory regime. Thus, the OSC's insistence on a more clear and direct connection with Ontario in this case reflects a sound and responsible approach to

long-arm regulation and the potential for conflict amongst the different regulatory regimes that govern the capital markets in the global economy.

63. In summary, the reasons of the OSC in this case were informed by the legitimate and relevant considerations inherent in s. 127(1) and in the OSC's previous jurisprudence on public interest jurisdiction. The findings of fact made by the OSC were reasonable and supported by the evidence. I conclude that the decision of the OSC in this case was reasonable and therefore should not be disturbed.

64. For the foregoing reasons, I would dismiss the appeal with costs.

Appeal dismissed with costs.

Solicitors for the appellant: Borden Ladner Gervais, Ottawa.

Solicitors for the respondent Her Majesty in Right of Quebec: Torys, Toronto.

Solicitors for the respondent Société nationale de l'amiante: Blake, Cassels & Graydon, Toronto.

Solicitor for the respondent Ontario Securities Commission: The Ontario Securities Commission, Toronto.

The official versions of decisions and reasons for decision by the Supreme Court of Canada are published in the Supreme Court Reports (S.C.R.).

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
ActFit.Com Inc. Blue Gold International Inc. Canam International Partnership 1990 Canam International Partnership 1991 CDNET Canada Inc. Cedarcroft Oshawa Limited Partnership Derlak Enteprises Inc. Dura Products International Inc. Eco Technologies International Inc. Futureline Communications Co. Ltd. GDL Evergreen Inc. Humedatech International Inc. Kingscross Communities Incorporated Marshall Minerals Corp. Medical Pathways International Inc. Millennium Equities Ltd. National Electronic Technologies Corp. NSR Resources Inc. Remworks Inc. Starfire Technologies International Inc. SwissLink Financial Corporation TCR Environmental Corp. TDZ Holdings Inc. Tintina Mines Limited Tomanet Inc. TriTec Power Systems Ltd. Walters Consulting Corporation WaveTech Networks Inc. Young-Shannon Gold Mines Limited	25 May 01	06 Jun 01	08 June 01	12 June 01
Icon Laser Eye Centers, Inc. Queensway Financial Holdings Limited Talisman Enterprises Inc. The Song Corporation	28 May 01	11 June 01	11 June 01	-
Lyon Lake Mines Ltd. Regal Consolidated Ventures Limited Saco Smartvision Inc.	31 May 01	12 June 01	12 June 01	-

4.2.1 Lapsed Cease Trading Orders

Company Name	Date of Lapse/Expire
American Resource Corporation, Limited Danbel Industries Corporation Enviro Waste Technologies Inc. Farini Companies Inc. Laramide Resources Ltd. Mondev Senior Living Inc. MTW Solutions Online Inc. Sagewood Resources Limited Scintilore Explorations Limited The Chippery Chip Factory Inc.	08 June 01

Chapter 5

Rules and Policies

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Chapter 6

Request for Comments

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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
22May01 to 25May01		724 Solutions Inc. - Common Shares	220,061	16,000
29May01 & 01Jun01		724 Solutions Inc. - Common Shares	138,158	10,100
04Jun01		AGII Growth Fund - Units	218,113	26,881
01Jun01		Alta BioPharma Partners II, L.P. - Limited Partnership Interest	US$20,000,000	20,000,000
25May01		Arrow Eagle & Dominion Fund - Class I Trust Units	2,500,000	25,000
24May01		Ascot Energy Resources Ltd. - Special Warrants	1,840,000	2,830,770
01Jun01		ATS Automation Tooling Systems Inc. - Common Shares	5,552,425	222,097
23May01		Canadian Golden Dragon Resources Ltd. - Common Shares	2,750	12,500
16May01 to 25May01		Canadian Hydro Developers, Inc. - Common Shares issued on a Flow-Through Basis	4,068,000	1,130,000
17May01		Chesbar Resources Inc. - Units	100,000	1,000,000
17May01		Chesbar Resources Inc. - Units	160,000	1,600,000
10May01		Core Networks Incorporated - Class B Preference Shares	384,750	193,383
30May01		Datawest Solutions Inc. - First Preferred Shares Series A	7,499,999	2,884,615
30May01		Defiant Energy Corporation - Special Warrants	1,305,999	768,235
May01		Diversified Private Trust c/o Integra Capital Corporation	3,280,478	304,299
23May01	#	First Horizon Holdings Ltd. - Subscription Certificate	4,151,500	3
04Jun01		GRII RRSP Growth Fund - Units	402,940	45,427
22May01		Grosvenor Services 2001 Limited Partnership - Limited Partnership Units	5,717,250	34
22May01		Grosvenor Services 2001 Limited Partnership - Limited Partnership Units	28,360,200	171
24May01		Grosvenor Services 2001 Limited Partnership - Limited Partnership Units	5,791,500	35
25May01		Grosvenor Services 2001 Limited Partnership - Limited Partnership Units	16,320,150	98
30May01		Guyana Goldfields Inc. - Common Shares	150,000	384,616
31May01		Harbour Capital Canadian Balanced Fund - Trust Units	2,303,556	17,665
31May01		Harbour Capital Foreign Balanced Fund - Trust Units	1,226,000	8,411
31May01		High River Gold Mines ltd. - Units	600,000	1,714,286
25May01		Houston Lake Mining Inc. - Units	33,499	22,333
30May01 & 04Jun01		Hydrogenics Corporation - Common Shares	US$6,777,000	1,150,000
25May01		JJH Equipment Trust - Senior Secured Note Units	$101,000,000	$101,000,000
31May01		Laboratory Corporation of America - Common Stock	4,230,875	20,000

Trans. Date	Security	Price ($)	Amount
31May01	Laboratory Corporation of America - Common Shares	4,230,875	20,000
30May01	Liberty Oil & Gas Ltd. - Common Shares	150,000	150,000
31May01	Pacific North West Capital Corp. -	20,500	25,000
02Feb01	Qjunction Technology Inc. - Common Shares	1,500,000	3,000,000
31May01	Qwest Energy Limited Partnership - Units	150,000	150
24May01	Red Oak Trail Corp. - Units	150,000	300,000
01Jun01	SHAAE (2001) Master Limited Partnership - Limited Partnership Units	6,629,929	385
17May01	SimEx Inc. - Series I Convertible Debenture	500,000	500,000
04Jun01	Stacey Investment Limited Partnership - Limited Partnership Units	25,000	1,097
31May01	Twenty-First Century International Equity Fund - Units	330,628	46,692
31May01	Twenty-First Century Canadian Bond Fund - Units	734,730	148,625
31May01	Twenty-First Century American Equity Fund - Units	220,419	36,923
31May01	Twenty-First Century Canadian Equity Fund - Units	1,002,726	150,340

Resale of Securities - (Form 45-501f2)

Date of Resale	Date of Orig. Purchase	Seller	Security	Price ($)	Amount
04Oct00	27Jul99	MRF 1999 Limited Partnership	Berkley Petroleum Corp. - Common Shares	210,000	25,000
18Jan01	31Dec00	MRF 1999 Limited Partnership	Canadian 88 Energy Corporation - Common Shares	526,361	136,363
25Jan01	31Dec99	MRF 1999 II Limited Partnership	Canadian 88 Energy Corporation - Common Shares	215,000	50,000
02Jan01	28Jul99	MRF 1999 Limited Partnership	Compton Petroleum Corporation - Common Shares	1,700,000	500,000
29Mar01	29Dec99	MRF 1999 II Limited Partnership	Compton Petroleum Corporation - Common Shares	313,600	70,000
19Jan01	31Dec99	MRF 1999 Limited Partnership	Numac Energy Inc. - Common Shares	484,941	61,385
19Jan01	31Dec99	MRF 1999 II Limited Partnership	Numac Energy Inc. - Common Shares	1,823,075	230,769
29Mar01	31Dec99	MRF 1999 II Limited Partnership	Olympia Energy Inc. - Common Shares	30,625	12,500
11Jan01	17Nov99	MRF 1999 Limited Partnership	Stratech Energy Inc. - Common Shares	2,190,000	200,000
12Jan01	01Dec99	MRF 1999 II Limited Partnership	Stratech Energy Inc. - Common Shares	1,369,845	125,100
30Apr98	29May01 to 01Jun01	Bank of Montreal	724 Solution Inc. - Common Shares	145,430	10,100

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Natte, Pieter Evert	Atlantic Systems Group Inc. - Common Shares	1,500,000
Terrier Investments Limited	Brampton Brick Limited - Class A Subordinate Voting Shares	50,000
Rivkin, Mark	Crytologic Inc. - Common Shares	1,000,000
Rivkin, Andrew	Crytologic Inc. - Common Shares	1,100,000
Hennick, Jay S.	FirstServices Corporation - Subordinate Voting Shares	200,000
MTW Solutions Online Inc.	iFuture.com Inc. - Common Shares	400,000
S.A.A.	Jalovec, John - Shares	500,000
963037 Ontario Limited	Jetcom Inc. - Common Shares	500,000
S.A.A.	Sickinger, Ralph - Shares	1,000,000
Mourin, Stanley	Western Troy Capital Resources Inc. - Common Shares	60,000

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Chapter 9

Legislation

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Algonquin Power Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated June 11th, 2001
Mutual Reliance Review System Receipt dated June 11th, 2001
Offering Price and Description:
6,500, 000 Trust Units @ $10.05 per unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #367497

Issuer Name:
Algorithmics Incorporated
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated June 7th, 2001
Mutual Reliance Review System Receipt dated June 8th, 2001
Offering Price and Description:
$ * - * Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
J.P. Morgan Securities Canada Inc.
TD Securities Inc.
Promoter(s):
-
Project #337465

Issuer Name:
Algorithmics Incorporated
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated June 7th, 2001
Mutual Reliance Review System Receipt dated June 8th, 2001
Offering Price and Description:
US$29,520,197 principal amount Series 3 Convertible Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #337473

Issuer Name:
Clarington Global Large Cap Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 1st, 2001
Mutual Reliance Review System Receipt dated June 7th, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #366703 & 359044

Issuer Name:
Fuel Cell Technologies Corporation (formerly ThermicEdge Corporation)
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 11th, 2001
Mutual Reliance Review System Receipt dated June 12th, 2001
Offering Price and Description:
$7,000,000 to $11,000,000 - * Common Shares
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
National Bank Financial Inc.
Raymond James Financial Inc.
Promoter(s):
-
Project #367521

Issuer Name:
itemus inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated June 6th, 2001
Mutual Reliance Review System Receipt dated June 7th, 2001
Offering Price and Description:
$2,500,000 -4,166,667 Common Shares issuable upon conversion of $2,500,000 Principal amount of convertible Subordinated Note on the basis of $0.60 per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #366814

Issuer Name:
Kingsway Financial Services Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 5th, 2001
Mutual Reliance Review System Receipt dated June 7th, 2001
Offering Price and Description:
US$ * - 10,000,000 Common Shares
Underwriter(s) or Distributor(s):
Banc of America Securities Canada Co.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #366857

Issuer Name:
Kinross Gold Corporation
Type and Date:
Preliminary Short Form Prospectus dated June 12th, 2001
Receipt dated on June 13th, 2001
Offering Price and Description:
21,500,000 Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #367892

Issuer Name:
PrimeWest Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated June 6th, 2001
Mutual Reliance Review System Receipt dated June 6th, 2001
Offering Price and Description:
$82,560,000 - 8,600,000 Trust Units @ $9.60 per Trust Units
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
Yorkton Securities Inc.
Promoter(s):
PrimeWest Energy Inc.
PrimeWest Management Inc.
Project #366731

Issuer Name:
Summit Real Estate Investment Trust
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated June 8th, 2001
Mutual Reliance Review System Receipt dated June 8th, 2001
Offering Price and Description:
$37,200,000 - 3,000,000 Units
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
National Bank Financial Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #367231

Issuer Name:
Torstar Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 8th, 2001
Mutual Reliance Review System Receipt dated June 8th, 2001
Offering Price and Description:
$500,000,000 Medium Term Notes (Unsecured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Promoter(s):
-
Project #367207

Issuer Name:
BFI Commodity Fund Limited Partnership
Principal Regulator - Manitoba
Type and Date:
Amendment #2 dated May 30th 2001 to Prospectus dated April 5th, 2001
Mutual Reliance Review System Receipt dated 6th day of June, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #326621

Issuer Name:
DYNAMIC DIVIDEND GROWTH FUND
DYNAMIC FOCUS + CANADIAN FUND
DYNAMIC FUND OF CANADA
DYNAMIC POWER CANADIAN GROWTH FUND
DYNAMIC SMALL CAP FUND
DYNAMIC AMERICAS FUND
DYNAMIC RSP AMERICAS FUND
DYNAMIC EUROPE FUND
DYNAMIC RSP EUROPE FUND
DYNAMIC FAR EAST FUND
DYNAMIC RSP FAR EAST FUND
DYNAMIC FOCUS + AMERICAN FUND
DYNAMIC INTERNATIONAL FUND
DYNAMIC RSP INTERNATIONAL FUND
DYNAMIC POWER AMERICAN FUND
DYNAMIC RSP POWER AMERICAN FUND
DYNAMIC DIVERSIFIED INCOME TRUST FUND
(FORMERLY DYNAMIC T-BILL FUND)
DYNAMIC FOCUS + BALANCED FUND
(FORMERLY DYNAMIC FOCUS PLUS INCOME AND GROWTH FUND)
DYNAMIC FUND OF FUNDS
DYNAMIC GLOBAL PARTNERS FUND
DYNAMIC PARTNERS FUND
DYNAMIC POWER BALANCED FUND
DYNAMIC DIVIDEND FUND
DYNAMIC DOLLAR-COST AVERAGING FUND
DYNAMIC GLOBAL BOND FUND
DYNAMIC INCOME FUND
DYNAMIC MONEY MARKET FUND
DYNAMIC POWER BOND FUND
DYNAMIC CANADIAN REAL ESTATE FUND
DYNAMIC CANADIAN RESOURCE FUND
DYNAMIC FOCUS + WEALTH MANAGEMENT FUND (FORMERLY DYNAMIC WEALTH MANAGEMENT FUND)
DYNAMIC GLOBAL PRECIOUS METALS FUND
DYNAMIC GLOBAL RESOURCE FUND
DYNAMIC GLOBAL TECHNOLOGY FUND
DYNAMIC RSP GLOBAL TECHNOLOGY FUND
DYNAMIC HEALTH SCIENCES FUND
DYNAMIC RSP HEALTH SCIENCES FUND
DYNAMIC PRECIOUS METALS FUND
DYNAMIC QUEBEC FUND
DYNAMIC REAL ESTATE EQUITY FUND
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus and Annual Information
Form dated May 29th, 2001 amending and restating the Simplified Prospectus and
Annual Information Form dated December 7th, 2000
Mutual Reliance Review System Receipt dated 7th day of June, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #308414

Issuer Name:
Imaging Dynamics Corporation
Principal Regulator - Alberta
Type and Date:
Amendment dated June 8th, 2001 to Prospectus dated April 16th, 2001
Mutual Reliance Review System Receipt dated 13th day of June, 2001
Offering Price and Description:
$1,000,000 to $3,000,000 - 2,500,000 to 7,500,000 Common Shares
Underwriter(s) or Distributor(s):
Jennings Capital Inc.
Promoter(s):
Douglas Street
Project #340630

Issuer Name:
Meritas International Equity Fund
Meritas U.S. Equity Fund
Meritas Jantzi Social Index Fund
Meritas Canadian Bond Fund
Meritas Money Market Fund
Principal Regulator - Ontario
Type and Date:
Amended Simplified Prospectus and Annual Information Form dated June 1st, 2001
to the Amending & Resting Simplified Prospectus and Annual Information Form dated
March 21st, 2001
Mutual Reliance Review System Receipt dated 14th day of June, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #324443

Issuer Name:
Canadian Hydro Developers, Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated June 8th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
FirstEnergy Capital Corp.
TD Securities Inc.
Promoter(s):
-
Project #352390

Issuer Name:
O&Y Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 7th, 2001
Mutual Reliance Review System Receipt dated 7th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
HSBC Securities (Canada) Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Promoter(s):
O&Y Properties Inc.
Project #349236

Issuer Name:
Agnico-Eagle Mines Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form PREP Prospectus dated June 13th, 2001
Mutual Reliance Review System Receipt dated 13th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
Merrill Lynch Canada Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Salomon Smith Barney Canada Inc.
Dundee Securities Corporation
Research Capital Corporation
Promoter(s):
-
Project #364700

Issuer Name:
Boralex Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 11th, 2001
Mutual Reliance Review System Receipt dated 12th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
National Bank Financial Inc.
First Energy Capital Corp.
Promoter(s):
-
Project #365684

Issuer Name:
Premium Brands Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated June 11th, 2001
Mutual Reliance Review System Receipt dated 12th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Raymond James Ltd.
National Bank Financial Inc.

Promoter(s):
-
Project #361016

Issuer Name:
Royal Bank of Canada
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 8th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #365370

Issuer Name:
Royal Bank of Canada
Principal Regulator - Quebec
Type and Date:
Final Short Form Shelf Prospectus dated June 8th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #365249

Issuer Name:
The Toronto-Dominion Bank
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated June 6th, 2001
Mutual Reliance Review System Receipt dated 7th day of June; 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #353813

Issuer Name:
Thunder Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 5th, 2001
Mutual Reliance Review System Receipt dated 6th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Griffith McBurney & Partners
FirstEnergy Capital Corp.
Canaccord Capital Corporation
Haywood Securities Inc.
Promoter(s):
Douglas Allan Dafoe
David L. Barlow
Terence S. Meek
Project #362438

Issuer Name:
CI Global Focus Value Sector Fund (Formerly CI Focus Value Sector Fund)
(CI Global Focus Value Sector A and F Shares)
CI Global Focus Value RSP Fund (Formerly CI Focus Value RSP Fund)
(Class A and F Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 8th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #349072

Issuer Name:
CRYSTAL ENHANCED INDEX FUND (Formerly Crystal Wealth Protection Fund)
Crystal Enhanced Index RSP Fund (Formerly Crystal Balanced Momentum Fund)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 7th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Crystal Wealth Management System Limited
Promoter(s):
-
Project #353801

Issuer Name:
Franklin Japan Tax Class (Formerly, Franklin Templeton Japan Tax Class)
Templeton International Stock Tax Class
Templeton Growth Tax Class
Templeton European Tax Class (Formerly, Franklin Templeton European Tax Class)
Templeton Canadian Stock Tax Class
Templeton Global Smaller Companies Tax Class
Templeton Emerging Markets Tax Class
Franklin U.S. Small Cap Growth Tax Class
Mutual Beacon Tax Class
Franklin World Telecom Tax Class
Franklin U.S. Money Market Tax Class
Franklin U.S. Large Cap Growth Tax Class
Franklin World Health Sciences and Biotech Tax Class
Franklin World Growth Tax Class
Franklin Technology Tax Class
Franklin U. S. Aggressive Growth Tax Class
Bissett Small Cap Tax Class
Bissett Multinational Growth Tax Class
Bissett Money Market Tax Class
Bissett Canadian Equity Tax Class
Bissett Bond Tax Class
(Series A, F, I and O shares of the above classes of Franklin Templeton Tax Class Corp.)
Franklin World Health Sciences and Biotech RSP Fund
Franklin U.S. Large Cap Growth RSP Fund
Franklin U.S. Money Market Fund
Franklin World Telecom Fund
Franklin World Health Sciences and Biotech Fund
Franklin U.S. Large Cap Growth Fund
Franklin World Growth RSP Fund
Franklin World Growth Fund
Templeton Global Balanced RSP Fund
Bissett Large Cap Fund
Templeton International Stock RSP Fund
Bissett Multinational Growth RSP Fund
Bissett American Equity RSP Fund
Templeton Growth RSP Fund
Templeton Global Smaller Companies RSP Fund
Franklin Technology RSP Fund
Franklin World Telecom RSP Fund
Franklin U.S. Aggressive Growth RSP Fund
Templeton Emerging Markets RSP Fund

Franklin U.S. Small Cap Growth Fund
Mutual Beacon RSP Fund
Franklin Technology Fund
Bissett Microcap Fund
Bissett International Equity Fund
BISSETT SMALL CAP FUND
Franklin U.S. Small Cap Growth RSP Fund
Franklin U.S. Aggressive Growth Fund
BISSETT RETIREMENT FUND
BISSETT MULTINATIONAL GROWTH FUND
BISSETT MONEY MARKET FUND
BISSETT INCOME FUND
BISSETT DIVIDEND INCOME FUND
BISSETT CANADIAN EQUITY FUND
BISSETT BOND FUND
BISSETT AMERICAN EQUITY FUND
Mutual Beacon Fund
Templeton Emerging Markets Fund
Templeton Global Smaller Companies Fund
Templeton International Balanced Fund
Templeton Global Balanced Fund
Templeton Global Bond Fund
Templeton Canadian Stock Fund
Templeton Canadian Asset Allocation Fund
Templeton International Stock Fund
(Series A, F, I and O units of the above funds)
Templeton Growth Fund, Ltd. (Series A, F, I and O shares)
Templeton Balanced Fund (Series A units)
Templeton Canadian Bond Fund (Series A units)
Templeton Treasury Bill Fund (Series A units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 31st, 2001
Mutual Reliance Review System Receipt dated 7th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Franklin Templeton Investments Corp.

Promoter(s):
-
Project #355157 & 345185

Issuer Name:
Jones Heward Fund Ltd
Jones Heward American Fund
Jones Heward Canadian Balanced Fund
Jones Heward Bond Fund
Jones Heward Money Market Fund
Jones Heward RSP American Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 7th, 2001
Mutual Reliance Review System Receipt dated 8th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #353943

Issuer Name:
Mulvihill Canadian Bond Fund
Mulvihill Canadian Equity Fund
Mulvihill Canadian Money Market Fund
Mulvihill U.S. Equity Fund
Mulvihill Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 11th, 2001
Mutual Reliance Review System Receipt dated 11th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Mulvihill Capital Management Inc.
Promoter(s):
-
Project #351898

Issuer Name:
Scudder Life Sciences Fund
Scudder Technology Fund
Scudder Global Discovery Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated February 28th, 2001
Mutual Reliance Review System Receipt dated 13th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scudder Maxxum Co.
Promoter(s):
-
Project #323230

Issuer Name:
Ontex Resources Limited
Type and Date:
Rights Offering dated June 7th, 2001
Accepted 8th day of June, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #347949

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Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Recognition	Everest Canadian Properties Company Attention: R. Amos 105 Robinson Street First Floor Oakville ON L6J 1G1	Exempt Purchaser	Jun 08/01
Change of Name	UBS PaineWebber Inc. c/o Stikeman, Elliott Attention: Ralph Hipsher Tower 56, 14th Floor 126 East 56th Street New York NY 10022 USA	From: PaineWebber Incorporated To: UBS PaineWebber Inc.	Mar 05/01
Change of Name	Tristone Capital Advisors Inc. Attention: George Frederick Gosbee Suite 1800 335 - 8th Ave. SW Calgary AB T2P 1C9	From: George Capital Inc. To: Tristone Capital Advisors Inc.	Apr 26/01
New Registration	Valorem Investment Counsel Inc. Attention: Andre D'Amours 2875 Laurier Blvd., Suite 1050 Sainte-Foy QC G1V 2M2	Extra-Provincial Adviser Investment Counsel & Portfolio Manager	Jun 08/01
New Registration	Penson Securities Inc. c/o Cameron Ferris Gowling Lafleur Henderson Commerce Court West, Suite 4900 Toronto ON M5L 1J3	Investment Dealer Equities	Jun 04/01
Voluntary Surrender of Registration	Bioscience Managers (Canada) Limited 1 Toronto St., Suite 200 Toronto ON M5C 2B6		Jun 05/01

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Discipline - Samuel Kenneth Jack Aquino

BULLETIN # 2854
June 11, 2001

DISCIPLINE PENALTIES IMPOSED ON SAMUEL KENNETH JACK AQUINO -- VIOLATIONS OF BY-LAWS 17.2 AND 17.2A

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Samuel Kenneth Jack Aquino, an officer of The Financial Centre Securities Corporation ("the Member"), a Member of the Association.

By-laws, Regulations, Policies Violated

On June 6, 2001, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Aquino and staff of the Enforcement Division of the Association.

Pursuant to the settlement agreement, Mr. Aquino admitted that, during the Member's 1998-99 fiscal year, he failed to keep and maintain a proper system of financial books and records, contrary to By-law 17.2 of the Association, and failed to establish and maintain adequate internal controls in accordance with Policy 3 of the Association, contrary to By-law 17.2A of the Association.

Penalty Assessed

The discipline penalties assessed against Mr. Aquino are a fine in the amount of $10,000.00 and a requirement that he re-write the PDO Exam. In addition, Aquino is required to pay $1,250.00 towards the Association's costs of investigating this matter.

Summary of Facts

At all material times, Mr. Aquino was the officer of the Member responsible for financial-compliance matters. The Association requires that both internal accounts and bank accounts be monitored and reconciled at least monthly. During the Member's 1998-99 fiscal year, Mr. Aquino and the Member failed to reconcile bank balances reported by ISM with the balances that showed on the Member's own records. This failure constituted a violation of By-laws 17.2 and 17.2A of the Association.

On December 20, 1999, the Association was advised by the Member that its financial reports for September 30, 1999, would show a capital deficiency as of that date. The deficiency arose when the Member made year-end adjustments that included an increase in expenses to write off certain "unreconciled differences" between the Member's general ledger and the balances reported by ISM. This adjustment would not have been necessary had Mr. Aquino or the Member performed adequate reconciliations during the year. As of the end of December 1999, the Member had corrected the capital deficiency by securing payment of receivables from certain related companies.

The Member has taken corrective actions to avoid a repetition of these events, including appointing a new CFO. No client account balances suffered any losses as a result of these events described above.

Discipline penalties have also been imposed on the Member (see Bulletin 2855).

"Susanne M. Barrett"

13.1.2 IDA Settlement Agreement - Samuel Kenneth Jack Aquino

IN THE MATTER OF DISCIPLINE PURSUANT TO BY-LAW 20 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: SAMUEL KENNETH JACK AQUINO

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. On January 14, 2000, staff of the Financial Compliance Division of the Investment Dealers Association of Canada ("the Association") referred a financial compliance matter ("the Referral") to the Enforcement Division of the Association.

2. The Referral concerned a capital deficiency on the part of The Financial Centre Securities Corporation, a Member of the Association.

3. Pursuant to By-law 20 of the Association, the Ontario District Council of the Association ("the District Council") may impose discipline penalties on Samuel Kenneth Jack Aquino ("the Respondent") for a breach of the By-laws, Regulations or Policies of the Association.

II. JOINT SETTLEMENT RECOMMENDATION

4. Staff and the Respondent consent and agree to the settlement of this matter by way of this Settlement Agreement in accordance with By-law 20.25 of the Association.

5. In accordance with By-law 20.26 of the Association, this Settlement Agreement is subject to (i) its acceptance, (ii) the imposition of a lesser penalty or less onerous terms, or (iii) with the consent of the Respondent, the imposition of a penalty or terms more onerous, by the District Council ("the Acceptance").

6. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

7. If, at any time prior to the Acceptance, there are new facts or issues of substantial concern to Staff regarding this matter, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. STATEMENT OF FACTS

(i) Acknowledgment

8. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Facts

1. The Financial Centre Securities Corporation ("FCSC") has been a Member of the Association since September 1995.

2. At all material times, Marion Marjorie Jean Hull has been President of FCSC. At the time of the incidents described below, she was also designated as CFO of FCSC.

3. At all material times, Samuel Kenneth Jack Aquino ("Aquino") has been an officer of FCSC. Although he was not the designated CFO at the time of the incidents described below, he was responsible for financial-compliance matters at FCSC during the relevant period.

Inadequate books and records

4. By-law 17.2 of the Association provides that, at all times, every Member shall keep and maintain a proper system of books and records. This includes reconciliation of information from various sources as frequently as required by Association rules.

5. At all material times, FCSC maintained records such as a general ledger by using an accounting software package. FCSC obtained price data and other reports from an external trading and record-keeping service ("ISM").

6. During FCSC's fiscal year ending September 30, 1999, FCSC failed to reconcile bank balances reported by ISM with the balances which showed on FCSC's own records.

7. Other bookkeeping deficiencies had been brought to the attention of FCSC by Association staff, beginning with a report to FCSC by Association staff following an examination in June 1998.

Inadequate internal controls

8. By-law 17.2A requires that every Member must establish and maintain "internal controls" to adequately ensure compliance with Association rules regarding the Member's finances. The internal control requirements are set out in Policy No. 3 of the Association.

9. Statement 2 of IDA Policy No. 3 requires that management ensure that financial reporting is accurate. Statement 6 of IDA Policy No. 3 requires that management safeguard the firm's securities and cash. As part of this, the Association requires that both internal accounts and bank accounts be monitored and reconciled at least monthly.

10. As noted above, FCSC failed to perform adequate reconciliations during the fiscal year

ending September 30, 1999, and thereby breached By-law 17.2A of the Association.

Capital deficiency

11. By-law 17.1 of the Association provides that every Member of the Association shall have and maintain at all times "risk-adjusted capital" ("RAC") greater than zero. RAC is calculated in accordance with the "Joint Regulatory Financial Questionnaire and Report" ("the JRFQR"), which has been adopted by the Association, and designated as "Form 1" of the Association.

12. As of September 30, 1998 -- the 1998 year end for FCSC -- the Member's JRFQR indicated that FCSC had total financial statement capital of approximately $792,000, and net allowable assets of approximately $272,000.

13. On December 20, 1999, the Association was advised by FCSC that its financial reports for September 30, 1999 would show a capital deficiency as of that date. The JRFQR that was eventually filed showed a capital deficiency of of $58,000 (i.e. a RAC of *negative* $58,000).

14. The deficiency arose when FCSC made the following year-end adjustments to its accounts:

    (i) a reduction in revenue to correct for $87,000 in commission revenue, correcting for an entry made in duplicate during the course of the preparation of the year-end accounts; and

    (ii) an increase in expenses to "write off" $187,000 in "unreconciled differences" between FCSC's general ledger and the balances reported by ISM.

15. The latter adjustment would not have been necessary had FCSC performed adequate reconciliations during the year.

Subsequent events

16. As of the end of December 1999, FCSC had corrected the capital deficiency by securing payment of receivables from certain related companies.

17. In Spring 2000, Aquino came to believe that one of FCSC's bookkeeper's had defrauded FCSC of a significant amount of money. FCSC then retained forensic accountants to investigate the matter. The forensic accountants have investigated and reported to FCSC that it appears that FCSC's bookkeeper (1) had made unauthorized withdrawals from FCSC's operating bank account by various means, including the creation of cheques for fictitious consulting work and business expenses, and (2) had removed or destroyed some of FCSC's underlying accounting records to conceal this activity. The forensic accountants have determined that, in fiscal 1999, the bookkeeper's activity led to a loss of $132,960 for FCSC. This loss exceeds the amount of the reported capital deficiency.

18. Aquino and FCSC also also have taken the following corrective actions to avoid similar situations in the future:

    (a) appointment of a new CFO to be responsible for financial compliance matters at FCSC effective as of May 2001;

    (b) termination of the bookkeeper immediately upon detection of the fraudulent activity;

    (c) reconciliation of the bank balances reported by ISM with the balances recorded on FCSC's records at least once a month; and

    (d) appointment of new auditors after the 1999 FSCS year end.

19. No client account balances suffered any losses as a result of the matters described herein.

IV. CONTRAVENTIONS

(i) Acknowledgment

9. The Respondent agrees that the facts set out in Section III support a finding that the Respondent contravened Association rules as set out in this Section IV.

(ii) Contraventions

1. Between October 1, 1998, and September 30, 1999, Samuel Kenneth Jack Aquino, an officer of The Financial Centre Securities Corporation, a Member of the Association, failed to keep and maintain a proper system of financial books and records, contrary to By-law 17.2 of the Association.

2. Between October 1, 1998, and September 30, 1999, Samuel Kenneth Jack Aquino, an officer of The Financial Centre Securities Corporation, a Member of the Association, failed to establish and maintain adequate internal controls in accordance with Policy 3 of the Association, contrary to By-law 17.2A of the Association.

V. ADMISSION OF CONTRAVENTION AND FUTURE COMPLIANCE

10. The Respondent admits the Contravention noted in Section IV of this Settlement Agreement.

11. The Respondent agrees that, in the future, the Respondent will comply with all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALTIES

12. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

    (a) a fine in the amount of $10,000.00, payable on or before July 7, 2001;

    (b) a condition on his continued approval as a partner, officer or director of any Member that he re-write and pass the *Partners, Directors and Senior Officers Qualifying Examination* within twelve months of the effective date of this Settlement Agreement; and

    (c) a prohibition on his continuing approval and registration with any Member if the fine and costs of investigation as set out herein are not fully paid on or before July 7, 2001.

VII. ASSOCIATION COSTS

13. The Respondent shall pay the Association's costs of the investigation and this proceeding in the amount of $1,250.00 payable on or before July 7, 2001.

VIII. EFFECTIVE DATE

14. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of the Acceptance.

IX. WAIVER

15. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

16. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

17. If this Settlement Agreement becomes effective and binding:

    (a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the provincial securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable requirements of provincial securities administrators; and

    (b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. EFFECT OF REJECTION OF SETTLEMENT AGREEMENT

18. If the District Council rejects this Settlement Agreement:

    (a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

    (b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

Agreed to by the Respondent at the City of "Grimsby", in the Province of Ontario, this "4th" day of "June", 2001.

"Marjorie J. Hull"
"K. Aquino"

Witness
Samuel Kenneth
Jack Aquino

Agreed to by Staff at the City of Toronto, in the Province of Ontario, this "6th" day of "June", 2001.

"Wayne Welch"
"Brian K. Awad"
Witness
Enforcement Counsel and Acting Director, Enforcement Litigation

Accepted by the Ontario District Council of the Investment Dealers Association of Canada, at the City of Toronto, in the Province of Ontario, this "6th" day of "June", 2001.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Kaufman"

Per: "R. Guilday"

Per: "David Kerr"

13.1.3 IDA Discipline - Financial Centre Securities Corporation

BULLETIN # 2855
June 11, 2001

DISCIPLINE PENALTIES IMPOSED ON THE FINANCIAL CENTRE SECURITIES CORPORATION -- VIOLATIONS OF BY-LAWS 17.1, 17.2 AND 17.2A

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on The Financial Centre Securities Corporation ("the Member"), a Member of the Association.

By-laws, Regulations, Policies Violated

On June 6, 2001, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between the Member and staff of the Enforcement Division of the Association.

Pursuant to the settlement agreement, the Member admitted that, during its 1998-99 fiscal year, it failed to keep and maintain a proper system of financial books and records, contrary to By-law 17.2 of the Association, and failed to establish and maintain adequate internal controls in accordance with Policy 3 of the Association, contrary to By-law 17.2A of the Association. In addition, the Member admitted that, in or around September 1999, it failed to maintain sufficient risk-adjusted capital, contrary to By-law 17.1 of the Association.

Penalty Assessed

The discipline penalty assessed against the Member is a fine in the amount of $25,000.00. In addition, the Member is required to pay $3,500.00 towards the Association's costs of investigating this matter.

Summary of Facts

At all material times, Samuel Kenneth Jack Aquino ("Aquino") was the officer of the Member responsible for financial-compliance matters. The Association requires that both internal accounts and bank accounts be monitored and reconciled at least monthly. During the Member's 1998-99 fiscal year, Aquino and the Member failed to reconcile bank balances reported by ISM with the balances that showed on the Member's own records. This failure constituted a violation of By-laws 17.2 and 17.2A of the Association.

On December 20, 1999, the Association was advised by the Member that its financial reports for September 30, 1999, would show a capital deficiency as of that date. The deficiency arose when the Member made year-end adjustments that included an increase in expenses to write off certain "unreconciled differences" between the Member's general ledger and the balances reported by ISM. This adjustment would not have been necessary had Aquino or the Member performed adequate reconciliations during the year. As of the end of December 1999, the Member had corrected the capital deficiency by securing payment of receivables from certain related companies.

The Member has taken corrective actions to avoid a repetition of these events, including appointing a new CFO. No client account balances suffered any losses as a result of these events described above.

Discipline penalties have also been imposed on Aquino (see Bulletin 2854).

"Susanne M. Barrett"

13.1.4 IDA Settlement Agreement - Financial Centre Securities Corporation

IN THE MATTER OF DISCIPLINE PURSUANT TO BY-LAW 20 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: THE FINANCIAL CENTRE SECURITIES CORPORATION

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. On January 14, 2000, staff of the Financial Compliance Division of the Investment Dealers Association of Canada ("the Association") referred a financial compliance matter ("the Referral") to the Enforcement Division of the Association.

2. The Referral concerned a capital deficiency on the part of The Financial Centre Securities Corporation ("the Respondent"), a Member of the Association.

3. Pursuant to By-law 20 of the Association, the Ontario District Council of the Association ("the District Council") may impose discipline penalties on the Respondent for a breach of the By-laws, Regulations or Policies of the Association.

II. JOINT SETTLEMENT RECOMMENDATION

4. Staff and the Respondent consent and agree to the settlement of this matter by way of this Settlement Agreement in accordance with By-law 20.25 of the Association.

5. In accordance with By-law 20.26 of the Association, this Settlement Agreement is subject to (i) its acceptance, (ii) the imposition of a lesser penalty or less onerous terms, or (iii) with the consent of the Respondent, the imposition of a penalty or terms more onerous, by the District Council ("the Acceptance").

6. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

7. If, at any time prior to the Acceptance, there are new facts or issues of substantial concern to Staff regarding this matter, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. STATEMENT OF FACTS

(i) Acknowledgment

8. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Facts

1. The Financial Centre Securities Corporation ("FCSC") has been a Member of the Association since September 1995.

2. At all material times, Marion Marjorie Jean Hull has been President of FCSC. At the time of the incidents described below, she was also designated as CFO of FCSC.

3. At all material times, Samuel Kenneth Jack Aquino ("Aquino") has been an officer of FCSC. Although he was not the designated CFO at the time of the incidents described below, he was responsible for financial-compliance matters at FCSC during the relevant period.

Inadequate books and records

4. By-law 17.2 of the Association provides that, at all times, every Member shall keep and maintain a proper system of books and records. This includes reconciliation of information from various sources as frequently as required by Association rules.

5. At all material times, FCSC maintained records such as a general ledger by using an accounting software package. FCSC obtained price data and other reports from an external trading and record-keeping service ("ISM").

6. During FCSC's fiscal year ending September 30, 1999, FCSC failed to reconcile bank balances reported by ISM with the balances which showed on FCSC's own records.

7. Other bookkeeping deficiencies had been brought to the attention of FCSC by Association staff, beginning with a report to FCSC by Association staff following an examination in June 1998.

Inadequate internal controls

8. By-law 17.2A requires that every Member must establish and maintain "internal controls" to adequately ensure compliance with Association rules regarding the Member's finances. The internal control requirements are set out in Policy No. 3 of the Association.

9. Statement 2 of IDA Policy No. 3 requires that management ensure that financial reporting is accurate. Statement 6 of IDA Policy No. 3 requires that management safeguard the firm's securities and cash. As part of this, the Association requires that both internal accounts and bank accounts be monitored and reconciled at least monthly.

10. As noted above, FCSC failed to perform adequate reconciliations during the fiscal year

ending September 30, 1999, and thereby breached By-law 17.2A of the Association.

Capital deficiency

11. By-law 17.1 of the Association provides that every Member of the Association shall have and maintain at all times "risk-adjusted capital" ("RAC") greater than zero. RAC is calculated in accordance with the "Joint Regulatory Financial Questionnaire and Report" ("the JRFQR"), which has been adopted by the Association, and designated as "Form 1" of the Association.

12. As of September 30, 1998 -- the 1998 year end for FCSC -- the Member's JRFQR indicated that FCSC had total financial statement capital of approximately $792,000, and net allowable assets of approximately $272,000.

13. On December 20, 1999, the Association was advised by FCSC that its financial reports for September 30, 1999 would show a capital deficiency as of that date. The JRFQR that was eventually filed showed a capital deficiency of of $58,000 (i.e. a RAC of *negative* $58,000).

14. The deficiency arose when FCSC made the following year-end adjustments to its accounts:

    (i) a reduction in revenue to correct for $87,000 in commission revenue, correcting for an entry made in duplicate during the course of the preparation of the year-end accounts; and

    (ii) an increase in expenses to "write off" $187,000 in "unreconciled differences" between FCSC's general ledger and the balances reported by ISM.

15. The latter adjustment would not have been necessary had FCSC performed adequate reconciliations during the year.

Subsequent events

16. As of the end of December 1999, FCSC had corrected the capital deficiency by securing payment of receivables from certain related companies.

17. In Spring 2000, Aquino came to believe that one of FCSC's bookkeeper's had defrauded FCSC of a significant amount of money. FCSC then retained forensic accountants to investigate the matter. The forensic accountants have investigated and reported to FCSC that it appears that FCSC's bookkeeper (1) had made unauthorized withdrawals from FCSC's operating bank account by various means, including the creation of cheques for fictitious consulting work and business expenses, and (2) had removed or destroyed some of FCSC's underlying accounting records to conceal this activity. The forensic accountants have determined that, in fiscal 1999, the bookkeeper's activity led to a loss of $132,960 for FCSC. This loss exceeds the amount of the reported capital deficiency.

18. Aquino and FCSC also also have taken the following corrective actions to avoid similar situations in the future:

    (a) appointment of a new CFO to be responsible for financial compliance matters at FCSC effective as of May 2001;

    (b) termination of the bookkeeper immediately upon detection of the fraudulent activity;

    (c) reconciliation of the bank balances reported by ISM with the balances recorded on FCSC's records at least once a month; and

    (d) appointment of new auditors after the 1999 FSCS year end.

19. No client account balances suffered any losses as a result of the matters described herein.

IV. CONTRAVENTIONS

(i) Acknowledgment

9. The Respondent agrees that the facts set out in Section III support a finding that the Respondent contravened Association rules as set out in this Section IV.

(ii) Contraventions

1. Between October 1, 1998, and September 30, 1999, The Financial Centre Securities Corporation, a Member of the Association, failed to keep and maintain a proper system of financial books and records, contrary to By-law 17.2 of the Association.

2. Between October 1, 1998, and September 30, 1999, The Financial Centre Securities Corporation, a Member of the Association, failed to establish and maintain adequate internal controls in accordance with Policy 3 of the Association, contrary to By-law 17.2A of the Association.

3. In or around September 1999, The Financial Centre Securities Corporation, a Member of the Association, failed to maintain risk adjusted capital in excess of zero, calculated in accordance with the Joint Regulatory Financial Questionnaire, contrary to By-law 17.1 of the Association.

V. ADMISSION OF CONTRAVENTION AND FUTURE COMPLIANCE

10. The Respondent admits the Contravention noted in Section IV of this Settlement Agreement.

11. The Respondent agrees that, in the future, the Respondent will comply with all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALTIES

12. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

    (a) a fine in the amount of $25,000.00, payable on or before July 7, 2001; and

    (b) a prohibition on any disposition or pledging of any assets, equity or goodwill of the Respondent until the above-noted fine has been paid.

VII. ASSOCIATION COSTS

13. The Respondent shall pay the Association's costs of the investigation and this proceeding in the amount of $3,500.00 payable on or before July 7, 2001.

VIII. EFFECTIVE DATE

14. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of the Acceptance.

IX. WAIVER

15. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

16. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

17. If this Settlement Agreement becomes effective and binding:

    (a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the provincial securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable requirements of provincial securities administrators; and

    (b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. EFFECT OF REJECTION OF SETTLEMENT AGREEMENT

18. If the District Council rejects this Settlement Agreement:

    (a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

    (b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

Agreed to by the Respondent at the City of "Grimsby", in the Province of Ontario, this "4th" day of "June", 2001.

"K. Aquino"
Witness

"Marjorie J. Hull"
President, The Financial Centre Securities Corporation.

Agreed to by Staff at the City of Toronto, in the Province of Ontario, this "6th" day of "June" , 2001.

"Wayne Welch"
Witness

"Brian K. Awad"
Enforcement Counsel and Acting Director, Enforcement Litigation

Accepted by the Ontario District Council of the Investment Dealers Association of Canada, at the City of Toronto, in the Province of Ontario, this "6th" day of "June", 2001.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Kaufman"

Per: "R. Guilday"

Per: "David Kerr"

13.1.5 IDA Discipline - Anthony Alex Guidoccio

BULLETIN # 2856
June 11, 2001

DISCIPLINE PENALTIES IMPOSED ON ANTHONY ALEX GUIDOCCIO -- VIOLATIONS OF BY-LAWS 29.1, 18.4 AND 18.5

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Anthony Alex Guidoccio. At the time in question, Mr. Guidoccio was a Branch Manager with Midland Walwyn Capital Inc., or its predecessor Midland Doherty Ltd., Members of the Association ("the Member").

By-laws, Regulations, Policies Violated

On June 6, 2001, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Guidoccio and staff of the Enforcement Division of the Association.

Pursuant to the settlement agreement, Mr. Guidoccio admitted that he engaged in business conduct or practice which is unbecoming or detrimental to the public interest. He participated in the sale of units of retirement home limited partnerships in which he had an interest, and which were not approved for distribution by the Member, to clients of the Member, without the knowledge and approval of the Member. This was contrary to By-Law 29.1 of the Association.

Mr. Guidoccio also failed to submit to the Association a written report setting out that he was the manager of one or more of the retirement homes, contrary to By-Law 18.4 of the Association. Finally, he failed to obtain regulatory permission to be manager of one or more of the retirement homes, contrary to By-Law 18.5 [formerly By-law 18.14] of the Association.

Penalty Assessed

The discipline penalty assessed against Mr. Guidoccio is a bar on his approval as a Branch Manager for a period of two years, which two-year period has been deemed to run from February 1999 to January 2001. Mr. Guidoccio has re-written the exams and otherwise completed both the *Conduct & Practices Course* and the *Branch Managers Course*. He has also been subject to supervision from February 1999 to present. In addition, the District Council ordered that Mr. Guidoccio is required to pay $5,000.00 towards the Association's costs of investigating this matter.

Summary of Facts

In the late-1980s and mid-1990s, while a Branch Manager with the Member, Mr. Guidoccio became involved in retirement home developments. These developments were structured as limited partnerships. Mr. Guidoccio co-owned or managed three such developments. Investors interested in these developments approached Mr. Guidoccio and purchased limited-partnership units. Approximately twelve of the investors had accounts with the Member, however, the purchase transactions did not take place through accounts with the Member.

Beginning in 1994, Mr. Guidoccio disclosed to his supervisors and Member compliance personnel that he owned or intended to own the retirement homes. However, Mr. Guidoccio did not make adequate disclosure to the Member. Mr. Guidoccio failed to disclose that the developments were structured as limited partnerships, and that some clients of the Member were among the investors.

Due to his inadequate disclosure, Mr. Guidoccio did not obtain the approval of the Member to engage in the above activities, and his conduct amounted to "outside dealing", a breach of By-law 29.1 of the Association. As well, his conduct breached Association rules requiring that full details of any outside business or employment for gain be filed with the Association, and that the permission of regulators be obtained to engage in such activity.

Mr. Guidoccio is currently a Registered Representative with National Bank Financial Inc., a Member of the Association.

"Susanne M. Barrett"

13.1.6 IDA Settlement Agreement - Anthony Alex Guidoccio

IN THE MATTER OF DISCIPLINE PURSUANT TO BY-LAW 20 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: ANTHONY ALEX GUIDOCCIO

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Staff of the Enforcement Division ("Staff") of the Investment Dealers Association of Canada ("the Association") have conducted an investigation (the "Investigation") into the conduct of Anthony Alex Guidoccio ("the Respondent").

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25 of the Association.

3. This Settlement Agreement is subject to its being accepted by the Ontario District Council of the Association ("the District Council"), or the District Council imposing a lesser penalty or less onerous terms, or imposing, with the consent of the Respondent, a penalty or terms that are more onerous, in accordance with By-law 20.26 of the Association.

4. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

5. At any time prior to the District Council acting under By-law 20.26 of the Association, if there are new facts or issues of substantial concern regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. STATEMENT OF FACTS

The Respondent

6. The Respondent was first approved as a Registered Representative ("RR") in March 1982, with Midland Doherty Limited, at that time a Member of the Association. Since that time, the Respondent has been continuously approved for employment with a Member of the Association.

7. The Respondent has not been the subject of any prior discipline action by any provincial securities administrator or Canadian self-regulatory organization.

8. In May 1984, the Respondent was approved as Branch Manager of the Sudbury branch of Midland Doherty Limited. He remained employed in this capacity until he was terminated by Merrill Lynch Canada Limited, a Member of the Association, in January of 1999.

9. The Respondent's termination by Merrill Lynch Canada Limited was noted by the firm to be for the following reason:

> Firm discovered that Mr. Guidoccio was selling Limited Partnerships in personal investments without disclosure to firm.

The personal investments

10. The "personal investments" in question were three retirement homes. Each home was structured as a limited partnership.

11. The Respondent became involved in the first retirement home in the late 1980s when it was still under construction. Before the Respondent became involved, the project was at risk of financial failure, and existing limited partners asked the Respondent to become involved as they were concerned that they would lose their entire investment. The Respondent and an existing limited partner formed a company and bought the general-partner share. They also took over management of the property. The retirement home became a financial success.

12. In 1992, the Respondent bought a parcel of land with the intention of developing a second retirement home. The project was registered as a limited partnership in 1995. The Respondent was the general partner and the property manager, a function for which he was compensated. In 1997, the Respondent developed a third retirement home in a similar manner.

13. Investors interested in the second and third retirement homes approached the Respondent and purchased limited-partnership units. Approximately twelve of the investors had accounts with the Member. Many of the investors had an independent connection to the retirement homes. The purchase transactions did not take place through accounts with the Member.

14. All three of the retirement homes were financial successes for the investors.

Private dealings with clients and "selling away"

15. At all material times, private dealing with clients -- also known as "selling away" or "outside deals" -- has constituted professional misconduct in the securities industry. Such dealings may expose clients to unknown risks and expose registrants and firms to civil liability. Such activities done without the knowledge of the firm prevent effective supervision of the handling of client accounts, and monitoring for potential conflicts of interest.

16. Beginning in 1994, the Respondent disclosed to supervisors and compliance personnel at the Member that he owned or intended to own the retirement homes described above. The Respondent identified the retirement homes by name, but not that they were

structured as limited partnerships, nor that some clients of the Member were among the investors in the second and third developments. The Respondent did not disclose that he received compensation for the property management services he provided.

17. In Fall 1998, following the acquisition of Midland Walwyn by Merrill Lynch, the Member made further inquiries as to the nature of the Respondent's activities. Prior to this time, the Member had not asked the Respondent to elaborate on his earlier disclosures. The Respondent responded to these inquiries, providing full details. He was terminated soon thereafter, in January 1999.

18. The Association has not received any complaint from any person who invested in the limited partnerships.

"Outside" business or gainful employment

19. At all material times, By-law 18 of the Association has required that every registrant submit to the Association a written report setting out full details of any "outside" business or employment for gain, including the nature of the business, any title or position held, and the amount of time devoted to the business.

20. At all material times, By-law 18 of the Association has permitted an approved person to have "another gainful occupation" only if the relevant securities commission has granted permission. In 1996, the Ontario Securities Commission delegated to the Association the power to grant such permission (see (1996) O.S.C.B. 3848).

21. As a result of the Respondent not providing adequate information to the Member or the regulators, there was non-compliance with the above requirements.

Re-approval, sanctions and voluntary actions subsequent to termination

22. In late-January 1999, the Respondent was hired by a firm that is now part of National Bank Financial Inc., a Member of the Association. Since February 1999, due to the existence of the investigation into his termination by Merrill Lynch, Staff of the Registration Department of the Association have required that the Respondent be subject to close supervision, and have refused to support his re-approval as a Branch Manager.

23. Since his termination from Merrill Lynch, the Respondent has undertaken to complete, and has successfully re-written the exams and otherwise completed, both the *Conduct & Practices Course* and the *Branch Managers Course*.

IV. CONTRAVENTIONS

24. Between July 7, 1995 and January 31, 1999, Anthony Alex Guidoccio, while a Branch Manager of a Member of the Association, engaged in business conduct or practice which is unbecoming or detrimental to the public interest by participating in the sale of units in retirement home limited partnerships in which he had an interest, and which were not approved for distribution by the Member, to clients of the Member, without the knowledge and approval of the Member, contrary to By-Law 29.1 of the Association.

25. Between January 1,1989 and January 31, 1999, Anthony Alex Guidoccio, while a Branch Manager of a Member of the Association, failed to submit to the Association a written report setting out changes to the information contained in his Uniform Application form, namely, that he was the manager of one or more retirement home limited partnerships, contrary to By-Law 18.4 of the Association.

26. Between January 1,1989 and January 31, 1999, Anthony Alex Guidoccio, while a Branch Manager of a Member of the Association, failed to obtain permission of the Ontario Securities Commission or the Association to have another gainful occupation, namely, manager of one or more retirement home limited partnerships, contrary to By-Law 18.5 [formerly By-law 18.14] of the Association.

V. ADMISSION OF CONTRAVENTION AND UNDERTAKING TO COMPLY

27. The Respondent admits that the facts set out in Section III are true, and that those facts form a sufficient basis for findings of misconduct as set out in Section IV.

28. The Respondent admits that the District Council may penalize him pursuant to By-law 20 for the misconduct set out in Section IV.

29. The Respondent undertakes to comply with all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALTIES

30. The Respondent accepts the imposition of discipline penalties by the District Council pursuant to this Settlement Agreement as follows:

    (a) a bar on his approval as a Branch Manager for a period of two years, which two-year period has run from February 1999 to January 2001.

VII. ASSOCIATION COSTS

31. The Respondent shall pay the Association's costs of investigating and proceeding in this matter in an amount of $5,000.00, payable to the Association within one (1) month of the effective date of this Settlement Agreement.

VIII. EFFECTIVE DATE

32. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of the District Council taking action pursuant to By-law 20.26.

IX. WAIVER

33. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein, and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

34. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

35. If this Settlement Agreement becomes effective and binding:

    (a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

    (b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. EFFECT OF REJECTION OF SETTLEMENT AGREEMENT

36. If the District Council rejects this Settlement Agreement:

    (a) the provisions of By-laws 20.10 to 20.28, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and
    (b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by the Respondent at the City of "Sudbury", in the Province of Ontario, this "15th" day of "May", 2001.

"B. Atherton"
Witness

[illegible]
Anthony Alex Guidoccio

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "6th" day of "June", 2001.

"Wayne Welch"
Witness

"Brian K. Awad"
Enforcement Counsel and Acting Director, Enforcement Litigation

ACCEPTED by the Ontario District Council of the Investment Dealers Association of Canada, at the City of Toronto, in the Province of Ontario, this "6th" day of "June", 2001.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Kaufman"

Per: "R. Guilday"

Per: "David Kerr"

13.1.7 IDA Discipline Hearing - Anthony Alex Guidoccio

INVESTMENT DEALERS ASSOCIATION OF CANADA
(ENFORCEMENT DIVISION)

IN THE MATTER OF
A DISCIPLINE HEARING PURSUANT TO BY-LAW 20 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA
RE: ANTHONY ALEX GUIDOCCIO

****
PROCEEDINGS AT DISCIPLINARY HEARING
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Taken at the offices of THE INVESTMENT DEALERS ASSOCIATION OF CANADA, 16th Floor, 121 King Street West, Board Room 1, TORONTO, Ontario on the 6th day of June, 2001.

APPEARANCES

HON. FRED KAUFMAN, C.M., Q.C.	Chairman
ROBERT J. GUILDAY	Member
DAVID KERR	Member
BRIAN K. AWAD	Enforcement Counsel
ELLEN J. BESSNER	Counsel to Anthony Alex Guidoccio

(EXCERPT OF PROCEEDINGS)

DECISION OF THE PANEL:

THE CHAIRMAN: Well, we have deliberated in this matter because we have some concerns about the case, and while we agree that the Settlement Agreement should be approved, and will be approved, we nevertheless want to state for the record that cases of this nature, failure to disclose, are serious cases, and that it's not only a matter of potential conflict, it's a matter of time commitment.

Even though we have read the decision saying that the outside activity does not necessarily infringe on the time, here we're dealing with someone who is running three retirement homes. And I have no doubt and my colleagues have no doubt that running three homes, and turning one around that was almost bankrupt, if not bankrupt already, takes time. There's a time commitment.

On the other hand, we consider that the people that were involved in it already, in most cases at least, had seemed to have had some connection with the retirement homes, and we would like to believe that Mr. Guidoccio did not go out and actively solicit to find investors, which would have been an aggravating factor.

But we do want to express these concerns. And I don't know if my colleagues would like to add something to that, but after deliberation we feel we have reached agreement that you are fully aware of the facts of the case, and enforcement counsel is content, and Mr. Guidoccio's counsel is content with the agreement, and so we'll approve it. But as I say, we would like to pass on to both of you that we take a very serious matter of this particular offence, and it may give you some guidance for the future.

13.1.8 TSE - Amendment to Rule No. 1.101

THE TORONTO STOCK EXCHANGE – AMENDMENT TO RULE NO. 1.101

REQUEST FOR COMMENTS

On May 29, 2001, the Board of Directors of the Toronto Stock Exchange Inc. approved an amendment to Rule No. 1.101 of the Rule Book of the Toronto Stock Exchange to expand the definition of "Order-Execution Account". The Amendment is attached as Appendix "A".

Comments on the rule and amendment to the Rules should be in writing and delivered within 30 days of the date of this notice to:

Patrick Ballantyne,
Director
Regulatory & Market Policy
TSE Regulation Services
The Toronto Stock Exchange
2 First Canadian Place
Toronto, Ontario M5X 1J2
Fax: (416) 947-4281
e-mail: pballant@tsers.com

A copy also should be provided to:

Randee Pavalow
Manager, Market Regulation & Capital Markets
Capital Markets Branch
Ontario Securities Commission
Suite 800, Box 55
20 Queen St. West
Toronto, Ontario M5H 3S8
Fax: (416) 593-8240
e-mail: rpavalow@osc.gov.on.ca

BACKGROUND

Relief from Suitability---Order-Execution Only Service

On April 10, 2000 the CSA announced that relief from suitability obligations could be granted to dealers that provide trade execution only services.

To accommodate this relief, on April 25, 2000 the Board of Directors of the Exchange approved amendments to Policy 2-501 (formerly Policy XXX) to permit Participating Organizations ("PO") that have obtained the necessary relief from the the appropriate securities regulatory authority to transmit orders from clients to the trading system of the Exchange without review or handling by a person employed by the PO. These changes to the access requirements were approved by the OSC on December 8, 2000.

Expanded Suitability Relief

In April 2001, the IDA made application to the CSA to expand the relief from suitability to include those broker/dealers offering both an advisory and an order-execution only service. The IDA proposed amendments to their By-Laws, Regulations, Forms and Policies which specified that, where a member had applied for and received approval from the IDA for relief from suitability, the member would not have to comply with general suitability requirements, to make a determination that an order is suitable for a customer, when accepting orders from a customer where no recommendation is provided. The proposed amendments have not as yet been finalized, the comment period elapsed on June 4, 2001.

Exchange Amendments

In order to allow POs offering both an advisory and order-execution only service to send such client orders to the Exchange without review, Regulation Services Management recommends an amendment to the definition of "Order-Execution Account" in its Rules.

PUBLIC INTEREST ASSESSMENT

Canadian securities regulations (both legislative and at the SRO level) require brokers to ensure that a customer's transactions in securities are appropriate for the client and in keeping with his or her investment objectives. This requirement has created an inefficiency in the Canadian capital markets where there are Canadian customers who are capable of making, and want to make, their own investment decisions with no assistance from a dealer, and who also want to enter orders at the lowest cost, with maximum efficiency of execution. These customers are not only required to pay for services they do not desire, as a result of the suitability review, they also experience delays in having their orders executed. In light of this market inefficiency, it is TSE Regulation Services Management's position that this amendment is in the best interests of the capital markets of Ontario.

Expansion of suitability relief to full-service brokers offering advisory and non-advisory services may have a material impact upon public investors. As a result, this amendment to the Rules would be "public interest" in nature. The amendment would therefore only become effective following public notice, a comment period and the approval of the OSC.

TEXT OF THE AMENDMENT TO THE RULE

Appendix "A" is the test of the amendment to Rule 1.101 as passed by the Board of Directors of the Exchange on May 29, 2001.

QUESTIONS

Questions concerning this notice should be directed to Regulatory and Market Policy by contacting either Patrick Ballantyne, Director at (416) 947-4281 or Natalija Popovic, Senior Counsel at (416) 947-4565.

BY ORDER OF THE BOARD OF DIRECTORS

LEONARD P. PETRILLO
VICE PRESIDENT, GENERAL
COUNSEL AND SECRETARY

APPENDIX "A"

THE RULES
OF
THE TORONTO STOCK EXCHANGE INC.

The Rules of The Toronto Stock Exchange are hereby amended as follows:

1. Rule 1-101 is amended by adding the following definition of "Order Execution Account":

   "Order-Execution Account" means the account of a client of a Participating Organization in respect of which the Participating Organization is exempted, in whole or in part, from making a determination on the suitability of trades for the client in accordance with the requirements of a securities regulatory authority or recognized self-regulatory organization.

13.1.9 TSE - Amendments to By-law No. 1

THE TORONTO STOCK EXCHANGE INC. – AMENDMENTS TO BY-LAW NO. 1

REQUEST FOR COMMENTS

On May 29th, 2001, the shareholders of The Toronto Stock Exchange Inc. ("TSE") approved an amendment to By-law No. 1 of The Toronto Stock Exchange Inc. (the "By-law") to provide that twenty five per cent (25%) of the TSE Board of Directors shall, in the opinion of the Governance Committee, acting reasonably, be made up of individuals who have expertise in, or an association with, the Canadian public venture capital market and, who in the opinion of the Governance Committee, acting reasonably, collectively provide a broad geographical representation within Canada.
The shareholders also approved an amendment to the By-law to provide that the President of the Canadian Venture Exchange Inc. shall be deemed not to be associated with a Participating Organization and not to be otherwise associated with the Exchange.

The amendments are attached as Appendix "A". The amendments will be effective upon approval of the Ontario Securities Commission following public notice and comment. Comments on these amendments to By-law No. 1 should be in writing and delivered within 30 days of the date of this notice to:

Leonard Petrillo
General Counsel
The Toronto Stock Exchange
2 First Canadian Place
Toronto, Ontario M5X 1J2
Fax: (416) 947-4514
e-mail: **lpetrill@tse.com**

A copy also should be provided to:

Randee Pavalow
Deputy Director of Capital Markets &
Manager, Market Regulations
Capital Markets Branch
Ontario Securities Commission
Suite 800, Box 55
20 Queen St. West
Toronto, Ontario M5H 3S8
Fax: (416) 593-8240

BACKGROUND

Pursuant to an acquisition agreement dated April 30th, 2001, the TSE and CDNX have agreed that the TSE will purchase all of the outstanding shares of CDNX for a purchase price of $50,000,000 (the "Transaction"). After the completion of the Transaction, CDNX will become a separate wholly-owned subsidiary of the TSE. In order to complete the Transaction, the TSE is required to make certain changes to its corporate governance structure.

In order to effect the changes to its corporate governance structure, the shareholders of TSE approved an amendment to By-law No. 1 of the TSE (the "By-law") to provide that

twenty-five (25%) of the TSE Board of Directors shall, in the opinion of the governance committee, acting reasonably, be made up of individuals who have expertise in, or an association with, the Canadian public venture capital market and, who in the opinion of the governance committee, acting reasonably, collectively provide a broad geographical representation within Canada.

The shareholders also approved an amendment to the By-law to provide that the President of the Canadian Venture Exchange Inc. shall be deemed not to be associated with a Participating Organization and not to be otherwise associated with the Exchange.

PUBLIC INTEREST ASSESSMENT

The proposed amendments to By-law No. 1 of the TSE will allow for the completion of the Transaction. Accordingly, the TSE believes that the proposed amendments are in the best interests of the capital markets of Ontario. Under the terms of the protocol between the TSE and the Ontario Securities Commission ("OSC"), the amendments to By-law No. 1 of the TSE would be considered "public interest" in nature. The amendments would therefore only become effective following public notice, a comment period and the approval of the OSC. Implementation of the amendments would be conditional upon the closing of the Transaction.

Questions concerning this notice should be directed to Leonard Petrillo, Office of the General Counsel (416) 947-4514.

BY ORDER OF THE BOARD OF DIRECTORS

LEONARD P. PETRILLO
VICE PRESIDENT, GENERAL
COUNSEL AND SECRETARY

APPENDIX "A"

BY-LAW NO. 1
OF
THE TORONTO STOCK EXCHANGE INC.

Article 4.20 of By-law No. 1 of The Toronto Stock Exchange is hereby amended as follows:

1. Deleting the fifth paragraph thereof in its entirety and replacing it with the following:

   "For the purposes of this by-law: (i) an individual shall be considered to be associated with a Participating Organization if he or she is a Participating Organization or a partner, associate (within the meaning of the Securities Act), director, officer, employee, agent or representative of a Participating Organization or an affiliate of a Participating Organization; (ii) the President shall be deemed not to be associated with a Participating Organization and not to be otherwise associated with the Exchange; and (iii) the President of the Canadian Venture Exchange Inc. shall be deemed not to be associated with a Participating Organization and not to be otherwise associated with the Exchange."

2. Inserting after the fourth paragraph thereof:

   "At least twenty-five percent (25%) of the directors shall, in the opinion of the governance committee acting reasonably, be persons who have expertise in or an association with the Canadian public venture capital market and, who in the opinion of the governance committee, acting reasonably, collectively provide a broad geographical representation within Canada."

THIS BY-LAW AMENDMENT MADE this 29th day of May, 2001, to be effective upon approval of the amendment by the Ontario Securities Commission.

"Daniel F. Sullivan" "Leonard P. Petrillo"

13.1.10 TSE Rule 4-501

NOTICE OF AMENDMENTS AND COMMISSION APPROVAL

AMENDMENT TO THE IN-HOUSE CLIENT PRIORITY RULE (RULE 4-501)

The Commission has approved the amendments to Rule 4-501, the In-House Client Priority Rule (the "Rule"), and the enactment of related Policy 4-501 (the "Policy")(collectively, the "Amendments"). The Amendments were necessitated by the move to time priority, as the TSE will no longer be able to system-enforce the rules due to the fact that time priority and in-house client priority are incompatible. The Amendments were initially published on August 4, 2000 at (2000) 23 OSCB 5471. The notice that was published with the Amendments provided the background to the amendments. Three comment letters were received. A summary of the comments received and the response of the TSE is below. Some revisions have been made to the Amendments since the previous publication.

SUMMARY OF CHANGES

The reference to "tradeable limit orders", in paragraph 3 of the Rule, has been removed as it was redundant.

Paragraph 8 of the Rule has been added. It states that the exemptions to client priority, found in paragraphs (4), (5) and (6), shall not apply unless the PO has implemented a reasonable system of internal policies and procedures to ensure compliance with this Rule and to prevent misuse of information about client orders.

The Policy has been amended to require each PO to analyze its own operations, identify risk areas and adopt compliance procedures tailored to its particular situation. The policy now has a new section, entitled "Supervision and Compliance", which sets out further details and requirements with respect to the procedures a PO must have in place. At a minimum the procedures must include education of all traders in their responsibilities in handling client orders, identification of particular areas within the firm where there is a risk of non-compliance and after the fact reviews of trading. The PO must also periodically review its procedures to ensure that they are appropriate to ensure that the firm is meeting both the requirements of Rule 4-501 and its agency obligations to its clients.

Appendix "A" Participating Organizations' Compliance Procedures for Rule 4-501 has been added to the Policy. This appendix expands on the requirement for compliance procedures. It requires written compliance procedures that at minimum must address certain points relating to education, post-trade monitoring procedures and documentation.

SUMMARY OF COMMENTS RECEIVED AND THE RESPONSE OF THE TSE

The TSE received three comment letters, two from participating organizations and one from the Alberta Securities Commission.

The two participating organizations expressed concern that the examples of procedures that might be instituted by firms to comply with the rule would not work for their particular business operations. The letters expressed a concern that these might be the only procedures the TSE would accept.

The TSE is not mandating any particular procedures to be used by firms. Rather, the rule states that the firms must have effective procedures in place designed to minimize the likelihood of misuse of information concerning client orders. We expect that the procedures actually put in place will vary frm firm to firm as firms have different operations that give rise to different issues. We have indicated that we are willing to assist firms in the development of the internal procedures and have visited a number of participating organizations with a view to assess their readiness. At this time, nothing indicates that any of the firms will not be able to comply with the rule once it is implemented.

The letter from the Alberta Securities Commission expressed concern that monitoring compliance would be difficult if the TSE did not continue to require orders to be marked pro our client trading system. In addition, the letter expressed concern that a registered representative may enter orders for his or her own account ahead of orders for his or her clients in the same security.

The current order marking requirements will remain in effect and firms will have a full audit trail to allow them to monitor compliance with the rules. The issue of registered representatives trading ahead of their own clients must be addressed by firm procedures as the TSE cannot enforce compliance with the rule until the orders are entered into our system. We understand that many firms have rules that state that wire operations in branches are to enter pro orders last. Furthermore, our earlier analysis of compliance procedures indicated that this is an area that currently firms pay very close attention to.

TEXT OF AMENDMENTS TO THE RULES

Attached is the text of the amendments to Rule 4-501 and the text of the related Policy 4-501. The Amendments have been black lined to indicate the changes from the previously published version. The Amendments are effective immediately.

QUESTIONS

Questions regarding the amendments should be directed to the TSE, Regulatory and Market Policy, by contacting either Timothy Baikie at (416) 947-4570 or Patrick Ballantyne at (416) 947-4281.

Rule 4-501 is repealed and replaced with the following:

4-501 Best Execution of Client Orders

(1) A Participating Organization shall diligently execute all client orders on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

(2) A Participating Organization shall give priority to its client orders over all of its non-client orders in the same

security and on the same side of the market, unless the non-client order is executed at a price above the client's limit price (for a buy order) or below the client's limit price (for a sell order).

(3) A Participating Organization shall give priority to its client market~~and tradeable limit~~ orders over its non-client orders in the same security and on the same side of the market.

(4) Rules 4-501(2) and (3) shall not apply to allocations made by a trading system, provided that any client orders of the Participating Organization were entered immediately upon receipt by the Participating Organization and were not subsequently changed or removed from the system (other than changes or removals made on the instruction of the client).

(5) Rules 4-501(2)-and (3) shall not apply to client orders where the client has specifically given the Participating Organization discretion with respect to execution of an order or where an Approved Trader is making a bona fide attempt to obtain best execution for a client order, provided that

~~(a)~~ no Approved Trader with knowledge of ~~that order trades in that~~ open client orders for a listed security that have not been fully executed enters a non-client order on the same side of the market ~~before the client order is fully executed; and~~ in such security.

~~(b) the Participating Organization has implemented a reasonable system of internal policies and procedures to prevent misuse of information about client orders.~~

(6) Rules 4-501(2)-and (3) shall not apply with respect to a particular client order where the client has specifically consented to the Participating Organization trading ahead or alongside that order.

(7) The Participating Organization shall record the specific consent referred to in Rule 4-501 (6) on the order ticket.

(8) The exemptions in Rules 4-501(4), (5) and (6) shall not apply unless the Participating Organization has implemented a reasonable system of internal policies and procedures to ensure compliance with this Rule and to prevent misuse of information about client orders.

Policy 4-501 is enacted as follows:

4-501 Best Execution of Client Orders

Rule 4-501 obliges Participating Organizations to use their best efforts to obtain the best execution possible of client orders. The rule also restricts Participating Organizations and their employees from trading in the same securities as their clients in order to minimize the conflict of interest that occurs when a firm or a pro trader competes with ~~its~~ the firm's clients for executions.

The rule governs two types of activities. The first is *trading ahead* of a client order, which is taking out a bid or offering that the client could have obtained had the client order been entered first. By trading ahead, the pro order obtains a better price at the expense of the client order.

The second activity governed by the rule is *trading along* with a client, or competing for fills at the same price.

The application of the rule can be quite complex given the diversity of professional trading operations in many firms, which can include such activities as block facilitation, market making, derivative and arbitrage trading. In addition, firms may withhold particular client orders in order to obtain for the client a better execution than the client would have received if the order had been entered directly in the Book. Each firm must analyze its own operations, identify risk areas and adopt compliance procedures tailored to its particular situation. Possible compliance procedures are set out in Appendix A.

A Broker's Legal Obligations

Agency law imposes certain obligations on those who act on behalf of others. Among those obligations is a prohibition on an agent appropriating for itself an opportunity that could go to the principal (client) unless the principal specifically consents.

At common law, the client can consent to the Participating Organization trading ahead or alongside. Such consent must be specific to an order, and not contained in a general consent in a client account agreement. For example, an institutional client may consent to splitting fills with the Participating Organization or may consent to the Participating Organization trading ahead in order to move the market to the agreed-upon price for a block trade (e.g. permitting the Participating Organization as pro to move the market down to the price at which it will buy a block from the client).

Consent can also be implied. If the Participating Organization operates in accordance with established rules, and those rules have a valid purpose (e.g. to foster more liquid, efficient markets for all participants), the consent of the client to the firm's trading in compliance with those rules will likely be implied by a court asked to impugn a transaction, provided the firm is not attempting to disadvantage the client. In other words, a court will likely imply that a client would consent to a firm unintentionally trading ahead of him or her in compliance with these rules. A court would be highly unlikely to imply consent to a pro intentionally taking a trading opportunity from a client; such consent must be specific to the order.

In-House Client Priority

The Rule provides that the firm must give priority of execution to client orders, subject to certain exceptions necessary to ensure overall efficiency of order handling.

In no case can a trader intentionally obtain execution of a pro order ahead of a client order without the specific consent of the client, unless the trade is at a better price than the client's limit. A trader can never intentionally trade ahead of a client market or tradeable limit order without the specific consent of the client.

Examples of "intentional" trades include, but are not limited to:

- Withholding a client order from the Book (or removing an order already in the Book) in order to enter a

competing pro order ahead of it, thereby obtaining time priority.

- Choosing to enter a client order in a relatively illiquid market and entering a pro order in a more liquid market where it is likely to obtain faster execution.

- Adding terms to an order (other than on the instructions of the client) so that the order ranks behind pro orders in the regular market at that price.

The rule contains an exception for allocations in a trading system provided that the firm enters client orders immediately and does not interfere with the system allocation in any way. The rationale is that a pro who has committed to the Book ahead of a client is not taking a trading opportunity from the client as the client's trading opportunity does not arise until he or she gives an order.

The rule also contains an exception where a client order has been withheld in a bona fide attempt to get better execution for the client, provided that any pro who is trading ahead of the client order does not have knowledge of that order and that the firm has reasonable procedures in place to ensure that information concerning client orders is not used improperly within the firm. These procedures ~~could take the form of physically separating client and pro traders or requiring prior approval of pro trades, such approval to be withheld if the firm is working a competing client order.~~ will vary from firm to firm and no one procedure will work for all firms.

The rule also allows the firm to trade ahead of the client if the client has consented. Such consent must be specific to a particular order, and details of the agreement with the client must be noted on the order ticket.

Participating Organizations have overriding agency responsibilities to their clients and cannot use technical compliance with the rule to establish fulfillment of their obligations if they have not otherwise acted reasonably and diligently to obtain best execution of their client orders. Firms should obtain legal advice that their own order handling procedures comply with their obligations to their clients.

Supervision and Compliance

Rule 2-402(5) requires Participating Organizations to ensure that its employes, directors, officers and, if applicable, partners, comply with Exchange Requirements. Rule 4-501(58) provides that firms must have reasonable procedures to ensure that information about client orders is not misused; if a firm does not have reasonable procedures in place, it cannot rely on the exceptions in Rules 4-501(4) (5) and (6) and must reallocate any pro fills to unfilled client orders.

The procedures must address the handling of client orders and must be followed up by after-the-fact monitoring. At a minimum, these procedures, which must be documented, must include:

- Education of all traders in their responsibilities in handling client orders. In particular, traders must be informed that intentionally trading ahead of a client order is prohibited and will result in disciplinary action against the trader.

- Identification of particular areas within the firm where there is a risk of non-compliance. For many firms these would include
  - the point at which the order is taken (e.g. a branch or institutional desk); and
  - points at which orders are managed (e.g., an OMS trader or retail special handling desk)
  - areas of the firm that are in proximity to areas where orders are handled.

  Establishment of procedures to minimize the possibility of misuse of client orders.

- After the fact reviews of trading must also be conducted. Client complaints must be documented and followed-up. On a monthly basis (at a minimum) the firm must compare execution of a reasonable sample of non-client orders with contemporaneous client orders in the same security on the same side of the market. Instances where it appears that a pro may have traded with knowledge of a client order prior to its entry on the Exchange (or trading in a stock at a time when prohibited) must be followed up.

Periodically the firm must review its procedures to ensure that they are appropriate to ensure that the firm is meeting both the requirements of Rule 4-501 and its agency obligation to its clients.

Application of the Rule in Particular Circumstances

At our firm, the traders handling OMS orders are on a desk immediately beside the pro trading desk. We have not set up compliance procedures, but have told our traders to follow all the rules. While one of the OMS traders is reviewing a client order prior to entry, the pro trader enters an order in the same security on the same side of the market and at the same price (a "competing order") in the Book that gets priority. The pro trader honestly had no knowledge of the client order. ~~Is this permitted?~~ Do we have to reallocate?

~~On these facts, this is not permitted and the firm would have to reallocate any fills the pro order receives to the client order.~~ Yes. Lack of knowledge on the part of the pro trader is not sufficient. The firm must also have reasonable procedures in place to ensure that traders cannot take advantage of information about client orders. ~~If the client and pro traders are in close physical proximity, it would be difficult, if not impossible, to determine whether the pro trader did or did not have knowledge of the client order.~~ In addition, the pro trader must follow the firm's procedures.

> ~~The firm would need to do more. For example, the OMS traders could be physically separated from the pro traders. Alternatively, the firm could require the pro trader to receive approval prior to entering any order. Of course, the person giving such approval would have to ensure that the firm is not working any competing client orders.~~

I am working a client limit order to buy ABC at $25.00 and have not entered it in the Book. Can I enter a pro buy order at $25.05? It's a better price than the client's limit.

No. The rule does not permit a trader to compete as pro with a client order he or she is working at any price unless the consent of the client has been obtained.

I was working a client limit order to buy DEF and have entered the tag end in the Book at $25.00. Can I enter a pro buy order that ranks after it (either behind it in the queue or at a lower price)? The rule says I can't "trade" before the order has been fully executed.

Yes you can, provided your order ranks behind the client and will not trade at all before the client order has been completely filled. Because the pro order is ranked behind the client, it is not competing with the client for a fill. You could not enter a competing order at the same price in an ATS or another market, as you could not be certain that it would not trade before the client order is filled.

I am an institutional trader facilitating a large block order for a client. Because I shorted 10,000 to the client to fill part of the order, the client has agreed that I can trade ahead for 10,000 shares. The client has also agreed that we can split trades 50/50 for the next 10,000 shares. Is this permitted?

Yes. The client's consent must be specific to an order and can't be general (e.g. in the account agreement). The terms of the consent (trade ahead for 10,000, split next 10,000 50/50) must be noted on the order ticket and kept with the firm's record of orders.

My firm has client orders (that I am not handling) entered in another market, where they have been some time without trading. Can I enter a competing order on the TSE?

It depends on the facts. The *in-house* rule does not apply to allocations by a trading system, provided a trader has not held up the orders prior to entry. Therefore, you could enter an order on the TSE and not be in violation of that rule. However, the firm has an overall *best execution* obligation. The firm would not be meeting this obligation if it does not send client orders to the market in which they would receive the most favourable execution. The failure to obtain best execution is exacerbated if the firm sends its own pro orders to a different market in which they are executed more quickly or at better prices.

This obligation is not absolute. If a firm makes a reasonable determination to route client orders to a particular market that it has determined is most likely to provide those orders with best execution, the rule is not violated if from time to time a particular order might have received a better or faster fill in another market. However, a trader working an order must consider all markets in which the stock trades. If, for example, the TSE is normally the most active and liquid market in a particular security but on a given day another market is more active, the trader would not be meeting the best execution obligation if the order was sent to the TSE without considering whether it would obtain better execution on the other market.

This is not to say that a firm or trader must necessarily route an order to the most active market, but must diligently attempt to obtain the best possible execution for the client, taking into account prevailing market conditions.

In the above example, the orders in the other market were entered by retail clients of our discount affiliate through our Internet order entry service. The clients directed us to put their orders in the other market. Have we met our best execution obligation?

Yes, as it was the client and not the firm who made the decision to trade in the other market, provided the firm has not influenced that decision. For example, if the default on the order entry screen is to trade in a particular market and it is cumbersome or time consuming for the client to choose another market, it is questionable whether the client has truly made a decision to route the order to any market.

A client has given me a market buy order. I believe that he could get a better fill in a fairly short timeframe by joining the bid, but he has told me that he wants a fill immediately. Have I met my best execution obligation if I enter it as a market order?

The firm has met its best execution obligations if it diligently follows the instructions of its client provided it did not solicit those instructions.

In reviewing the Book, I see that my firm has client orders on the bid at $25. Can I enter a buy order improving the bid by 5 cents?

Yes you can, provided you cannot obtain any details of orders your firm is working in that stock. The reason is that the clients may have limits of $25.05 (or higher) and the person working the order may have chosen to enter it with a lower limit in an attempt to obtain a better fill. A pro trader could compete with those orders only on a completely blind basis.

I am an OMS trader. I have set filters so that I can review certain orders prior to entry on the TSE. This normally takes seconds and the orders go to the Book. Is this "holding up" the order? Would my firm have to reallocate pro fills if there are pro orders ahead of it in the Book?

Yes, you have held up the order. However, if your firm has procedures in place to ensure that the pro traders cannot obtain knowledge of any orders you are handling, they have not violated the rule and the firm does not have to reallocate fills. However, you are not permitted to enter an order that competes with an order you have held up.

APPENDIX "A"

Participating Organizations' Compliance Procedures for Rule 4-501

INTRODUCTION

Participating Organizations must have written compliance procedures reasonably designed to ensure that their trading does not violate Rule 4-501, Best Execution of Client Orders. At a minimum, the written compliance procedures must address employee education and post-trade monitoring.

The purpose of the POs' compliance procedures is to ensure that pro traders do not knowingly trade ahead of client orders. This would occur if a client order is withheld from entry into the market and a person with knowledge of that client order enters another order that will trade ahead of it. Doing so could take a trading opportunity away from the first client. Withholding an order for normal review and order handling is allowed under the Rule, as this is done to ensure that the client gets a good execution. To ensure that the POs' written compliance procedures are effective they must address the potential problem situations where trading opportunities may be taken away from clients.

POTENTIAL PROBLEM SITUATIONS

Listed below are some of the potential problem situations where trading opportunities may be taken away from clients.

1. Retail brokers or their assistants withholding a client order to take a trading opportunity away from that client.
2. Others in a brokerage office, such as wire operators, inadvertently withholding a client order, taking a trading opportunity away from that client.
3. Agency traders withholding a client order to allow others to take a trading opportunity away from that client.
4. Proprietary traders using knowledge of a client order to take a trading opportunity away from that client.
5. Traders using their personal accounts to take a trading opportunity away from a client.

WRITTEN COMPLIANCE PROCEDURES

It is necessary to address in the written compliance procedures the potential problem situations that are applicable to the PO. Should there be a change in the PO's operations where new potential problem situations arise then these would have to be addressed in the procedures. At a minimum, the written compliance procedures for employee education and post-trade monitoring must include the following points.

EDUCATION

- Employees must know the Rule and understand their obligation for best execution, particularly in a multiple market environment.
- POs must ensure that all employees involved with the order handling process know that client orders must be entered into the market before non-client and proprietary orders, when they are received at the same time.
- POs must train employees to handle particular trading situations that arise, such as, client orders spread over the day, and trading along with client orders.

POST-TRADE MONITORING PROCEDURES

- All brokers' trading must be monitored as required under the Minimum Standards for Retail Supervision.
- Complaints from clients and RRs concerning potential violations of the rule must be documented and followed-up.
- All traders' personal accounts and those related to them, must be monitored daily to ensure no apparent violations of client priority occurred.
- At least once a month, a sample of proprietary inventory trades must be compared with contemporaneous client orders.
- In reviewing proprietary inventory trades, POs must address both client orders entered into order management systems and manually handled orders, such as those from institutional clients.
- The review of proprietary inventory trades must be of a sample size that sufficiently reflects the POs trading activity.
- Potential problems found during these reviews must be examined to determine if there was an actual violation of Rule 4501. The PO must keep documentation of these potential problems and examinations.
- When a violation is found the PO must take the necessary steps to correct the problem.

DOCUMENTATION

- The procedures must specify who will conduct the monitoring
- The procedures must specify what information sources will be used
- The procedures must specify who will receive reports of the results.
- Records of these reviews must be maintained for five years.
- The PO must annually review its procedures.

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Chapter 25

Other Information

25.1 Consent

25.1.1 Equisure Financial Network Inc. - ss. 4(b), OBCA Reg.

Headnote

Consent given to OBCA corporation to continue under the CBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990. c. B.16, s. 181.

Canada Business Corporations Act, R.S.C. 1985, c. 144.

Regulations Cited

Regulation made under the *Business Corporation Act*, O. Reg. 289/00.

IN THE MATTER OF
THE REGULATION
MADE UNDER THE BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c. B.16 (THE "OBCA")
O. Reg. 289/00 (THE "REGULATION")

AND

IN THE MATTER OF
EQUISURE FINANCIAL NETWORK INC.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Equisure Financial Network Inc. (the "Corporation") to the Ontario Securities Commission (the "Commission") requesting a consent from the Commission to continue in another jurisdiction pursuant to subsection 4(b) of the Regulation;

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

AND UPON the Corporation having represented to the Commission that:

1. The Corporation is proposing to submit to the Director under the OBCA an application for authorization to continue (the "Continuance") under the *Canada Business Corporations Act* (the "CBCA") pursuant to section 181 of the OBCA (the "Application for Continuance");

2. Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission;

3. The Corporation is an offering corporation under the OBCA and is a reporting issuer in the province of Quebec;

4. The Corporation ceased to be a reporting issuer under the *Securities Act* (Ontario) (the "Act") on May 9, 2001;

5. The Corporation is not in default under any of the provisions of the Act or the regulations made under the Act;

6. The Corporation is not a party to any proceeding or to the best of its knowledge, information and belief, any pending proceeding under the Act;

7. The proposed Application for Continuance of the Corporation under the CBCA was unanimously approved by a special resolution of the shareholders of the Corporation dated June 4, 2001;

8. The Continuance of the Corporation under the CBCA is proposed in order to permit the Corporation and certain of its wholly owned subsidiaries which are governed by the CBCA to amalgamate; and

9. The material rights, duties and obligations of a corporation incorporated under the CBCA are substantially similar to those under the OBCA.

THE COMMISSION HEREBY CONSENTS to the continuance of the Corporation as a corporation under the CBCA.

June 12, 2001.

"Paul M. Moore " "Stephen N. Adams"

25.2.1 Securities

TRANSFER WITHIN ESCROW

COMPANY NAME	DATE	FROM	TO	NO. AND TYPE OF SHARES
Dxstorm.com	June 5,2001	Guy Russel, Director, Business Development, DXSTORM.COM	Gregory Lowes, President and CEO, DXSTORM	1,000,000 common shares

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