The Ontario Securities Commission

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The Ontario Securities Commission Administers the
Securities Act of Ontario (R.S.O. 1990, c.S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JUNE 28, 2002

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
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- -

THE COMMISSIONERS

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Paul M. Moore, Q.C., Vice-Chair	—	PMM
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Derek Brown	—	DB
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Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

August 6 & 20/02 2:00 - 4:30 p.m. August 7, 8, 12 – 15, 19, 21, 22, 26-29/02 9:30 a.m. - 4:30 p.m. September 3 & 17/02 2:00 -4:30 p.m. September 6, 10, 12, 13, 24, 26 & 27/02 9:30 a.m. - 4:30 p.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
July 2 – 5/02 10:00 a.m.	**Lydia Diamond Explorations of Canada, Jurgen von Anhalt, Emilia von Anhalt** s. 127 M. Britton in attendance for Staff Panel: PMM / HLM / MTM
July 2/02 10:00 a.m.	**Mark Edward Valentine** s. 127 M. Kennedy in attendance for Staff Panel: HIW / DB /
July 11/02 10:00 a.m.	**Piergiorgio Donnini** s. 127 J. Superina in attendance for Staff Panel: PMM / KDA / HPH
August 20/02 2:00 p.m. August 21 to 31/02 9:30 a.m.	**Mark Bonham and Bonham & Co. Inc.** s. 127 M. Kennedy in attendance for staff Panel: PMM / KDA / HPH

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

DJL Capital Corp. and Dennis John Little

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

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation

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

Offshore Marketing Alliance and Warren English

Philip Services Corporation

Rampart Securities Inc.

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

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

Notice re: Ontario Securities Commission Rule 45-504

Please note that OSC Rule 45-504 - *Prospectus Exemption for Distributions of Securities to Portfolio Advisers on Behalf of Fully Managed Accounts* was repealed upon the coming into force of OSC Rule 45-501 - *Exempt Distributions* on November 30, 2001.

1.1.2 OSC Staff Notice 15-702, Credit for Cooperation

OSC STAFF NOTICE 15-702
CREDIT FOR COOPERATION

PURPOSE OF THE NOTICE

1. This notice is to clarify that it is part of the Commission's compliance policy that market participants should have an incentive to self-police, self-report, and self-correct matters that may involve breaches of Ontario securities law or activities that would be considered contrary to the public interest.

2. The results of cooperation in accordance with the following guidelines may lead to recommendations which narrow the scope of the allegations, a reduction in the sanctions proposed and, in some cases, a decision not to name a market participant in the Notice of Hearing.

3. This notice is intended to announce and formalize Staff's position in respect to what cooperation means and how cooperation can be translated into a form of credit during the investigative and litigation process.

STAFF'S EXPECTATIONS OF MARKET PARTICIPANTS

4. A market participant that identifies a serious problem in respect of their systems of internal control, the reporting of financial results, misleading disclosure, illegal trading or any other inappropriate activity that has impacted investors or cast doubt on the integrity of Ontario's capital markets, should promptly and fully report to the appropriate regulatory or law enforcement agency.

5. Market participants should fully cooperate with staff of the OSC, or any other regulator, when they are asked to provide assistance or information and should promptly and fully respond to all production orders and summonses.

6. When a serious matter is reported to staff of the OSC, a market participant should volunteer all the necessary books and records required to assess the matter and any reports or analysis prepared by experts retained by the market participant or its counsel.

7. When a matter has been reported to a regulator, market participants and their employees, officers and directors should make themselves available for voluntary interviews to allow staff to assess the situation.

8. When a market participant has identified a serious breakdown in its system of internal controls, the market participant should promptly investigate,

take corrective action and implement new systems of control, as appropriate.

9. A market participant that is aware that an employee, officer or director may have acted in a manner that is contrary to Ontario securities law, should fully investigate the matter and, independent of whatever action a regulator may take, deal with the matter promptly and appropriately.

10. The market participant should fully and completely provide restitution, if appropriate, to any investors that have been harmed by inappropriate conduct or by a failure of internal controls.

WHAT IS NOT VIEWED AS COOPERATION

11. In general, staff of the OSC will not give credit for cooperation to market participant in situations where, during the course of an investigation, the market participant puts the interest of the firm or its officers, directors or employees ahead of its obligations to clients, shareholders, or the integrity of Ontario's capital markets.

12. Specifically no credit for cooperation will be given when market participants:

- fail to promptly and fully report serious breaches of Ontario securities law to staff of the OSC or to another regulator when the facts of the matter are known to them.
- withhold information that in light of the circumstances should be provided to staff of the OSC.
- arrange their affairs in such a manner to delay reporting a matter that should be reported or to claim a privilege to avoid providing details of potential breaches of Ontario securities law.
- indicate they are prepared to cooperate fully but will only provide information on a compelled basis.
- undertake to provide staff with books, records or information and then fail to live up to the undertaking or fail to provide the required documents in a timely fashion.
- misrepresent the facts of a situation.
- destroy documents in an attempt to avoid production of the records.
- invoke legal advice as a defence, but refuse to disclose the advice.
- enter into settlement arrangements with employees, clients or shareholders that include an agreement not to disclose information to a regulator or an agreement to withdraw any existing complaints.
- continue the inappropriate conduct or fail to correct internal control problems after the conduct or internal control problems have been identified to senior management and the board of directors.

CREDIT FOR COOPERATION

13. If potential respondents act in a responsible manner during the course of an investigation and have self-policed, self-reported, and self-corrected the matters under investigation, staff may agree that it may be in the public interest to resolve the outstanding issues by:

i. recommending that the matter not proceed by way of a prosecution under section 122 of the Act.

ii. issuing a Notice of Hearing and Statement of Allegations and recognizing and giving credit for cooperation by narrowing the scope of the allegations and in the settlement process recommending reduced sanctions against cooperative respondents.

iii. not issuing a Notice of Hearing and Statement of Allegations and propose that the issues be address by one or more of the following:

- entering into an Executive Director settlement as contemplated in the Rules of Practice;
- placing terms and conditions on a potential respondent's registration;
- obtaining an undertaking from potential respondents that in the future they will not violate Ontario securities law;
- issuing a warning letter.

iv. in appropriate circumstances, concluding the matter without taking any action against the potential respondent.

14. As a practical matter, greater cooperation during the course of an investigation will lead to reduced costs incurred by Commission Staff, and consequently, a reduction of the potential costs

that might be assessed under section 127.1 of the Act.

15. During the course of the investigation, market participants, who have been less than cooperative up to a point in time, may decide to fully cooperate with staff and would normally receive partial credit for the cooperation.

1.1.3 CSA Staff Notice 45-302, Frequently Asked Questions Regarding the New Resale Rules

CANADIAN SECURITIES ADMINISTRATORS
STAFF NOTICE 45-302
FREQUENTLY ASKED QUESTIONS REGARDING
THE NEW RESALE RULES

Background

On November 30, 2001, Multilateral Instrument 45-102 *Resale of Securities* came into force. MI 45-102 replaced the resale provisions of the legislation in each jurisdiction, except for Québec, which did not adopt MI 45-102.

Frequently asked questions on MI 45-102

As is often the case with the introduction of a new rule, users of MI 45-102 find they have questions regarding its application and interpretation. To assist those persons and companies using MI 45-102, we have compiled a list of frequently asked questions (FAQs) that, while not exhaustive, represent the types of inquiries we have received to date. We plan to update this Notice periodically. During our one-year review of MI 45-102, we will also consider whether amendments to MI 45-102 are required to address any of these questions.

We have divided the FAQs into the following categories:

A. Definitions

B. Private issuers and non-reporting issuers

C. Resale restrictions and legending of securities

D. Forms and Notice Requirement

E. General

A. Definitions

Current AIFs

1. **Q:** In what jurisdiction(s) should an issuer file its current AIF?

   A: For the purposes of MI 45-102, an issuer's current AIF must be filed in the jurisdiction where its head office is located, provided the issuer is reporting in that jurisdiction. If the issuer is not reporting in the jurisdiction where its head office is, the current AIF must be filed in the jurisdiction that the issuer has the most significant connection to where it is reporting. Issuers are reminded that they may also have to file their current AIF in other jurisdictions to satisfy AIF filing requirements that are separate from MI 45-102, or concurrent filing requirements under the securities legislation.

2. **Q:** Can a reporting issuer that does not have any active business operations, other than a CPC, (a

shell issuer) file a current AIF for the purpose of satisfying the qualifying issuer criteria?

A: Yes, a shell issuer can file a current AIF for the purpose of satisfying the qualifying issuer criteria. Also, shell issuers are not required to file a new AIF following a material change in their affairs, such as a reverse take-over (RTO) or other significant transaction, in order to satisfy the qualifying issuer criteria. However, shell issuers are reminded of their obligations under securities legislation to issue press releases and file material change reports on the occurrence of a material change.

3. **Q:** Do the audited financial statements for an issuer's most recent year end have to be attached to an issuer's Form 44-101F1 AIF to be "contained" in the AIF as required under subsection (c) of the definition of current AIF?

A: No, the financial statements do not need to be attached to the AIF but can be incorporated by reference in a 44-101F1 AIF provided that there is a reference to where the financial statements can be found on SEDAR.

4. **Q:** If an issuer has completed a financial year, how long is its current AIF valid?

A: As outlined in paragraph 2.2 of the Companion Policy, an issuer's current AIF is valid until the filing of its financial statements for the most recent year end or until the expiry of 139 days after its most recently completed financial year.

5. **Q:** If an issuer has not yet completed its first financial year, can it file a form of current AIF under MI 45-102?

A: No, the issuer cannot file a current AIF as it will not have the financial statements required under MI 45-102.

6. **Q:** If an issuer has recently merged, amalgamated or reorganized to form a new issuer, can it rely on one of its predecessor's current AIFs as its own?

A: If the issuer is qualified to use the short form prospectus system in National Instrument 44-101 *Short Form Prospectus Distributions*, as a "successor issuer", as defined in NI 44-101, it may use section 2.10 of NI 44-101 to rely on one of its predecessor's AIFs. If the issuer is not qualified to use the short form prospectus system, the issuer may not rely on its predecessors' current AIFs.

7. **Q:** Can an RTO circular be used as a form of current AIF under MI 45-102?

A: No, an RTO circular is not a permitted form of current AIF under MI 45-102. Discretionary relief would have to be sought to use an RTO circular as a current AIF. Where the jurisdictions are comfortable with the level of review of the circular by the relevant exchange, applications for discretionary relief may be considered.

8. **Q:** Can a take-over bid circular be used as a form of current AIF?

A: No, a take-over bid circular is not a permitted form of current AIF under MI 45-102.

9. **Q:** Can a US Form 10K SB be used as a form of current AIF?

A: No, a US Form 10K SB is distinct from a Form 10K and is not a permitted form of current AIF under MI 45-102.

10. **Q:** Where do I file my current AIF on SEDAR if I am not a POP issuer and not filing the current AIF under Ontario Securities Commission Rule 51-501 *AIF and MD&A*, or Saskatchewan Local Instrument 51-501 *Annual Information Form and Management's Discussion & Analysis*?

A: The current AIF should be filed, together with the appropriate notice, under "MI 45-102", not "SHAIF" or "non-POP AIF". CDS will be issuing a news release that provides guidance on the filing of current AIFs under MI 45-102.

11. **Q:** I previously filed my AIF on SEDAR under non-POP AIF for the purposes of OSC Rule 51-501, or SSC Instrument 51-501. Do I have to re-file the AIF on SEDAR under MI 45-102?

A: Provided that the AIF filed for the purposes of OSC Rule 51-501 or SSC Instrument 51-501 is in the form required by Form 44-101F1, then the AIF does not have to be re-filed. However, the notice contemplated in section 3.1(2) of MI 45-102 must be filed.

Qualifying issuer

12. **Q:** If I previously filed my current AIF but not my National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Policy 2-B technical report, do I have to re-file the current AIF with the report attached?

A: Under NI 43-101, you are required to file the technical report no later than the time the AIF is filed. Under NP 2-B, you must have filed the technical report before the distribution is completed. Therefore, an issuer that has not filed its technical reports with its AIF as required by NI 43-101 does not have a current AIF and should re-file its AIF in compliance with the requirements of NI 43-101.

13. **Q:** A mining issuer filed its current AIF and NI 43-101 technical report so that it is a qualifying issuer

on the distribution date for certain securities. Subsequently, the issuer acquires a major property and is required under NI 43-101 to file a technical report with respect to the acquisition within 30 days. Prior to the filing of the additional technical report, is the issuer still a qualifying issuer?

A: Yes, the issuer is still a qualifying issuer, as the only requirement in MI 45-102 relating to technical reports is for the issuer to file any technical reports required under NI 43-101 with its AIF.

B. Private issuers and non-reporting issuers

14. **Q:** What legend is required on securities of a non-reporting issuer acquired under an exemption listed in Appendix D or another exemption where section 2.5 of MI 45-102 is specified to apply?

A: The legend set out in section 2.5(3)3.b is the correct legend.

15. **Q:** Are securities received under the private issuer exemption by employees, executives, consultants or administrators subject to the resale provisions in subsection 2.6(5)?

A: No, they are not. They are subject to the resale provisions in subsection 2.6(4).

C. Resale restrictions and legending of securities

16. **Q:** What does the reference to “local jurisdiction” in section 2.5 and 2.6 mean?

A: The phrase “local jurisdiction” is defined in National Instrument 14-101 *Definitions* and includes a province or territory of Canada. It does not include a foreign jurisdiction, such as the US.

17. **Q:** Does the reference to purchaser in section 2.5(3)1.b refer to the purchaser under the initial distribution who is making the resale, or the purchaser under the resale?

A: It refers to the purchaser under the resale.

18. **Q:** Is it possible for the same distribution to have different resale restrictions in the different jurisdictions?

A: Yes, it is possible. Although the resale rules are harmonized under MI 45-102, the exemptions are not, so that the same distribution may have different resale restrictions applicable in different jurisdictions. One example is an exempt take-over bid where securities distributed to purchasers in BC will be subject to a restricted period and securities distributed to purchasers in Alberta and Ontario will only be subject to a seasoning period.

19. **Q:** Do securities have to be legended for the exemption in section 2.14 to be available?

A: There is no requirement to legend securities to rely on this exemption.

D. Forms

20. **Q:** When and where does the Form 45-102F1 have to be filed?

A: The F1 should be filed as soon as practicable after the issuer ceases to be a private issuer. As noted in the instructions to the F1, the F1 should be filed with the securities regulatory authority in each jurisdiction in which the issuer has shareholders and has ceased to be a private company or private issuer and where section 2.7 of MI 45-102 has been implemented.

21. **Q:** Is the information required to answer questions 5 and 6 on the F1 the same?

A: No, it is not the same information. Question 5 requires a list containing the name and *address* of security holders. This list is not made public. Question 6 requires certain information be completed on the form, which includes the name of security holders and the *municipality of residence*. Freedom of information legislation prohibits the disclosure of an individual's address.

22. **Q:** When an issuer is issuing underlying securities that are subject to either section 2.5 or 2.6, does another Form 45-102F2 have to be filed under section 2.7?

A: No, another F2 does not have to be filed. An F2 must be filed on or before the tenth day after the distribution date. Subparagraph (c) of the definition of distribution date provides that the distribution date of an underlying security is the date that the convertible security, exchangeable security or multiple convertible security was issued. Therefore, the F2 that was originally filed by the issuer in respect of the convertible security, exchangeable security or multiple convertible security is sufficient.

23. **Q:** If a qualifying issuer is not relying on its qualifying issuer status, for example, it is relying on one of the resale exemptions in section 2.10, 2.11, 2.12 or 2.14 of MI 45-102 or the distribution is subject to section 2.6 but the issuer has been reporting for more than 12 months, does the issuer have to file an F2 when it does a distribution?

A: Technically, under subsection 2.7(2) of MI 45-102, the issuer must file the F2 when it does a distribution. However, staff of the jurisdictions will not object if the F2 is not filed if the issuer is not relying on its qualifying issuer status in respect of

the distribution. The issuer cannot later attempt to rely on its qualifying issuer status in respect of that distribution.

24. **Q:** Should the F2 be filed in paper format or on SEDAR?

A: The F2 should be filed on SEDAR.

25. **Q:** Does an F2 have to be filed within 10 days of every distribution date under a dividend reinvestment plan (DRIP) or employee stock purchase plan (plan)?

A: Technically, under subsection 2.7(2) of MI 45-102, the issuer must file the F2 after every distribution under the DRIP or plan. However, staff of the jurisdictions will not object if the F2 is filed on an annual basis, as long as the F2 includes the date and a description of each distribution under the DRIP or plan, and the certificate was true as of each distribution date.

26. **Q:** Where does the Form 45-102F3 have to be filed?

A: The F3 must be filed in each jurisdiction where the securities are being distributed. Where the securities are being sold on an exchange, the F3 should be filed in every jurisdiction across Canada.

27. **Q:** What securities must be included in the answer to question 11 on the F3 relating to the dates the selling security holder acquired the securities?

A: The selling security holder must indicate the dates it acquired only the securities on the F3 that it intends to sell. These are the securities listed in response to question 6 on the F3.

D. Notice requirement

28. **Q:** When do I have to file a notice on SEDAR under section 3.1?

A: The notice must be filed when any AIF that is not a current AIF under NI 44-101 or a "Current AIF" as defined in NP 47 is filed as an issuer's current AIF. This means that a notice must be filed when an AIF "in the form required by 44-101F1" is filed.

E. General

29. **Q:** In what jurisdiction(s) must an application for discretionary relief under Part 4 of MI 45-102 be filed?

A: An issuer must file an application for discretionary relief under MI 45-102 in at least each jurisdiction where the issuer is reporting. The application must also be filed in every other jurisdiction where the relief is required.

1.1.4 CSA Staff Notice 43-304, 62-302, and 81-308, Prospectus Filing Matters – Arthur Andersen LLP Consent

CSA STAFF NOTICE 43-304, 62-302, AND 81-308

PROSPECTUS FILING MATTERS – ARTHUR ANDERSEN LLP CONSENT

Purpose

The purpose of this Notice is to provide guidance to former clients of Arthur Andersen LLP – Canada (Andersen Canada) with respect to the inclusion in prospectuses, securities exchange take-over bid circulars and issuer bid circulars of financial statements audited by Andersen Canada.

Discussion

On June 3, 2002, Andersen Canada ceased practising public accounting. As a result, Andersen Canada will no longer consent to the use of previously issued auditors' reports for purposes of securities filings, including prospectuses, securities exchange take-over bid circulars and issuer bid circulars.

When an auditor is named in a prospectus as having opined on financial statements included in the prospectus, securities legislation requires the issuer to file, no later than the time the prospectus is filed, the written consent of the auditor to being named and to the use of their report(s). The auditor's consent provides to purchasers of securities offered under the prospectus a statutory right of action for damages against the auditor with respect to reports, opinions or statements made by them.

CSA staff believe that the inability of issuers formerly audited by Andersen Canada to obtain a consent letter is an exceptional situation that is outside the control of the issuer. In staff's view, the efficient functioning of capital markets is best served by permitting these issuers to continue to access the capital markets on a timely basis provided that investors receive appropriate disclosure of the effects on their legal rights resulting from the lack of consent. This approach allows the affected issuers to make their own decisions about the cost effectiveness of proceeding on a timely basis without a consent as opposed to retaining a new auditor to re-audit prior years and complying with the consent requirements. Where issuers proceed without a consent, investors will be provided with the disclosure required to make appropriate investment decisions and will not lose investment opportunities that might otherwise be postponed or perhaps lost altogether.

Staff Guidance

Non-Mutual Fund Prospectuses

Where required by securities legislation, any audit reports previously issued by Andersen Canada should be included in a prospectus.

CSA staff will consider applications from issuers to waive the requirement to obtain the consent of Andersen Canada for audit reports relating to financial statements included in a prospectus provided that the prospectus includes prominent disclosure immediately before the financial statements indicating:

(i) that the prospectus includes financial statements audited by Andersen Canada for which consent of Andersen Canada to the use of its report was not obtained;

(ii) the reasons why consent of Andersen Canada can not be obtained;

(iii) the limitations on investors' legal remedies resulting from the lack of consent from Andersen Canada; and

(iv) that Andersen Canada may not have sufficient assets available to satisfy any judgements against it.

In addition, the disclosure required by item (i) and (iii) should appear prominently on the cover page with a cross-reference to the disclosure in the body of the prospectus.

When financial statements audited by Andersen Canada are incorporated by reference into a prospectus or prospectus supplement, the disclosure outlined above should be made immediately prior to the listing of documents incorporated by reference. Shelf prospectus supplements that rely on a consent previously issued by Andersen Canada should include disclosure of the fact that Andersen Canada has ceased to practise public accounting. The supplement should also disclose that Andersen Canada may not have sufficient assets available to satisfy any judgements against it.

Simplified Prospectus Disclosure for Mutual Funds

Mutual funds that are required to file a simplified prospectus in accordance with National Instrument 81-101 will need to address this issue by the inclusion of the following disclosure items:

(i) Part A, Item 4 of NI 81-101F1 - *General Investment Risks*. There should be additional risk disclosure:

  (a) stating that the simplified prospectus includes financial statements audited by Andersen Canada for which consent of Andersen Canada to the use of its report was not obtained;

  (b) the reasons why consent of Andersen Canada can not be obtained;

  (c) addressing the limitations on investors' legal remedies resulting from the lack of consent from Andersen Canada; and

(d) stating that Andersen Canada may not have sufficient assets available to satisfy any judgements against it.

Overall, this risk disclosure should address management's responsibility for the financial statements.

(ii) Part B, Item 13 of NI 81-102F1 – *Financial Highlights*. A separate paragraph should be presented above the financial highlights table and it should be presented in **bold type** so that it clearly stands out from other information. This paragraph must disclose the following:

(a) the financial information was audited by Andersen Canada however Andersen Canada did not provide a consent for inclusion in the simplified prospectus; and

(b) a detailed description of the issue is provided in the General Risk Section of Part A of the simplified prospectus.

This added disclosure **must** be included for each fund in a multiple prospectus.

(iii) Item 10 of NI 81-101F2 – *Responsibility for Mutual Fund Operations*. The Annual Information Form should disclose who the new auditor is and the circumstances under which they became the auditor.

General

Issuers are reminded that they remain responsible for ensuring full, true and plain disclosure of all material facts relating to securities of the issuer and the specific contents of the disclosure in the circumstances of any particular issuer remain the responsibility of the issuer.

Applications for relief from the consent requirement in connection with prospectus filings where Andersen Canada was the issuer's auditor in jurisdictions other than Quebec can be made in the covering letter to the preliminary prospectus. The final receipt will evidence the relief granted. Applications for relief in connection with prospectus filings in Quebec must be filed separately from the preliminary prospectus and relief will be granted by way of ruling. Applications in connection with securities exchange take-over bids or issuer bids should be made under the normal procedures for exemptive relief applications. Staff expect that in normal circumstances, they will recommend granting relief providing that the issuer makes disclosure similar to that noted above.

The guidance in this Notice applies to consents required from Andersen Canada only. Applications for relief from the requirement for consent in situations involving Arthur Andersen firms other than Andersen Canada will be dealt with on a case by case basis. Any relief granted will require cautionary language similar to the disclosure noted above.

Questions

Please refer your questions to any of the following people:

Diane Joly, Directrice de la recherche et du développement des marchés
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June 28, 2002.

1.2 Notices of Hearing

1.2.1 Mark Edward Valentine

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

AND

IN THE MATTER OF

MARK EDWARD VALENTINE

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the *Securities Act*, at the offices of the Ontario Securities Commission, 20 Queen Street West, 17th Floor Hearing Room on Tuesday, July 2, 2002 at 10:00 a.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to section 127 of the Act, it is in the public interest for the Commission:

(a) to extend the temporary order made June 17, 2002 until the conclusion of this hearing pursuant to clause 7 of s. 127;

(b) at the conclusion of this hearing, to make an order pursuant to clause 1 of s. 127(1) further suspending the registration of Valentine until further ordered by this Commission;

(c) at the conclusion of this hearing, to make an order pursuant to clause 2 of s. 127(1) that trading in any securities by Valentine cease until further ordered by this Commission;

(d) further, or in the alternative to paragraph (c) above, to make an order pursuant to clause 8 of section 127(1) to extend the temporary order made June 17, 2002 until further ordered by the Commission; and

(e) to make such other order as the Commission considers appropriate.

BY REASON OF the allegations set out in the Statement of Allegations dated June 24, 2002 and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel at the hearing;

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

June 24, 2002.

"John Stevenson"

TO:

Mr. Mark Edward Valentine

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

AND

IN THE MATTER OF
MARK EDWARD VALENTINE

STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

Background

1. Mark Edward Valentine is the Chairman and largest shareholder of Thomson Kernaghan & Co. Ltd. ("TK") and resides in Toronto, Ontario. Valentine is a Registered Representative with the Investment Dealers' Association, and a Director and the designated Trading Officer for TK. On June 13, 2002, TK suspended Valentine and banned him from its premises.

2. TK is a corporation incorporated pursuant to the laws of Ontario and is registered with the Investment Dealers' Association as an Investment Dealer.

3. Valentine is the President, CEO, Director and shareholder of a private company VMH Management Ltd., the General Partner which manages Canadian Advantage Limited Partnership ("CALP"), a private fund. Advantage (Bermuda) Fund Ltd. ("CALP Offshore Fund") is a mutual fund company incorporated under the laws of Bermuda and CALP's corresponding offshore account.

4. Valentine is the President, Director and shareholder of a private company, VC Advantage Limited, the General Partner which manages VC Advantage Fund Limited Partnership ("VC Fund"), a private fund. VC's corresponding offshore account is VC Advantage (Bermuda) Fund Ltd. ("VC Offshore Fund").

5. Pursuant to written agreements, Valentine acting through his management companies was authorized to recommend, advise and enter into all investments on behalf of the funds and did so.

6. Valentine is the Registered Representative at TK for the funds, which are clients of TK. The majority of unitholders of the funds are other retail clients of TK.

7. Neither Valentine nor the management companies are registered with the Commission as Investment Counsel/Portfolio Manager.

8. Cameron Brett Chell is a known associate of Valentine. Chell is a shareholder and Chairman of the general partner for the VC fund, and owns and operates Chell Group Corporation. Among other things, Chell also co-founded Jawz Inc. ("JAWZ"), an internet-related company.

9. Chell was formerly a registered salesperson at McDermid St. Lawrence Securities Ltd. in Calgary, Alberta. In November 1998 Chell entered into a settlement agreement with the

   Alberta Stock Exchange admitting to violations of the General By-Law of the Exchange and agreeing to an order that he:

   i) be prohibited against Exchange approval in any capacity for five years;

   ii) be placed under strict supervision for a period of two years following re-registration in any capacity; and

   iii) be fined $25,000.

10. Chell is not currently a registrant of either the Alberta or the Ontario Commissions.

TK's Investigation

11. On March 28, 2002, Valentine conducted two series of transactions. Each series of transactions involved numerous trades and included trading in the funds' accounts, in his own accounts and in other TK client accounts. At the time, the funds were not permitted to acquire further securities pursuant to amending agreements.

12. On May 7, 2002, TK's Management Committee requested an explanation from Valentine about the trading in the funds and commenced an internal investigation.

13. On June 13, 2002, as a result of its internal investigation, TK took disciplinary actions against Valentine and suspended his employment. At that time, TK also took steps to exclude him from TK's premises.

14. On June 19 2002, TK delivered its Investigation Report to the IDA which reported on its findings into the impugned transactions.

15. TK's investigation found that the propriety of certain transactions were "questionable"; there was "inadequate documentation" for other transactions; Valentine had failed to provide any documents to support still other transactions; and "the rationale was not supportable" for one entire series of the two sets of transactions.

16. On June 19, 2002 TK took the remedial step of reversing the transactions made by Valentine on March 28, 2002.

The March 28, 2002, Transactions

a) The Chell Transaction

17. By early spring, 2002, the firms of TK and Research Capital had entered into serious negotiations concerning a potential sale of the majority of TK's accounts to Research Capital except Valentine's accounts and those directly associated with him. The negotiations contemplated that Valentine and his associates would continue to operate under the TK name.

18. TK's Risk Adjusted Capital was an important element in the proposed sale. In order to facilitate the sale, TK had stipulated that after March 31, 2002, the profits and liabilities of Valentine's inventory account at TK would change from being split 50/50 between Valentine and his partners, to the sole liability of Valentine.

19. On March 28, 2002, Valentine's pro account received 1,060,000 shares of Chell Group Corporation from the CALP fund without any cash payment by Valentine. Valentine claimed that the shares were to settle the repayment of US $1,060,000 supposedly owed by CALP to him personally.

20. Valentine's explanation for CALP's debt to him was that CALP borrowed US $360,000 from him in July 2001, and another US $700,000 in January 2002.

21. On March 28, 2002, after receiving the Chell shares from CALP, Valentine then made the following transactions:

a) Valentine sold 1,000,000 Chell shares for $2 million to his inventory account;

b) Valentine sold 375,000 Chell shares for $750,000 from his inventory account to VC fund;

c) Valentine sold 375,000 Chell shares for $750,000 from his inventory account to VC Offshore fund;

d) Valentine sold 250,000 Chell shares for $500,000 from his inventory account to another TK retail client;

e) Of the $2 million proceeds in Valentine's pro account, Valentine transferred US $450,000 ($717,000) to his trader receivable account to reduce his receivables to TK;

f) The VC funds sold 200,000 shares at $2.09 on April 26, 2002;

g) There was a purported oral put agreement between Valentine and the VC funds at $2.20 to the extent of 250,000 shares per quarter commencing July 1, 2002. The put was supposedly to Valentine personally and guaranteed by his management companies, VMH and VC Advantage.

22. In its Report, TK found that the following discrepancies for the Chell transaction:

> The results of the investigation have indicated that there is not adequate documentation to support the receivables allegedly owing from CALP to Valentine. The propriety of the advance of $360,000 from Valentine to CALP is questionable. Further Valentine has not provided any documentary support for an advance of an additional $700,000 to CALP on or before March 28, 2002.

23. TK reported that the impact of the Chell transactions affected TK's Risk Adjusted Capital by creating excess margin in Valentine's own accounts of $1,412,189, and by creating a margin requirement in the funds' accounts of $434,000. Further, the amount owing in Valentine's trader receivable account was decreased by $717,000 (US $450,000).

24. After TK's reversal of the Chell series of transactions, TK reported that the margin requirement on Valentine's accounts increased to $1,774,899, the amount owing in Valentine's trader receivable increased by $717,000 (US $450,000) and the net result in the funds' accounts was an excess margin of almost $2 million.

The IKAR Transaction

25. Valentine is the Registered Representative for Hammock Group Ltd., an offshore company based in Bermuda. According to SEC public filings, Valentine is the controlling shareholder of Hammock.

26. On March 28, 2002, the CALP funds paid $1.3 million to Hammock for a defunct debenture of an inactive company, IKAR Minerals. The 1998 debenture had expired in March, 2000.

27. At the May 7, 2002, TK Management Committee meeting, Valentine claimed that the rationale for

the transaction was to settle a CALP debt owing to Hammock of $1,582,830. Valentine explained that this debt had been incurred as follows:

a) In July, 2001, Hammock paid CALP $537,068 for 652,573 shares of JAWZ at $0.823. JAWZ shares were then trading at $0.59. Valentine explained this step as Hammock helping the funds meet their margin requirements at TK. In consideration for its help, the funds guaranteed the JAWZ investment by promising that any losses Hammock may suffer from an eventual sale of JAWZ would be covered by the funds;

b) Over the next three weeks, Hammock sold the JAWZ shares at an average price of $0.218 generating a loss of $386,895.54 which Valentine claimed CALP owed pursuant to its "guarantee";

c) In a separate transaction, Valentine explained that CALP sold short 900,000 Global Path shares to Hammock at $1.33 for supposed net proceeds of $1,196,500. Valentine claimed that CALP made the short sale "believing that it was to receive Global Path shares as partial compensation for its JAWZ losses";

d) The funds were unable to deliver the Global Path shares and now were purportedly indebted to Hammock for total of $1,582,830 as a result of the JAWZ guarantee and the undeliverable Global Path shares;

e) "To allow Hammock to recoup the bulk of its out of pocket cost in supporting the funds", Valentine executed the following "solution";

   i) Valentine's company, VMH was the owner of a defunct 1998 IKAR $1.3 million debenture which it gifted to Hammock, an offshore company of which Valentine is reported to be the controlling shareholder;

   ii) Hammock in turn sold the expired debenture to CALP for $1.3 million as payment for the "debt" which CALP owed to Hammock as described above in sub-paragraph 27 a) to d);

   iii) Valentine offered the following explanation of how the defunct debenture supposedly had value to the funds: IKAR's principal had recently promised Valentine to make up the $1.3 million loss by converting the IKAR debenture into debentures of a new company, Patriot Energy Corporation. This promise was purportedly given because Valentine personally made a $250,000 private placement in Patriot Energy; and

   iv) Valentine claimed that as a result, CALP was the beneficiary of a "gift" from him through VMH of the IKAR position.

28. In its Report, TK found that "the rationale for the transaction was not supportable". Specifically, TK found that:

a) Hammock did not purchase JAWZ shares from CALP but from Valentine's inventory account. Therefore CALP could not have guaranteed Hammock's JAWZ investment, and correspondingly was not liable for Hammock's $386,330.70 loss in the JAWZ investment;

b) CALP did not sell 900,000 Global Path to Hammock but rather sold 1,000,000 shares to Valentine's inventory account. The price and net proceeds of this transaction was not $1.33 and $1,196,500, respectively as Valentine claimed, but rather $0.65 and $635,000;

c) Therefore, TK found that the fund owed $635,000, not $1,196,500 as Valentine claimed, and these monies were owing to Valentine's inventory account, not to Hammock;

d) Hammock did not purchase 900,000 Global Path shares at $1.33 from CALP as Valentine claimed but rather from Valentine's inventory account, and the price and proceeds were not $1.33 and $1,196,500 respectively but rather $1.05 and $945,000;

e) Therefore, TK found that Hammock was owed only $945,000, not $1,196,500 as Valentine claimed, and Valentine's inventory was liable, not the funds; and

f) The IKAR debenture was not converted into Patriot Energy securities.

The IDA Investigation

29. Staff of the IDA are conducting an investigation into the affairs of Valentine, including the two March 28, 2002 series of transactions.

30. The IDA has not received satisfactory information to justify or support either the Chell or the IKAR transactions.

The "Death Spiral" Financing of Jawz Inc.

31. In or about mid-2000, Valentine, acting through his company VMH, caused the funds to enter into a financing transaction with Jawz Inc. Jawz is a company co-founded by Chell, a business associate of Valentine and a shareholder and the Chairman of VC Advantage, the general partner for the VC funds. Jawz traded on NASDAQ as JAWZ.

32. For its investment, the funds acquired floorless warrants to purchase shares of JAWZ whereby the funds could receive increasing numbers of JAWZ shares as the price declined. This type of financing creates a strong incentive for the holder funds to sell securities short in a relatively illiquid market, which is often referred to as "death spiral" or "toxic financing".

33. After Valentine caused the funds to acquire the warrants, TK's research department issued a "buy" recommendation for JAWZ in November, 2000. TK did not disclose to all its clients the fact that JAWZ had entered into this kind of financing, that the warrants were held by another TK client, or that the Chairman of TK was the General Partner of the holder of the "death spiral" warrants.

C Me Run Corp

34. C Me Run is a company founded by Cameron Chell and quoted on the Over the Counter Bulletin Board in the United States as CMER.

35. Valentine was the Registered Representative for certain offshore accounts, including Ashland Resources which is based in Bermuda, the beneficial owner of which is unknown. Paul Lemmon of Bermuda has trading authority for the Ashland Resources account, who is the same individual at the same address with trading authority over the Hammock account, also an offshore company based in Bermuda. According to SEC filings, Valentine is the controlling shareholder of Hammock.

36. Staff has made a preliminary analysis of Valentine's trades in C Me Run. In 2000, the funds were a net buyer of C Me Run shares and the other side of the trades was made by the offshore accounts, including Ashland Resources so that in 2000, Ashland was a net seller. The net effect of the funds' numerous trades of C Me Run was a loss of almost $4.5 million, while the net effect for Ashland Resources was a trading profit of almost $6.4 million.

Conduct Contrary to the Pubic Interest

37. Valentine's conduct was contrary to the public interest for the reasons set out below.

38. Valentine created a culture of conflict and non-compliance at TK and breached Ontario Securities laws in respect of the Chell transaction by:

a) Valentine played multiple roles as the General Partner of the funds, Registered Representative of the funds, Chairman and controlling shareholder of TK and on his personal behalf in his pro and inventory accounts at TK;

b) Valentine failed to deal fairly, honestly and in good faith with his clients when he put his own interests ahead of his clients, contrary to section 2.1(2) of OSC Rule 31-505, by:

i) transferring shares from client accounts into his pro account without supportable consideration;

ii) causing one client to transfer shares to himself at US $1 and immediately thereafter selling those shares to his inventory account for $2 (without a put agreement oral or otherwise);

iii) causing other clients to immediately buy those shares from his inventory account at US $2;

iv) in the face of a purported oral put agreement at $2.20 on July 1, 2002 in favour of his client guaranteed by his companies, causing that client to sell shares at $2.09 on April 26,2002.

v) orchestrating a transaction which had a substantial benefit to TK's Risk Adjusted Capital and his own accounts and corresponding detrimental effect to his clients' accounts;

vi) The effect of the Chell transaction caused:

- a margin requirement in his clients' accounts of $434,000
- excess margin in his own accounts of $1,412,189
- reduction in his trader receivables to TK of $717,000.

d) Valentine conducted transactions which were not prudent business practices and which did not serve his clients adequately contrary to section 1.2 of OSC Rule 31-501 by:

i) purportedly entering into loans with his own clients;

ii) transferring shares from client's accounts into his pro account without supportable consideration;

iii) causing other clients to buy shares from himself purportedly pursuant to a put agreement not made in writing; and

iv) unnecessarily creating a margin requirement in his clients' accounts;

e) Neither Valentine nor the funds are registered as an Investment Counsel/Portfolio Manager, contrary to s. 199. 2 and 3 of Ont. Reg. 1015; and

f) Valentine failed to maintain books and records necessary to record properly the business transactions and financial affairs which he carried out, contrary to s. 113.(1) of Ont. Reg. 1015.

39. Valentine created a culture of conflict and non-compliance and breached Ontario Securities laws in respect of the IKAR transaction by:

a) Valentine played multiple roles as the General Partner of the funds, Registered Representative of the funds, Chairman and controlling shareholder of TK, Registered Representative of another client Hammock, and controlling shareholder of Hammock;

b) Valentine failed to deal fairly, honestly and in good faith with his client, contrary to section 1.2 of OSC Rule 31-501 by;

i) causing his client to guarantee an investment made by another client thereby placing one client's interest over another's;

ii) causing his client to guarantee an investment made by a company of which he is a controlling shareholder, thereby putting his own interests ahead of his client's;

iii) causing his client to short sell shares to his inventory account when he knew or ought to have known the shares were not deliverable thereby putting his own interests ahead of his clients;

iv) causing his client to pay valuable consideration for a worthless security to another client, thereby placing one client's interest over another's; and

v) causing his client to pay valuable consideration for a worthless security to a company of which he is the controlling shareholder, thereby placing his own interest ahead his client's.

c) Valentine carried out transactions that were not prudent business practices and did not serve his client adequately contrary to section 1.2 of OSC Rule 31-501 by:

i) causing one client to guarantee an investment made by another client;

ii) causing his client to guarantee an investment made by a company of which he is the controlling shareholder;

iii) causing his client to sell short shares when he knew or ought to have that the securities would not be delivered;

iv) causing his client to give valuable consideration for a worthless security to another client; and

v) causing his client to give valuable consideration for a worthless security to a company of which he is the controlling shareholder.

d) When, as Valentine claimed, CALP agreed to make up any losses suffered by Hammock between the purchase price Hammock paid to CALP for JAWZ and the eventual price on Hammock's disposition of JAWZ, Valentine made representations that CALP would refund Hammock all or any of the purchase price of a security contrary to s. 38(1) of the Act;

e) Neither Valentine nor the funds are registered as an Investment Counsel/Portfolio Manager, contrary to s. 199. 2 and 3 of Ont. Reg. 1015; and

f) Valentine failed to maintain books and records necessary to record properly the business transactions and financial affairs which he carried out, contrary to s. 113.(1) of Ont. Reg. 1015.

40. Valentine created a culture of conflict and non-compliance and breached Ontario Securities laws in respect of the JAWZ transaction in the following ways:

a) Valentine filled multiple roles as the Registered Representative of the funds, President and shareholder of the funds' General Partner, and Chairman and controlling shareholder of TK;

b) As a Registrant and as Chairman of TK, Valentine failed to deal fairly, honestly and in good faith with clients contrary to section 2.1 of OSC Rule 31-501 by:

i) motivating some TK clients to short sell JAWZ as a result of "death spiral financing" which he arranged, and motivating other TK clients to buy JAWZ as a result of TK's "buy" recommendation;

ii) failing to disclose to all TK clients that JAWZ had recently received "death spiral financing";

iii) failing to disclose to all TK clients that JAWZ had recently received "death spiral financing" from another TK client; and

iv) failing to disclose to all TK clients that the Chairman of the TK was the General Partner for the holder of JAWZ' "death spiral financing".

c) As a Registrant and as the Chairman of TK, Valentine engaged in business practices that were not prudent and did not serve clients adequately as set out above in sub-paragraphs 38 b) i) to iv), contrary to section 1.2 of OSC Rule 31-505.

41. Valentine created a culture of conflict and non-compliance and breached Ontario securities laws in respect of the C Me Run transactions in the following ways:

a) Valentine filled multiple roles as the Registered Representative of the funds, President and shareholder of the funds' General Partner, and Chairman and controlling shareholder of TK, and Registered Representative of offshore accounts including Ashland Resources; and

b) As a Registrant and as Chairman of TK, Valentine failed to deal fairly, honestly and in good faith with clients contrary to section 2.1 of OSC Rule 31-501 by carrying out trading that placed one client's interest over another's.

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

June 24, 2002.

1.2.2 Mark Kassirer - s. 127

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

AND

**IN THE MATTER OF
MARK KASSIRER**

**NOTICE OF HEARING
(Section 127)**

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission, Small Hearing Room, 17th floor, 20 Queen Street West, Toronto, on June 17, 2002, at 10:00 a.m., or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing will be for the Commission to consider whether to approve the proposed settlement of the proceeding entered into between Staff of the Commission and Mark Kassirer;

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

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing;

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

June 13, 2002.

"John Stevenson"

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

AND

**IN THE MATTER OF
MARK KASSIRER**

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

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

Phoenix Research and Trading Corporation

1. Phoenix Research and Trading Corporation ("Phoenix Canada") is a company incorporated pursuant to the laws of Ontario. During the material time, Phoenix Canada was registered with the Ontario Securities Commission (the "Commission") as an investment counsel and portfolio manager pursuant to the *Securities Act,* R.S.O. 1990, c. S.5 (the "Act"). Phoenix Canada's registration was voluntarily suspended in May 2000 due to its inability to file audited financial statements and maintain insurance.

2. Phoenix Canada was a small company of approximately 14 employees. The respondent Mark Kassirer ("Kassirer") was the Chair of Phoenix Canada. During the material time, Kassirer was not registered with the Commission.

3. Ronald Mock ("Mock") was the CEO and President of Phoenix Canada. During the material time, Mock was registered with the Commission as an investment counsel and portfolio manager pursuant to the Act. Mock also was the company's registered supervisory procedures officer.

4. Blair Taylor ("Taylor") is a chartered accountant. From July 1997 to October 1999, Taylor was Phoenix Canada's Director of Operations and Finance. In November 1999, he was appointed the CFO. Taylor never was a registered officer of Phoenix Canada.

5. During the material time, Stephen Duthie ("Duthie") was a senior fixed income advisor and trader with Phoenix Canada. Duthie has never been registered with the Commission in any capacity.

The Phoenix Group

6. Phoenix Canada formed part of the Phoenix Group of companies and limited partnerships. Unitholders invested in the Phoenix Fund Limited, the Phoenix Fixed Income Arbitrage Fund Limited and the Phoenix Alternative Strategies Fund

Limited (collectively, the "Feeder Funds"). The Feeder Funds (and other investors) invested in units of the Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP") and the Phoenix Equity Arbitrage Limited Partnership ("PEA LP").

7. The Phoenix Hedge Fund Limited Partnership, a TSE-listed hedge fund, also held units of PFIA LP and PEA LP.

8. Pursuant to a services agreement with Phoenix Research and Trading (Bermuda) Limited ("Phoenix Bermuda"), Phoenix Canada provided investment advisory and portfolio management services to the Feeder Funds, PEA LP and PFIA LP.

9. Kassirer headed the equity arbitrage business of Phoenix Canada. Mock was in charge of Phoenix Canada's fixed income arbitrage business.

PFIA LP

10. PFIA LP was a hedge fund managed by Phoenix Canada. Its investment objective was to maximize returns by pursuing professionally-managed fixed income market neutral and arbitrage investment trading strategies. These types of trading strategies are designed to reduce exposure to market direction.

11. Mock ran PFIA LP. In connection with this aspect of Phoenix Canada's fixed income arbitrage business, Mock's staff comprised 9 employees namely the Operations Group (Taylor, the Operations Manager and the Settlement Clerk), three fixed income advisors and traders (including Duthie), the Research and Risk Manager, the Systems Support Manager and an administrative assistant.

12. No one at Phoenix Canada involved in PFIA LP reported directly to Kassirer.

Overview

13. In early January 2000, PFIA LP collapsed when it sustained a loss in excess of $120 million. By this time, Duthie had accumulated a $3.3 billion U.S. long position in 6% U.S. treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes were not hedged. The concentration, size and length of time this unhedged position was in place contravened PFIA LP's investment guidelines. The UST Notes caused PFIA LP's collapse.

14. Duthie was authorized to engage in a matched book strategy of repurchase agreements ("repos") and open reverse repos. Phoenix Canada management operated on the basis that the UST Notes were the open reverse repo leg of the matched book and thus, fell within PFIA LP's investment parameters.

15. In reality, Duthie engaged in a strategy of purchasing long bonds financed by repos. Ultimately, the UST Notes caused a significant overdraft position (in excess of $50 million) at the Bank of New York. As a result, Phoenix Canada was forced to liquidate all of PFIA LP's assets.

The Acquisition of the UST Notes by PFIA LP

16. PFIA LP held investments in U.S. dollars, Canadian dollars and Euros.

17. From the Fall of 1998 through early January 2000, Duthie was responsible for PFIA LP's U.S. dollar portfolio under the direct supervision of Mock. In the course of trading such portfolio, Duthie exercised discretion as to the specific fixed income securities he bought and sold on behalf of PFIA LP. This discretion was subject to PFIA LP's investment guidelines and restrictions.

18. Duthie was authorized to engage in a low risk, matched book trading strategy of repos and open reverse repos in U.S. treasury benchmark issues. The goal of such a strategy is to eliminate the risk of market fluctuations inherent in bond trading. In this type of strategy, the trader plays the interest rate spread between the borrowing rate (repo leg) and the lending rate (open reverse repo leg).

19. On the repo leg of the transaction, monies are borrowed on the collateral of bonds. On the termination of the repo, the borrowed monies plus interest are paid in exchange for the return of the bonds. Simultaneously, on the open reverse repo leg of the transaction, monies are lent on the collateral of bonds. On the termination of the open reverse repo, the lent monies are repaid with interest and the bonds are returned. Profits are generated on this type of matched book strategy when the interest earned on the open reverse repo leg exceeds the interest expense paid on the repo leg, net of transaction costs.

20. Duthie did not engage in the authorized trading strategy. Rather, Duthie accumulated the UST Notes. He financed the leveraged position using repos. By trading the unhedged long bonds, PFIA LP was exposed to market risk which was magnified by the leverage of the UST Notes.

Management's Failure to Detect the UST Notes

21. Management relied on Duthie's representations that the UST Notes (and other long bonds reported during the material time) were open reverse repos (the "purported open reverse repos") and thus, part of Duthie's authorized trading strategy (the open reverse repo leg of the matched book).

22. The purported open reverse repo transactions fell outside the scope of controls and procedures then in place at Phoenix Canada. Phoenix Canada failed to:

    (i) establish, implement and monitor appropriate controls and procedures respecting the purported open reverse repo transactions;

    (ii) maintain the books and records necessary for the proper recording of the purported open reverse repo transactions; and

    (iii) segregate duties relating to the purported open reverse repo transactions.

As a result of these failures, the true nature of the UST Notes was not detected by management.

(a) Trade Capture of the Purported Open Reverse Repos

23. Phoenix Canada's method of capturing Duthie's trades in the purported open reverse repos was fundamentally flawed. Phoenix Canada's computer trading system ("Alydia") was not designed to record open repos or open reverse repos. Thus, all trades by Duthie in the purported open reverse repos were entered into the bond module of Alydia. Phoenix Canada then made two manual adjustments namely:

    (i) A manual adjustment to "correct" PFIA LP's value at risk ("VAR") report program so that the VAR would be meaningful; and

    (ii) A manual adjustment to "correct" income from the bond position which would be reflected in the general ledger and profit and loss statement. Duthie provided the information used to make this adjustment.

(b) Phoenix Canada's VAR Reports

24. The Risk Manager of Phoenix Canada prepared, on a daily basis, a VAR report. The VAR reports were Phoenix Canada's primary risk monitoring and management tool to ensure that investments were within the limits prescribed by PFIA LP.

25. The information used to create the VAR report was pulled from the information inputted to Alydia. Since the purported open reverse repos had been entered incorrectly in Alydia as long bonds, Phoenix Canada adjusted the VAR report program so that the purported open reverse repos were treated as short term long bonds and their risk assessed accordingly.

26. The adjustments to the VAR reports were unreliable because they were based solely on Duthie's representations as to the existence of the purported open reverse repos and the length of time such repos would be held. Phoenix Canada did not request, nor maintain, any documentation of the original trades of the purported open reverse repos to support or verify Duthie's representations.

(c) Inappropriate "Pricing" of the Purported Open Reverse Repos

27. In the normal course, bond trades entered into the bond module of Alydia were priced by Phoenix Canada (using Bloomberg or another similar service) on a daily basis to generate a daily capital gain/loss. The daily capital gains/losses were reflected in the general ledger. The profit and loss statement reported a net income/loss figure for each strategy.

28. Since there is no bond inventory associated with an open reverse repo, however, there was nothing to "price". Rather, the purported open reverse repos would earn income which ought to be recorded.

29. Phoenix Canada dealt with the purported open reverse repos based on Duthie's representations as follows: Duthie identified those bonds entered into the bond module which were the purported open reverse repos. He assigned a "price" to the purported open reverse repos which would produce a capital gain figure on the general ledger equal to what he said was the interest earned on the purported open reverse repos. Phoenix Canada never reallocated the "capital gain" figure to interest income.

30. This method of dealing with the purported interest income earned on the purported open reverse repos was fundamentally flawed. Further, since Phoenix Canada did not maintain or retain any documentation respecting the existence of the purported open reverse repos or the basis for Duthie's calculation of the adjusted "price", it had nothing against which to check these transactions.

(d) Segregation of Duties

31. Phoenix Canada failed to segregate duties relating to the purported open reverse repo transactions by:

    (i) relying solely on the representations of Duthie to allocate PFIA LP's U.S. bond inventory between long bonds

and the purported open reverse repos;

(ii) permitting Duthie to execute trades on behalf of PFIA LP respecting the purported open reverse repos and make the "pricing' adjustment; and

(iii) permitting Duthie to access collateral by virtue of his participation in cash management activities while engaged in his own profit and loss activities (enabling Duthie to satisfy transaction costs for the UST Notes).

(e) Books and Records

32. Phoenix Canada did not maintain any books and records of the original trades of the purported open reverse repos.

33. Internal reports generated from the inadequate trade capture and accounting of the purported open reverse repos such as daily trade blotters, collateral reports, settlement reports, general ledger and trial balances were flawed and unreliable. Further, the Operations Manager and Settlement Clerk who used these reports were unaware that the long bonds listed on the reports were a proxy for the purported open reverse repos.

Incorrect Reporting

34. Phoenix Canada reported incorrect information respecting the purported open reverse repos to the Bank of Bermuda, Phoenix Bermuda and the beneficial owners of PFIA LP. Phoenix Canada consistently reported the purported open reverse repos as long bonds.

35. Further, Phoenix Canada never informed the Bank of Bermuda that PFIA LP was engaged in a matched book trading strategy of repos and open reverse repos and that the long bond position was a proxy for the purported open reverse repos.

Suitability

36. The accumulation of the UST Notes contravened PFIA LP's investment objectives and restrictions and thus, the Notes were not a suitable investment for PFIA LP.

Kassirer's Misconduct

37. As the Chair of Phoenix Canada, Kassirer failed to supervise adequately and provide sufficient general oversight of Phoenix Canada's conduct respecting the UST Notes, the purported open reverse repo transactions and Duthie's activities.

38. In particular, Kassirer failed to monitor adequately the overall business of Phoenix Canada, including its risk controls. Among other things, Kassirer did not make appropriate and adequate inquires of other Phoenix Canada management and staff respecting the VAR report and the adjustments made to that report to reflect Duthie's activities.

39. By the end of 1999, PFIA LP's U.S. dollar portfolio was invested entirely in the purported open reverse repos. Given the concentration in, and the size and significance of, Duthie's portfolio, Kassirer failed to make sufficient efforts to understand the true nature of Duthie's activities.

40. Kassirer's conduct was contrary to the public interest.

41. Staff reserves the right to make such further and other allegations as Staff may submit and the Commission may allow.

June 13, 2002.

1.3 News Releases

1.3.1 CARP and the Ontario Securities Commission Present: Protect Yourself Against Fraud: FREE Seminar

For Immediate Release
June 20, 2002

CARP AND THE ONTARIO SECURITIES COMMISSION PRESENT:

PROTECT YOURSELF AGAINST FRAUD:
FREE SEMINAR

Wednesday, June 26, 2002 – North York Central Library Auditorium
5120 Yonge St., Toronto
1:30pm – 3:30pm

Toronto, ON June 20, 2002 – CARP, Canada's Association for the Fifty-Plus, is working in partnership with the Ontario Securities Commission and the Ontario Provincial Police Anti-Rackets team to educate seniors about fraud. Speakers will discuss the latest frauds and scams targeting seniors, including investment fraud, telemarketing fraud, home improvement fraud and identity theft. Admission is free, and light refreshments will be served.

Perry Quinton, an Investor Education Officer with the Ontario Securities Commission, will speak about the role of the OSC in investor protection and securities regulation, and common investment scams. Learn the red flags to watch for to safeguard your money. OSC Investor Education Kits will be available at the seminar.

Staff Sergeant Barry Elliott, who runs the Ontario Provincial Police Anti-Rackets Phonebusters program, will discuss identity theft and other types of scams and frauds relevant to seniors, and how you can prevent them. Identity theft affects people of all ages, all educational levels, and all professions. Learn how to minimize your risk of becoming a victim.

For reservations, please call 1-866-544-5554 Toll Free. For more information please contact:

CARP, Canada's Association for the Fifty-Plus
(416) 363-8748
Ontario Securities Commission (416) 593-8314
PhoneBusters 1-888-495-8501

For media inquiries please contact Perry Quinton, OSC Investor Education (416) 593-2348 or Judy Cutler, Director of Communications, CARP at (416) 363-8748 x 241.

1.3.2 In the Matter of Fran Harvie

FOR IMMEDIATE RELEASE
June 20, 2002

IN THE MATTER OF FRAN HARVIE

TORONTO – This afternoon, the Ontario Securities Commission approved a settlement reached by staff of the Commission and the respondent, Fran Harvie.

Harvie illegally distributed shares in Lydia Diamond Explorations of Canada Ltd. She illegally raised over $1 million dollars from Ontario investors. She was paid commissions of $95,000 in cash and shares.

The Commission reprimanded Harvie and ordered that Harvie be prohibited from trading securities for five years and from acting or becoming an officer or director of an issuer for five years.

Copies of the Order and Settlement Agreement are available on the Commission's website, **www.osc.gov.on.ca**, or from the Commission offices at 20 Queen Street West, Toronto.

For Media Inquiries: Frank Switzer
Director, Communications
416-593-8120

Michael Watson
Director, Enforcement Branch
416-593-8156

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

1.3.3 OSC Hearing in the Matter of Mark Edward Valentine Set for July 2, 2002

FOR IMMEDIATE RELEASE
June 24, 2002

OSC HEARING IN THE MATTER OF
MARK EDWARD VALENTINE SET FOR JULY 2, 2002

TORONTO – The Ontario Securities Commission (the "Commission") has issued a Notice of Hearing and a Statement of Allegations against Mark Edward Valentine ("Valentine"). Valentine is the Chairman of Thomson Kernaghan & Co. Ltd. ("Thomson Kernaghan"). Valentine was suspended from his employment with Thomson Kernaghan on June 13, 2002.

On Monday, June 18, 2002 the Commission issued a temporary order prohibiting Valentine from trading in securities and suspending his registration under Ontario securities law. The Notice of Hearing states that the Commission will hold a hearing on Tuesday, July 2, 2002, to determine whether the temporary order should be extended.

The Statement of Allegations states that Valentine created "a culture of conflict and non-compliance" in his roles as General Partner of the Canadian Advantage Limited Partnership and the VC Advantage Fund Partnership, as the Chairman and a shareholder of Thomson Kernaghan and on his own behalf.

Further, he is alleged to have participated in providing "death spiral" financing to Jawz Inc., a company which traded on the NASDAQ exchange under the symbol "JAWZ". He is also alleged to have favoured the interests of one client over another with respect to the trading of shares of C Me Run Corp., which trades on the over the counter bulletin board in the United States under the symbol "CMER".

Copies of the Notice of Hearing and Statement of Allegations are available on the Commission's website at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario M5H 3S8

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-593-8913

Michael Watson
Director, Enforcement
416-593-8156

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

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 BHP Billiton Limited and BHP Billiton PLC - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the registration and prospectus requirements for trades in connection with an arrangement under Australian law and issuance of bonus shares under English law - first trade registration relief for trades of securities acquired under the arrangement through a sale facility outside of Canada.

Applicable Ontario Statutes

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

Applicable Ontario Rules

Rule 45-501 - Exempt Distributions.

Applicable National Instruments

Multilateral Instrument 45-102 - Resale of Securities.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC,
NEW BRUNSWICK, NOVA SCOTIA,
NEWFOUNDLAND AND LABRADOR, AND
THE NORTHWEST TERRITORIES

AND

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

AND

IN THE MATTER OF
BHP BILLITON LIMITED AND
BHP BILLITON PLC

MRRS DECISION

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and the Northwest Territories (the "Jurisdictions") has received an application:

   (a) from BHP Billiton Limited ("BHPBL") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement") shall not apply to intended trades in ordinary shares ("BHP Steel Shares") of BHP Steel Limited ("BHP Steel") under a scheme of arrangement; and

   (b) from BHP Billiton PLC ("PLC") for a decision under the Legislation that the Registration Requirement and the Prospectus Requirement shall not apply to intended trades in ordinary shares of PLC ("PLC Bonus Shares") in connection with PLC's proposed bonus share issuance;

2. **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;

3. **AND WHEREAS** BHPBL and PLC (the "Applicants") have represented to the Decision Makers that:

   1. the Applicants are the two publicly listed members of a dual listed company (the "BHP Billiton Group") formed by merger in 2001; while the Applicants are separate legal entities, the shareholders of the Applicants have a common economic interest in the BHP Billiton Group and the ratio of their respective economic interests and effective voting rights in the BHP Billiton Group is maintained by the BHP Billiton Group;

   2. BHPBL is a company organized under the *Corporations Act* of Australia;

   3. BHPBL's ordinary shares are listed and posted on the Australian Stock Exchange (the "ASX") under the symbol "BHP";

4. as at March 15, 2002, BHPBL had in excess of 292,100 shareholders, of whom approximately 376 were resident in Canada as follows: 191 resident in British Columbia, 41 in Alberta, 3 in Saskatchewan, 5 in Manitoba, 100 in Ontario, 16 in Québec, 1 in New Brunswick, 9 in Nova Scotia, 1 in Newfoundland and Labrador, and 9 in the Northwest Territories;

5. as at March 15, 2002, BHPBL had approximately 3,714,590,604 fully paid ordinary shares ("BHPBL Shares") and 3,048,500 partly paid ordinary shares outstanding, of which approximately 1,020,313 BHPBL Shares were held by Canadian residents as follows: 422,716 BHPBL Shares held in British Columbia, 121,253 in Alberta, 4,682 in Saskatchewan, 3,950 in Manitoba, 332,594 in Ontario, 57,908 in Québec, 11 in New Brunswick, 30,136 in Nova Scotia, 2,402 in Newfoundland and Labrador, and 44,661 in the Northwest Territories;

6. as at March 15, 2002, there were approximately 69 residents of British Columbia, 63 residents of Alberta, 4 residents of Saskatchewan, 6 residents of Ontario, 2 residents of Québec, 1 resident of New Brunswick, 1 resident of Nova Scotia, and 273 residents of the Northwest Territories who collectively held options to acquire 1,025,451 BHPBL Shares to acquire fully paid shares; these options were held by Canadian residents as follows: 323,876 options held in British Columbia, 72,339 in Alberta, 3,308 in Saskatchewan, 8,267 in Ontario, 1,354 in Québec, 827 in New Brunswick, 1,033 in Nova Scotia, and 614,447 in the Northwest Territories;

7. BHPBL is not a reporting issuer or the equivalent in any jurisdiction in Canada and has no current intention of becoming a reporting issuer in any Canadian jurisdiction;

8. BHPBL is presently a substantial diversified natural resources company with interests in mineral exploration, processing and production, oil and gas exploration and development and (prior to the spin-out and demerger) steel production and merchandizing;

9. PLC is a company organized under the *Companies Act* of England and Wales;

10. the outstanding ordinary shares of PLC ("PLC Shares") are listed and posted for trading on the London Stock Exchange and the Johannesburg Stock Exchange;

11. as at March 15, 2002, PLC had in excess of 8,800 shareholders of whom approximately 14 were resident in Canada as follows: 1 resident in British Columbia, 9 in Ontario, 2 in Québec, and 2 in Nova Scotia;

12. as at March 15, 2002, PLC had approximately 2,319,147,885 PLC Shares outstanding, of which 128,087 were held by residents of Canada as follows: 38,500 PLC Shares held in British Columbia, 55,982 in Ontario, 25,085 in Québec, and 8,520 in Nova Scotia;

13. PLC is not a reporting issuer or the equivalent in any jurisdiction in Canada and has no current intention of becoming a reporting issuer in any Canadian jurisdiction;

14. PLC is a substantial diversified natural resources company with interests in aluminium smelting and milling, and bauxite, coal, lead, zinc and heavy minerals mining;

15. BHP Steel is a company organized under the *Corporations Act* of Australia and is currently a wholly-owned subsidiary of BHPBL;

16. BHP Steel is the major producer of flat steel products in Australia and New Zealand;

17. BHPBL intends to spin-out and demerge its wholly-owned subsidiary, BHP Steel, by way of a reduction of capital and scheme of arrangement (the "Scheme");

18. the Scheme contemplates that, through the implementation of a capital reduction of approximately A$0.69 per share (the "Reduction Amount"), holders of BHPBL Shares will receive one BHP Steel Share for each 5 BHPBL Shares currently held; a separate arrangement is proposed between BHPBL and holders of partly paid shares of BHPBL whereby the capital reduction of approximately A$0.69 per share will be applied to meet an interim call on the partly paid shares;

19. BHP Steel Shares will be listed and posted on the ASX on or about July 15, 2002;

20. holders of options to acquire BHPBL Shares may elect to acquire BHPBL Shares in accordance with the terms of the options (in which case they will be treated under the Scheme in the same manner as other BHPBL shareholders), or to have the exercise price of the options reduced by the Reduction Amount;

21. the Scheme further contemplates that holders of BHPBL Shares who are entitled to receive BHP Steel Shares will have the option to sell those BHP Steel Shares through a sales facility to be established outside of Canada (the "Sale Facility") by BHPBL before the BHP Steel Shares are listed on the ASX;

22. the Scheme requires both shareholder and court approval;

23. a Scheme booklet (the "Scheme Booklet") (which will include all material information regarding the operation and business of BHP Steel prepared in accordance with the *Corporations Act* in Australia) will be mailed to holders of BHPBL Shares in connection with meetings of BHPBL's shareholders scheduled for June 26, 2002 to approve the Scheme;

24. BHPBL intends to mail the Scheme Booklet to its shareholders on May 24, 2002;

25. in order to ensure that the holders of PLC Shares receive equitable treatment to the holders of BHPBL Shares who will receive BHP Steel Shares under the Scheme, PLC will issue PLC Bonus Shares to the holders of PLC Shares concurrently with the Scheme; holders of PLC Shares must approve the proposed demerger of BHP Steel from BHPBL and the issuance of the PLC Bonus Shares;

26. a circular will be sent to all holders of PLC Shares on or about May 24, 2002 (the "Circular") in connection with a meeting of PLC's shareholders scheduled for June 26, 2002;

27. each Canadian shareholder of BHPBL has received all public disclosure with regard to BHPBL, including ongoing information regarding the steel manufacturing and distribution activities carried on by BHP Steel in the past, and will receive a Scheme Booklet;

28. each holder of PLC Shares will receive a Circular, together with the Scheme Booklet, that will set out all information required under the laws of the United Kingdom with respect to the Scheme and the issue of Bonus Shares, including the means of calculating the number of PLC Bonus Shares to be distributed;

29. there is no market in Canada for either the BHP Steel Shares or the PLC Bonus Shares and there is no likelihood of one developing;

30. BHP Steel will send copies of its disclosure materials to its shareholders resident in Canada at the same time and in the same manner as they are delivered to its shareholders in Australia, and PLC will send copies of its disclosure materials to its shareholders resident in Canada at the same time and in the same manner as they are delivered to its shareholders in England and Wales;

31. trades in BHP Steel Shares in connection with the Scheme to BHPBL shareholders in the Jurisdictions are not exempt from the Registration Requirement and the Prospectus Requirement under the Legislation of certain of the Jurisdictions;

32. trades in PLC Bonus Shares to holders of PLC Shares in the Jurisdictions are not exempt from the Registration Requirement and the Prospectus Requirement under the Legislation of the Jurisdictions; and

33. trades of BHP Steel Shares received in connection with the Scheme through the Sale Facility are not exempt from the Registration Requirement under the Legislation of the Jurisdictions;

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:

1. the Registration Requirement and the Prospectus Requirement shall not apply to BHPBL's distribution of BHP Steel Shares in connection with the Scheme, or to PLC's distribution of PLC Bonus Shares, provided that the first trade in

BHP Steel Shares or PLC Bonus Shares acquired under this Decision in a Jurisdiction shall be deemed to be a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless:

(a) except in Québec, the conditions in section 2.14(1) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; or

(b) in Québec, the alienation is made through an exchange, or a market, outside of Canada or to a person or company outside ofCanada; and

2. the Registration Requirement shall not apply to a trade by a holder in the Jurisdictions in BHP Steel Shares acquired in connection with the Scheme if:

(a) at the time of the trade, BHP Steel is not a reporting issuer under the Legislation of any of the Jurisdictions;

(b) at the time of the distribution of the BHP Steel Shares to the holders in the Jurisdictions, after giving effect to the issuance of the BHP Steel Shares, residents of Canada: (A) did not own directly or indirectly more than 10 percent of the outstanding BHP Steel Shares, and (B) did not represent in number more than 10 percent of the total number of owners directly or indirectly of BHP Steel Shares; and

(c) the trade is executed through the Sale Facility.

June 5, 2002.

"Brenda Leong"

2.1.2 646543 B.C. Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Employment agreements entered into between offeror and key employees and executives of the offeree who are also selling securityholders of the offeree - executives holding less than ten percent of offeree shares on a fully-diluted basis - agreements reflect commercially reasonable terms and negotiated at arm's length - agreements include payment of retention bonuses - Decision made that agreements being entered into for reasons other than to increase the value of the consideration paid to the selling securityholders for their shares and that such agreements may be entered into notwithstanding the prohibition on collateral benefits.

Applicable Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 97 and 104(2)(a).

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

AND

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

AND

IN THE MATTER OF
646543 B.C. LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application from 646543 B.C. Ltd. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with an offer dated May 1, 2002 to purchase, by way of a formal take-over bid (the "Bid") by the Filer, all of the outstanding common shares (the "Common Shares") of A.L.I. Technologies Inc. ("ALI"), retention and employment agreements (collectively, the "Employment Agreements") between ALI and eight of ALI's senior employees (the "Employees"), who are also holders of Common Shares or options to acquire Common Shares, have been made for reasons other than to increase the value of the consideration paid to the Employees for their Common Shares and may be entered into despite the provisions in the Legislation that prohibit an offeror who makes or intends to make a take-over bid from entering into any collateral agreement with any holder or beneficial

owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to the other holders of the same class of securities (the "Prohibition on Collateral Agreements");

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 the Filer has represented to the Decision Makers that:

1. ALI is a corporation governed by the *Company Act* (British Columbia) (the "BCCA") and is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario; ALI is a medical information technology company that develops and markets film-less digital image network systems including, primarily, ultrasound and radiological applications;

2. the Common Shares are traded on The Toronto Stock Exchange; as at April 24, 2002, ALI had 10,970,900 issued and outstanding Common Shares;

3. the Filer, a BCCA company, is a wholly-owned subsidiary of McKesson Corporation ("McKesson"); the Filer was incorporated on April 26, 2002 solely for the purpose of making the Bid and is not, and has no current intention of becoming, a reporting issuer in any jurisdiction in Canada;

4. McKesson is incorporated under the laws of Delaware and is not, and has no current intention of becoming, a reporting issuer in any jurisdiction in Canada;

5. McKesson is one of the world's largest health care service and technology companies; McKesson's principal businesses are: (i) the wholesale distribution of ethical and proprietary drugs, medical-surgical supplies and health and beauty care products to drug and food stores, mass merchandisers and health care providers; and (ii) the provision of patient, clinical, financial and managed care, strategic management software solutions, networking technologies, information outsourcing and other services to health care organizations;

6. on May 1, 2002, McKesson, the Filer and ALI entered into a support agreement with respect to the Bid (the "Support Agreement") under which the Filer agreed, subject to the satisfaction of certain conditions, to make the Bid for all of the outstanding Common Shares at a price of $43.50 per Common Share in cash; the offering price was negotiated at arm's length by McKesson and ALI and represents a premium of 34% over the closing price for the Common Shares of $32.51 on May 1, 2002;

7. McKesson and the Filer have entered into lock-up agreements with certain of the directors and officers of ALI who, as at May 1, 2002, collectively owned or controlled approximately 34% of the outstanding Common Shares on an undiluted basis and, taking into consideration options to acquire additional Common Shares, collectively owned or controlled approximately 32% of the outstanding Common Shares on a fully-diluted basis; one of the Employees, Greg Peet, ALI's President and CEO, is a party to a lock-up agreement;

8. when the Support Agreement was being negotiated by McKesson and ALI, McKesson requested that the Employees agree to remain employed by ALI after the completion of the Bid; McKesson wished to secure such an agreement because of the integral role that McKesson believes the Employees had in developing ALI's business and the Employees' substantial and valuable experience and expertise with respect to ALI's business; McKesson believes that the continued employment of the Employees by ALI following completion of the Bid will be of great assistance to McKesson in ensuring a successful transition following completion of the Bid;

9. the current positions at ALI of the Employees (which will remain the same upon completion of the Bid, as will the Employees' duties and responsibilities) and the reasons why the continued employment of each of the Employees following completion of the Bid is important to McKesson, are as follows:

   (a) Gregory Peet is the President and CEO of ALI, and as President and CEO, Mr. Peet is integral to the business of ALI both in terms of ALI's relationships with its customers and Mr. Peet's knowledge and experience with respect to ALI and its software and technology;

   (b) Bing Teng is currently ALI's Vice President, Sales, and will be important to ALI post-acquisition due to his relationships with ALI's customers;

   (c) Michael Brozino is ALI's Director of Sales and provides an important link between ALI and its existing customers;

   (d) Alan Noordvyk is a Director, Engineering, at ALI and is one of the key persons at ALI because of his knowledge of ALI's software and technology;

   (e) Marcel Sutanto is also a Director, Engineering, and has extensive

knowledge of ALI's software and technology;

(f) Warren Edwards is a Director, Engineering, who has cultivated relationships with many of ALI's existing customers;

(g) Rod O'Reilly is ALI's Vice President, Operations, and will be important to ALI upon completion of the Bid both due to his relationships with ALI's customers and his knowledge of ALI's software and technology; and

(h) David Sutherland is ALI's Vice President, Services, and similarly is and will be important to ALI because of his relationships with ALI's customers and his knowledge of ALI's products;

10. the Employment Agreements provide that each of the Employees will receive retention bonuses if such Employee continues to be employed by ALI for 24 months after the date on which the Employment Condition is satisfied; the amount of the retention bonus for each Employee ranges from US$100,000 to US$400,000, and the aggregate amount of the retention bonuses payable to all of the Employees is US$1,450,000; Greg Peet will receive a further retention bonus of US$200,000 if he remains employed by ALI for an additional 12 months; the retention bonuses will be pro-rated for any Employee whose employment is terminated without cause by ALI prior to the retention bonus payment date;

11. in addition, the Employment Agreements provide that the Employees shall each receive stock options for common shares of McKesson, ranging from 5,000 options to 25,000 options, in accordance with McKesson's 1998 Canadian Stock Incentive Plan or, for the two Employees located in United States, in accordance with McKesson's United States Stock Incentive Plan;

12. except for the retention bonuses and McKesson stock options, the Employment Agreements do not materially change the salaries, bonuses, benefits and termination rights that the Employees currently enjoy;

13. with the exception of Greg Peet, the Employees are under no obligation to tender their Common Shares under the Bid;

14. the Employment Agreements were negotiated on an arm's length basis and are on commercially reasonable terms; in the United States, the use of retention bonuses is not uncommon in the context of mergers and acquisitions where the acquiror wants to retain the services of the key employees of the acquired company; in all other respects, the Employment Agreements are consistent with current industry practice in Canada and McKesson's compensation arrangements for new executive employees; the retention bonuses are intended to provide an incentive for the Employees to continue in the employment of ALI following completion of the Bid;

15. the Employees' execution of the Employment Agreements was a condition to McKesson and the Filer entering into the Support Agreement; McKesson believes that without the continued employment of the Employees, there would be a material reduction in the likelihood of a successful transition following completion of the Bid and a corresponding reduction in the value of ALI to McKesson and its shareholders;

16. collectively, the Employees hold in the aggregate Common Shares and options to acquire Common Shares representing less than 10% of the total issued and outstanding Common Shares on a fully diluted basis; none of the Employees are related to McKesson or the Filer; and

17. the Employment Agreements were entered into for valid business reasons unrelated to the Employees' holding of Common Shares, were not entered into for the purpose of conferring a collateral benefit on the Employees not enjoyed by the other holders of Common Shares and are being made for reasons other than to increase the value of the consideration to be paid to the Employees under the Bid;

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

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

THE DECISION of the Decision Makers under the Legislation is that, in connection with the Bid, the Employment Agreements are being entered into for reasons other than to increase the value of the consideration to be paid to the Employees for their Common Shares and may be entered into despite the Prohibition on Collateral Benefits.

May 29, 2002.

"Brenda Leong"

2.1.3 CRS Robotics Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer has only one security holder - issuer deemed to have ceased being a reporting issuer.

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

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
CRS ROBOTICS CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from CRS Robotics Corporation (the "Filer") for:

(i) a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer under the Legislation; and

(ii) in Ontario only, an order pursuant to the *Business Corporations Act* (Ontario) (the "OBCA") that the Filer be deemed to have ceased to be offering its securities to the public;

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

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

1. The Filer is a corporation incorporated under the OBCA and is a reporting issuer or its equivalent in each of the provinces of Canada.

2. The Filer is not in default of its reporting issuer obligations under the Legislation, with the exception that the Filer has not filed an Annual Information Form for the most recently completed fiscal year, Management's Discussion and Analysis for the most recently completed fiscal year, and interim financial statements for the first quarter of the current fiscal year together with accompanying Management's Discussion and Analysis.

3. The head office of the Filer is located in Ontario.

4. The authorized capital of the Filer consists of an unlimited number of common shares (the "Shares") of which, as of May 29, 2002, 11,617,554 Shares were issued and outstanding.

5. Thermo is a private company that was incorporated pursuant to the laws of New Brunswick on March 6, 2002.

6. On March 21, 2002, Thermo Acquisition Corporation ("Thermo") made an offer (the "Offer") to acquire all of the issued and outstanding Shares of the Filer for a purchase price of $5.75 per Share. The Offer expired on April 26, 2002, and approximately 97% of the outstanding Shares were tendered into the Offer. On April 26, 2002, Thermo took up all of the Shares tendered under the Offer and on April 29, 2002, Thermo paid for all of those Shares.

7. On May 29, 2002, Thermo satisfied the requirements of section 188 of the OBCA to effect the compulsory acquisition of the Shares not deposited pursuant to the terms of the Offer and, as a result, Thermo became the sole shareholder of the Filer.

8. As a result of the Offer and the subsequent compulsory acquisition procedures, Thermo owns all of the Filer's outstanding securities.

9. The Shares have been delisted from the Toronto Stock Exchange and no securities, including debt securities, of the Filer are listed or quoted on any exchange or market.

10. The Filer has no present intention of seeking public financing by way of an offering of its securities.

11. Other than the Shares, the Filer has no securities, including debt securities, outstanding.

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 under the Legislation.

June 20, 2002.

"John Hughes"

AND IT IS HEREBY ORDERED by the Ontario Securities Commission pursuant to subsection 1(6) of the OBCA that the Filer is deemed to have ceased to be offering its securities to the public for the purposes of the OBCA.

June 20, 2002.

"Paul M. Moore" "H. Lorne Morphy"

2.1.4 Placer Dome Inc. and Placer Dome Asia Pacific Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Take-over bid for Australian corporation that is not a reporting issuer in Canada - bid made in compliance with applicable Australian laws - only 9 Canadian target shareholders holding 0.033% of the outstanding target shares - offeror exempted from take-over bid requirements and requirement to file technical report, subject to conditions.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95, 96, 97, 98, 100 and 104(2)(c).

Applicable Ontario Rules

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, ss. 4.2(1) 9, 9.1(1).

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

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

AND

IN THE MATTER OF
PLACER DOME INC. AND
PLACER DOME ASIA PACIFIC 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, Newfoundland and Labrador, Yukon, the Northwest Territories, and Nunavut (the "Jurisdictions") has received an application from Placer Dome Inc. ("Placer") and its wholly owned subsidiary, Placer Dome Asia Pacific Limited ("PDAP"), for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

(a) the provisions governing the conduct of take-over bids, except the requirements to file a report of a take-over bid, where applicable, and to pay the applicable fees, (the "Take-over Bid Requirements") in the Legislation shall not apply to an offer, as it may be amended from time to time, (the "Offer") to be made by PDAP to acquire

all of the ordinary shares of AurionGold Limited ("Aurion") in exchange for the issuance of common shares of Placer ("Placer Shares");

(b) the requirement in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") to file technical reports (the "Technical Report Requirements") in respect of the Offer and Bidder's Statement that are sent to holders of Aurion Shares (the "Offer Materials") and any accompanying bid materials filed with the Australian Securities and Investments Commission (the "Supplementary Materials") shall not apply to Placer or PDAP; and

(c) the requirements contained in the Legislation to be registered to trade in a security and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Registration and Prospectus Requirements") shall not apply to certain trades in connection with the Offer;

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

AND WHEREAS Placer and PDAP have represented to the Decision Makers that:

1. Placer continued under the laws of Canada in 1987 following the amalgamation of Placer Development Limited, Dome Mines Limited and Campbell Red Lake Mines Limited; its registered office and corporate head office are in Vancouver, British Columbia;

2. directly and through its subsidiaries, Placer is principally engaged in the exploration for, and the acquisition, development and operation of, gold mineral properties; at present, major mining operations are located in Canada, the United States, Australia, Papua New Guinea, South Africa and Chile; exploration work is carried out in those countries and others;

3. Placer is a reporting issuer, or holds similar status, under the laws of each province and territory of Canada, and has held such status for over 12 months;

4. Placer's authorized capital is an unlimited number of Placer Shares and an unlimited number of preferred shares, issuable in series;

5. as at February 14, 2002, there were 329,506,912 outstanding Placer Shares; Placer also has outstanding 8.625% Series A Preferred Securities and 8.5% Series B Preferred Securities, both due December 31, 2045;

6. the Placer Shares are listed for trading on The Toronto Stock Exchange, the New York Stock Exchange, the Australian Stock Exchange, Euronext - Paris and the Swiss Exchange; International Depository Receipts representing the Placer Shares are listed for trading on Euronext - Brussels;

7. PDAP is formed under the laws of Australia, and is a direct and wholly-owned subsidiary of Placer; the bid to the holders of the Aurion Shares will be made by PDAP;

8. Aurion was formed under the laws of Australia following the amalgamation of Goldfields Limited and Delta Gold Limited under an Australian Scheme of Arrangement completed in December 2001;

9. Aurion is engaged in the exploration for, and the acquisition, development and operation of, gold mineral properties; information published by Aurion states that its major mining operations are located in Australia and Papua New Guinea; Aurion does not appear to have any material assets or operations in Canada;

10. based on the list of registered shareholders obtained by PDAP from Aurion, as at May 28, 2002 Aurion had 441,939,131 issued and outstanding Aurion Shares; the Aurion Shares are listed for trading on the Australian Stock Exchange and are not currently listed on any stock exchange outside of Australia;

11. Aurion's public disclosure in Australia indicates that as at March 31, 2002, it had three significant shareholders, who, in the aggregate, held Aurion Shares representing approximately 32.39% of the total Aurion Shares outstanding: The Commonwealth Bank of Australia and its subsidiaries held approximately 16.27% of the outstanding Aurion Shares; Harmony Gold (Australia) Pty Limited held approximately 9.82% of the outstanding Aurion Shares; and M&G Investment Management Limited held approximately 6.30% of the outstanding Aurion Shares; each of these shareholders appears to be resident in Australia;

12. Aurion is not a reporting issuer in any province or territory of Canada;

13. based on Aurion's list of registered shareholders, as at May 28, 2002 Aurion had nine shareholders resident in Canada holding an aggregate of 0.033% of the outstanding Aurion Shares; five of the shareholders are resident in British Columbia, and four are resident in Ontario;

14. based on the list of holders of options ("Options") exercisable into Aurion Shares obtained by PDAP from Aurion, as at May 28, 2002 there were 13 holders holding a total of 5,521,000 outstanding

Options, none of whom have a resident address in Canada;

15. the Aurion Shares are neither registered with the United States Securities and Exchange Commission nor listed for trading on a U.S. stock exchange; Aurion is not subject to the reporting requirements of the securities laws of the United States;

16. PDAP intends to make an unsolicited offer to acquire the Aurion Shares in exchange for Placer Shares; the Offer will be made in Australia in accordance with the corporate and securities laws of Australia;

17. under Australian law, PDAP will be the sole offeror under the Offer and only PDAP will be identified in the Offer Materials as the offeror;

18. the Offer will be made without the requirement to comply with the U.S. tender offer rules, since the Aurion Shares are not registered, and by virtue of the "Tier I exemption" available to PDAP under applicable U.S. securities laws with respect to cross-border exchange offers for the securities of foreign private issuers; PDAP is able to rely on the Tier I exemption because, to PDAP and Placer's best knowledge: (i) U.S. holders of Aurion Shares hold less than 10% of the securities sought in the Offer; (ii) U.S. holders will participate in the Offer on terms at least as favourable as those offered to any other Aurion shareholders; and (iii) PDAP will be providing U.S. shareholders with the Offer Materials on a comparable basis to that provided to other Aurion shareholders;

19. the Offer will be made to Canadian holders of Aurion Shares on the same basis, including extending to those holders identical rights and identical consideration, as to the holders of Aurion Shares resident in Australia;

20. the disclosure in the Bidder's Statement regarding the mining projects on Placer's material properties will be based on the disclosure previously set forth in Placer's Annual Information Form (the "AIF") dated February 14, 2002; no technical report was required with respect to the disclosure contained in the AIF, as no material information was included concerning mining projects on material properties that had not been contained in a disclosure document filed before February 1, 2001; similarly, no technical report requirement would be required if Placer wished to use this disclosure in connection with a short-form prospectus offering in Canada;

21. the disclosure in the Offer Materials will comply with Australian securities laws; PDAP is not required to provide a technical report with respect to Placer's mining projects on material properties in connection with the Bidder's Statement under either the Australasian Code for Reporting of Mineral Resources and Ore Reserves or Australian securities laws;

22. if the Offer is completed and PDAP acquires 90% or more of the Aurion Shares, PDAP intends to compulsorily acquire the remaining outstanding Aurion Shares under Australian corporate law; if PDAP acquires control of Aurion but is not entitled to compulsorily acquire the outstanding Aurion Shares, it proposes to appoint a majority of the directors of Aurion;

23. holders of the Aurion Shares whose last address on the books of Aurion is, to the best of Placer's knowledge, in Canada will concurrently be sent the materials regarding the Offer that are sent to holders of Aurion Shares whose last address on the books of Aurion is in Australia;

24. there is no exemption from the Take-over Bid Requirements in the Legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador; and

25. there is no exemption from the Registration and Prospectus Requirements in the Legislation of British Columbia, Québec, New Brunswick, Prince Edward Island, Yukon, the Northwest Territories and Nunavut;

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

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

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

1. the Take-Over Bid Requirements shall not apply to the Offer, provided that:

   (a) the Offer Materials that are sent to holders of Aurion Shares in other countries are concurrently sent to all holders of Aurion Shares who, to PDAP's best knowledge, have their last address shown on the books of Aurion in Canada; and

   (b) copies of the Offer Materials are filed with the Decision Makers;

2. the Technical Report Requirements shall not apply to Placer or PDAP in respect of the Offer Materials and Supplementary Materials;

3. the Registration and Prospectus Requirements shall not apply to trades by Placer of Placer Shares to PDAP, trades by PDAP of Placer Shares to shareholders of Aurion, and trades by Aurion's shareholders of Aurion Shares to PDAP, all in connection with the Offer, provided that the first trade in Placer Shares acquired under this Decision in a Jurisdiction will be deemed to be a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless:

   (a) except in Québec, the conditions in subsections 2.6(3) or (4) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and

   (b) in Québec,

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

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

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

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

June 10, 2002.

"Brenda Leong"

2.1.5 Dundee Wealth Management Inc. and Canadian First Financial Group Inc.

Headnote

Exemptive Relief Application - Employment agreements entered into between offeror and representatives and franchisees of the offeree of which 20 of 44 are also selling shareholders of the offeree - shareholder representatives hold approximately 31% percent of offeree shares on a fully-diluted basis - 50% of shareholder representatives have entered into lock-up agreement with offeror - employment agreements contain non-competition and non-solicitation covenants - retention bonuses payable in accordance with standard industry practice and compensate for difference between payout structures of offeror and offeree - agreements reflect commercially reasonable terms and negotiated at arm's length - Decision made that agreements being entered into for reasons other than to increase the value of the consideration paid to the shareholder representatives for their shares and that such agreements may be entered into notwithstanding the prohibition on collateral benefits.

Applicable Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 97 and 104(2)(a).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO

AND

IN THE MATTER OF
DUNDEE WEALTH MANAGEMENT INC. AND
CANADIAN FIRST FINANCIAL GROUP INC.

DECISION DOCUMENT

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Dundee Wealth Management Inc. ("Dundee Wealth") for a decision under the *Securities Act* (Ontario) (the "Act") that, in connection with Dundee Wealth's offer (the "Offer") to purchase all of the issued and outstanding common shares (the "CFFG Shares") of Canadian First Financial Group Inc. ("CFFG") by way of a take-over bid, certain agreements defined in paragraph 8 below (the "Retention Agreements") that have been or may be entered into between Dundee Wealth and Dundee Private Investors Inc. (collectively, "Dundee"), and certain representatives and franchisees of Ross Dixon Financial Services Ltd. ("Ross Dixon") and certain representatives of Hewmac Investment Services Inc. ("Hewmac") (collectively, the "Representatives") have been or will be made for reasons other than to increase the value of the consideration paid to certain Representatives who are also holders of CFFG Shares (the "Shareholder Representatives") and may be entered into despite the provision in the Act that prohibits an offeror who makes or intends to make a take-over bid and any person acting jointly or in concert with the offeror from entering into any

collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Prohibition on Collateral Benefits");

AND WHEREAS Dundee Wealth has represented to the Commission that:

1. Dundee Wealth is a corporation incorporated under the *Business Corporations Act* (Ontario) (the "OBCA"). Dundee Wealth is a financial services company that provides a broad range of financial products and services to individuals, institutions, corporations and foundations, with its businesses conducted through wholly-owned operating subsidiaries.

2. Dundee Wealth's common shares are listed and posted for trading on the Toronto Stock Exchange. Dundee Wealth is a reporting issuer in each province of Canada.

3. CFFG is a corporation amalgamated under the OBCA. Ross Dixon and Hewmac are direct wholly-owned subsidiaries of CFFG. Ross Dixon and Hewmac are corporations incorporated under the OBCA. Ross Dixon and Hewmac are registered as mutual fund dealers in Ontario.

4. The authorized capital of CFFG consists of an unlimited number of common shares. As at May 21, 2002, 8,527,329 CFFG Shares were issued and outstanding (on a fully-diluted basis assuming the exercise of certain stock options). The CFFG Shares are listed on the TSX Venture Exchange under the symbol "YCG".

5. CFFG is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador.

6. Neither Dundee Wealth nor any person acting jointly or in concert with Dundee Wealth owns, directly or indirectly, any securities of CFFG.

7. In connection with the Offer, Dundee Wealth and CFFG entered into a letter of intent dated November 7, 2001, as amended April 19, 2002 (the "Letter of Intent").

8. Prior to May 15, 2002, Dundee and certain of the Representatives of Ross Dixon entered into franchise termination and retention agreements (the "Ross Dixon Franchise Termination and Retention Agreements"), and Dundee and certain of the Representatives of Hewmac entered into retention agreements (the "Hewmac Retention Agreements" and, together with the Ross Dixon Franchise Termination and Retention Agreements, the "Retention Agreements").

9. Pursuant to the terms of the Letter of Intent, the entering into of the Retention Agreements with certain of the Representatives was a condition precedent to the execution of the Support Agreement (as defined in paragraph 11 below). As a condition of Dundee Wealth making the Offer, Retention Agreements must be executed by certain additional Representatives so that (a) Ross Dixon Franchisees servicing a specified percentage of assets under administration and (b) Hewmac Representatives servicing a specified percentage of assets under administration, have executed Retention Agreements.

10. Dundee has entered or will enter into Retention Agreements with 44 Representatives, 20 of whom are Shareholder Representatives. The Shareholder Representatives collectively have beneficial ownership of approximately 31% of the CFFG Shares, with the largest individual shareholding being 15%.

11. Dundee Wealth and CFFG entered into a support agreement (the "Support Agreement") dated as of April 29, 2002 and executed on May 14, 2002 pursuant to which Dundee Wealth agreed to make the Offer, subject to certain conditions.

12. Concurrently with the signing of the Support Agreement, Dundee Wealth entered into a lock-up agreement (the "Lock-Up Agreement") with shareholders of CFFG that hold over 80% of the issued and outstanding CFFG Shares pursuant to which such shareholders agreed to deposit their CFFG Shares under the Offer. 8 of the 20 Shareholder Representatives, holding 24% of the CFFG Shares, have entered into the Lock-Up Agreement.

13. On May 15, 2002, Dundee Wealth issued a press release announcing its intention to make the Offer.

14. The Offer is for an aggregate price of $11,345,000 for all of the CFFG Shares which, based on the current number of CFFG Shares outstanding, would result in each CFFG shareholder receiving $1.33 cash consideration for each CFFG Share.

15. The Offer is at a 33% premium over the closing price on March 25, 2002, the last date that the CFFG Shares were traded prior to Dundee Wealth's announcement of its intention to make the Offer.

16. Pursuant to the Ross Dixon Franchise Termination and Retention Agreements, the Ross Dixon Franchisees have agreed or will agree to the termination of their existing franchise agreements with Ross Dixon and to continue as representatives of the Dundee business following the completion of the Offer, and to certain non-competition and non-solicitation covenants in favour of Dundee.

17. Pursuant to the Hewmac Retention Agreements, the Hewmac Representatives have agreed or will agree to the termination of their existing agreements with Hewmac and to continue as representatives of the Dundee business following the completion of the Offer, and certain of the Hewmac Representatives have agreed to certain non-competition and non-solicitation covenants in favour of Dundee.

18. As consideration for the Representatives agreeing to continue as representatives of the Dundee business following the completion of the Offer and to provide such non-competition and non-solicitation covenants, Dundee Wealth has agreed to pay to the Representatives, in the aggregate, the following retention bonuses, conditional upon successful completion of the Offer:

    (a) the issuance of options to purchase up to an aggregate maximum of 175,000 common shares of Dundee Wealth (the "Options") pursuant to the terms of the Dundee Wealth stock option plan;

    (b) the issuance of up to an aggregate of 70,000 deferred common shares of Dundee Wealth (the "Deferred Shares"), subject in each case to vesting over five years and conditional upon certain performance criteria and the continued engagement of the Representatives; and

    (c) the payment upon completion of the Offer of cash amounts not exceeding $460,000 in the aggregate (the "Cash Retention Bonuses") (collectively, the "Retention Bonuses").

19. The Options will be granted at the first meeting of the board of directors of Dundee Wealth following completion of the Offer. The Options (a) will be granted at the market price at the time the Options are granted; (b) will have a 10 year term; (c) will vest over five years; and (d) will be subject to all applicable regulatory approvals and the approval of the board of directors of Dundee Wealth.

20. The Deferred Shares will be issued over a five year period conditional upon the Representatives remaining with Dundee Wealth and certain performance criteria being achieved.

21. Pursuant to the terms of the Retention Agreements, the Retention Bonuses are expected to be paid to a total of 44 Representatives. Such payments are conditional upon completion of the Offer.

22. The Retention Agreements were and will be entered into for the purpose of ensuring that the Representatives remain as representatives of the Dundee business after the completion of the Offer.

23. In accordance with standard practice in the mutual fund dealer industry, the Representatives are paid a percentage of the commissions and trailer fees generated by the client accounts serviced by the particular Representative (the "Payout Structure"). The Retention Bonuses are being paid to the Representatives in order to compensate the Representatives for the differences between the Payout Structures of Dundee and CFFG.

24. The Retention Bonuses were determined based on an assets/revenue formula and are not in any way related to whether or not a Representative owns any CFFG Shares or the percentage ownership of such shares.

25. The Retention Agreements were negotiated at arm's length, the terms are commercially reasonable in light of the services to be rendered by the Representatives following the completion of the Offer, are consistent with industry practice and Dundee's compensation arrangements for new representatives, and are intended to provide an incentive for the Representatives to continue to be registered representatives of Dundee on an ongoing basis following completion of the Offer.

26. Dundee Wealth would not have agreed to make the Offer if the Representatives had not entered into the Retention Agreements.

27. With respect to the Shareholder Representatives, the Retention Agreements were and will be entered into for valid business reasons unrelated to the Representatives' holdings of CFFG Shares and not for the purpose of conferring an economic or collateral benefit on such Representatives that other CFFG shareholders do not enjoy, and were entered into for reasons other than to increase the value of the consideration to be paid to such Representatives pursuant to the Offer.

AND WHEREAS under the Act, this Decision Document evidences the decision of the Commission;

AND WHEREAS the Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the Decision has been met;

THE DECISION of the Commission under the Act is that in connection with the Offer, the Retention Agreements are being entered into for reasons other than to increase the value of the consideration to be paid to the Representatives for their CFFG Shares and such Retention Agreements may be entered into and the Retention Bonuses may be paid despite the Prohibition on Collateral Benefits.

June 7, 2002.

"Howard I. Wetston" "H. Lorne Morphy"

2.1.6 Western Financial Group Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer bid - relief granted from the valuation requirement in connection with an offer by the issuer for its out-of-the-money convertible debentures - issuer representing in order that convertibility feature is of no material value and debentures trade only on the issuer's underlying creditworthiness - offer otherwise to be made in compliance with issuer bid requirements - offer document to include summary of financial opinion on convertibility feature.

Applicable Ontario Rules Cited

Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 3.3, 3.4(1) and 9.1.

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

AND

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

AND

IN THE MATTER OF
WESTERN FINANCIAL GROUP INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Ontario and Quebec (the "Jurisdictions") has received an application from Western Financial Group Inc. ("Western" or the "Corporation") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that in connection with Western's offer to acquire all of its issued and outstanding 10% convertible redeemable subordinated debentures (the "Original Debentures"), which were issued on June 17, 1998, in exchange for either: (i) cash (subject to a maximum amount of $2,000,000 in cash), (ii) the issuance of 9% convertible unsecured subordinated debentures (the "New Debentures"), or (iii) a combination of cash and New Debentures, that Western shall be exempted from the requirements in the Legislation to obtain a formal valuation of the Original Debentures and the New Debentures (the "Valuation Requirements").

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

AND WHEREAS Western has represented to the Decision Makers that:

1. Western was incorporated as 674658 Alberta Inc. under the *Business Corporations Act* (Alberta) on November 14, 1995 and its name was changed to Hi-Alta Capital Inc. on January 22, 1996, after which it commenced active business operations. The name of the Corporation was then changed to Western Financial Group Inc. on May 27, 2002.

2. The common shares in the capital of Western (the "Common Shares") and a series of 9% convertible unsecured subordinated debentures which were issued on February 26, 2002 (the "February Debentures") are listed and posted for trading on the Toronto Stock Exchange.

3. Western is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. To the best of its knowledge, Western is not in default of any requirement of the securities legislation of these provinces and the rules and regulations thereunder. The authorized capital of Western consists of an unlimited number of common shares, an unlimited number of first preferred shares, and an unlimited number of second preferred shares. Western has created and authorized the issuance of 500 First Preferred Shares, Series One. As at April 4, 2001, 11,539,775 Common Shares of the Corporation were issued and outstanding and there were no first preferred shares or second preferred shares issued and outstanding. In addition, as at the same date, Western has $28,000,000 in aggregate principal amount of convertible debentures outstanding (this includes $6,000,000 in Original Debentures and $7,000,000 in February Debentures).

4. The Common Shares closed at $2.35 per Common Share at the close of business on April 17, 2002 and the February Debentures closed at $96.00 per Debenture at the close of business on April 8, 2002, the last day of which the Debentures traded.

5. Western issued $6,000,000 in aggregate principal amount of Original Debentures on June 17, 1998. The interest rate on such debentures is 10% per annum which is payable semi-annually in arrears on June 30 and December 31 in each year. These Original Debentures are convertible at any time at the option of the holder into Common Shares at a deemed price of $3.80 (subject to adjustment) per share. The Original Debentures are redeemable by the Corporation in the event that the Common Shares are trading at $6.00 per share (on a 20 day weighted average basis) for cash or Common Shares. The maturity date of the Original Debentures is June 30, 2003. The Original Debentures are not listed on any stock

exchange. The Original Debentures are subordinated to senior indebtedness of the Corporation, which includes bank indebtedness, and are secured.

6. Western intends to issue up to $6,000,000 in aggregate principal amount of New Debentures which will have terms identical to the February Debentures. Accordingly, the New Debentures will bear interest at 9% per annum which will be payable semi-annually in arrears on June 30 and December 30 in each year. These New Debentures will be convertible at any time at the option of the holder into Common Shares at a deemed price of $2.50 (subject to adjustment) per share. The New Debentures will be redeemable by the Corporation in the event that the Common Shares are trading at 124% of the conversion price of $2.50 per share (on a 20 day weighted average basis) for cash or Common Shares. The maturity date of the New Debentures is February 28, 2007. The principal will be repayable at the option of the Corporation in Common Shares on maturity. Western intends to apply to have the New Debentures listed and posted for trading on the Toronto Stock Exchange. The New Debentures will be subordinate to senior indebtedness of the Corporation, including bank indebtedness, and will not be secured.

7. Western intends to make a securities exchange issuer bid (the "Bid") for all of the issued and outstanding Original Debentures. Western would offer to acquire the Original Debentures in exchange for: (i) an amount of cash equal to the principal of the Original Debentures, (ii) an equal principal amount of New Debentures, or (iii) a combination of cash and New Debentures equal to the principal amount of the Original Debentures.

8. To the best of the Corporation's knowledge, information and belief, none of the Original Debentures are currently owned by any insiders of the Corporation.

9. The acquisition of the Original Debentures pursuant to the Bid is permissible under the terms of the trust indenture governing such Original Debentures.

10. The Bid is being made to provide holders of Original Debentures with an opportunity to realize an immediate cash return for all or a portion of their investment in the Corporation and to provide holders which elect to receive New Debentures, an opportunity to extend their investment in the Corporation, with improved liquidity and a conversion feature at a price closer to the current market price of the Common Shares.

11. In a letter (the “Opinion Letter”) dated June 4, 2002, J. D. McCormick Financial Services, Inc. advised the Corporation that in its opinion the convertibility feature of the Original Debentures is of no material value.

12. The Bid will be made in compliance with all applicable securities laws and wil l include prospectus level disclosure on Western and the New Debentures.

13. The issuer bid circular provided to the holders of the Original Debentures in connection with the Bid will include a summary of the Opinion Letter.

14. Pursuant to the Legislation, subject to certain exceptions, in the context of an issuer bid, the issuer must obtain a valuation of its securities, and the issuer bid circular must, subject to any waiver or variation consented to in writing by the Executive Director (or his or her counterpart in the other provinces), contain a summary of the valuation of its securities.

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

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

THE DECISION of the Decision Makers under the Legislation is that Western is exempt from the Valuation Requirements contained in the Legislation with respect to the Bid provided that Western complies with all applicable securities laws in making the Bid, which would include providing prospectus level disclosure on Western and the New Debentures to the holders of Original Debentures.

June 11, 2002.

“Agnes Lau”

2.1.7 Jones Heward Investment Counsel Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - trades in units of pooled fund not subject to requirement to file reports of trade within 10 days of trade provided prescribed reports filed and fees paid within 30 days of financial year end of pooled fund.

Statutes Cited

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

Rules Cited

Ontario Securities Commission Rule 45-501 - Exempt Distributions (2001) 24 OSCB 7011.
Ontario Securities Commission Rule 81-501 - Mutual Fund Reinvestment Plans (1998) 21 OSCB 2713.

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

AND

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

AND

IN THE MATTER OF
THE CHAMPLAIN FUND

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, Nova Scotia, Prince Edward Island, Newfoundland and Labrador (the "Jurisdictions") has received an application from Jones Heward Investment Counsel Inc. (the "Filer") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that:

(a) trades in units of The Champlain Fund (the "Fund") to an investor upon:

(i) the subscription of an investor for units subsequent to the initial investment by the investor ("Additional Units") shall not be subject to the requirements to file a preliminary prospectus and a final prospectus in respect of a distribution or primary distribution to the public of a security (the "Prospectus Requirements") of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island, and Newfoundland and Labrador, and to the requirements to be registered to trade in a security (the "Registration Requirements") of the Legislation of Manitoba, New Brunswick, Prince Edward Island, and Newfoundland and Labrador (together, the "Prospectus Requirements" and the "Registration Requirements" are the "Prospectus and Registration Requirements"); and

(ii) the reinvestment of distributions by the Fund in units ("Reinvested Units") shall not be subject to the Registration and Prospectus Requirements of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador; and

(b) initial trades in units of the Fund to investors (the "Initial Units") and trades in Additional Units are not subject to the requirements of the Legislation of the Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island relating to the filing of forms and the payment of fees within certain prescribed time periods (the "Reporting Requirement"), subject to certain conditions;

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 registered under the Securities Act (Ontario) and the Securities Act (Alberta) as an adviser in the categories of investment counsel and portfolio manager, and acts as the investment adviser to the Fund;

2. The Fund is a unit trust which was established under the laws of the Cayman Islands on October 25, 2001 pursuant to a declaration of trust dated October 25, 2001, as amended and restated on March 1, 2002 (the "Declaration of Trust");

3. The trustee of the Fund is Queensgate Bank & Trust Company Ltd.;

4. Bank of Montreal Ireland plc, Dublin, Ireland, an affiliate of the Filer, has been retained to provide certain management and administrative services to the Fund;

5. The Filer intends to offer various classes of units of the Fund to investors resident in the Jurisdictions;

6. The Fund is a "mutual fund" as defined in the Legislation of the Jurisdictions;

7. The Fund currently does not intend to become a reporting issuer, as such term is defined in the Legislation of the Jurisdictions, and the units of the Fund will not be listed on any stock exchange;

8. The Fund is divided into units which will evidence each investor's undivided interest in the assets of the Fund;

9. Units of the Fund are not qualified for investment by a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered education savings plan;

10. Investors may purchase Initial Units and Additional Units through registered dealers in the Jurisdictions. In certain limited circumstances, Initial Units and Additional Units may also be purchased directly from the Fund pursuant to exemptions from the Registration Requirements of the applicable securities laws;

11. The initial distribution of units of the Fund (the "Initial Investment") to an investor in the Jurisdictions other than Ontario, Alberta and British Columbia will have an aggregate acquisition cost to the investor of at least the amount prescribed by the Legislation of the Jurisdictions (the "Prescribed Amount") in connection with exemptions from the Registration and Prospectus Requirements which require the investor to purchase securities of an issuer having a minimum acquisition cost. The Initial Investment and subsequent subscriptions for Additional Units by an investor in Ontario will be made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in the securities legislation of Ontario (the "Legislation of Ontario"); the Initial Investment and subsequent subscriptions for Additional Units by an investor in Alberta or British Columbia may be made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in Multilateral Instrument 45-103 Capital Raising Exemptions ("MI 45-103"), or pursuant to exemptions which require the investor to purchase securities of an issuer having a minimum acquisition cost, so long as such exemptions remain in effect;

12. It is proposed that unitholders of the Fund in the Jurisdictions other than Ontario, Alberta and British Columbia may subscribe for Additional Units in increments of less than the Prescribed Amount, provided that, at the time of such additional acquisition, such unitholders hold units of the Fund with an aggregate acquisition cost or aggregate net asset value of at least the Prescribed Amount and that unitholders of the Fund in Alberta or British Columbia may subscribe for Additional Units of the Fund without any minimum acquisition cost for such Additional Units, provided that, at the time of such additional acquisition, such unitholders hold units of the Fund with an aggregate acquisition cost or aggregate net asset value of at least $97,000, in the case of unitholders in Alberta, and $100,000, in the case of unitholders in British Columbia, or that such unitholders are accredited investors as defined in MI 45-103; the issuance of Additional Units to an investor in such circumstances is exempt from the Registration and Prospectus Requirements of the Legislation of the Jurisdictions other than Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador;

13. The Fund proposes to distribute Reinvested Units by way of automatic reinvestment of distributions to unitholders of the Fund; the issuance of Reinvested Units upon the reinvestment of distributions is exempt from the Registration and Prospectus Requirements of the Legislation of the Jurisdictions other than Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador;

14. The Legislation of Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island has a Reporting Requirement in respect of Initial Investments made pursuant to the exemptions described above (the "Private Placement Exemptions") and the Legislation of British Columbia has a Reporting Requirement in respect of distributions of Additional Units;

15. The Legislation of Ontario and Alberta has a Reporting Requirement in respect of Initial Investments and distributions of Additional Units made pursuant to the exemption from the Registration and Prospectus Requirements accorded to accredited investors as defined in the Legislation of Ontario or MI 45-103; and

16. Units are non-transferable except in limited circumstances as set out in the Declaration of Trust of the Fund.

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 DECISIONS of the Decision Makers pursuant to the Legislation are that:

(A) the Registration Requirements contained in the Legislation of Manitoba, New Brunswick, Prince Edward Island and Newfoundland and Labrador and the Prospectus Requirements contained in the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador shall not apply to:

(i) trades in Additional Units pursuant to a subsequent subscription by a unitholder of the Fund provided that:

(a) at the time of the trade, the Filer is registered under the Legislation of Ontario and Alberta as an adviser in the categories of investment counsel and portfolio manager;

(b) at the time of the trade, the unitholder then owns units of the Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the applicable Prescribed Amount; and

(c) this clause (A)(i) will cease to be in effect in a Jurisdiction 90 days after the coming into force, subsequent to the date of this Decision, of any legislation, regulation or rule in the Jurisdiction exempting from the registration and prospectus requirements of the Legislation distributions by a pooled fund of additional securities which applies to trades of Additional Units as described in this Decision;

(B) trades in Reinvested Units pursuant to the reinvestment of distributions of the Fund shall not be subject to the Registration and Prospectus Requirements of the Legislation of Manitoba, Québec, New Brunswick, Prince Edward Island and Newfoundland and Labrador provided that no sales commissions or other charge in respect of such issuance of Reinvested Units is payable;

(C) the first trade of units of the Fund by unitholders of the Fund acquired under an exemption from the Registration and Prospectus Requirements provided in this Decision is deemed to be a distribution or primary distribution to the public in a Jurisdiction unless, except in Québec, the conditions in subsections (2) or (3) of section 2.5 of MI 45-102 Resale of Securities are satisfied;

(D) the Reporting Requirements of the Legislation of the Jurisdictions other than Manitoba, New Brunswick and Prince Edward Island do not apply to a trade in Initial Units, Additional Units or Reinvested Units of the Fund made in reliance on the exemptions from the Registration and Prospectus Requirements contained in this Decision or in reliance on the Private Placement Exemptions, provided that within 30 days of the end of each financial year of the Fund, the Fund:

(i) files with the applicable Decision Maker a report in respect of all trades in Initial Units and Additional Units during such financial year, in the form prescribed by the applicable Legislation;

(ii) files with the Decision Maker in Québec a report in respect of all trades in Reinvested Units during such financial year, in the form prescribed by the applicable Legislation; and

(iii) remits to the applicable Decision Maker the fee prescribed by the applicable Legislation.

THE DECISION of the Decision Maker in Québec is subject to the further condition that the Fund file with the Decision Maker in Québec, within 140 days of the end of each financial year, annual audited financial statements with the applicable fee.

May 31, 2002.

"Viateur Gagnon" "Guy Lemoine"

2.1.8 AGF Funds Inc. - MRRS Decision

Headnote

Director's Decision

Exemptive relief for a mutual fund dealer from the requirement to become a member of the Mutual Fund Dealers Association.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am s. 25.

Applicable Ontario Securities Commission Rule

Rule 31-506 - SRO Membership - Mutual Fund Dealers, s. 2.1.

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

AND

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

AND

IN THE MATTER OF
AGF FUNDS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Ontario and British Columbia (the "Jurisdictions") has received an application (the "Application") from AGF Funds Inc. (the "Registrant") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Registrant not be required to file an application to become a member of the Mutual Fund Dealers Association of Canada (the "MFDA") and to become a member of the MFDA.

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 Registrant to the Decision Makers that:

1. the Registrant is a corporation subsisting under the laws of the Province of Ontario and is registered as a dealer in the category of mutual fund dealer in the Jurisdictions;

2. the Registrant also is registered with the Ontario Securities Commission as an advisor in the

categories of investment counsel and portfolio manager and as a commodity trading manager;

3. the Registrant's principal business activity is managing mutual funds (the "Mutual Funds"), the securities of which are generally qualified for sale to the public in some or all of the provinces and territories of Canada pursuant to prospectuses for which receipts have been issued by the relevant Canadian securities administrators;

4. the Registrant also engages in activities incidental to its principal business activities pursuant to its registration as mutual fund dealer registration;

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

6. 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;

7. 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;*

8. upon the next general mailing to its account holders and in any event before July 2, 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 7, above;

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

IT IS THE DECISION of the Decision Makers pursuant to the Legislation that, effective May 23, 2001 in both Ontario and British Columbia, the Registrant not be required to file an application to become a member of the MFDA and to become a member of the MFDA;

PROVIDED THAT:

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

June 20, 2002.

"David M. Gilkes"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION

OF

AGF FUNDS INC.

AS A MUTUAL FUND DEALER

Definitions

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

(a) "Act" means, in Ontario, the *Securities Act*, R.S.O. 1990, c.S5, as amended; and, in British Columbia, the *Securities Act*, R.S.B.C. 1996, c. 418, as amended;

(b) "Adviser" means an adviser as defined in the applicable 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, immediately before the trade, 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

(C) is a client of the Registrant that was not solicited by the Registrant; or

(D) was an existing client of the Registrant on the Effective Date;

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

(e) "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;

(f) "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;

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

(h) "Executive", for a Service Provider, means a director, officer or partner of the

Service Provider or of an affiliated entity of the Service Provider;

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

(i) in Ontario and British Columbia, 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;

(ii) in Ontario, a trade in securities of a mutual fund for which the Registrant would have available to it an exemption from the registration requirements of the Act if the Registrant were not a "market intermediary" as such term is defined in section 204 of the Ontario Regulation;

(iii) in British Columbia, a trade in securities of a mutual fund for which the Registrant would have available to it an exemption from the registration requirements of the Act; or

(iv) a trade in securities of a mutual fund for which the Registrant has received a discretionary exemption from the registration requirements of the Act;

(j) "Fund-on-Fund Trade" 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 person or company where the person or company, an affiliated entity of the person or company, or an other person or company is, or will become, the counterparty in a specified derivative or swap with 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 person or company that acquired the securities where the person or company, an affiliated entity of the person or company, or an other person or company is, or was, the counterparty in a specified derivative or swap with 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;

(k) "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;

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

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

(n) "Permitted Client" 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 or an affiliated entity of a Service Provider;

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

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

(o) "Permitted Client Trade" means, for the Registrant, 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, in securities of a mutual fund that is managed by the Registrant or an affiliate of the Registrant, and the trade consists of a purchase or redemption, by the person, through the Registrant, of securities of the mutual fund;

(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 AGF Funds Inc.;

(r) "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;

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

(t) "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; and

(u) "Service Provider" 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 Ontario Securities Commission Rule 45-503 Trades To Employees, Executives and Consultants and British Columbia Instrument 45-507 Trades to Employees, Executives and Consultants.

3. For the purposes hereof:

   (a) "issue" 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 Permitted Client Trade; 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.

2.1.9 Xerox Corporation et al. - MRRS Decision

Headnote

Rule 61-501 - Mutual Reliance Review System - Related party transactions - Valuation and minority approval exemption granted in connection with guarantees provided for debt owed by related party to arm's length third party lenders - Guarantees limited to amounts borrowed by parent company guarantor from related party pursuant to intercompany loans which are exempt from valuation and minority approval requirements pursuant to paragraphs 5.6 - 11 and 5.8 - 3.

Ontario Rules Cited

Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 5.5, 5.6 - 10, 5.6 - 11, 5.7, 5.8 - 3, and 9.1.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUEBEC

AND

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

AND

IN THE MATTER OF
XEROX CORPORATION, XEROX CANADA INC. AND
XEROX CANADA FINANCE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the '**Decision Makers**") in each of Ontario and Quebec (the "**Jurisdictions**") has received an application from Xerox Corporation ("**Xerox**"), Xerox Canada Inc. ("**XCI**") and Xerox Canada Finance Inc. ("**XCFI**") for, pursuant to Ontario Securities Commission Rule 61-501 (the "**Rule**") and Commission des valeurs mobilières du Québec Policy Statement Q-27 ("**Q-27**") (the "**Legislation**"), a decision that XCI and XCFI be exempt from the valuation and minority approval requirements of the Legislation in connection with certain related party loans, guarantees and grants of security to be undertaken as part of the refinancing of an existing third party credit facility;

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

AND WHEREAS Xerox, XCI and XCFI have represented to the Decision Maker that:

1. XCI is a corporation amalgamated under the laws of Ontario and its head office is in Ontario. XCI is

a reporting issuer in all provinces and territories of Canada.

2. The issued and outstanding share capital of XCI consists of 160,000 Preference Shares (non-voting), 29,996,955 Class A Shares (voting) and 752,862 Class B Shares (non-voting) as at December 31, 2001. All of the Preference Shares and Class A Shares are held by Xerox and all of the Class B Shares are held by the public. The Class B Shares are traded on the over the counter market (Canadian Unlisted Board). The Class B Shares have a right to the net assets of XCI upon dissolution or liquidation on a *pari passu* basis with the Class A Shares, with the result that the holders of the Class B Shares will be entitled to approximately 2% of the net assets of XCI, based on the number of Class B Shares issued and outstanding on the date hereof. The Class B Shares are exchangeable at the option of the holder for common shares of Xerox, on the basis of two Xerox common shares for one XCI Class B Share (subject to adjustment on the occurrence of certain stated events). In addition, dividends are payable on the Class B Shares in an amount tied to the dividend declared on the common shares of Xerox (although in July 2001, Xerox announced that it had eliminated the payment of dividends on its common shares, and as a result dividends are not currently paid on the XCI Class B Shares). Accordingly, the value of the Class B Shares is based on the value of the Xerox common shares.

3. Xerox is a corporation incorporated under the laws of the State of New York. Xerox is a reporting company under the Securities Exchange Act of 1934 as amended and its common shares are listed on the New York Stock Exchange. Xerox is a reporting issuer in all provinces and territories of Canada.

4. XCFI is a corporation continued under the laws of Ontario and its head office is in Ontario. XCFI is a reporting issuer in all provinces and territories of Canada.

5. All of the outstanding shares of XCFI are held by XCI.

6. XCFI has two series of unsecured debentures outstanding as at December 31, 2001: Cdn. $21,500,000 principal amount of 10.70% sinking fund debentures due 2006; and Cdn. $53,800,000 principal amount of 12.15% sinking fund debentures due 2007; as a result, the total amount outstanding is Cdn. $75,300,000 (collectively, the "**Debentures**"). The Debentures are issued pursuant to trust indentures dated as of December 15, 1986 and as of October 27, 1987, respectively, as amended or supplemented to date, which contain, among other things, negative and positive covenants by XCFI which were negotiated on an arm's length basis between XCFI and the holders of the Debentures. All holders of Debentures are entitled to the benefit of such covenants.

7. Each of Xerox and XCI has guaranteed unconditionally the obligations of XCFI under the Debentures.

8. Xerox Canada Capital Ltd. ("**XCCL**") is a corporation incorporated under the laws of Canada and its head office is in Ontario. XCCL is not a reporting issuer in any province or territory of Canada. All of the outstanding shares of XCCL are held by Xerox.

9. Xerox Canada Ltd. ("**XCL**") is a corporation continued under the laws of Canada and its head office is in Ontario. XCL is not a reporting issuer in any province or territory of Canada. As at December 31, 2001, the issued and outstanding share capital of XCL consists of 473,000,002 Class A Shares, all of which are held by XCI, and 250,100,000 Class B Shares, all of which are held by XCFI. Each of the Class A Shares and Class B Shares carry the right to vote; as a result 65% of the voting shares of XCL are held by XCI and 35% are held by XCFI.

10. As part of a revolving credit facility pursuant to which Xerox and its affiliates have borrowed US$7,000,000,000 from a syndicate of arm's length third party banks (the "**Lenders**"), XCCL has borrowed US$500,000,000 (this loan or any refinancing of this loan, the "**Loan**") from the Lenders pursuant to a revolving credit facility (the "**Existing Facility**") and has lent the proceeds of that loan to XCI (this loan to XCI or any refinancing of this loan to XCI, the "**XCI Loan**").

11. The XCI Loan is on the same terms as the Loan from the Lenders to XCCL under the Existing Facility except for a nominal increase in the cost of funds provided in the XCI Loan over the cost of the Loan to XCCL. XCI considers that the XCI Loan in such circumstances is on very favourable terms and therefore that it is on reasonable commercial terms that are not less advantageous to XCI than if such loan were obtained directly from an arm's length third party. The XCI Loan does not, directly or indirectly, involve the issue of participating securities of XCI or a subsidiary of XCI.

12. As part of a worldwide restructuring program announced by Xerox in March 2000 and a turnaround program announced by Xerox in October 2000 (which includes a wide-ranging plan to sell assets, cut costs and strengthen core operations), the US$7,000,000,000 existing facility, which must otherwise be repaid in 2002, is being refinanced. The restructuring is designed to improve the financial position of Xerox and its subsidiaries, including XCI, XCL and XCFI. The

Lenders will consent to the refinancing of the Existing Facility only if certain guarantees are provided by one or more of XCI, XCFI and XCL and security is provided for such guarantees.

13. In this regard, the obligations of XCCL under the Loan by the Lenders to XCCL will be guaranteed by one or more of XCI, XCFI and XCL, and any such guarantor will grant security in support of its guarantee on some or all of its assets, which may include shares of other companies held by it. Xerox will also be required to guarantee the Loan and to pledge the shares of XCI which it owns as security for its obligations under the refinanced US$7,000,000,000 facility.

14. The amounts guaranteed by XCI, XCL or XCFI will be limited to the amount of the XCI Loan, and any payments under the Loan or guarantees would directly reduce the amount outstanding under the Loan from the Lenders or, in the case of a guarantee, the amount for which the guarantor would be liable. Similarly, any increase in the XCI Loan would result in a corresponding increase in the amount for which the guarantor would be liable.

15. Following the proposed refinancing, the XCI Loan will remain on commercially reasonable terms that are not less advantageous to XCI than if the loan had been obtained directly from an arm's length third party, and the loan does not involve, directly or indirectly, the issue of participating securities of XCI or a subsidiary of XCI.

16. XCI may lend all or part of the proceeds of the refinanced XCI Loan to XCL or any other subsidiary. If XCI were to make a loan to XCL, or any other subsidiary, it would be on reasonable commercial terms that would not be less advantageous to XCL, or any other subsidiary, than if such loan were obtained directly from an arm's length third party, and the loan would not, directly or indirectly, involve the issue of participating securities of XCL or any other subsidiary.

17. Xerox, XCCL, XCI, XCFI and XCL are "related parties" of each other within the meaning of the Legislation.

18. Although the XCI Loan is a "related party transaction" within the meaning of the Legislation, XCI is exempt from the valuation and minority approval requirements of the Legislation with respect to the XCI Loan as XCI has concluded that such loan is on reasonable commercial terms that are not less advantageous to XCI than if the loan had been obtained directly from an arm's length third party, and the loan does not involve, directly or indirectly, the issue of participating securities of XCI or a subsidiary of XCI.

19. XCCL is a related party of XCI as each is controlled by Xerox. Any guarantee by XCI of the Loan to XCCL and any granting of security therefor would be a "related party transaction" within the meaning of the Legislation. XCI also owns 100% of the shares of XCFI. Any guarantee by XCFI of the Loan to XCCL and any granting of security could also be construed as the indirect guarantee by XCI of the Loan to XCCL. As XCL is also wholly owned by XCI, any guarantee by XCL of the Loan to XCCL and any granting of security could be also be construed as the indirect guarantee by XCI of the Loan to XCCL. Consequently, absent an exemption or discretionary relief, XCI would have to comply with the valuation and minority approval requirements of the Legislation. This is the case even though the proceeds of the Loan have been lent to XCI (i.e., the XCI Loan), which transaction is exempt from the Legislation as described in paragraph 18 above.

20. XCCL is a related party of XCFI as XCCL is an affiliated entity of XCI, which controls XCFI. As a result, any guarantee by XCFI of the Loan to XCCL and any granting of security therefor would be a related party transaction within the meaning of the Legislation and, absent an exemption or discretionary relief, XCFI would have to comply with the valuation requirement of the Legislation. The minority approval requirements would not be applicable since all of the affected securities (within the meaning of the Legislation) of XCFI are owned by XCI.

21. The refinancing of the Existing Facility is very important to Xerox and its subsidiaries, including XCI, XCFI and XCL and will improve their financial position. The Lenders will not consent to the refinancing of the Existing Facility unless the guarantees and the granting of the security therefor which are the subject of this application are provided to the Lenders.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation with respect to any guarantee and grant of security by XCI, XCFI and XCL with respect to the Loan by the Lenders to XCCL is that the valuation and minority approval requirements of the Legislation shall not apply to XCI and the valuation requirements of the Legislation shall not apply to XCFI so long as;

1. XCI is exempt from the valuation and minority approval requirements of the Legislation in respect of the XCI Loan; and

2. the amounts guaranteed by XCI, XCL or XCFI are limited to the amount of the XCI Loan.

March 28, 2002.

"Ralph Shay"

2.1.10 Provident Energy Ltd. - MRRS Decision

Non-Principal

Headnote

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

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
PROVIDENT ENERGY LTD.

MRRS DECISION DOCUMENT

1. WHERAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario and Québec has received an application from Provident Energy Ltd. ("Provident") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that it be declared to be no longer a reporting 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 Provident has represented to the Decision Makers that:

   3.1 Provident was formed by the amalgamation (the "Amalgamation") of Provident Energy Ltd. and Richland Petroleum Corporation ("Richland") under the Business Corporations Act (Alberta) (the "ABCA") effective January 16, 2002;

   3.2 The head office of Provident is located in Calgary, Alberta;

   3.3 Provident is a reporting issuer in the Jurisdictions and became a reporting

issuer in Alberta as a result of the Amalgamation;

3.4 Provident is not in default of any of the requirements of the Legislation;

3.5 the authorized capital of Provident consists of an unlimited number of common shares of which there is currently one common share outstanding (the "Common Share");

3.6 effective January 16, 2002, Provident Energy Ltd., Richland, Terraquest Energy Corporation ("Terraquest") and Provident Energy Trust (the "Trust") were reorganized by a plan of arrangement (the "Arrangement") pursuant to section 186 of the ABCA;

3.7 under the terms of the Arrangement:

3.7.1 all common shares of Richland owned by non-residents of Canada within the meaning of the Income Tax Act (Canada) were transferred to Provident (free of any claims) and such Richland shareholders received notes of Provident and shares of Terraquest;

3.7.2 the articles of Richland were amended to change its authorized capital by the addition of an unlimited number of Class A shares and Class B shares;

3.7.3 the articles of Richland were amended such that each of the issued and outstanding Richland Shares were changed into one Class A share and one Class B share;

3.7.4 Richland sold certain oil and gas properties to Terraquest in accordance with a purchase and sale agreement, pursuant to which Terraquest issued to Richland, as consideration for the properties, shares of Terraquest;

3.7.5 Richland redeemed all of the issued and outstanding Class B shares in consideration of the transfer to the holders thereof of one share of Terraquest for each Class B share redeemed;

3.7.6 each issued and outstanding Class A share (other than those held by Provident), was exchanged with Provident for notes;

3.7.7 the notes were exchanged with the Trust resulting in the acquisition by the Trust of all of the notes and the acquisition of trust units ("Trust Units") of the Trust by holders of notes; and

3.7.8 Richland and Provident were amalgamated and continued as one corporation under the name of "Provident Energy Ltd.";

3.8 the Trust is a reporting issuer in the Jurisdictions and the Trust Units are listed on The Toronto Stock Exchange (the "TSE") and the American Stock Exchange (the "ASE");

3.9 the common shares of Richland were delisted from the TSE and the ASE at the close of trading on January 21, 2002, and no securities of Richland or Provident are listed or quoted on any exchange or market;

3.10 other than the Common Share, notes which were issued in connection with: a) a plan of arrangment involving the Trust, Provident and Founders Energy Ltd., b) a plan of arrangement involving the Trust, Provident and Maxx Petroleum Ltd.; and c) the plan of arrangement involving the Trust, Provident Richland Petroleum Corporation and Terraquest Energy Corporation and a $125 million fixed and floating charge debenture which was granted as security to a Canadian chartered bank in connection with the Trust's current credit facility, Provident has no securities, including debt securities, outstanding;

3.11 Provident 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. AND WHEREAS the decision of the Decision Makers under the Legislation is that Provident Energy Ltd. is deemed to have ceased to be a reporting issuer under the Legislation.

June 21, 2002.

"Patricia M. Johnston"

2.1.11 Com Dev International Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issue of common shares by issuer to holders of its debentures, in satisfaction of interest amounts owing in respect of the debentures, exempted from registration and prospectus requirements – First trades relief in common shares acquired pursuant to decision provided, subject to certain conditions – Debentures were originally issued pursuant to a prospectus.

Applicable Ontario Statute

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

Applicable Instrument

Multilateral Instrument 45-102 – Resale of Securities – s.2.6.

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

AND

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

AND

IN THE MATTER OF
COM DEV INTERNATIONAL LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker"), in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Yukon Territory, Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application from Com Dev International Ltd. ("Com Dev") for a decision pursuant to the securities legislation, regulations, rules, instruments and/or policies of the Jurisdictions (the "Legislation") that:

(a) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Prospectus Requirements") shall not apply to the

issuance of common shares (the "Common Shares") of Com Dev as payment of interest (the "Interest Shares") under the terms of previously issued convertible debentures in lieu of cash; and

(b) the Prospectus Requirements shall not apply to the first trades of the Interest Shares, subject to certain terms and conditions.

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

AND WHEREAS Com Dev has represented to each Decision Maker that:

1. Com Dev is a corporation amalgamated under the *Canada Business Corporations Act*. The head office of Com Dev is in Ontario.

2. Where applicable, Com Dev is a reporting issuer, or equivalent, in each of the Jurisdictions and is not in default of any of the requirements of the Legislation.

3. The Common Shares are listed and posted for trading on the facilities of the Toronto Stock Exchange ("TSX").

4. On December 6, 2001, Com Dev issued Cdn.$18,000,000 aggregate principal amount of 6.75% convertible unsecured debentures (the "Convertible Debentures") pursuant to a trust indenture of the same date (the "Trust Indenture") between Com Dev and Computershare Trust Company of Canada (the "Trustee"). The Convertible Debentures were issued in reliance on a prospectus filed with the securities regulatory authorities in each of the provinces of Canada dated November 30, 2001. The Convertible Debentures will mature December 31, 2006 subject to any rights of early redemption set out in the Trust Indenture.

5. As at the date hereof, all of the Convertible Debentures remain outstanding.

6. Interest is payable on the Convertible Debentures on June 30 and December 30 (each, an "Interest Payment Date") of every year until maturity.

7. Pursuant to the terms of the Trust Indenture, Com Dev has the right, on any Interest Payment Date, to issue Interest Shares in lieu of cash in payment of all or part of any accrued and unpaid interest as at such date (including overdue interest and interest thereon), subject to receipt of the necessary approvals from the applicable securities regulatory authorities and to listing approval from the TSX. The number of Interest Shares to be issued upon exercise of such right is calculated by dividing the amount of interest to be paid by the Current Market Price of the Interest Shares. "Current Market Price" is defined in the Trust Indenture to mean:

> *"in respect of a Common Share on any particular date, the weighted average trading price at which such share has traded for the 20 consecutive trading days ending five trading days before such date on The Toronto Stock Exchange, or (a) if the Common Shares are not then listed on The Toronto Stock Exchange, on such other stock exchange on which the Common Shares are listed as may be selected for such purpose by the Board of Directors of the Corporation, or (b) if the Common Shares are not listed, then on the over-the-counter market. The weighted average trading price shall be determined by dividing the aggregate sale price of all Common Shares sold on such exchange or market, as the case may be, during such 20 consecutive trading days by the total number of common shares so sold."*

8. In order to exercise its right to pay interest in the form of Common Shares, Com Dev must give notice to the holders of Convertible Debentures (the "Holders") and the Trustee that it intends to exercise such right at least 5 calendar days prior to the Interest Payment Date on which Com Dev exercises such right. The Trust Indenture also provides that the Interest Shares shall not be subject to any resale restrictions under the securities laws of the Province of Ontario and shall be listed on the TSX. In addition, Com Dev must give notice to the TSX not less than 10 business days before the Interest Payment Date that it intends to pay interest in Common Shares in lieu of cash.

9. Com Dev wishes to be in a position to exercise its option to pay interest on the Convertible Debentures by the issuance of Interest Shares in lieu of cash, commencing with the interest payable on the next Interest Payment Date, namely June 30, 2002.

10. An application has been made to the TSX for the listing of any Interest Shares that may become issuable upon any interest payment due date during the term of the Convertible Debentures.

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

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

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

1. the Prospectus Requirements and the Registration Requirements shall not apply to the issuance of the Interest Shares provided that the first trade in Interest Shares shall be deemed to be a distribution or primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless:

   (a) except in Quebec, such trade is made in compliance with Section 2.6 of MI 45-102 as if the securities had been issued pursuant to one of the exemptions referenced in Section 2.4 of MI 45-102; or

   (b) in Quebec,

      (i) Com Dev is a reporting issuer in Quebec and has complied with the applicable requirements for 12 months immediately preceding the trade;

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

      (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and

      (iv) if the selling security holder is an insider or officer of Com Dev, the selling security holder has no reasonable grounds to believe that Com Dev is in default of any requirement of securities legislation.

June 25, 2002.

"Robert Korthals" "Harold P. Hands"

2.1.12 Kinross Gold Corporation - MRRS Decision

Headnote

MRRS - issuer must prepare an information circular and possibly a short-form prospectus in connection with a merger of 3 producing gold issuers - issuer able to rely upon grand-fathering provision in ss. 4.2(1)2 for its own technical disclosure in a short-form prospectus - merger partners recently completed their own short-form offerings in reliance upon grand-fathering provisions contained in ss. 4.2(1) 2- no new material technical information to be disclosed - issuer preparing information circular and short-form prospectus in connection with merger exempt from requirement to file a technical report in connection with technical disclosure about merger partners contained in the information circular and short-form prospectus.

Rules Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, ss. 4.2(1)2, 4.2(1)3, and 9.1(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, MANITOBA,
NEW BRUNSWICK, NEWFOUNDLAND AND
LABRADOR, 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
KINROSS GOLD CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker", and collectively, the "Decision Makers") in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan (the "Jurisdictions") has received an application (the "Application") from Kinross Gold Corporation (the "Filer") for a decision under section 9.1 of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") that the Filer is exempt from the requirements to file current technical reports (the "Reports") contained in paragraphs 4.2(1)2 and 4.2 (1)3 of NI 43-101 (the "Technical Report Filing Requirements") in connection with a preliminary short form prospectus and a management information circular;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the

"System"), Ontario is the principal jurisdiction for this application;

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

1. The Filer is a continuing corporation under the *Business Corporations Act* (Ontario) resulting from various amalgamations commencing in 1993. The Filer's principal place of business is located in Toronto, Ontario.

2. The Filer is a reporting issuer in each of the Jurisdictions and is qualified to file a prospectus in the form of a short form prospectus under National Instrument 44-101 *Short Form Prospectus Distributions* ("NI 44-101").

3. The authorized capital of the Filer consists of an unlimited number of common shares and 384,613 redeemable retractable preferred shares, of which 358,208,419 common shares and 384,613 preferred shares were issued and outstanding as of May 31, 2002. The Filer has also issued convertible debentures in the aggregate principal amount of $195,586.

4. The common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange and the American Stock Exchange, and the convertible debentures of the Filer are listed and posted for trading on the Toronto Stock Exchange.

5. The Filer is engaged in the mining and processing of gold and silver ore and in the exploration for and acquisition and development of gold bearing properties, principally in Canada, the United States, Russia, Chile and Zimbabwe.

6. The Filer entered into an agreement on June 10, 2002 respecting: (a) the combination of the ownership of the businesses of the Filer, TVX Gold Inc. ("TVX") and Echo Bay Mines Ltd. ("Echo Bay") (the "Combination"), such that upon the completion of the Combination the Filer will own all of the outstanding common shares of TVX and Echo Bay; and (b) the acquisition by TVX of the interest of Newmont Mining Corporation ("Newmont") in the TVX Newmont Americas joint venture that Newmont is engaged in with TVX (the "Newmont Purchase").

7. TVX was originally incorporated under the laws of British Columbia in February 1980, was continued under the laws of Ontario on October 31, 1984 and was continued under the *Canada Business Corporations Act* on January 7, 1991.

8. TVX is a reporting issuer in each of the Jurisdictions and the territories of Canada, and is qualified to file a prospectus in the form of a short form prospectus under NI 44-101.

9. The authorized capital of TVX consists of an unlimited number of common shares, of which 429,073,530 common shares were issued and outstanding as of May 31, 2002.

10. The common shares of TVX are listed and posted for trading on the Toronto Stock Exchange and the New York Stock Exchange.

11. TVX is principally engaged in the acquisition, financing, exploration, development and operation of precious and base mining properties, and holds interests in operating mines located in Canada, Brazil, Chile and Greece as well as interests in other exploration and development properties.

12. Echo Bay was originally incorporated in Canada in 1964, and was continued under the *Canada Business Corporations Act* on October 10, 1980.

13. Echo Bay is a reporting issuer in each of the Jurisdictions and the territories of Canada, and is qualified to file a prospectus in the form of a short form prospectus under NI 44-101.

14. The authorized capital of Echo Bay consists of an unlimited number of common shares and an unlimited number of preferred shares, of which 541,268,375 common shares and no preferred shares were issued and outstanding as of May 31, 2002. The Filer currently holds 57,126,674 common shares of Echo Bay, representing approximately 9.5% of Echo Bay's issued and outstanding common shares.

15. The common shares of Echo Bay are listed and posted for trading on the Toronto Stock Exchange and the American Stock Exchange, as well as exchanges in France, Belgium, Switzerland and Germany.

16. Echo Bay is a North American gold mining company which mines, processes and explores for gold, and operates three mines in Canada and the United States.

17. Upon the completion of the Combination, the Filer will indirectly own interests in various mining properties, including the interests of TVX and Newmont in four material mining properties (the "TVX Mining Properties") and the interest of Echo Bay in one material mining property (the "Echo Bay Mining Property") (the TVX Mining Properties and the Echo Bay Mining Property are collectively referred to as the "Combination Mining Properties").

18. Subsequent to entering into the agreement in respect of the Combination, the Filer expects to: (a) file, as soon as possible, a preliminary short form prospectus or a preliminary base shelf prospectus pursuant to National Instrument 44-102 *Shelf Distributions* (the "Prospectus"), with a

portion of the proceeds raised being allocated to the Newmont Purchase; and (b) issue, as soon as practicable, a management information circular (the "Circular") wherein the Filer will request, among other things, shareholder approval for the Combination.

19. The Combination constitutes a "significant probable acquisition" for purposes of NI 44-101 and accordingly the Filer is obligated to include in the Prospectus certain historical financial and operating information concerning TVX and Echo Bay.

20. Pursuant to the securities legislation of the Jurisdictions, the Circular must include disclosure that would be required in a prospectus as if the Circular were a prospectus of each of the Filer, TVX and Echo Bay.

21. The Prospectus and the Circular will each incorporate by reference or include information derived from documents filed by each of TVX and Echo Bay with securities regulators in Canada, including their recent annual information form/annual report on Form 10-K (as applicable), management's discussion and analysis of financial condition and results of operations, audited consolidated annual financial statements, management information circulars and material change reports.

22. NI 43-101 requires an issuer to file a current Report to support material information contained in a short form prospectus, describing mineral projects on a property material to the issuer unless that information was contained in: (a) a disclosure document filed before February 1, 2001; (b) a previously filed Report; or (c) a report prepared in accordance with National Policy Statement No. 2–A and filed with a regulator before February 1, 2001 (the foregoing exceptions are referred to in this application as the "Grandfather Provisions").

23. NI 43-101 also requires a Report to be filed by an issuer to support information in an information circular concerning the acquisition of a material property.

24. Material information concerning the Filer's mining projects on its material properties (the "Filer's Mining Properties") has been contained in previously filed disclosure documents.

25. Since February 1, 2001, no new material information exists concerning material projects on the Filer's Mining Properties and its continuous disclosure record complies with NI 43-101.

26. Upon the filing of the Prospectus, the Filer will not be required to file current Reports in respect of the Filer's Mining Properties in reliance on the Grandfather Provisions.

27. The Filer has been advised by TVX and by Echo Bay that in connection with short form prospectuses and annual information forms recently filed by each of them, they have each relied on the Grandfather Provisions in not filing current Reports in respect of their applicable Combination Mining Properties.

28. The Filer has been advised by TVX and by Echo Bay that since February 1, 2001, no new material information exists concerning material projects on their respective Combination Mining Properties and that their respective continuous disclosure records comply with NI 43-101.

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

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

THE DECISION of the Decision Makers pursuant to sub-section 9.1(1) of NI 43-101 is that the Filer is exempt from the Technical Report Filing Requirements in connection with information about the Combination Mining Properties contained in the Prospectus and the Circular that TVX and Echo Bay previously disclosed pursuant to the Grandfather Provisions.

June 17, 2002.

"Margo Paul"

2.1.13 Scotia Capital Inc. and MILIT-AIR Inc. - MRRS Decision

Headnote

Distribution of bonds secured by services fees payable by Government of Canada not subject to the prospectus requirements, subject to conditions – trades of such bonds (other than the initial distribution) not subject to the registration requirements, except for where the trade is by a person subject to the registration requirements in respect of trades of bonds, debentures or other evidences of indebtedness of or guaranteed by the government of Canda.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 35(2)(1)(a), 53, 73(1)(a), 74(1).
Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am. ss. 206(1).

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

AND

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

AND

IN THE MATTER OF
SCOTIA CAPITAL INC. AND MILIT-AIR INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut Territory (collectively, the "Jurisdictions") has received an application from Scotia Capital Inc. (the "Underwriter") and MILIT-AIR Inc. ("MILIT-AIR") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

   1.1 the requirement contained in the Legislation to file and obtain receipts for a preliminary prospectus and a prospectus (the "Prospectus Requirement") will not apply to any distribution of Series 2-1 Amortizing Secured Bonds (the "Series 2-1 Bonds") to be issued by MILIT-AIR including a distribution by the Underwriter (the "Offering"); and

   1.2 the requirement contained in the Legislation to be registered to trade in securities (the "Registration Requirement") will not apply to any trades of the Series 2-1 Bonds subsequent to the Offering;

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 MILIT-AIR has represented to the Decision Makers that:

   3.1 MILIT-AIR is a not-for-profit corporation, with no share capital, incorporated on March 12, 1998 under Part II of the Canada Corporations Act;

   3.2 the head office of MILIT-AIR is located at Edmonton, Alberta;

   3.3 MILIT-AIR is not a reporting issuer under the Legislation and has no intention of becoming a reporting issuer under the Legislation;

   3.4 the objects of MILIT-AIR are to advance the educational standards in the training of military pilots in Canada;

   3.5 the NATO Flying Training in Canada Program (the "NFTC Program") is a public and private sector collaboration between the Government of Canada ("Canada") and an industry group, led by Bombardier Inc. ("Bombardier"), involving the establishment of a military pilot training program for the purpose of meeting the training needs of Canada and those of NATO and other participating nations;

   3.6 MILIT-AIR was established as an independent entity to acquire and make available to Bombardier aircraft, flight simulation devices and other ancillary capital assets required for the NFTC Program;

   3.7 on May 12, 1998, under a trust indenture (the "Trust Indenture") between MILIT-AIR and Montreal Trust Company of Canada, in its capacity as indenture trustee (the "Bondholders' Trustee"), MILIT-AIR issued an aggregate principal amount of $720,000,000 5.75% Series 1

Amortizing Secured Bonds (the "Series 1 Bonds");

3.8 the proceeds of the Series 1 Bonds were used to fund the purchase of certain aircraft, flight simulation devices and other ancillary capital assets (the "Series 1 Assets") as well as certain administrative costs and other expenses of MILIT-AIR;

3.9 The Series 1 Bonds were issued in reliance upon exemptive relief orders granted by the Decision Maker in each of the Jurisdictions, with the exception of Nunavut;

3.10 for the purposes of carrying out the NFTC Program, Canada granted MILIT-AIR a licence (the "Licence") to occupy and use certain premises and facilities (the "NFTC Premises") at the Canadian Armed Forces Bases at Moose Jaw, Saskatchewan, and Cold Lake, Alberta, for a term of 33 years;

3.11 under a concession and agency agreement (the "Concession and Agency Agreement"), MILIT-AIR granted Bombardier exclusive concession rights to use and occupy the NFTC Premises for the establishment and operation of a military flying training centre for Canadian and foreign military pilots under the NFTC Program;

3.12 the Concession and Agency Agreement appointed Bombardier as MILIT-AIR's exclusive agent to negotiate and manage contracts with suppliers of the assets required for the NFTC Program;

3.13 in accordance with the terms of a services agreement between Canada and Bombardier (the "Canada Services Agreement"), Bombardier agreed to provide services in support of the NFTC Program over a term of approximately 22 years;

3.14 Canada's commitment to Bombardier under the Canada Services Agreement involves the payment of services fees (the "Tuition Fees") over the term, a portion of which is fixed (the "Firm Fixed Fees");

3.15 subject to Section 40 of the Financial Administration Act (Canada) (the "FAA"), Canada's obligation to make payment of the Firm Fixed Fees is unconditional, irrevocable, and without right of set-off;

3.16 MILIT-AIR and Bombardier also entered into a lease agreement (the "Series 1 Lease") pursuant to which the Series 1 Assets have been leased by MILIT-AIR to Bombardier for the purposes of carrying out the NFTC Program;

3.17 under the Series 1 Lease, Bombardier is obligated to make certain payments ("Series 1 Rental Payments") to MILIT-AIR for the lease of the Series 1 Assets, which obligation is unconditional, irrevocable and without right of set-off;

3.18 under a collection trust agreement (the "Collection Trust Agreement") among MILIT-AIR, Bombardier, the Bondholders' Trustee, Montreal Trust Company of Canada, in its capacity as collection trustee, (the "Collection Trustee") and Deloitte & Touche, Bombardier assigned absolutely to the Collection Trustee all of the Tuition Fees owing to it under the Canada Services Agreement, to be held in trust and disbursed in accordance with the terms of the Collection Trust Agreement;

3.19 under the contractual arrangements entered into in 1998 among MILIT-AIR, Bombardier and Canada, it was contemplated that additional bonds may be issued in the future to finance the acquisition of additional assets required, from time to time, for the purposes of the NFTC Program;

3.20 in 2002, it was determined that certain additional aircraft and other ancillary capital assets (the "Series 2-1 Assets") would be required as a result of the anticipated expansion of the NFTC Program to include other participant nations;

3.21 MILIT-AIR proposes to issue the Series 2-1 Bonds and to use the proceeds of the Offering to finance the purchase of the Series 2-1 Assets;

3.22 in connection with the issuance of the Series 2-1 Bonds and the purchase of the Series 2-1 Assets by MILIT-AIR, the following contractual arrangements will be entered into on or before the closing of the Offering:

3.22.1 MILIT-AIR and the Bondholders' Trustee will enter into an indenture supplemental to the Trust Indenture (the "Supplemental Indenture")

under which the Series 2-1 Bonds will be issued;

3.22.2 MILIT-AIR will enter into contracts with certain suppliers in respect of the purchase of the Series 2-1 Assets;

3.22.3 MILIT-AIR and Bombardier will enter into a lease in respect of the Series 2-1 Assets (the "Series 2-1 Lease") under which Bombardier will be required to make rental payments ("Series 2-1 Rental Payments") for the lease of the Series 2-1 Assets. The obligation to pay Series 2-1 Rental Payments will be unconditional, irrevocable and without right of set-off;

3.22.4 the Canada Services Agreement will be amended (the "Amended Canada Services Agreement") to, inter alia, increase the Firm Fixed Fees payable by Canada in order to fund the additional payments of principal and interest to be made by MILIT-AIR in respect of the Series 2-1 Bonds;

3.22.5 the Collection Trust Agreement will be amended to provide for the disbursement of the additional Firm Fixed Fees to the Bondholders' Trustee, on behalf of the holders of Series 2-1 Bonds, and MILIT-AIR;

3.23 the Firm Fixed Fees currently payable by Canada under the Canada Services Agreement are equal in amount to and payable at the same time as the Series 1 Rental Payments payable by Bombardier to MILIT-AIR for the lease of the Series 1 Assets;

3.24 the Series 1 Rental Payments are greater in amount than, but payable at the same time as, the payments due to the bondholders in respect of the Series 1 Bonds;

3.25 under the Amended Canada Services Agreement, the Firm Fixed Fees payable by Canada will be increased by an amount that is equal to the Series 2-1 Rental Payments payable by Bombardier under the Series 2-1 Lease, and that is at least equal to the principal and interest payments due in respect of the Series 2-1 Bonds;

3.26 all amounts due and payable by MILIT-AIR under the Trust Indenture and the Supplemental Indenture, including all principal and interest owing on the Series 1 Bonds and the Series 2-1 Bonds, as well as related administrative costs and expenses of MILIT-AIR, will continue to be funded by the Firm Fixed Fees payable by Canada under the Amended Canada Services Agreement;

3.27 the Series 1 Rental Payments and the Series 2-1 Rental Payments (collectively, the "Rental Payments") and, correspondingly, the Firm Fixed Fees shall be adjusted to reflect any increase or decrease in applicable taxes, duties or expenses of MILIT-AIR, thereby ensuring that sufficient funds continue to be available to meet MILIT-AIR's commitments in respect of the Series 1 Bonds and Series 2-1 Bonds;

3.28 if the Amended Canada Services Agreement is terminated for default, convenience or otherwise, or if Canada fails to pay Firm Fixed Fees when due and payable, Canada will be required to assume Bombardier's obligations as lessee (including the obligation to pay Rental Payments) under the Series 1 Lease and the Series 2-1 Lease, respectively;

3.29 the mechanisms set out in paragraph 3.28 are in place to ensure continued access by Canada to the Series 1 Assets and the Series 2-1 Assets and a resulting stream of Rental Payments to MILIT-AIR that is, subject to Section 40 of the FAA, sufficient in all circumstances to meet MILIT-AIR's obligation to pay the principal and interest on the Series 1 Bonds and the Series 2-1 Bonds, as well as its administrative costs and other expenses;

3.30 the Collection Trustee will disburse, out of the Firm Fixed Fees paid by Canada, an amount equal to the aggregate of the principal and interest then due on the Series 1 Bonds and the Series 2-1 Bonds to the Bondholders' Trustee, on behalf of the bondholders. The remaining Firm Fixed Fees shall be held by the Collection Trustee for the direct and, subject to the rights and security of the Bondholders' Trustee, sole benefit of MILIT-AIR for the payment of its reasonable normal course expenses. The balance of Tuition Fees received by the Collection Trustee shall be remitted in

accordance with the terms of the Amended Canada Services Agreement;

3.31 the Series 2-1 Bonds will be direct obligations of MILIT-AIR and, in accordance with the terms of the Trust Indenture, will rank pari passu with the Series 1 Bonds and all additional bonds issued under the Trust Indenture and any supplement(s) thereto;

3.32 the obligations of MILIT-AIR in respect of the Series 1 Bonds, Series 2-1 Bonds, and any additional bonds of MILIT-AIR will be secured by:

3.32.1 the Firm Fixed Fees included in the absolute assignment of the Tuition Fees by Bombardier to the Collection Trustee; and

3.32.2 under the Trust Indenture, a first ranking charge on and assignment of all of the assets and undertakings of MILIT-AIR including the Series 1 Assets, the Series 2-1 Assets, the Rental Payments (recourse in respect of which is limited to Bombardier's entitlement to the Firm Fixed Fees), and MILIT-AIR's interest in each of the agreements entered into in connection with the NFTC Program;

3.33 the Series 2-1 Bonds will be sold to the Underwriter and then offered for sale in all of the provinces and territories of Canada by the Underwriter;

3.34 in connection with the Offering, a preliminary and final disclosure document in both the English and French languages (the "Offering Memorandum") describing, among other things, MILIT-AIR, the attributes of the Series 2-1 Bonds, the NFTC Program, the security for the Series 2-1 Bonds, the use of proceeds, eligibility for investment of the Series 2-1 Bonds, ratings for the Series 2-1 Bonds, investment considerations, material contracts and the applicable contractual and statutory rights of action will be prepared and distributed to prospective investors;

3.35 each purchaser purchasing from the Underwriter will be given a copy of the Offering Memorandum prior to or at the time of entering into an agreement of purchase and sale for the Series 2-1 Bonds and will have the benefit of the contractual and statutory rights of action described in the Offering Memorandum;

3.36 under the Legislation, the distribution of bonds of or guaranteed by Canada or any province of Canada is exempt from the registration and prospectus requirements of the Legislation (with the exception of the Yukon Territory where the exemption extends only to prospectus requirements), and resale restrictions do not apply to such securities in the secondary market (the "Government Debt Exemptions"); and

3.37 the Government Debt Exemptions are not available for the distribution of the Series 2-1 Bonds because such arrangements do not constitute a direct obligation of Canada to make payments on the bonds or a collateral obligation of Canada in the nature of a guarantee for the performance of MILIT-AIR's obligations to make payments on the Series 2-1 Bonds;

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 the Prospectus Requirement will not apply to a distribution of the Series 2-1 Bonds and the Registration Requirement will not apply to trades by a person or company in Series 2-1 Bonds subsequent to the acquisition of a Series 2-1 Bond by a purchaser on the closing of the Offering and all further trades thereafter of the Series 2-1 Bonds, other than a trade by a person or company in a Jurisdiction who is a person or company who is subject to the Registration Requirement under the Legislation of such Jurisdiction in respect of trades of bonds, debentures or other evidences of indebtedness of or guaranteed by the government of Canada provided that:

6.1 the Series 2-1 Bonds will have received a rating from Standard & Poors or Dominion Bond Rating Service equal to the rating assigned to the long-term unsecured Canadian dollar debt obligations of Canada prior to completion of the Offering.

June 14, 2002.

"Glenda A. Campbell" "John W. Cranston"

2.1.14 Fort Chicago Energy Partners L.P. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Limited partnership exempt from prospectus and registration requirements in connection with issuance of limited partnership units to existing unitholders pursuant to a distribution reinvestment plan whereby distributions of income are reinvested in additional units of the limited partnership or whereby unitholders may directly purchase additional units of the limited partnership, each subject to certain conditions - first trade relief provided, subject to certain conditions.

Applicable Ontario Statutory Provisions

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

Applicable Ontario Rules

Rule 45-502 - Dividend or Interest Reinvestment and Stock Dividend Plans.

Applicable Instruments

Multilateral Instrument 45-102 - Resale of Securities - section 2.6(4).

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

AND

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

AND

IN THE MATTER OF
FORT CHICAGO ENERGY PARTNERS L.P.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the "Jurisdictions") has received an application from Fort Chicago Energy Partners L.P. ("Fort Chicago") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades in units of Fort Chicago issued pursuant to a distribution reinvestment plan;

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 Fort Chicago has represented to the Decision Makers that:

1. Fort Chicago is a limited partnership formed on October 9, 1997 under the *Partnership Act* (Alberta). The business and affairs of Fort Chicago are managed by Fort Chicago Energy Management Ltd. (the "General Partner") pursuant to an amended and restated limited partnership agreement (the "Partnership Agreement") dated as of November 21, 1997, as further amended on March 7, 2001.

2. The business of Fort Chicago consists solely of directly or indirectly participating in the transportation, storage, marketing or processing of hydrocarbons and directly or indirectly investing and managing investments in other parties who are engaged primarily in these activities or carrying on the business of a financial intermediary.

3. Fort Chicago currently holds a 26.026% interest in the Alliance Pipeline and the natural gas liquids extraction and fractionation facilities located near the terminus of the Alliance Pipeline. The Alliance Pipeline transports natural gas from northwestern Alberta and northeastern British Columbia to the midwestern United States via Chicago, Illinois.

4. Fort Chicago has been a reporting issuer, or the equivalent, in each of the Provinces of Canada since 1997, and to its knowledge is not in default of any requirements under the Legislation of any of the Jurisdictions.

5. Fort Chicago is a "qualifying issuer" within the meaning of Multilateral Instrument 45-102 *Resale of Securities*.

6. Fort Chicago is authorized under the Partnership Agreement to issue an unlimited number of Class A limited partnership units ("Units") and one Class B limited partnership unit.

7. As of May 16, 2002, 73,564,509 Units were issued and outstanding, and there were no outstanding options or warrants to purchase Units. The single Class B limited partnership unit that was issued upon the formation of Fort Chicago was redeemed in accordance with the terms of the Partnership Agreement.

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

9. The Partnership Agreement provides that no Units may be owned by or transferred to, among things, a person who is a "non-resident" of Canada, a person in which an interest would be a "tax shelter investment" or a partnership which is not a "Canadian partnership" for purposes of the *Income Tax Act* (Canada).

10. According to the terms of the Partnership Agreement, the General Partner shall, to the extent that it has cash available to do so, and subject to certain adjustments relating to U.S. tax withholdings, make quarterly (or monthly, as may be determined by the General Partner in its sole discretion) distributions of the distributable cash (if any) of Fort Chicago to the holders of Units ("Unitholders").

11. The Partnership Agreement defines "distributable cash" for any particular period as the amount by which Fort Chicago's cash on hand at the end of such period (including amounts borrowed by the General Partner on behalf of Fort Chicago and the net proceeds received by Fort Chicago from the issuance of Units or other securities) exceeds: (i) unpaid administrative expenses for that and any previous period, (ii) amounts required for the business and operations of Fort Chicago during such period (including anticipated repayments of amounts borrowed); and (iii) any cash reserve that the board of directors of the General Partner determines is necessary to satisfy Fort Chicago's current and anticipated obligations or to normalize quarterly (or monthly, as the case may be) distributions of cash to Unitholders.

12. Fort Chicago is not a "mutual fund" under the Legislation as the holders of Units are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of Fort Chicago, as contemplated by the definition of "mutual fund" in the Legislation.

13. The General Partner, on behalf of Fort Chicago, intends to establish a distribution reinvestment plan (the "Plan") pursuant to which eligible Unitholders may, at their option, direct that eligible cash distributions paid by Fort Chicago in respect of their existing Units ("Cash Distributions") be applied to the purchase of additional Units ("Additional Units") to be held for their account under the Plan (the "Distribution Reinvestment Option").

14. Alternatively, the Plan will enable eligible Unitholders who wish to reinvest their Cash Distributions to authorize and direct the trust company that is appointed as agent under the Plan (the "Plan Agent"), to presell through a designated broker (the "Plan Broker"), for the account of the Unitholders who so elect, that number of Units equal to the number of Additional Units issuable on such reinvestment, and to settle such presales with the Additional Units issued on the applicable distribution payment date in exchange for a premium cash payment equal to 102% of the reinvested Cash Distribution (the "Premium Distribution Option"). The Plan Broker will be entitled to retain for its own account the difference between the proceeds realized in connection with the presales of such Units and the cash payment to the Plan Agent equal to 102% of the reinvested Cash Distributions.

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

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

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

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

payment equal to 102% of the reinvested Cash Distributions.

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

20. Participants may elect either the Distribution Reinvestment Option or the Premium Distribution Option in respect of their Cash Distributions. Eligible Unitholders may elect to participate in either the Distribution Reinvestment Option or the Premium Distribution Option at their sole option and are free to terminate their participation under either option, or to change their election, in accordance with the terms of the Plan.

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

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

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

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

25. Additional Units purchased and held under the Plan will be registered in the name of the Plan Agent (or its nominee) as agent for the Participants, and all Cash Distributions on Units so held for the account of a Participant will be automatically reinvested in Additional Units in accordance with the terms of the Plan and the current election of that Participant.

26. The Plan permits full investment of reinvested Cash Distributions and optional cash payments under the Cash Payment Option (if available) because fractions of Units, as well as whole Units, may be credited to Participants' accounts with the Plan Agent.

27. The General Partner reserves the right to determine, for any distribution payment date, the amount of partners' equity that may be issued through the Plan.

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

29. If the General Partner determines not to issue any partners' equity through the Plan on a particular distribution payment date, then all Participants will receive the Cash Distribution announced by Fort Chicago for that distribution payment date.

30. A Participant may terminate its participation in the Plan at any time by submitting a termination form to the Plan Agent, provided that a termination form received between a distribution record date and a distribution payment date will not become effective until after that distribution payment date.

31. Fort Chicago reserves the right to amend, suspend or terminate the Plan at any time, provided that such action shall not have a retroactive effect that would prejudice the interests of the Participants. All Participants will be sent written notice of any such amendment, suspension or termination.

32. The distribution of Additional Units by Fort Chicago pursuant to the Plan cannot be made in reliance on certain existing registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributions of the distributable cash of Fort Chicago and not the reinvestment of dividends, interest or distributions of capital gains or out of earnings or surplus.

33. The distribution of Additional Units by Fort Chicago pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as Fort Chicago is not a "mutual fund" as defined in the Legislation.

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

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

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

(a) at the time of the trade Fort Chicago is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

(b) no sales charge is payable in respect of the distributions of Additional Units from treasury;

(c) Fort Chicago has caused to be sent to the person or company to whom the Additional Units are traded, not more than 12 months before the trade, a statement describing:

(i) their right to withdraw from the Plan and to make an election to receive Cash Distributions instead of Additional Units on the making of a distribution by Fort Chicago, and

(ii) instructions on how to exercise the right referred to in paragraph (i) above;

(d) the aggregate number of Additional Units issued under the Cash Payment Option of the Plan in any financial year of Fort Chicago shall not exceed 2% of the aggregate number of Units outstanding at the start of that financial year;

(e) except in Québec, the first trade in Additional Units acquired pursuant to this Decision in a Jurisdiction will be a distribution or primary distribution to the public unless the conditions in paragraphs 2 through 5 of subsection 2.6(4) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied;

(f) in Québec, the first trade (alienation) in Additional Units acquired pursuant to the Plan will be a distribution or primary distribution to the public unless:

(i) Fort Chicago is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade;

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

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

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

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

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

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

when Fort Chicago distributes such Additional Units for the first time, and thereafter not less frequently than annually, unless the aggregate number of Additional Units so distributed in any month exceeds 1% of the aggregate number of Units outstanding at the beginning of the month in which the Additional Units were distributed, in which case the disclosure required under this paragraph shall be made in each relevant Jurisdiction (other than Québec) in respect of that month within ten days of the end of such month.

June 19, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2 Orders

2.2.1 Fran Harvie

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

AND

IN THE MATTER OF
FRAN HARVIE

ORDER

WHEREAS on April 1, 2002, the Ontario Securities Commission issued a Notice of Hearing pursuant to sections 127(1) of the *Securities Act* in respect of Fran Harvie and other respondents;

AND WHEREAS Fran Harvie entered into a settlement agreement dated June 17, 2002, has agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS Staff has provided notice to bring this matter back on for hearing;

AND UPON REVIEWING the settlement agreement and the statement of allegations of Staff of the Commission and upon hearing submissions of counsel for Fran Harvie and of Staff;

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

IT IS HEREBY ORDERED that:

1. The settlement agreement dated June 17, 2002, attached to this order is hereby approved;

2. Pursuant to subsection 127(1)(6) of the Act, Fran Harvie is reprimanded;

3. Pursuant to subsection 127(1)(2) of the Act, Fran Harvie is prohibited from trading in any securities for a period of five years; and

4. Pursuant to subsection 127(1)(8) of the Act, Fran Harvie is prohibited from becoming or acting as a director or officer of any issuer for a period of five years.

June 20, 2002.

"Howard Wetston" "Gary Brown"

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

AND

IN THE MATTER OF
FRAN HARVIE

SETTLEMENT AGREEMENT

I. Introduction

1. By Notice of Hearing dated April 1, 2002, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the *Securities Act,* R.S.O. 1990, c.S.5 as amended, it is in the public interest for the Commission:

   (a) to order that trading in securities by the Respondent, Fran Harvie and other Respondents, cease permanently or for such other period as specified by the Commission;

   (b) to order that Harvie, and other Respondents, be prohibited from becoming or acting as a Director or Officer of any issuer;

   (c) to make an order that the Harvie, and other Respondents be reprimanded; and

   (d) to make an order that Harvie and other Respondents pay costs to the Commission.

II. Joint Settlement Recommendation

2. Staff agrees to recommend settlement of the proceeding initiated in respect of the respondent Harvie by Notice of Hearing in accordance with the terms and conditions set out below. Harvie consents to the Commission order in the form attached as schedule "A" on the basis of the facts set out below.

III. Statement of Facts

Acknowledgement

3. Solely for the purposes of this proceeding, and of any other proceedings commenced by a securities regulatory agency, Harvie agrees with the facts as set out in this Part III.

Facts

4. Lydia Diamond Explorations of Canada Ltd., ("Lydia"), which is also a Respondent in these proceedings, is an Ontario Corporation. It is a Toronto-based diamond exploration company with

forty contiguous mining claims at its Wolf Lake property in southern Ontario. Lydia was formed by the amalgamation of Lydia Consolidated Diamond Mines ("Lydia Consolidated") and Acadia Mineral Corporations on May 16, 2001. This amalgamation was approved by the Commission des valeurs mobilieres du Quebec and Lydia became a reporting issuer in British Columbia, Alberta, Ontario and Quebec. Lydia Consolidated was an Ontario private corporation. It was incorporated on February 10, 1995.

5. Jurgen and Emilia von Anhalt, ("Jurgen" and "Emilia") who are also Respondents in these proceedings, own the controlling interest in Lydia. They are both officers and directors of the corporation.

6. Harvie provides psychic consulting to clients. Emilia consulted her as a client and as a psychic consultant and Harvie told her she would be mining diamonds. Emilia then returned with maps and Harvie "dowsed" the maps with her hands and showed her where she felt the diamonds were located. Later, Harvie was invited to Wolf Lake where Harvie "dowsed" the property with dowsing rods. The physical locations lined up with the locations on the maps. Then Emilia consulted with Harvie more regularly and they became friends. Overtime, Harvie told acquaintances of hers about Emilia and Lydia and over time Harvie introduced them to Emilia.

Illegal Distribution of Lydia Shares

7. Between July 20, 1996 and December 1, 2000 shares in Lydia were sold to more than 50 persons without registration and without an exemption to the requirement for registration under Ontario securities law. During this time there were as many as 398 shareholders in Lydia. Between August 17, 1999 and July 28, 2000 Harvie sold shares to approximately 341 shareholders. These shares were issued in the name of Harvie but were held for the 341 shareholders. Harvie was advised by Lydia that holding the shares in this manner was permissible.

8. Between April 23, 2001 and May 10, 2001, Harvie introduced investors who purchased a total of 489,450 shares.

9. Harvie received approximately $95,000 in commissions for bringing investors to Lydia. The commissions were paid in cash or in shares by Lydia.

10. Harvie has never been registered with the Commission in any capacity and the exemptions in the Act are not available to her.

IV. Conduct Contrary to Ontario Securities Law

11. The conduct of Harvie violated Ontario securities law and was contrary to the public interest.

V. Terms of Settlement

12. Harvie agrees to the following terms of settlement:

(a) that the Commission order pursuant to clause 2 of subsection 127 (1) of the Act , that Harvie is prohibited from trading in securities for a period of five years;

(b) that the Commission order pursuant to clause 8 of subsection 127(1) of the Act, that Harvie will not be an officer or director of an issuer for a period of five years.

(c) that the Commission order pursuant to clause 6 of subsection 127(1) of the Act that Harvie be reprimanded; and

13. Harvie consents to an order of the Commission incorporating the provisions of part five above in the form of an order attached as schedule "A".

VI. Staff Commitment

14. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the *Securities Act*, R.S.O. 1990, c. S.5 against Harvie respecting the facts set out in Part III of this Settlement Agreement and any other matter which has come to the attention of Staff in relation to Staff's investigation into the conduct of Harvie up to the date of this settlement agreement, except in relation to any matter if Staff concludes that any information provided by Harvie to Staff in relation to Staff's investigation of such matter is not accurate.

VII. Approval of Settlement

15. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for June 20, 2002 at 2:00 p.m., or such other date as may be agreed to by Staff and Harvie.

16. Counsel for Staff or/and counsel for Harvie may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Harvie agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

17. If this settlement is approved by the Commission, Harvie agrees to waive her rights to a full hearing, judicial review or appeal of the matter under the Act.

18. Staff and Harvie agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

19. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Harvie leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Harvie;

(b) Staff and Harvie shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Harvie , or as may be required by law; and

(d) Harvie agrees that she will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. Disclosure of Agreement

20. Except as permitted under paragraph 19 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Harvie until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Harvie, or as may be required by law.

21. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. Execution of Settlement Agreement

22. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

23. A facsimile copy of any signature shall be as effective as an original signature.

June 18, 2002.

"Michael Watson"

June 17, 2002.

"Fran Harvie"

2.2.2 NextTrip.com Travel Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since 1989 and in Alberta since 1996 - issuer listed and posted for trading on the TSX Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

Statutes Cited

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

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

AND

IN THE MATTER OF
NEXTTRIP.COM TRAVEL INC.

ORDER
(Subsection 83.1(1))

UPON the application (the "**Application**") of NextTrip.com Travel Inc. (the "**Issuer**") for an order pursuant to subsection 83.1(1) of the Act deeming the Issuer to be a reporting issuer for the purposes of Ontario securities law;

AND UPON considering the Application and the recommendation of the staff of the Ontario Securities Commission (the "**Commission**");

AND UPON the Issuer having represented to the Commission as follows:

1. The Issuer was incorporated on April 29, 1987 under the name "Vista Resource Company Ltd." by filing a Memorandum and Articles with the Registrar of Companies under the *Company Act* (British Columbia). It changed its name to "Brenzac Development Corporation" on June 16, 1992; to "Consolidated Brenzac Development Corporation" on April 20, 1993; to "Borneo Gold Corporation" on April 16, 1996; and to "NextTrip.com Travel Inc." on January 4, 2000.

2. The Issuer has been a reporting issuer under the *Securities Act* (British Columbia) (the "**BC Act**") since December 1, 1989, and became a reporting issuer under the *Securities Act* (Alberta) (the "**Alberta Act**") on July 29, 1996 as a result of a receipt issued by the Alberta Securities Commission for the Issuer's prospectus dated July 25, 1996.

3. The Issuer is not in default of any of the requirements of the BC Act or the Alberta Act and the Issuer is in compliance with all the requirements of the TSX Venture Exchange (the "**TSX**").

4. The Issuer is not a reporting issuer in Ontario or in any other jurisdiction, other than B.C. and Alberta.

5. The authorized capital stock of the Issuer consists of 100,000,000 common shares without par value. As at October 1, 2001, 46,451,620 common shares, 3,920,000 options, and 7,401,663 warrants to purchase common shares of the Issuer were outstanding.

6. The Issuer has a significant connection to Ontario in that, as at July 11, 2001, 13,305,895 common shares representing approximately 35% of the Issuer's outstanding common shares as at that date were held by residents in Ontario.

7. The common shares of the Issuer are listed on the TSX under the symbol "NTP" and the Issuer is in compliance with all requirements of the TSX.

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

9. The continuous disclosure materials filed by the Issuer under the BC Act and the Alberta Act are available on the System for Electronic Document Analysis and Retrieval.

10. The Issuer is not a capital pool company as defined in the policies of the TSX.

11. Neither the Issuer nor any of its current officers, directors or controlling shareholders has (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

12. Neither the Issuer nor any of its current officers, directors or controlling shareholders is or has been subject to (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver manager or trustee, within the ten years before the date of this Application.

13. No director, officer or controlling shareholder of the Issuer is or has been at the time of such event, a director or officer of any other issuer which has been subject to: (i) any cease-trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than thirty consecutive days; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver manager or trustee, within the ten years before the date of this Application.

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

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Issuer is deemed to be a reporting issuer for the purposes of Ontario securities law.

June 20, 2002.

"Margo Paul"

2.2.3 Zaruma Resources Inc. - s. 144

Headnote

Cease-trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

Statutes Cited

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

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

AND

IN THE MATTER OF
ZARUMA RESOURCES INC.

ORDER
(Section 144)

WHEREAS the securities of Zaruma Resources Inc. (the "Reporting Issuer") currently are subject to a Temporary Order (the "Temporary Order") made by a Manager on behalf of the Ontario Securities Commission (the "Commission"), pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, on May 22, 2002 as extended by a further order (the "Extension Order") of a Manager, made on June 3, 2002, on behalf of the Commission pursuant to subsection 127(8) of the Act, that trading in securities of the Reporting Issuer cease until the Temporary Order, as extended by the Extension Order, is revoked by a further Order of Revocation;

AND WHEREAS the Temporary Order and Extension Order were each made on the basis that the Reporting Issuer was in default of certain filing requirements;

AND WHEREAS the undersigned Manager is satisfied that the Reporting Issuer has remedied its default in respect of the filing requirements and is of the opinion that it would not be prejudicial to the public interest to revoke the Temporary Order as extended by the Extension Order;

NOW THEREFORE, IT IS ORDERED, pursuant to section 144 of the Act, that the Temporary Order and Extension Order be and they are hereby revoked.

June 20, 2002.

"Iva Vranic"

2.2.4 KRG Television Limited - s. 144

Headnote

Cease-trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

Statutes Cited

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

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

AND

IN THE MATTER OF
KRG TELEVISION LIMITED

ORDER
(Section 144)

WHEREAS the securities of KRG Television Limited (the "Reporting Issuer") currently are subject to a Temporary Order (the "Temporary Order") made by a Manager on behalf of the Ontario Securities Commission (the "Commission"), pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, on March 5, 2002 as extended by a further order (the "Extension Order") of a Manager made on March 15, 2002, on behalf of the Commission pursuant to subsection 127(8) of the Act, that trading in securities of the Reporting Issuer cease until the Temporary Order, as extended by the Extension Order, is revoked by a further Order of Revocation;

AND WHEREAS the Temporary Order and Extension Order were each made on the basis that the Reporting Issuer was in default of certain filing requirements;

AND WHEREAS the undersigned Manager is satisfied that the Reporting Issuer has remedied its default in respect of the filing requirements and is of the opinion that it would not be prejudicial to the public interest to revoke the Temporary Order as extended by the Extension Order;

NOW THEREFORE, IT IS ORDERED, pursuant to section 144 of the Act, that the Temporary Order and Extension Order be and they are hereby revoked.

June 25, 2002.

"Iva Vranic"

2.2.5 Caxton Group Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - Issuer deemed to be a reporting issuer in Ontario - Issuer has been a reporting issuer in Alberta since 2000 and In British Columbia since 2001 - Issuer's securities listed and posted for trading on the TSX Venture Exchange - Continuous Disclosure requirements of Alberta and British Columbia substantially identical to those of Ontario.

Statutes Cited

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

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

AND

IN THE MATTER OF
CAXTON GROUP INC.

ORDER
(Subsection 83.1(1))

UPON the application (the "Application") of Caxton Group Inc. (the "Corporation") to the Ontario Securities Commission (the "Commission") for an order pursuant to subsection 83.1(1) of the Act deeming the Corporation to be a reporting issuer for the purposes of Ontario securities law;

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

AND UPON the Corporation having represented to the Commission as follows:

1. The Corporation is a company governed by the *Business Corporations Act* (Ontario) and was formed by the amalgamation of Alouettes 1974 Capital Inc. ("Alouettes") and Caxton Group Inc. on December 31, 2001 (the "Amalgamation").

2. The head and registered offices of the Corporation are located at 60 Wellesley Street, Toronto, Ontario.

3. The authorized capital of the Corporation consists of unlimited common shares of which 22,311,581 common shares are outstanding. An aggregate of 1,751,715 common shares of the Corporation are also reserved for issuance on the exercise of stock options granted by the Corporation to its directors, officers and employees. A further aggregate of 130,000 common shares of the Corporation are also reserved for issuance pursuant to the exercise of the agents options granted by the Corporation and its predecessors.

4. Alouettes has been a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") since December 21, 2000 after the issuance of a receipt for its initial public offering prospectus, and a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act") since February 2, 2001 due to the Corporation's securities being listed for trading on the TSX Venture Exchange (formerly known as the Canadian Venture Exchange or CDNX).

5. The Corporation became a reporting issuer under the Alberta Act and the BC Act by virtue of the Amalgamation. The Corporation and its predecessors are not in default of any requirements of the BC Act or the Alberta Act.

6. The Corporation is not a reporting issuer or its equivalent under the securities legislation of any jurisdiction in Canada, other than British Columbia and Alberta.

7. Alouettes' common shares were listed on the TSX Venture Exchange from February 2, 2001 until the Amalgamation. The Corporation's common shares have been listed on the TSX Venture Exchange since the Amalgamation, under the trading symbol "CXN". The Corporation and its predecessors are in compliance with all of the requirements of TSX Venture Exchange.

8. The Corporation has a significant connection to Ontario as its mind and management is principally located in Ontario and the Corporation has beneficial holders of its common shares resident in Ontario who beneficially own more than 10% of the number of common shares beneficially owned by the beneficial holders of the common shares of the Corporation.

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

10. The materials filed by the Corporation, and its predecessors, as a reporting issuer in the Provinces of Alberta and British Columbia since November 17, 2000, are available on the System for Electronic Document Analysis and Retrieval.

11. There have been no penalties or sanctions imposed against the Corporation by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and the Corporation has not entered into any settlement agreement with any Canadian securities regulatory authority.

12. Neither the Corporation or any of its officers, directors or any of its controlling shareholders has:

    (a) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority;

    (b) entered into a settlement agreement with a Canadian securities regulatory authority; or

    (c) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable investor making an investment decision.

13. Neither the Corporation nor any of its directors, officers nor, to the knowledge of the Corporation, its directors and officers, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

14. None of the directors or officers of the Corporation, nor to the knowledge of the Corporation, its directors and officers, any of its controlling shareholders, is or has been at the time of such event a director or officer of any other issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

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

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

June 17, 2002.

"Iva Vranic"

2.2.6 EdgeStone Capital Venture Co-Investment Fund-A, L.P. and EdgeStone Capital Venture Co-Investment Fund-B, L.P. - s. 147

Headnote

Exemption from fees mandated under section 7.3 of Rule 45-501 *Exempt Distributions* for a distribution of limited partnership units effected on an exempt basis in reliance on section 2.3 of Rule 45-501.

Statutes Cited

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

Rules Cited

O.S.C. Rule 45-501 Exempt Distributions, sections 2.3 and 7.3.

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

AND

IN THE MATTER OF
RULE 45-501OF THE ONTARIO SECURITIES COMMISSION
("Rule 45-501")

AND

IN THE MATTER OF
EDGESTONE CAPITAL VENTURE CO-INVESTMENT FUND-A, L.P. AND EDGESTONE CAPITAL VENTURE CO-INVESTMENT FUND-B, L.P.

ORDER
(Section 147 of the Act)

UPON the application of EdgeStone Capital Venture Co-Investment Fund-A, L.P. ("Fund A") and EdgeStone Capital Venture Co-Investment Fund-B, L.P. ("Fund B"), the Ontario Securities Commission (the "Commission") has received a request for an order pursuant to Section 147 of the Act that Fund A and Fund B (collectively, the "Funds") be exempt from the requirement to pay certain fees otherwise payable under Section 7.3 of Rule 45-501 *Exempt Distributions* in connection with the issue and sale of limited partnership units of the Funds;

AND UPON the Funds having represented to the Commission that:

1. Fund A and Fund B are limited partnerships formed under the laws of Ontario for the purpose of investing in co-investment opportunities presented to such limited partnerships by EdgeStone Capital Venture Fund of Funds, L.P. (the "Venture F of F Fund") and EdgeStone Capital Venture Fund, L.P. (the "Venture Fund").

2. The registered office of each of the Funds is located in Ontario.

3. The general partner of Fund A is an Ontario limited partnership ("Fund A GP LP"), the general partner of which is an Ontario corporation (the "Fund A GP"). The general partner of the Venture F of F Fund is an Ontario limited partnership, the general partner of which is an Ontario corporation (the "F of F GP"). The general partner of Fund B (the "Fund B GP") is an Ontario corporation and the general partner of the Venture Fund (the "Venture GP") is an Ontario corporation.

4. Each of the Fund A GP, the F of F GP, the Fund B GP and the Venture GP are wholly owned subsidiaries of EdgeStone Capital GP Holdco, Inc., an Ontario corporation ("GP Holdco").

5. All of the limited partnerships units in the Fund A GP LP are held by the indirect shareholders of GP Holdco, or their affiliates. On June 12, 2002, Canada Pension Plan Investment Board (the "Purchaser") purchased from each of Fund A and Fund B, respectively, limited partnership units of each of Fund A and Fund B, respectively. These trades (the "Distributions") were effected on an exempt basis in reliance on Section 2.3 of Rule 45-501.

6. The investment by the Purchaser in Fund A and Fund B was structured as an investment in two limited partnerships with similar investment objectives, rather than as an investment in a single limited partnership, in order that one of the partnerships, namely Fund A, could qualify as a "qualified limited partnership" under the *Income Tax Act* (Canada). The other partnership (Fund B) will make investments that cannot be made by a "qualified limited partnership". Investments in "foreign property" (as defined in the *Income Tax Act* (Canada) cannot be made by Fund A, but may be made by Fund B.

7. The Purchaser was required to purchase limited partnership units of both Fund A and Fund B, and holds the same percentage limited partnership interest in both Fund A and Fund B.

8. The indirect shareholders of GP Holdco or their affiliates hold, either directly or indirectly, the same economic interests in both Fund A and Fund B.

9. The entities (namely, the Purchaser and the indirect shareholders of GP Holdco or affiliates of such indirect shareholders) that hold, directly or indirectly, all of the partnership interests in Fund A hold, directly or indirectly, all of the partnership interests in Fund B.

10. The total purchase price that the Purchaser agreed to pay for its investment in Fund A and Fund B, in the aggregate, is Cdn $100,000,000.

The Purchaser agreed to pay up to Cdn $100,000,000 of this amount for its investment in Fund A (less the amount invested by the Purchaser in Fund B), and up to Cdn $30,000,000 for its investment in Fund B. Proceeds paid by the Purchaser will only be allocated to Fund B if required by Fund B to pay for an investment that cannot be made by Fund A. The Purchaser's obligation to provide funds to Fund B is limited to the lesser of Cdn $30,000,000 and the difference between Cdn $100,000,000 in the amount actually invested by Fund A. As the allocation of proceeds paid by the Purchaser between Fund A and Fund B depends on which of Fund A and Fund B requires the proceeds to make a particular investment, the actual amount of proceeds that will be received by each of Fund A and Fund B will not be known until the investment periods of both Funds expire (which could be as late as June, 2008).

11. Each of Fund A and Fund B will be required to pay filing fees under Section 7.3 of Rule 45-501 in connection with the distribution by it to the Purchaser under Section 2.3 of Rule 45-501 at the time a Form 45-501F1 is required to be filed in respect of such distribution, based on the maximum amount of proceeds that may be received by such Fund. In the case of Fund A, that maximum amount is Cdn $100,000,000, and in the case of Fund B, that maximum amount is Cdn $30,000,000. Consequently, both partnerships are required to pay fees at the time that Form 45-501F1's are required to be filed by them in respect of the Distributions, calculated based on an aggregate amount of proceeds of Cdn $130,000,000, even though the aggregate amount of proceeds that will be ultimately received by both Funds will not exceed Cdn $100,000,000, in total.

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

IT IS ORDERED, pursuant to Section 147 of the Act, that Fund B is exempt from the requirement to pay the fees applicable under Section 7.3 of Rule 45-501 to the filing by Fund B of the Form 45-501F1 in respect of the Distributions, provided that Fund A pays the fees under Section 7.3 of Rule 45-501 applicable to the filing by Fund A of a Form 45-501F1 in respect of the Distributions, calculated on Cdn $100,000,000, the maximum amount of proceeds from the Distributions that may be received by Fund A and Fund B.

June 21, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2.7 Electromed Inc. - s. 147

Headnote

Issuer's U.S. agent on a special warrant offering not required to sign a prospectus certificate under s. 59(1) of the Act - certificate in a second prospectus qualifying securities underlying special warrants sold to Ontario purchasers will be signed by Issuer's Canadian underwriter.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 58(1), 59(1) and 147.

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

AND

IN THE MATTER OF
ELECTROMED INC.

ORDER
(Section 147 of the Act)

UPON the application (the "**Application**") of Electromed Inc. (the "**Issuer**") to the Ontario Securities Commission (the "**Commission**") for an order made under section 147 of the Act exempting the Issuer from the requirements of Section 59(1) of the Act in respect of a prospectus to be filed by the Issuer in order to qualify the distribution of 8,188,714 common shares of the Issuer and 4,094,357 common share purchase warrants of the Issuer issuable upon the exercise of 8,188,714 special warrants of the Issuer;

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

AND UPON the Issuer represented to the Commission that:

1. The Issuer is incorporated under the laws of the province of Québec and is a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and Newfoundland and Labrador.

2. The common shares of the Issuer are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol MED.

3. On April 11, 2002, the Issuer distributed 16,266,333 special warrants at a price of $0.39 per special warrant, for gross proceeds of $6,343,870. Each special warrant is exercisable into one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one

common share until October 11, 2004 at a price of $0.43 per common share.

4. The Issuer has agreed to file and obtain a receipt for a final prospectus in certain provinces in Canada qualifying the distribution the common shares and warrants to be issued upon the exercise of the special warrants by July 11, 2002. In the event that such receipt is not issued by each of the applicable provincial securities regulators on or before July 11, 2002, each special warrant will entitle the holder to acquire 1.1 common shares and 0.55 warrants of Issuer.

5. Of the 16,266,329 special warrants issued, a total of 8,188,714 special warrants were sold to residents of the United States by Commonwealth Associates, L.P. (the "Commonwealth Issue") pursuant to the terms of an agency agreement entered into with the Issuer. The Issuer obtained an order under section 12 of the *Securities Act* (Québec) from the Québec Securities Commission authorizing the Commonwealth Issue on a prospectus-exempt basis. Commonwealth Associates, L.P. is not registered as a dealer anywhere in Canada but is a member firm of the National Association of Securities Dealers as an investment bank and broker dealer in the United States.

6. Except for 384,615 special warrants issued pursuant to a subscription agreement between the Issuer and Bridge Capital International Inc. (the "Subscription Issue"), the remaining 7,693,000 special warrants were sold under various private placement prospectus exemptions to purchasers in the provinces of Québec, Ontario, Alberta and British Columbia by Yorkton Securities Inc. (the "Yorkton Underwriting") pursuant to the terms of an underwriting agreement entered into with the Issuer.

7. In order to qualify the securities underlying the special warrants sold pursuant to the Yorkton Underwriting and the Subscription Issue, the Issuer has filed a prospectus (the "Yorkton Prospectus") in the provinces of British Columbia, Alberta, Ontario and Québec under the Mutual Reliance Review System for Prospectuses and Annual Information Forms.

8. In order to qualify the securities underlying the special warrants sold pursuant to the Commonwealth Issue, the Issuer will file a prospectus (the "Electromed Prospectus") in the province of Ontario in a form substantially similar to the final Yorkton Prospectus.

9. The Electromed Prospectus will be filed in the province of Ontario on the basis that the TSX is the only market for the common shares of the Issuer and there is a significant likelihood that the common shares of the Issuer to be distributed upon the exercise of the special warrants issued to residents of the United States pursuant to the Commonwealth Issue will be sold to purchasers resident in the province of Ontario and may come to rest in the province of Ontario after a receipt for the final Electromed Prospectus is issued by the Commission.

10. As Commonwealth Associates, L.P. is not registered as a dealer in Ontario, it cannot sign the certificate that is required to be contained in the Electromed Prospectus pursuant to section 59(1) of the Act. The Electromed Prospectus will contain the certificate of the Issuer required pursuant to section 58(1) of the Act.

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

IT IS ORDERED, pursuant to section 147 of the Act, that the Issuer be exempt from the requirements of Section 59(1) of the Act in connection with the Electromed Prospectus.

June 14, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2.8 Bourse de Montréal Inc. - s. 147 of the Act, s. 80 of the CFA and s. 6.1 of Rule 91-502

Headnote

Extension to the order temporarily exempting the Bourse de Montréal from recognition as a stock exchange pursuant to section 21 of the Securities Act (Ontario) and registration as a commodity futures exchange pursuant to section 15 of the Commodity Futures Act (Ontario) and order granting an exemption from Part 4 of OSC Rule 91-502 until June 28, 2002.

Provisions Cited

Securities Act, R.S.O. 1990, Chapter c. S.5, as amended, section 21, 147.
Commodity Futures Act, R.S.O 1990, Chapter 20, as amended, sections 15, 80.
OSC Rule 91-502 Trades in Recognized Options, Part 4 and section 6.1.

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

AND

IN THE MATTER OF
THE COMMODITY FUTURES ACT
R.S.O 1990, CHAPTER 20, AS AMENDED
(the CFA)

AND

IN THE MATTER OF
OSC RULE 91-502 TRADES IN RECOGNIZED OPTIONS
(Rule 91-502)

AND

IN THE MATTER OF
BOURSE DE MONTRÉAL INC.

ORDER
(section 147 of the Act, section 80 of the CFA and section 6.1 of Rule 91-502)

WHEREAS the Bourse de Montréal Inc., previously known as the Montreal Exchange and the Montréal Exchange Inc. (collectively referred to as the Bourse), has filed an application pursuant to section 147 of the Act and section 80 of the CFA for an order exempting the Bourse from the requirement to be recognized as a stock exchange under section 21 of the Act and registered as a commodity futures exchange under section 15 of the CFA;

AND WHEREAS the Bourse has filed an application for an order by the Director pursuant to section 6.1 of OSC Rule 91-502 that the Bourse is exempt from Part 4 of Rule 91-502 of the Commission;

AND WHEREAS the Bourse represented that the Bourse carries on business as a stock exchange and a derivatives exchange in Québec and is recognized under the Securities Act (Québec) as a self-regulatory organization;

AND WHEREAS the Bourse represented that the contracts traded or to be traded on the Bourse are approved by the Commission des valeurs mobilières du Québec (the CVMQ) and are filed with the Commission;

AND WHEREAS the Bourse is exempt from section 25 and section 53 of the Act pursuant to Ontario Securities Commission Rule 91-503 Trades of Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario;

AND WHEREAS an Order was granted by the Commission dated October 3, 2000 (the October 2000 Order) exempting the Bourse on an interim basis from the requirement to be recognized as a stock exchange under section 21 of the Act and registered as a commodity futures exchange under section 15 of the CFA;

AND WHEREAS Orders were granted by the Commission extending the October 2000 Order exempting the Bourse on an interim basis from the requirement to be recognized as a stock exchange under section 21 of the Act and registered as a commodity futures exchange under section 15 of the CFA until June 28, 2002;

AND WHEREAS the Commission is satisfied that granting the Bourse an extension of the October 2000 Order pursuant to section 147 of the Act and section 80 of the CFA on an interim basis would not be contrary to the public interest;

IT IS ORDERED by the Commission pursuant to section 147 of the Act and section 80 of the CFA, that the Bourse be exempt from the requirement to be recognized as a stock exchange under section 21 of the Act and registered as a commodity futures exchange under section 15 of the CFA; and

IT IS FURTHER ORDERED by the Director pursuant to section 6.1 of Rule 91-502 that the Bourse is exempt from Part 4 of Rule 91-502;

PROVIDED THAT the Bourse continues to be recognized as a self-regulatory organization under the Securities Act (Québec) and that the exemptions pursuant to section 147 of the Act, section 80 of the CFA and section 6.1 of Rule 91-502 shall terminate at the earlier of:

(i) the date that the Bourse is granted an order by the Commission recognizing it as a stock exchange and registering it as a commodity futures exchange or exempting it from the requirement to be recognized as a stock exchange and registered as a commodity futures exchange; and

(ii) January 31, 2003.

June 25, 2002.

"Paul Dempsey" "H. Lorne Morphy" "Robert L. Sherriff"

2.3 Rulings

2.3.1 Applied Micro Circuits Corporation

Headnote

Issuer has *de minimis* Canadian presence – relief from registration requirement for first trades by former director in common shares acquired under stock option plan, provided that trades conducted outside Canada – relief from issuer bid requirements in connection with acquisition by issuer of securities through exercise mechanisms under stock option plan.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 74(1), 95, 96, 97, 98, 100 and 104(2)(c).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am, s. 203.1.

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

AND

IN THE MATTER OF
GENERAL REGULATION MADE UNDER THE ACT
R.R.O. 1990, Reg. 1015,
AS AMENDMED (the "Regulation")

AND

IN THE MATTER OF
APPLIED MICRO CIRCUITS CORPORATION

RULING AND ORDER

UPON the application (the "Application") of Applied Micro Circuits Corporation (the "Corporation") to the Ontario Securities Commission (the "OSC") for:

(a) a ruling pursuant to subsection 74(1) of the Act that Section 25 of the Act (the "Registration Requirement") shall not apply to a first trade of common shares (the "Shares") of the Corporation made by or on behalf of a former director of the Corporation who acquired such Shares under the Corporation's 1997 Directors' Stock Option Plan (the "Plan"); and

(b) an order pursuant to subsection 104(2)(c) of the Act exempting the Corporation from Sections 95, 96, 97, 98 and 100 of the Act and subsection 203.1(1) of the Regulation (the "Issuer Bid Requirements") with respect to acquisitions by the Corporation of Shares pursuant to the Plan.

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

AND UPON the Corporation having represented to the OSC as follows:

1. The Corporation is a supplier of high-bandwidth silicon connectivity for the world's communications infrastructure.

2. The Corporation is incorporated under the laws of the State of Delaware and is registered with the Securities Exchange Commission in the United States of America under the United States *Securities Exchange Act of 1934* (the "Exchange Act") and is not exempt from the reporting requirements of the Exchange Act pursuant to any exemption thereunder.

3. The authorized share capital of the Corporation consists of 630,000,000 Shares. As at March 31, 2002, there were 300,468,541 Shares issued and outstanding. There is no market in Ontario for the Shares and none is expected to develop.

4. The Corporation is not a reporting issuer under the Act and has no present intention of becoming a reporting issuer under the Act.

5. Shares, including those which are issuable under the Plan, are listed and posted for trading in the United States on the National Association of Securities Dealers Automated Quotation System (the "NASDAQ") under the symbol "AMCC".

6. The Plan was established to attract and retain the best available personnel for service as directors of the Corporation, and to provide additional incentive to non-employee individuals to serve as directors and to continue their continued service on the Corporation's board of directors.

7. Non-employee directors of the Corporation, including any such director who is resident in the Province of Ontario, may participate in the Plan (the "Plan Participants").

8. Pursuant to the Plan, Plan Participants are granted stock options ("Options") which are exercisable to purchase Shares. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order (within the meaning of the United States *Internal Revenue Code of 1986*). The term of each Option shall not exceed 10 years from the date of the grant thereof.

9. As of April 22, 2002, one Plan Participant was resident in Ontario.

10. The Plan is administered by the board of directors of the Corporation which has the power to make determinations deemed necessary or advisable for the administration of the Plan.

11. Salomon Smith Barney, Inc. (along with any replacement thereof, the "Administrator") has been retained by the Corporation to assist Plan Participants with the exercise of Options and to provide day-to-day brokerage services to Plan Participants. Salomon Smith Barney, Inc. is registered under applicable securities legislation in the United States but is not a registrant under the Act and it is expected that any replacement Administrator will not be registered under the Act.

12. As at April 22, 2002, Shareholders whose last address as shown on the books of the Corporation as being in Ontario did not hold more than 10% of the issued and outstanding Shares of the Corporation and did not constitute more than 10% of the shareholders of the Corporation.

13. Plan Participants resident in Ontario who acquire Options under the Plan will be provided with all disclosure material relating to the Corporation which is provided to holders of Options resident in the United States.

14. The per Share exercise price (the "Exercise Price") for the Shares to be issued pursuant to the exercise of an Option will be equal to 100% of the fair market value of the Shares on the date of grant of the Option. For the purposes of the Plan, the fair market value of the Shares shall be determined by the Corporation's board of directors, provided that:

    (i) where there is a public market for the Shares, the fair market value per Share shall be the mean of the bid and asked prices of the Shares in the over-the-counter market on the date of the grant of the Option as reported in The Wall Street Journal (or, if not so reported, as otherwise reported by the NASDAQ); or

    (ii) in the event the Shares are traded on the NASDAQ or listed on a stock exchange, the fair market value per Share shall be the closing price on such system or exchange on the date of grant of the Option (or, in the event that the Shares are not traded on such date, on the immediately preceding trading date), as reported in The Wall Street Journal.

15. The Plan provides that the Exercise Price may, among other methods, be paid by a Plan Participant through the tender of Shares to the Corporation which have a fair market value equal to the Exercise Price. Payment of the Exercise Price through the surrender of Shares may be made by a Plan Participant provided that in the case of Shares acquired from the Corporation, such Shares have been held by the Plan Participant for at least six months.

16. If a Plan Participant ceases to be a director of the Corporation, to the extent that Options then held by such Plan Participant were exercisable, such individual may still exercise such Options for a period of up to the then remaining portion of the term of the Option or, in the event that the individual ceases to be a director as a result of total and permanent disability, for a period of up to 12 months after ceasing to be a director.

17. The first trade of Shares acquired under the Plan made by or on behalf of a former director may not be made in reliance on exemptions from the Registration Requirement.

18. The acquisition of Shares by the Corporation upon a Plan Participant paying the Exercise Price by tendering Shares to the Corporation may be subject to the Issuer Bid Requirements.

AND UPON the OSC 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 a first trade of Shares acquired under the Plan made by a former director or by the Administrator on such individual's behalf will not be subject to the Registration Requirement provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 are satisfied; and

IT IS ORDERED pursuant to subsection 104(2)(c) of the Act that the acquisition of Shares by the Corporation from Plan Participants is exempt from the Issuer Bid Requirements provided that it is done in accordance with the Plan.

June 19, 2002.

"Theresa McLeod" "Lorne Morphy"

2.3.2 E-Film Medical Inc. and Merge Technologies Incorporated - ss. 74(1)

Headnote

Subsection 74(1) - Registration and prospectus relief granted in respect of trades in connection with merger transaction in which exchangeable shares are issued where statutory exemptions are unavailable for technical reasons - first trade deemed a distribution unless trade is made through an exchange or market outside of Canada or to a person or company outside of Canada.

Applicable Statutes

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

Applicable Rules

Rule 45-501 - Exempt Distributions.
Rule 72-501 - First Trade Over a Market Outside Ontario.

Applicable Instruments

Multilateral Instrument 45-102 - Resale of Securities.

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

AND

IN THE MATTER OF
E-FILM MEDICAL INC. AND
MERGE TECHNOLOGIES INC.

RULING
(SUBSECTION 74(1))

UPON the application of Merge Technologies Incorporated ("Merge") and E-Film Medical Inc. ("E-Film") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to section 74(1) of the Act that certain trades made in connection with an acquisition (the "Transaction") of E-Film by Merge pursuant to a reorganization agreement entered into on or about April 15, 2002, between E-Film, certain shareholders of E-Film, Merge, and Merge's subsidiary, Merge Technologies Holdings Co. ("Holdco") (the "Reorganization Agreement") shall not be subject to sections 25 or 53 of the Act;

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

AND UPON Merge and E-Film having represented to the Commission as follows:

1. Merge was incorporated under the laws of the state of Wisconsin on November 25, 1987.

2. The common stock of Merge (the "Merge Shares") are quoted on NASDAQ and Merge will apply to NASDAQ to quote the Merge Shares issuable in connection with the Transaction. Merge is currently subject to the informational requirements of the United States Exchange Act of 1934, as amended (the "Exchange Act"). Merge is not a "reporting issuer" under the Act or under the securities legislation of any other province or territory of Canada.

3. Merge is an international provider of clinical information systems integration solutions for healthcare organizations. Merge offers software, hardware and integration component products that facilitate networking and information management of image-producing and image-using devices in diagnostic radiology.

4. Merge will file with NASDAQ the required form of application for the listing of all additional Merge Shares issuable in connection with the Transaction, including pursuant to the exchange of all issuable Exchangeable Shares (as defined below), and will pay to NASDAQ all required fees in connection therewith.

5. Merge's principal executive offices are located at 1126 South 70th Street, Milwaukee, Wisconsin, USA.

6. The authorized capital stock of Merge consists of 30,000,000 Merge Shares, par value U.S.$0.01 per share, 4,000,000 shares of preferred stock and 1,000,000 shares of Series A Preferred Stock. As of March 31, 2002, 7,105,447 Merge Shares, one share of preferred stock and 637,236 shares of Series A Preferred Stock were issued and outstanding.

7. E-Film was formed under the laws of Canada on March 28, 2000.

8. E-Film is a "private company" as defined in the Act, and is not a "reporting issuer" under the Act or under the securities legislation of any other province or territory of Canada.

9. E-Film is in the business of developing medical imaging work-flow products and services.

10. E-Film's principal executive offices are located at 500 University Avenue, Suite 300, Toronto, Ontario, Canada.

11. The authorized capital of E-Film consists of an unlimited number of common shares (the "E-Film Common Shares"), of which 100,000 E-Film Common Shares are issued and outstanding as at the date hereof. All eight holders of E-Film Common Shares are resident in Ontario.

12. Holdco was formed on September 1, 1999 under the laws of the Province of Nova Scotia as a private company and it or another subsidiary or

affiliate of Merge (the "Designee") will hold some or all of the New E-Film Common Shares (as defined below) and the various call rights related to the Exchangeable Shares. Holdco is not a "reporting issuer" under the Act or under the securities legislation of any other province or territory of Canada.

13. The first step of the Transaction will be effected through an amendment to the articles of incorporation of E-Film (the "Amendment") to provide (i) for the creation of a class of exchangeable shares (the "Exchangeable Shares") exchangeable for Merge Shares and (ii) that each outstanding E-Film Common Share will be converted into 10 Exchangeable Shares. The Amendment must be approved by the holders of not less than 66-2/3% of the E-Film Common Shares present in person or by proxy and voting at the E-Film shareholders' meeting to be held on May 30, 2002, or by a resolution in writing signed by the holders of all of the outstanding E-Film Common Shares.

14. In connection with the E-Film shareholders' meeting, E-Film will deliver to the holders of E-Film Common Shares a management information circular (the "E-Film Circular"). The E-Film Circular will contain a description of the Transaction and will contain disclosure relating to the business and affairs of Merge as required pursuant to the Exchange Act, and related rules of the United States Securities Exchange Commission for reports on Form 10-KSB and proxy statements on Schedule 14A.

15. Pursuant to the Amendment, holders of E-Film Common Shares (except holders of E-Film Common Shares who exercise their rights of dissent) will receive 10 Exchangeable Shares for each E-Film Common Share.

16. Upon completion of the conditions set out in the Reorganization Agreement, E-Film will issue 100 common shares (the "New E-Film Common Shares") to Merge (or Holdco) for an aggregate purchase price of $10.00.

17. The Exchangeable Shares, together with the Share Exchange Agreement, Support Agreement and Trust Agreement described below, will provide holders of the Exchangeable Shares with a security of a Canadian issuer having economic and voting rights which are, as nearly as practicable, equivalent to those of a Merge Share. Exchangeable Shares will be received by certain holders of E-Film Common Shares on a Canadian tax-deferred rollover basis. The Exchangeable Shares will be exchangeable by a holder thereof for Merge Shares on a one-for-one basis at any time at the option of the holder and will be required to be exchanged upon the occurrence of certain events, as more fully described below. Subject to applicable law, dividends will be payable on the Exchangeable Shares contemporaneously and in the equivalent amount per share as dividends on the Merge Shares, although currently no dividends are anticipated to be paid on the Merge Shares. The number of Exchangeable Shares exchangeable for the Merge Shares is subject to adjustment or modification in the event of a stock split or other change to the capital structure of Merge so as to maintain at all times the initial one-to-one relationship between the Exchangeable Shares and Merge Shares.

18. The Exchangeable Shares have preference over the New E-Film Common Shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of property or assets in the event of the liquidation, dissolution or winding-up of E-Film, whether voluntary of involuntary, or any other distribution of property or assets of E-Film among its shareholders for the purpose of winding-up its affairs.

19. Holders of Exchangeable Shares are entitled to receive:

    (a) in the case of a cash dividend declared on the Merge Shares, for each Exchangeable Share, an amount in cash equal to the Canadian dollar equivalent of the cash dividend declared on each Merge Share;

    (b) in the case of a share dividend declared on Merge Shares to be paid in Merge Shares, for each Exchangeable Share, a number of Exchangeable Shares equal to the number of Merge Shares to be paid on each Merge Share; and

    (c) in the case of a dividend declared on the Merge Shares to be paid in property (other than cash or Merge Shares), for each Exchangeable Share, a type and amount of property which is the same as or economically equivalent to the type and amount of property declared as a dividend on each Merge Share.

    All dividends will be paid out of money, assets or property of E-Film properly applicable to the payment of dividends, or out of authorized but unissued shares of E-Film.

20. So long as any of the Exchangeable Shares are outstanding, E-Film will not without, but may at any time with, the approval of the holders of the Exchangeable Shares, given as specified in the Exchangeable Share provisions:

(a) amend the constating documents of E-Film in a manner which would prejudicially affect the holders of Exchangeable Shares in any material respect;

(b) initiate the voluntary liquidation, dissolution or winding-up of E-Film or take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of E-Film; or

(c) (if any dividends required to have been declared and paid on the outstanding Exchangeable Shares have not been declared and paid in full) issue any shares of E-Film ranking equally with, or superior to, the Exchangeable Shares, other than by way of stock dividends to the holders of Exchangeable Shares.

21. So long as any of the Exchangeable Shares are outstanding and any dividends required to have been declared and paid on the outstanding Exchangeable Shares pursuant to the Exchangeable Share provisions have not been declared and paid in full, E-Film will not without, but may at any time with, the approval of the holders of the Exchangeable Shares given as specified in the Exchangeable Share provisions:

(a) pay any dividends or other distributions on the New E-Film Common Shares or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in New E-Film Common Shares, or any other shares ranking junior to the Exchangeable Shares, as the case may be;

(b) redeem or purchase or make any capital distribution in respect of the New E-Film Common Shares, or any other shares ranking junior to the Exchangeable Shares; or

(c) redeem or purchase any other shares of E-Film ranking with respect to the payment of dividends or other distributions or on any liquidation distribution equally with, or superior to, the Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution.

22. On the liquidation of E-Film, each holder of Exchangeable Shares has the right (the "Liquidation Right") to receive an amount per share equal to the Canadian dollar equivalent of the fair market value of one Merge Share at that time (to be fully paid and satisfied by the delivery of one Merge Share) plus an additional amount representing any declared and unpaid dividends on the Exchangeable Share, subject to Merge's (or its Designee's) overriding call right (the "Liquidation Call Right") to acquire the Exchangeable Share in consideration for one Merge Share plus those additional amounts.

23. Exchangeable Shares may be retracted by the holder (the "Share Retraction Right") until the date which is five years following the completion of the Transaction (the "Sunset Date") for a retraction price per share equal to the Canadian dollar equivalent of the fair market value of one Merge Share at the time of retraction (to be fully paid and satisfied by the delivery of one Merge Share) plus an additional amount representing any declared and unpaid dividends on the Exchangeable Share, subject to Merge's (or its Designee's) overriding call right (the "Share Retraction Call Right") to acquire the Exchangeable Share in consideration for one Merge Share plus those additional amounts.

24. Merge (or its Designee) must purchase on the Sunset Date (or, in certain circumstances set out in the Share Exchange Agreement, an earlier date) (the "Purchase Date") all of the then outstanding Exchangeable Shares (the "Purchase Right") for an amount per share equal to the Canadian dollar equivalent of the fair market value of one Merge Share at the time of purchase (to be fully paid and satisfied by the delivery of one Merge Share) plus an additional amount representing any declared and unpaid dividends on the Exchangeable Shares, except if Merge has directed and caused E-Film to redeem such Exchangeable Shares pursuant to the Exchangeable Share provisions. If directed by Merge pursuant to the Share Exchange Agreement, each Exchangeable Share must be redeemed by E-Film on the Sunset Date for a redemption price per share equal to the Canadian dollar equivalent of the fair market value of one Merge Share at the time of redemption (to be fully paid and satisfied by the delivery of one Merge Share) plus an additional amount representing any declared and unpaid dividends on the Exchangeable Share. If Merge does not direct E-Film to exercise its redemption rights under the Exchangeable Share Conditions, the Exchangeable Shares shall be purchased by Merge (or its Designee) pursuant to the Purchase Right on the Purchase Date.

25. Subject to applicable law and the prior written consent of Merge, E-Film may at any time and from time to time purchase for cancellation all or any part of the outstanding Exchangeable Shares at any price by agreement with a holder of record of Exchangeable Shares then outstanding or through the facilities of any stock exchange on which the Exchangeable Shares are listed or quoted at any price per share together with an

amount equal to all declared and unpaid dividends thereon (the "E-Film Purchase Right").

26. Subject to applicable law, the Exchangeable Shares are non-voting except in certain circumstances described in the Exchangeable Share provisions.

27. Contemporaneously with the closing of the Transaction, Merge will enter into a Share Exchange Agreement pursuant to which:

(a) if, as a result of solvency requirements or applicable law, E-Film is not permitted to redeem Exchangeable Shares tendered by a holder upon the exercise of a Share Retraction Right, the holder of Exchangeable Shares has a right (the "Exchange Right") to require Merge (or its Designee) to purchase those Exchangeable Shares for a price per share equal to, the Canadian dollar equivalent of the fair market value of one Merge Share at the time of redemption (to be fully paid and satisfied by the delivery of one Merge Share);

(b) Merge (or its Designee) will have the overriding Liquidation Call Right, Share Retraction Call Right, and Purchase Right referred to above;

(c) upon the occurrence of certain Merge liquidation, dissolution or winding-up events, all of the outstanding Exchangeable Shares will be automatically exchanged by Merge (or its Designee) for Merge Shares (the "Automatic Exchange Right"); and

(d) subject to Merge having directed E-Film to redeem the Exchangeable Shares on the Sunset Date, Merge (or its Designee) shall purchase on the Purchase Date all of the then outstanding Exchangeable Shares under the Purchase Right.

28. It is anticipated that, subject to applicable law, Merge (or its Designee) will exercise the Liquidation Call Right, Share Retraction Call Right, and the Purchase Right on each occasion when such rights are available.

29. Contemporaneously with the closing of the Transaction, Merge and E-Film will enter into a Support Agreement which will provide:

(a) that Merge will not declare or pay any dividends or make any distributions on the Merge Shares unless E-Film is able to declare and pay, and simultaneously declares and pays or makes, as the case may be, an equivalent dividend or distribution on the Exchangeable Shares; and

(b) that Merge will ensure that E-Film will be able to honour the redemption rights, Share Retraction Right and Liquidation Right that are attributes of the Exchangeable Shares under the Exchangeable Share provisions.

30. Contemporaneously with the closing of the Transaction, Merge, E-Film and a trustee (the "Trustee") will enter into a Trust Agreement, pursuant to which, among other things:

(a) Merge will issue to the Trustee one special voting share (the "Merge Voting Share") carrying voting rights equivalent to that number of Merge Shares as is from time to time equal to the number of Exchangeable Shares from time to time issued and outstanding;

(b) the holders of Exchangeable Shares will, through the Trustee, indirectly have a vote as Merge shareholders; and

(c) except as provided in (b) above, the Trustee will hold legal title to the Merge Voting Share solely for the benefit of Merge.

31. The steps under the Transaction and the attributes of the Exchangeable Shares contained in the Exchangeable Share provisions, the Support Agreement, the Share Exchange Agreement and the Trust Agreement involve or may involve a number of trades of securities, including trades related to the issuance of the Exchangeable Shares pursuant to the Transaction or upon the issuance of Merge Shares in exchange for Exchangeable Shares and there may be no registration or prospectus exemptions available under the Act for certain of the trades. The trades to which the Transaction gives rise are the following:

(a) the conversion of E-Film Common Shares into Exchangeable Shares pursuant to the Amendment;

(b) the issuance of the New E-Film Common Shares to Merge or Holdco;

(c) the creation by E-Film of the Liquidation Call Right and the Share Retraction Call Right in favour of Merge (or its Designee) pursuant to the Exchangeable Share provisions and the Share Exchange Agreement;

(d) the creation by Merge of the Exchange Right, the Purchase Right and the

Automatic Exchange Right pursuant to the Share Exchange Agreement;

(e) the creation by Merge of certain voting rights pursuant to the Trust Agreement;

(f) the issuance by Merge, pursuant to the Trust Agreement, of the Merge Voting Share to the Trustee;

(g) the issuance and intra-group transfers of Merge Shares and related issuances of shares of Merge affiliates in consideration therefor, all by and between Merge and its affiliates, from time to time to enable E-Film to deliver Merge Shares to a holder of Exchangeable Shares upon the exercise of the Liquidation Right or Share Retraction Right by that holder, and the subsequent delivery thereof by E-Film upon that retraction;

(h) the transfer of Exchangeable Shares by the holder to E-Film upon the holder's exercise of the Liquidation Right or Share Retraction Right;

(i) the issuance and intra-group transfers of Merge Shares and related issuances of shares of Merge affiliates in consideration therefor, all by and between Merge and its affiliates, to enable Merge (or its Designee) to deliver Merge Shares to a holder of Exchangeable Shares in connection with Merge's (or its Designee's) exercise of its overriding Liquidation Call Right or Share Retraction Call Right and the subsequent delivery thereof upon the exercise of those overriding rights;

(j) the transfer of Exchangeable Shares by the holder to Merge (or its Designee) upon Merge (or its Designee) exercising its overriding Liquidation Call Right or Share Retraction Call Right;

(k) the issuance and intra-group transfers of Merge Shares and related issuances of shares of Merge affiliates in consideration therefor, all by and between Merge and its affiliates, to enable E-Film to deliver Merge Shares to holders of Exchangeable Shares upon the redemption of the Exchangeable Shares, and the subsequent delivery thereof by E-Film upon that redemption;

(l) the transfer of Exchangeable Shares by holders to E-Film upon the redemption of Exchangeable Shares;

(m) the issuance and intra-group transfers of Merge Shares and related issuances of shares of Merge affiliates in consideration therefor, all by and between Merge and its affiliates, to enable Merge (or its Designee) to deliver Merge Shares to holders of Exchangeable Shares in connection with the Purchase Right granted by Merge (or its Designee) and the subsequent delivery thereof by Merge (or its Designee) pursuant to the Purchase Right;

(n) the transfer of Exchangeable Shares by holders to Merge (or its Designee) pursuant to the Purchase Right;

(o) the issuance and delivery of Merge Shares by Merge to a holder of Exchangeable Shares upon the exercise of the Exchange Right by that holder;

(p) the transfer of Exchangeable Shares by a holder to Merge (or its Designee) upon the exercise of the Exchange Right by that holder;

(q) the issuance and intra-group transfers of Merge Shares and related issuances of shares of Merge affiliates in consideration therefor all by and between Merge and its affiliates to enable Merge (or its Designee) to deliver Merge Shares to holders of Exchangeable Shares pursuant to the Automatic Exchange Right;

(r) the transfer of Exchangeable Shares by a holder to Merge (or its Designee) pursuant to the Automatic Exchange Right; and

(s) the transfer of Exchangeable Shares by a holder to E-Film upon the exercise by E-Film of the E-Film Purchase Rights (collectively, the "Trades").

32. If the current Ontario shareholders of E-Film acquired the maximum number of Merge Shares to which they are entitled pursuant to the Exchangeable Share provisions, persons or companies who were in Ontario and who beneficially owned Merge Shares would constitute less than 10% of the total number of beneficial holders of Merge Shares, but would hold approximately 14% of the total issued and outstanding Merge Shares.

33. The fundamental investment decision to be made by a holder of E-Film Common Shares will be made at the time of the Amendment, when that holder votes in respect of the Amendment. As a

result of that decision, a holder (other than a dissenting holder) will ultimately receive Exchangeable Shares in exchange for the E-Film Common Shares held by that holder. The Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be, as nearly as practicable, the economic and voting equivalent of the Merge Shares, and as such all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision.

34. Merge will send concurrently to all holders of Exchangeable Shares and Merge Shares resident in Canada all disclosure material furnished to holders of Merge Shares resident in the United States including, without limitation, copies of its annual financial statements and all proxy solicitation materials.

35. There is no public market in Canada for the Merge Shares and no such public market is expected to develop.

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

IT IS HEREBY RULED pursuant to section 74(1) of the Act that the Trades shall not be subject to sections 25 and 53 of the Act, provided that the first trade in Exchangeable Shares or Merge Shares received pursuant to the Transaction will be a distribution unless the first trade is made through an exchange or market outside of Canada or to a person or company outside of Canada.

June 11, 2002.

"Paul M. Moore" "Lorne Morphy"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire
Canadian Blackhawk Energy Inc.	21 June 02	03 July 02		
FT Capital Ltd.	18 June 02	28 June 02		
Gemstone X.Change Corp., The	21 June 02	03 July 02		
Hanoun Medical Inc.	07 June 02	19 June 02		21 June 02
Magellan Real Estate Investment Fund Limited Partnership	18 June 02	28 June 02		
Naftex Energy Corporation	10 June 02	21 June 02	21 June 02	
Para-Tech Energy Services Inc.	19 June 02	28 June 02		
Perial Ltd.	26 June 02	08 July 02		
Sextant Entertainment Group Inc.	25 June 02	05 July 02		
Standard Mining Corporation	19 June 02	28 June 02		
TCT Logistics Inc.	24 June 02	05 July 02		
Triangulum Corporation	21 June 02	03 July 02		

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
GenSci Regeneration Sciences Inc.	28 May 02	10 June 02	10 June 02		
Goldpark China Limited	24 May 02	06 June 02	06 June 02		
Greentree Gas & Oil Ltd.	24 May 02	06 June 02	06 June 02		
Intelligent Web Technologies Inc. (formerly cs-live.com inc.)	28 May 02	10 June 02	10 June02		
Merchant Capital Group Incorporated	23 May 02	05 June 02	05 June 02		
Petrolex Energy Corporation	28 May 02	10 June 02	10 June 02		
Visa Gold Explorations Inc.	28 May 02	10 June 02	10 June 02		
Vision SCMS Inc.	23 May 02	05 June 02	05 June 02		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
KRG Television Ltd.	25 June 02
Nova Bancorp 1999 Oil & Gas Strategic Limited Partnership	20 June 02
Zaruma Resources Inc.	20 June 02

Chapter 5

Rules and Policies

5.1.1 Notice of National Policy 46-201, Escrow for Initial Public Offerings and Form 46-201F1, Escrow Agreement and Notice of Rescission of OSC Policy 5.9, Escrow Guidelines - Industrial Issuers

NOTICE OF NATIONAL POLICY 46-201 ESCROW FOR INITIAL PUBLIC OFFERINGS AND FORM 46-201F1 ESCROW AGREEMENT AND NOTICE OF RESCISSION OF ONTARIO SECURITIES COMMISSION POLICY 5.9 - ESCROW GUIDELINES - INDUSTRIAL ISSUERS

The Commission, together with the other members of the Canadian Securities Administrators (CSA) other than Quebec, has, effective June 30, 2002, adopted National Policy 46-201 *Escrow for Initial Public Offerings* (National Policy) and Form 46-201F1 Escrow Agreement. In addition, the Commission has rescinded Ontario Securities Commission Policy 5.9 - Escrow Guidelines - Industrial Issuers effective the same date. The Commission des Valeurs Mobilieres du Quebec is currently reviewing a regulation that parallels the National Policy.

Background

The CSA believes that a simplified, uniform national approach to escrow promotes greater efficiency and places issuers, principals and public investors in different jurisdictions on a more level footing. As such, we determined to develop a national escrow policy that would apply to initial public offerings by prospectus (IPOs). To achieve its objective, the policy would have to appropriately balance the regulatory objectives of facilitating capital formation in Canada and protecting investors. Further, it would have to be clear, consistent, understandable and administratively efficient.

We considered the objectives and role of escrow requirements in the context of IPOs. The fundamental objective of escrow requirements is to encourage continued interest and involvement in an issuer, for a reasonable period after its IPO, by those principals whose continuing role would be reasonably considered relevant to an investor's decision to subscribe to the issuer's IPO. We determined that many of the factors and assessments often associated with escrow such as controlling cheap stock are more properly addressed by underwriters appropriately exercising their responsibilities related to IPO pricing and timing.

In May 1998, we published for comment a proposal for uniform terms of escrow applicable to IPOs ((1998), 21 OSCB 2927). After that time, 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 Proposal for Uniform Terms of Escrow Applicable to Initial Public Distributions ((2000), 23 OSCB 1936) describing a revised proposal for an IPO escrow regime and permitting issuers to use it at their option. The 2000 proposal encompassed several fundamental changes to the 1998 proposal in response to comments that we received. The changes were identified in the Notice.

After publishing the 1998 and 2000 proposals, we received requests to approve amendments to existing escrow agreements to permit the release of escrow securities on the terms in those proposals. On June 15, 2001, we published CSA Notice 46-302 Consent to Amend Existing Escrow Agreements ((2001), 24 OSCB 3583) permitting, on certain conditions, escrow agreements that predate the 2000 proposal to be amended to reflect the release terms contained in that proposal.

On September 21, 2001, we published for comment proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement ((2001), 24 OSCB 5677). The Commission also published for comment at that time a notice of Rescission of Ontario Securities Commission Policy 5.9 - Escrow Guidelines - Industrial Issuers. Issuers were permitted to use the proposed National Policy, which replaced CSA Notices 46-301 and 46-302, pending its finalization.

Summary of Changes to the National Policy

The National Policy contains substantially the same terms as the proposed National Policy that was published for comment on September 21, 2001. The proposed National Policy, in turn, contained substantially the same terms as the 2000 proposal. A limited number of changes were made to the proposed National Policy in response to comments we received on the 1998 proposal and on the basis of additional research which had been conducted since that time. The more important changes were identified in the notice that accompanied the proposed National Policy. Three changes have been made to the National Policy in further response to previously received comments and in response to four comments received on the proposed National Policy. These changes are set out below.

- With the exception of provisions related to the resignation of the escrow agent, prescribed contractual arrangements have been removed from Form 46-201F1, the escrow agreement. The parties to the agreement may now insert into the agreement any other contractual arrangements they wish to govern responsibilities, remuneration, liabilities, and indemnities for the duties of the escrow agent or any other matter, provided that the terms are not inconsistent with the National Policy and the terms of the agreement. This change was made in response to numerous, and often contradictory, comments regarding the contractual terms that were previously included in the agreement.

- A clause has been added to the National Policy to confirm that reference to "any share certificates or other evidence..." should not be construed to require a paper share certificate or other paper evidence of ownership for securities registered electronically, if the terms of the National Policy and Form 46-201F1 are otherwise met. This clarification was inserted in order to ensure that the National Policy is not construed as being inconsistent with the objectives of the T+1 project being conducted by the Canadian Capital Markets Association.

- The release provisions in the National Policy and agreement have been redrafted to reflect the fraction of the then remaining escrow securities that are releasable on a given release date. This change was made in response to a commenter seeking to clarify and simplify the administration of escrow agreements. No change has been made to the underlying release schedules.

Regulations to be Revoked

The Commission has requested the Lieutenant Governor in Council to revoke section 79 and Forms 17,18 and 19 of the Regulation made under the Securities Act. In the interim, staff of the Commission will take a no action approach where there is noncompliance with these provisions.

Rescission of Ontario Securities Commission Policy 5.9

The Commission has rescinded Ontario Securities Commission Policy 5.9 - Escrow Guidelines - Industrial Issuers effective June 30, 2002 as follows:

"Policy 5.9 is hereby rescinded."

Questions

Questions may be referred to any of:

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June 28, 2002.

5.1.2 National Policy 46-201, Escrow for Initial Public Offerings

NATIONAL POLICY 46-201 ESCROW FOR INITIAL PUBLIC OFFERINGS

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NATIONAL POLICY 46-201 ESCROW FOR INITIAL PUBLIC OFFERINGS

Securities regulators usually require an issuer making an initial public offering to enter into an escrow agreement with its principals and an escrow agent. We may also require an escrow agreement in connection with a prospectus when public investors are asked to finance a significant change of business and escrow has not been previously imposed on the issuer's principals in connection with that business.

Under an escrow agreement principals place their securities in escrow with an escrow agent. Principals are restricted from selling or dealing in other ways with the escrow securities until they are released from escrow according to the escrow agreement.

This Policy describes the circumstances where securities regulators consider an escrow agreement necessary or desirable and the terms of escrow we consider appropriate. Until recently, different provinces had different escrow policies. This Policy describes uniform terms for escrow agreements to be used throughout Canada. This Policy is an initiative of the CSA. This Policy is expected to be adopted as a policy in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, Yukon Territory, Northwest Territories and Nunavut, and as a regulation in Quebec.

Part I – Purpose and Interpretation

1.1 What is the purpose of escrow?

(1) A public investor who buys securities in an initial public offering or an offering to fund a significant change of business relies on the issuer's management and principal securityholders to carry out the plans described in the issuer's prospectus. This is particularly true for issuers with a limited history of operations.

(2) An escrow agreement ties the issuer's management and its principal securityholders to the issuer by restricting their ability to sell their securities for a period of time following the issuer's offering. This gives them an incentive to devote their time and attention to the issuer's business while they are securityholders.

1.2 Interpretation

(1) You should use common sense in applying this Policy to your own circumstances, as we will apply the Policy according to its purpose.

(2) When we refer to securities that a person or company "holds", we mean that the person or company has direct or indirect beneficial ownership of, or control or direction over, the securities.

(3) When we refer to "any share certificates or other evidence…", it should not be construed to require a paper share certificate or other paper evidence of ownership for securities registered electronically if the terms of this Policy and the Form 46-201F1 *Escrow Agreement* are otherwise met.

1.3 Will a Canadian exchange impose additional escrow terms?

A Canadian exchange may impose additional escrow conditions or more stringent release terms.

Part II – Application of the Policy

2.1 When does this Policy apply?

This Policy applies when an issuer and/or one or more of its securityholders distributes shares or convertible securities (both defined in section 3.7) to the public by prospectus in one of the following ways (an **IPO**):

(a) an initial distribution by the issuer

(b) a distribution by one or more of the issuer's securityholders if it is the initial public distribution of the issuer's securities (e.g., a corporate spin-off)

(c) a distribution, other than an initial distribution, by a reporting issuer and/or one or more of its securityholders, if no escrow has been previously imposed by a securities regulator or a Canadian exchange on the issuer's principals in connection with its current business.

2.2 What are the exceptions?

(1) This Policy does not apply to a distribution by:

(a) an exempt issuer (defined in section 3.2);

(b) a capital pool company under the TSX Venture Exchange Inc. **(TSX Venture)** Policy 2.4;

(c) a Tier 3 issuer listed on the TSX Venture; or

(d) an issuer that, following a business combination, is a successor to issuers whose principals have been subject to escrow requirements.

(2) This Policy generally does not apply to a prospectus that does not offer securities to the public, such as a prospectus that an issuer files with a securities regulator only to become a "reporting issuer".

2.3 How does this Policy apply to special warrant prospectuses?

(1) Special warrants are convertible securities that a principal is required to place in escrow. The principal must also place the securities issued on conversion of the special warrants in escrow, even if the securities are qualified under the prospectus.

(2) A prospectus that only qualifies the securities issued on conversion of special warrants is generally not an IPO prospectus because there are no additional proceeds raised. However, if there is a market for the securities, the prospectus may be considered an IPO prospectus for the purpose of this Policy. Otherwise, the IPO prospectus will be the next prospectus of the issuer that makes a public offering.

2.4 Can securities regulators impose additional or different terms?

A securities regulator may impose additional or different escrow terms if:

(a) an underwriter has not signed the IPO prospectus;

(b) the issuer has not applied to have its securities listed on a Canadian exchange, or a Canadian exchange has not agreed to list the securities distributed under the IPO prospectus; or

(c) there are other exceptional circumstances.

Part III – Escrow Classifications

3.1 Escrow classifications

Issuers are classified as either exempt issuers, established issuers or emerging issuers. Whether or not an issuer's securities will be subject to escrow, and the schedule for release of escrow securities from escrow will depend on the classification of the issuer.

3.2 Exempt issuers

Securities regulators do not generally consider that escrow is necessary for an exempt issuer. An **exempt issuer** is an issuer that, after its IPO:

(a) has securities listed on The Toronto Stock Exchange Inc. **(TSX)** and is classified by the TSX as an exempt issuer; or

(b) has a market capitalization of at least $100 million. (In calculating market capitalization, multiply the total number of the securities of the same class as the securities offered in the IPO, which are outstanding on completion of the IPO, by the IPO price.)

3.3 Established and emerging issuers

(1) Securities regulators generally consider that escrow is necessary for established and emerging issuers.

(2) An **established issuer** is an issuer that, after its IPO:

(a) has securities listed on the TSX and is not classified by the TSX as an exempt issuer; or

(b) has securities listed on the TSX Venture and is a TSX Venture Tier 1 issuer.

(3) An **emerging issuer** is an issuer that, after its IPO, is not an exempt issuer or an established issuer.

3.4 When is an issuer classified for escrow purposes?

An issuer is classified based on its circumstances immediately after completion of its IPO. If an emerging issuer becomes an established issuer at a later point, it may have the release schedule changed. See section 4.4.

3.5 Whose securities are subject to escrow?

(1) Securities regulators generally require principals of an emerging or established issuer to place their securities in escrow under an escrow agreement.

(2) A **principal** of an issuer is:

(a) a person or company who acted as a promoter of the issuer within two years before the IPO prospectus

(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus

(c) a **20% holder** – a person or company that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO

(d) a **10% holder** – a person or company that

(i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO and

(ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

(3) In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

(4) A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal. (In calculating this percentage, include securities of the entity that may be issued to the principals under outstanding convertible securities in both the principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

(5) A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements.

3.6 Are any principals exempt from escrow requirements?

A principal that holds securities carrying less than 1% of the voting rights attached to an issuer's outstanding securities immediately after its IPO is not subject to escrow requirements. (In calculating this percentage, include securities that may be issued to that principal under outstanding convertible securities in both the principal's securities and the total securities outstanding.)

3.7 What types of securities are subject to escrow?

3.7.1 Escrow securities

(1) The following securities are subject to escrow **(escrow securities)** if a principal holds them immediately before the issuer's IPO:

(a) **shares** – equity securities that carry the right to participate in earnings and assets remaining on winding-up or liquidation, including common shares, restricted voting shares, subordinate voting shares, multiple voting shares and non-voting shares

(b) **convertible securities** – securities that allow the holder to acquire shares or other convertible securities (such as warrants, special warrants qualified under the IPO prospectus, convertible shares, convertible debentures, rights and options), except for non-transferable incentive stock options issued to principals of the issuer to purchase securities solely for cash at a price equal to or greater than the IPO price

(2) Securities will be released from escrow if they are sold in a "permitted secondary offering" which is defined in section 3.8.

3.7.2 Additional escrow securities

Shares and convertible securities that a holder of escrow securities acquires in relation to securities that are in escrow at the time:

(a) as a dividend or other distribution;

(b) on the exercise of a right of purchase, conversion or exchange, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange; or

(d) from a successor issuer in a business combination, if this is required under Part V

(additional escrow securities) must be placed in escrow by the holder.

3.8 What is a permitted secondary offering?

(1) A principal may sell its securities in the issuer in the issuer's IPO free of escrow in the following circumstances **(a permitted secondary offering)**:

(a) the sale is conducted on a firmly underwritten basis; or

(b) the sale is conducted on a best efforts basis after completion of the sale by the issuer of all or the specified minimum number of its securities offered in the IPO (if any), if the principal is not a promoter, director or senior officer of the issuer or any of its material operating subsidiaries.

(2) The permitted secondary offering must be disclosed in the IPO prospectus.

(3) Any of the principal's remaining unsold escrow securities will continue to be subject to the escrow agreement and released in accordance with the applicable release schedules in the tables set out in sections 4.2.3 and 4.3.3.

3.9 Is there a standard form of escrow agreement?

The terms of escrow are set out in a written escrow agreement among an emerging issuer or an established issuer, an escrow agent and the issuer's principals whose securities are subject to escrow. The standard form of escrow agreement is attached as an Appendix to this Policy. An issuer must file a copy of the signed escrow agreement with securities regulators in the jurisdictions where the issuer files its IPO prospectus.

3.10 Who may be an escrow agent?

A person or company approved by a Canadian exchange to act as a transfer agent may be an escrow agent.

Part IV – Release of Escrow Securities from Escrow

4.1 When are escrow securities released from escrow?

(1) The release of escrow securities from escrow will vary depending on the escrow classification of the issuer that issued the securities. Principals of established issuers will have their escrow securities released from escrow over an 18-month period. Principals of emerging issuers will have their escrow securities released over a three-year period. The timing of escrow release will also be affected if a securityholder dies, if an emerging issuer becomes an established issuer, or if an issuer is party to a business combination.

(2) The escrow agreement sets out release procedures for escrow securities.

4.2 Release schedule for an established issuer

4.2.1 Usual case

A principal's escrow securities in an established issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange **(the listing date)**	1/4 of the escrow securities
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 25%.

4.2.2 Alternate meaning of "listing date"

If an issuer is an established issuer, an alternate meaning for listing date is the date the issuer completes its IPO if the issuer's securities are listed on a Canadian exchange immediately before its IPO.

4.2.3 If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering 25% or more of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3%.

(2) If a principal has sold in a permitted secondary offering less than 25% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
On the listing date	1/4 of the original number of escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3% after completion of the release on the listing date.

4.2.4 Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, those securities will be added to the securities already in escrow to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

4.3 Release schedule for an emerging issuer

4.3.1 Usual case

A principal's escrow securities in an emerging issuer are released as follows:

On the date the issuer's securities are listed on a Canadian exchange **(the listing date)**	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

4.3.2 Alternate meaning of "listing date"

If an issuer is an emerging issuer, an alternate meaning for listing date is the date the issuer completes its IPO if:

(a) the issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the issuer's securities are listed on a Canadian exchange immediately before its IPO.

4.3.3 If there is a permitted secondary offering

(1) If a principal has sold in a permitted secondary offering 10% or more of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3%.

(2) If a principal has sold in a permitted secondary offering less than 10% of that principal's escrow securities, the principal's escrow securities are released as follows:

For delivery to complete the issuer's IPO	All escrow securities sold in the permitted secondary offering
On the listing date	1/10 of the original number of escrow securities less the escrow securities sold in the permitted secondary offering
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3% after completion of the release on the listing date.

4.3.4 Additional escrow securities

If a holder of escrow securities acquires additional escrow securities, those securities will be added to the securities already in escrow to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

4.4 What happens if an emerging issuer becomes an established issuer after its IPO?

(1) An emerging issuer becomes an established issuer if it:

(a) lists its securities on the TSX;

(b) becomes a TSX Venture Tier 1 issuer; or

(c) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms* (in Quebec under Staff Notice, *Mutual Reliance Review System for Prospectuses and Annual Information Forms*) or, if the issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of TSX Venture Tier 1.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the listing date.

4.5 Release of escrow securities on death of holder

If a holder of escrow securities dies, the holder's escrow securities will be released from escrow.

4.6 Release of escrow securities

Once escrow securities are released from escrow, they are no longer escrow securities for the purpose of this Policy.

Part V – Business Combinations

5.1 When does this Part apply?

This Part applies to business combinations. A **business combination** is:

(a) a formal take-over bid for all outstanding equity securities of the issuer or which, if successful, would result in a change of control of the issuer

(b) a formal issuer bid for all outstanding equity securities of the issuer

(c) a statutory arrangement

(d) an amalgamation

(e) a merger

(f) a reorganization that has an effect similar to an amalgamation or merger

5.2 Can a holder of escrow securities tender them in a business combination?

(1) Yes, a holder of escrow securities can tender them in a business combination. The tendered escrow securities will be released from escrow and delivered under the business combination if:

(a) the terms and conditions of the business combination have been satisfied or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

(2) The escrow agreement contains special procedures for tendering escrow securities.

5.3 If the holder receives securities of another issuer in exchange for the holder's escrow securities, will the new securities be subject to escrow?

If the holder receives securities of another issuer **(successor issuer)** in exchange for the holder's escrow securities, the new securities will be subject to escrow, if immediately upon completion of the business combination:

(a) the successor issuer is not an exempt issuer (defined in section 3.2);

(b) the holder is a principal (defined in section 3.5) of the successor issuer; and

(c) the holder holds more than 1% of the voting rights attached to the successor issuer's outstanding securities. (In calculating this percentage, include securities that may be issued to the principal under outstanding convertible securities to both the principal's securities and the total securities outstanding.)

5.4 If the new securities are subject to escrow, when will they be released?

(1) If the new securities are subject to escrow, the escrow agent will hold the new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that were exchanged.

(2) However, if the issuer is an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the issuer's listing date, all escrow securities will be released immediately.

(3) If the issuer is an emerging issuer, the successor issuer is an established issuer and the business combination occurs within 18 months after the issuer's listing date, all escrow securities that would have been released to that time, if the issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the issuer's listing date.

Part VI – Dealing with Escrow Securities

6.1 Can a holder of escrow securities vote and receive distributions on the escrow securities?

A holder may exercise any voting rights attached to their escrow securities and receive distributions on the holder's escrow securities.

6.2 Restrictions on dealing with escrow securities

Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal cannot sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with the holder's escrow securities or any related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

6.3 When can a holder of escrow securities transfer them within escrow?

(1) A holder may transfer escrow securities within escrow:

(a) to existing or, upon their appointment, incoming directors or senior officers of the issuer or any of its material operating subsidiaries, if the issuer's board of directors has approved the transfer;

(b) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the issuer's outstanding securities;

(c) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the issuer or any of its material operating subsidiaries;

(d) to a trustee in bankruptcy or another person or company entitled to escrow securities on the bankruptcy of the holder;

(e) to a financial institution on the realization of escrow securities pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; or

(f) to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to the holder and his or her spouse, children and parents or, in the case of a trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents.

(2) The escrow agreement sets out transfer procedures for escrow securities.

(3) Securities laws and other legislation may impose additional restrictions on transfer. (See section 7.4.)

6.4 Can a holder pledge, mortgage or charge escrow securities as collateral for a loan?

A holder can pledge, mortgage or charge escrow securities to a financial institution as collateral for a loan. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

6.5 Can a holder exchange or convert convertible escrow securities?

A holder of a convertible security that is in escrow may exchange or convert the security within escrow. Securities acquired on conversion or exchange of convertible escrow securities are additional escrow securities and remain in escrow.

Part VII – General Provisions

7.1 Amendments to escrow agreement require regulatory approval

The securities regulator in each jurisdiction where the issuer files its IPO prospectus has jurisdiction over the escrow agreement and escrow securities of the issuer. No amendment to an escrow agreement is valid unless the securities regulators that have jurisdiction have approved it.

7.2 Will mutual reliance principles apply to escrow filings?

Yes, the securities regulators will apply mutual reliance principles in administering this Policy. This means the decision of a single regulator will evidence the decision of all securities regulators with jurisdiction.

7.3 What happens if an issuer does not complete its IPO?

If an issuer does not complete its IPO and becomes a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, its escrow agreement will remain in effect until the securities regulators in those jurisdictions order that the issuer has ceased to be a reporting issuer.

7.4 Do local resale restrictions still apply to escrow securities after they are released from escrow?

Although this Policy may permit the release of escrow securities from escrow or permit a holder to transfer or deal in other ways with escrow securities, other restrictions imposed by securities legislation, securities regulators and Canadian exchanges will still apply.

Part VIII – Amendment of Release Terms in Escrow Agreements Made Prior to this Policy

8.1 Can the release terms of escrow agreements made prior to this Policy be amended?

(1) The securities regulators consent to amendments to escrow agreements made prior to the date of this Policy **(existing escrow agreements)** to reflect the release terms of this Policy on the following conditions:

(a) The issuer's board of directors must have approved the amendment.

(b) All parties to the existing escrow agreement, except parties whose securities are no longer in escrow, must have agreed to the amendment.

(c) The issuer must have obtained any approval by a Canadian exchange required by the existing escrow agreement.

(d) The amendment must have been approved by a majority vote of the securityholders of the issuer, or consented to by securityholders holding a majority of the securities of the issuer, excluding in each case escrow securityholders and their affiliates and associates.

(e) The amendment to the release terms must apply to all escrow securities.

(f) Once the escrow agreement has been amended and these conditions have been met, the issuer must issue a news release at least 60 days before the first release of escrow securities under the amended escrow agreement notifying the market of the amendment and the new release terms.

(g) The issuer's classification as an exempt, established or emerging issuer must be determined at the date of the news release.

(h) The news release must set out the date of the first release of escrow securities under the amended escrow agreement. The first release date must be at least 60 days after the news release and that date will take the place of the listing date for purposes of the appropriate release schedule under this Policy.

(i) If the issuer is an exempt issuer, all escrow securities may be released no earlier than 60 days after the news release, subject to the 10% limit in (k) below.

(j) If the issuer is an emerging or an established issuer, the new release schedule must be the schedule included in this Policy for that class of issuer, subject to the 10% limit in (k) below.

(k) The number of escrow securities to be released at any one time may not exceed 10% of the issuer's outstanding securities at the time of release. Securities remaining in escrow after the last scheduled release will continue to be released from escrow at 6-month intervals until all escrow securities have been released.

(l) Escrow securities must be released on a pro rata basis, with each holder of escrow securities receiving the same percentage of the escrow securities that are released as the percentage of total escrow securities held by the holder.

(m) The issuer must file with the securities regulators in the jurisdictions where it filed its IPO prospectus:

(i) a copy of the amended escrow agreement, and

(ii) a certificate of a director or senior officer of the issuer confirming that the escrow agreement has been amended in accordance with this Part.

(2) The parties to an existing escrow agreement may amend the agreement by entering into an agreement in the form of Form 46-201F1 *Escrow Agreement*.

(3) Our consent does not limit the right of a Canadian exchange to impose additional conditions or more stringent release terms.

This is the form of agreement for escrow arrangements under National Policy 46-201 *Escrow for Initial Public Offerings*.

APPENDIX

FORM 46-201F1
ESCROW AGREEMENT

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ESCROW AGREEMENT

THIS AGREEMENT is made as of the _____ day of _____, _____

AMONG:

(the **"Issuer"**)

AND:

(the **"Escrow Agent"**)

AND:

EACH OF THE UNDERSIGNED SECURITYHOLDERS OF THE ISSUER
(a **"Securityholder"** or **"you"**)

(collectively, the **"Parties"**)

This Agreement is being entered into by the Parties under National Policy 46-201 *Escrow for Initial Public Offerings* (the **Policy**) in connection with the proposed distribution (the **IPO**), by the Issuer, an [established/emerging] issuer, of [describe securities] by prospectus and/or by certain Securityholders, namely [names of Securityholders], of [specify number of securities distributed by each Securityholder and what percentage of each Securityholder's securities that number represents] (the **permitted secondary offering**).

For good and valuable consideration, the Parties agree as follows:

PART 1 ESCROW

1.1 Appointment of Escrow Agent

The Issuer and the Securityholders appoint the Escrow Agent to act as escrow agent under this Agreement. The Escrow Agent accepts the appointment.

1.2 Deposit of Escrow Securities in Escrow

(1) You are depositing the securities **(escrow securities)** listed opposite your name in Schedule "A" with the Escrow Agent to be held in escrow under this Agreement. You will immediately deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of these securities which you have or which you may later receive.

(2) If you receive any other securities (**additional escrow securities)**:

(a) as a dividend or other distribution on escrow securities;

(b) on the exercise of a right of purchase, conversion or exchange attaching to escrow securities, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange of escrow securities; or

(d) from a successor issuer in a business combination, if Part 6 of this Agreement applies,

you will deposit them in escrow with the Escrow Agent. You will deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of those additional escrow securities. When this Agreement refers to **escrow securities,** it includes additional escrow securities.

(3) You will immediately deliver to the Escrow Agent any replacement share certificates or other evidence of additional escrow securities issued to you.

1.3 Direction to Escrow Agent

The Issuer and the Securityholders direct the Escrow Agent to hold the escrow securities in escrow until they are released from escrow under this Agreement.

PART 2 RELEASE OF ESCROW SECURITIES

2.1 Release Schedule for an Established Issuer

2.1.1 Usual case

If the Issuer is an **established issuer** (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows:

On _____, 2_____, the date the Issuer's securities are listed on a Canadian exchange **(the listing date)**	1/4 of your escrow securities
6 months after the listing date	1/3 of your remaining escrow securities
12 months after the listing date	1/2 of your remaining escrow securities
18 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, then the release schedule outlined above results in the escrow securities being released in equal tranches of 25%.

2.1.2 Alternate meaning of "listing date"

If the Issuer is an established issuer, an alternate meaning for **listing date** is the date the Issuer completes its IPO if the Issuer's securities are listed on a Canadian exchange immediately before its IPO.

2.1.3 If there is a permitted secondary offering

(1) If the Issuer is an established issuer and you have sold in a permitted secondary offering 25% or more of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/3 of your remaining escrow securities
12 months after the listing date	1/2 of your remaining escrow securities
18 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3%.

(2) If the Issuer is an established issuer and you have sold in a permitted secondary offering less than 25% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	1/4 of your original number of escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/3 of your remaining escrow securities
12 months after the listing date	1/2 of your remaining escrow securities
18 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 33 1/3% after completion of the release on the listing date.

2.1.4 Additional escrow securities

If you acquire additional escrow securities, those securities will be added to the securities already in escrow, to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

2.2 Release Schedule for an Emerging Issuer

2.2.1 Usual case

If the Issuer is an **emerging issuer** (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows:

On _____, 2_____, the date the Issuer's securities are listed on a Canadian exchange **(the listing date)**	1/10 of your escrow securities
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

2.2.2 Alternate meaning of "listing date"

If the Issuer is an emerging issuer, an alternate meaning for **listing date** is the date the Issuer completes its IPO if:

(a) the Issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the Issuer's securities are listed on a Canadian exchange immediately before its IPO.

2.2.3 If there is a permitted secondary offering

(1) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering 10% or more of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3%.

(2) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering less than 10% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	1/10 of your original number of escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3% after completion of the release on the listing date.

2.2.4 Additional escrow securities

If you acquire additional escrow securities, those securities will be added to the securities already in escrow, to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

2.3 Delivery of Share Certificates for Escrow Securities

The Escrow Agent will send to each Securityholder any share certificates or other evidence of that Securityholder's escrow securities in the possession of the Escrow Agent released from escrow as soon as reasonably practicable after the release.

2.4 Replacement Certificates

If, on the date a Securityholder's escrow securities are to be released, the Escrow Agent holds a share certificate or other evidence representing more escrow securities than are to be released, the Escrow Agent will deliver the share certificate or other evidence to the Issuer or its transfer agent and request replacement share certificates or other evidence. The Issuer will cause replacement share certificates or other evidence to be prepared and delivered to the Escrow Agent. After the Escrow Agent receives the replacement share certificates or other evidence, the Escrow Agent will send to the Securityholder or at the Securityholder's direction, the replacement share certificate or other evidence of the escrow securities released. The Escrow Agent and Issuer will act as soon as reasonably practicable.

2.5 Release upon Death

(1) If a Securityholder dies, the Securityholder's escrow securities will be released from escrow. The Escrow Agent will deliver any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent to the Securityholder's legal representative.

(2) Prior to delivery the Escrow Agent must receive:

(a) a certified copy of the death certificate; and

(b) any evidence of the legal representative's status that the Escrow Agent may reasonably require.

PART 3 EARLY RELEASE ON CHANGE OF ISSUER STATUS

3.1 Becoming an Established Issuer

If the Issuer is an emerging issuer on the date of this Agreement and, during this Agreement, the Issuer:

(a) lists its securities on The Toronto Stock Exchange Inc.;

(b) becomes a TSX Venture Exchange Inc. **(TSX Venture)** Tier 1 issuer; or

(c) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms* (in Quebec under Staff Notice, *Mutual Reliance Review System for Prospectuses and Annual Information Forms*) or, if the Issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of TSX Venture Tier 1,

then the Issuer becomes an **established issuer.**

3.2 Release of Escrow Securities

(1) When an emerging issuer becomes an established issuer, the release schedule for its escrow securities changes.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal installments on the day that is 6 months, 12 months and 18 months after the listing date.

3.3 Filing Requirements

Escrow securities will not be released under this Part until the Issuer does the following:

(a) at least 20 days before the date of the first release of escrow securities under the new release schedule, files with the securities regulators in the jurisdictions in which it is a reporting issuer

(i) a certificate signed by a director or officer of the Issuer authorized to sign stating

(A) that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition, and

(B) the number of escrow securities to be released on the first release date under the new release schedule, and

(ii) a copy of a letter or other evidence from the exchange or quotation service confirming that the Issuer has satisfied the condition to become an established issuer; and

(b) at least 10 days before the date of the first release of escrow securities under the new release schedule, issues and files with the securities regulators in the jurisdictions in which it is a reporting issuer a news release disclosing details of the first release of the escrow securities and the change in the release schedule, and sends a copy of such filing to the Escrow Agent.

3.4 Amendment of Release Schedule

The new release schedule will apply 10 days after the Escrow Agent receives a certificate signed by a director or officer of the Issuer authorized to sign

(a) stating that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition;

(b) stating that the release schedule for the Issuer's escrow securities has changed;

(c) stating that the Issuer has issued a news release at least 10 days before the first release date under the new release schedule and specifying the date that the news release was issued; and

(d) specifying the new release schedule.

PART 4 DEALING WITH ESCROW SECURITIES

4.1 Restriction on Transfer, etc.

Unless it is expressly permitted in this Agreement, you will not sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with your escrow securities or any related share certificates or other evidence of the escrow securities. If a Securityholder is a private company controlled by one or more principals (as defined in section 3.5 of the Policy) of the Issuer, the Securityholder may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

4.2 Pledge, Mortgage or Charge as Collateral for a Loan

You may pledge, mortgage or charge your escrow securities to a financial institution as collateral for a loan, provided that no escrow securities or any share certificates or other evidence of escrow securities will be transferred or delivered by the Escrow Agent to the financial institution for this purpose. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

4.3 Voting of Escrow Securities

You may exercise any voting rights attached to your escrow securities.

4.4 Dividends on Escrow Securities

You may receive a dividend or other distribution on your escrow securities, and elect the manner of payment from the standard options offered by the Issuer. If the Escrow Agent receives a dividend or other distribution on your escrow securities, other than additional escrow securities, the Escrow Agent will pay the dividend or other distribution to you on receipt.

4.5 Exercise of Other Rights Attaching to Escrow Securities

You may exercise your rights to exchange or convert your escrow securities in accordance with this Agreement.

PART 5 PERMITTED TRANSFERS WITHIN ESCROW

5.1 Transfer to Directors and Senior Officers

(1) You may transfer escrow securities within escrow to existing or, upon their appointment, incoming directors or senior officers of the Issuer or any of its material operating subsidiaries, if the Issuer's board of directors has approved the transfer.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a certified copy of the resolution of the board of directors of the Issuer approving the transfer;

(b) a certificate signed by a director or officer of the Issuer authorized to sign, stating that the transfer is to a director or senior officer of the Issuer or a material operating subsidiary and that any required approval from the Canadian exchange the Issuer is listed on has been received;

(c) an acknowledgment in the form of Schedule "B" signed by the transferee;

(d) copies of the letters sent to the securities regulators described in subsection (3) accompanying the acknowledgement; and

(e) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.2 Transfer to Other Principals

(1) You may transfer escrow securities within escrow:

(a) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities; or

(b) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a certificate signed by a director or officer of the Issuer authorized to sign stating that

(i) the transfer is to a person or company that the officer believes, after reasonable investigation, holds more than 20% of the voting rights attached to the Issuer's outstanding securities before the proposed transfer, or

(ii) the transfer is to a person or company that

(A) the officer believes, after reasonable investigation, will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

(B) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries

after the proposed transfer, and

(iii) any required approval from the Canadian exchange the Issuer is listed on has been received;

(b) an acknowledgment in the form of Schedule "B" signed by the transferee;

(c) copies of the letters sent to the securities regulators accompanying the acknowledgement; and

(d) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(3) At least 10 days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.3 Transfer upon Bankruptcy

(1) You may transfer escrow securities within escrow to a trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy.

(2) Prior to the transfer, the Escrow Agent must receive:

(a) a certified copy of either

(i) the assignment in bankruptcy filed with the Superintendent of Bankruptcy, or

(ii) the receiving order adjudging the Securityholder bankrupt;

(b) a certified copy of a certificate of appointment of the trustee in bankruptcy;

(c) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(d) an acknowledgment in the form of Schedule "B" signed by:

(i) the trustee in bankruptcy, or

(ii) on direction from the trustee, with evidence of that direction attached to the acknowledgment form, another person or company legally entitled to the escrow securities.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.4 Transfer Upon Realization of Pledged, Mortgaged or Charged Escrow Securities

(1) You may transfer within escrow to a financial institution the escrow securities you have pledged, mortgaged or charged under section 4.2 to that financial institution as collateral for a loan on realization of the loan.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a statutory declaration of an officer of the financial institution that the financial institution is legally entitled to the escrow securities;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the financial institution.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.5 Transfer to Certain Plans and Funds

(1) You may transfer escrow securities within escrow to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to you and your spouse, children and parents, or, if you are the trustee of such a registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents.

(2) Prior to the transfer the Escrow Agent must receive:

(a) evidence from the trustee of the transferee plan or fund, or the trustee's agent, stating that, to the best of the trustee's knowledge, the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund do not include any person or company other than you and your spouse, children and parents;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the trustee of the plan or fund.

(3) Within 10 days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.6 Effect of Transfer Within Escrow

After the transfer of escrow securities within escrow, the escrow securities will remain in escrow and released from escrow under this Agreement as if no transfer has occurred on the same terms that applied before the transfer. The Escrow Agent will not deliver any share certificates or other evidence of the escrow securities to transferees under this Part 5.

PART 6 BUSINESS COMBINATIONS

6.1 Business Combinations

This Part applies to the following **(business combinations)**:

(a) a formal take-over bid for all outstanding equity securities of the Issuer or which, if successful, would result in a change of control of the Issuer

(b) a formal issuer bid for all outstanding equity securities of the Issuer

(c) a statutory arrangement

(d) an amalgamation

(e) a merger

(f) a reorganization that has an effect similar to an amalgamation or merger

6.2 Delivery to Escrow Agent

You may tender your escrow securities to a person or company in a business combination. At least five business days prior to the date the escrow securities must be tendered under the business combination, you must deliver to the Escrow Agent:

(a) a written direction signed by you that directs the Escrow Agent to deliver to the depositary under the business combination any share certificates or other evidence of the escrow securities and a completed and executed cover letter or similar document and, where required, transfer power of attorney completed and executed for transfer in accordance with the requirements of the depositary, and any other documentation specified or provided by you and required to be delivered to the depositary under the business combination; and

(b) any other information concerning the business combination as the Escrow Agent may reasonably request.

6.3 Delivery to Depositary

As soon as reasonably practicable, and in any event no later than three business days after the Escrow Agent receives the documents and information required under section 6.2, the Escrow Agent will deliver to the depositary, in accordance with the direction, any share certificates or other evidence of the escrow securities, and a letter addressed to the depositary that

(a) identifies the escrow securities that are being tendered;

(b) states that the escrow securities are held in escrow;

(c) states that the escrow securities are delivered only for the purposes of the business combination and that they will be released from escrow only after the Escrow Agent receives the information described in section 6.4;

(d) if any share certificates or other evidence of the escrow securities have been delivered to the depositary, requires the depositary to return to the Escrow Agent, as soon as practicable, any share certificates or other evidence of escrow securities that are not released from escrow into the business combination; and

(e) where applicable, requires the depositary to deliver or cause to be delivered to the Escrow Agent, as soon as practicable, any share certificates or other evidence of additional escrow securities that you acquire under the business combination.

6.4 Release of Escrow Securities to Depositary

The Escrow Agent will release from escrow the tendered escrow securities when the Escrow Agent receives a declaration signed by the depositary or, if the direction identifies the depositary as acting on behalf of another person or company in respect of the business combination, by that other person or company, that:

(a) the terms and conditions of the business combination have been met or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

6.5 Escrow of New Securities

If you receive securities **(new securities)** of another issuer **(successor issuer)** in exchange for your escrow securities, the new securities will be subject to escrow in substitution for the tendered escrow securities if, immediately after completion of the business combination:

(a) the successor issuer is not an **exempt issuer** (as defined in section 3.2 of the Policy);

(b) you are a **principal** (as defined in section 3.5 of the Policy) of the successor issuer; and

(c) you hold more than 1% of the voting rights attached to the successor issuer's outstanding securities (In calculating this percentage, include securities that may be issued to you under outstanding convertible securities in both your securities and the total securities outstanding.)

6.6 Release from Escrow of New Securities

(1) As soon as reasonably practicable after the Escrow Agent receives:

(a) a certificate from the successor issuer signed by a director or officer of the successor issuer authorized to sign

(i) stating that it is a successor issuer to the Issuer as a result of a business combination and whether it is an emerging issuer or an established issuer under the Policy, and

(ii) listing the Securityholders whose new securities are subject to escrow under section 6.5,

the escrow securities of the Securityholders whose new securities are not subject to escrow under section 6.5 will be released, and the Escrow Agent will send any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent in accordance with section 2.3.

(2) If your new securities are subject to escrow, unless subsection (3) applies, the Escrow Agent will hold your new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that you exchanged.

(3) If the Issuer is

(a) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the Issuer's listing date, all escrow securities will be released immediately; and

(b) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs within 18 months after the Issuer's listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the Issuer's listing date.

PART 7 RESIGNATION OF ESCROW AGENT

7.1 Resignation of Escrow Agent

(1) If the Escrow Agent wishes to resign as escrow agent, the Escrow Agent will give written notice to the Issuer.

(2) If the Issuer wishes to terminate the Escrow Agent as escrow agent, the Issuer will give written notice to the Escrow Agent.

(3) If the Escrow Agent resigns or is terminated, the Issuer will be responsible for ensuring that the Escrow Agent is replaced not later than the resignation or termination date by another escrow agent that is acceptable to the securities regulators having jurisdiction in the matter and that has accepted such appointment, which appointment will be binding on the Issuer and the Securityholders.

(4) The resignation or termination of the Escrow Agent will be effective, and the Escrow Agent will cease to be bound by this Agreement, on the date that is 60 days after the date of receipt of the notices referred to above by the Escrow Agent or Issuer, as applicable, or on such other date as the Escrow Agent and the Issuer may agree upon (the "resignation or termination date"), provided that the resignation or termination date will not be less than 10 business days before a release date.

(5) If the Issuer has not appointed a successor escrow agent within 60 days of the resignation or termination date, the Escrow Agent will apply, at the Issuer's expense, to a court of competent jurisdiction for the appointment of a successor escrow agent, and the duties and responsibilities of the Escrow Agent will cease immediately upon such appointment.

(6) On any new appointment under this section, the successor Escrow Agent will be vested with the same powers, rights, duties and obligations as if it had been originally named herein as Escrow Agent, without any further assurance, conveyance, act or deed. The predecessor Escrow Agent, upon receipt of payment for any outstanding account for its services and expenses then unpaid, will transfer, deliver and pay over to the successor Escrow Agent, who will be entitled to receive, all securities, records or other property on deposit with the predecessor Escrow Agent in relation to this Agreement and the predecessor Escrow Agent will thereupon be discharged as Escrow Agent.

(7) If any changes are made to Part 8 of this Agreement as a result of the appointment of the successor Escrow Agent, those changes must not be inconsistent with the Policy and the terms of this Agreement and the Issuer to this Agreement will file a copy of the new Agreement with the securities regulators with jurisdiction over this Agreement and the escrow securities.

PART 8 OTHER CONTRACTUAL ARRANGEMENTS

[*You may insert any other contractual arrangements the Parties to this Agreement wish to provide to govern the responsibilities, remuneration, liabilities, and indemnities for the duties of the Escrow Agent or any other matter which the Parties wish to include in this Agreement provided that the terms are not inconsistent with the Policy and the terms of this Agreement.*]

PART 9 NOTICES

9.1 Notice to Escrow Agent

Documents will be considered to have been delivered to the Escrow Agent on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

9.2 Notice to Issuer

Documents will be considered to have been delivered to the Issuer on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

[Name, address, contact person, fax number]

9.3 Deliveries to Securityholders

Documents will be considered to have been delivered to a Securityholder on the date of delivery, if delivered by hand or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the address on the Issuer's share register.

Any share certificates or other evidence of a Securityholder's escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise at least ten business days before the escrow securities are released from escrow. The Issuer will provide the Escrow Agent with each Securityholder's address as listed on the Issuer's share register.

9.4 Change of Address

(1) The Escrow Agent may change its address for delivery by delivering notice of the change of address to the Issuer and to each Securityholder.

(2) The Issuer may change its address for delivery by delivering notice of the change of address to the Escrow Agent and to each Securityholder.

(3) A Securityholder may change that Securityholder's address for delivery by delivering notice of the change of address to the Issuer and to the Escrow Agent.

9.5 Postal Interruption

A Party to this Agreement will not mail a document it is required to mail under this Agreement if the Party is aware of an actual or impending disruption of postal service.

PART 10 GENERAL

10.1 Interpretation - "holding securities"

When this Agreement refers to securities that a Securityholder "holds", it means that the Securityholder has direct or indirect beneficial ownership of, or control or direction over, the securities.

10.2 Further Assurances

The Parties will execute and deliver any further documents and perform any further acts reasonably requested by any of the Parties to this Agreement which are necessary to carry out the intent of this Agreement.

10.3 Time

Time is of the essence of this Agreement.

10.4 Incomplete IPO

If the Issuer does not complete its IPO and has become a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, this Agreement will remain in effect until the securities regulators in those jurisdictions order that the Issuer has ceased to be a reporting issuer.

10.5 Governing Laws

The laws of [insert principal jurisdiction] (the "Principal Regulator") and the applicable laws of Canada will govern this Agreement.

10.6 Jurisdiction

The securities regulator in each jurisdiction where the Issuer files its IPO prospectus has jurisdiction over this Agreement and the escrow securities.

10.7 Consent of Securities Regulators to Amendment

Except for amendments made under Part 3, the securities regulators with jurisdiction must approve any amendment to this Agreement and will apply mutual reliance principles in reviewing any amendments that are filed with them. Therefore, the consent of the Principal Regulator will evidence the consent of all securities regulators with jurisdiction.

10.8 Counterparts

The Parties may execute this Agreement by fax and in counterparts, each of which will be considered an original and all of which will be one agreement.

10.9 Singular and Plural

Wherever a singular expression is used in this Agreement, that expression is considered as including the plural or the body corporate where required by the context.

10.10 Language

This Agreement has been drawn up in the [English/French] language at the request of all Parties. Cette convention a été rédigé en [anglais/français] à la demande de toutes les Parties.

10.11 Benefit and Binding Effect

This Agreement will benefit and bind the Parties and their heirs, executors, administrators, successors and permitted assigns and all persons claiming through them as if they had been a Party to this Agreement.

10.12 Entire Agreement

This is the entire agreement among the Parties concerning the subject matter set out in this Agreement and supersedes any and all prior understandings and agreements.

10.13 Successor to Escrow Agent

Any corporation with which the Escrow Agent may be amalgamated, merged or consolidated, or any corporation succeeding to the business of the Escrow Agent will be the successor of the Escrow Agent under this Agreement without any further act on its part or on the part or any of the Parties, provided that the successor is recognized as a transfer agent by the Canadian exchange the Issuer is listed on (or if the Issuer is not listed on a Canadian exchange, by any Canadian exchange) and notice is given to the securities regulators with jurisdiction.

The Parties have executed and delivered this Agreement as of the date set out above.

[Escrow Agent]

_____
Authorized signatory

_____
Authorized signatory

[Issuer]

_____
Authorized signatory

_____
Authorized signatory

If the Securityholder is an individual:

Signed, sealed and delivered by **[Securityholder]** in the presence of:)

_____)
Signature of Witness)

_____)
Name of Witness)

_____
[Securityholder]

If the Securityholder is not an individual:

[Securityholder]

_____
Authorized signatory

_____)
Authorized signatory)

Schedule "A" to Escrow Agreement

Securityholder

Name:

Securities:

Class or description	*Number*	*Certificate(s) (if applicable)*

Schedule "B" to Escrow Agreement

Acknowledgment and Agreement to be Bound

I acknowledge that the securities listed in the attached Schedule "A" (the "escrow securities") have been or will be transferred to me and that the escrow securities are subject to an Escrow Agreement dated _____ (the "Escrow Agreement").

For other good and valuable consideration, I agree to be bound by the Escrow Agreement in respect of the escrow securities, as if I were an original signatory to the Escrow Agreement.

Dated at _____ on _____.

Where the transferee is an individual:

Signed, sealed and delivered by **[Transferee]** in the presence of:)

_____)

Signature of Witness)

_____)

Name of Witness)

_____)

[Transferee]

Where the transferee is not an individual:

[Transferee]

_____

Authorized signatory

_____

Authorized signatory

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Chapter 6

Request for Comments

6.1.1 Notice of Proposed Rule 13-502 - Fees, Companion Policy 13-502CP - Fees, Form 13-502F1, Form 13-502F2 and Form 13-502F3

NOTICE OF PROPOSED
RULE 13-502 - FEES
COMPANION POLICY 13-502CP - FEES
FORM 13-502F1, FORM 13-502F2 AND FORM 13-502F3

Introduction

On March 30, 2001, the Ontario Securities Commission (the "OSC") published for comment a concept proposal (the "Concept Proposal") for revising Schedule 1- Fees ("Schedule 1") to the Regulation to the *Securities Act* (Ontario) (the "Act")[1]. Schedule 1 prescribes the fees that are payable to the OSC by market players.

The Concept Proposal discussed the OSC's intention to substantially amend Schedule 1 with a view to achieving three primary objectives:

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

It also described a proposed fee model that would require the payment of "participation fees" and "activity fees". Participation fees are generally intended to represent the benefit derived by market players from participating in Ontario's capital markets. Activity fees, on the other hand, are intended to represent the direct cost of OSC staff resources to take a specific action or provide a specific service requested by a market player.

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

The 60-day comment period for the Concept Proposal expired on May 31, 2001. During that period, the OSC heard from different market players – issuers, dealers, portfolio advisers, mutual fund dealers, fund managers, self-regulatory organizations, industry associations, and legal advisers to some market players. Appendix A to this Notice is a list of those who provided comments on the Concept Proposal. Appendix B to this Notice contains a summary, in tabular form, of the comments received and OSC staff's response to them.

The details of the fee model (the "New Fee Model") contemplated by the Concept Proposal are contained in proposed OSC Rule 13-502 – Fees (the "Proposed Rule"). It was drafted in a way that reflects the OSC's intentions as described in the Concept Proposal, modified after further staff analysis of anticipated OSC revenue stream and in response to some of the comments received on the Concept Proposal. With this Notice, the OSC is seeking public comment on the Proposed Rule and the proposed Companion Policy 13-502CP (the "Proposed Policy")

Substance and Purpose of the Proposed Rule

The Proposed Rule establishes the New Fee Model, which is essentially and substantially the same as the fee model described in the Concept Proposal, except as described below.

[1] Concept Proposal, (2001) 24 OSCB 1971-1972.

Part 1

This Part defines the terms used in the Proposed Rule and deals with certain interpretation issues. The following are some of the terms used:

- "capitalization", "corporate debt", "Class 1 reporting issuer", "Class 2 reporting issuer" and "Class 3 reporting issuer" - defined for the purpose of the CF Participation Fees

- "capital markets activities", "IDA", "investment fund", "investment fund manager", "MFDA", "Ontario percentage", "registrant firm", "specified Ontario revenues", "scholarship plan" and "unregistered investment fund manager" - defined for the purpose of the CM Participation Fees

In the Proposed Rule, the term "investment fund" is defined to mean a mutual fund, a non-redeemable investment fund (as such term is defined in OSC Rule 14-501) or a scholarship plan. The use of this term is intended to ensure that all investment funds are subject to and are generally treated the same under the Proposed Rule.

Part 2

This Part requires the payment of CF Participation Fees by existing and new CF Market Players and prescribes the CF Participation Fees in Appendix A of the Proposed Rule. The fees are the same as those published with the Concept Proposal, calculated on the basis of a CF Market Player's capitalization. Under the Concept Proposal, the graduated schedule of CF Participation Fees would range from a minimum of $750 (for capitalization of under $25 million) to a maximum of $75,000 (for capitalization of over $25 billion). In the Proposed Rule, the minimum and maximum fees are $1,000 and $85,000, respectively. These figures reflect current calculation of the OSC's anticipated revenue needs and may change before finalization of the Proposed Rule.

This Part prescribes the time of payment, the form to complete for that purpose, and the additional fee for late payment. It also prescribes the manner of calculating the capitalization of each of the three classes of reporting issuers, for the purpose of determining the amount of CF Participation Fees payable by each of them.

The manner in which the capitalization of a foreign issuer is calculated has changed from what was described in the Concept Proposal. The Concept Proposal based a foreign issuer's capitalization upon the number of equity or debt securities that the foreign issuer had ever distributed into Ontario. In response to a concern that this would result in an outdated estimation of capitalization, it was decided that the calculation be based upon the number of equity or debt securities that are registered or beneficially held by persons or companies in Ontario at the end of a financial year.

Section 2.1 expressly carves out investment funds from the application of this Part, except if they do not have an investment fund manager. Where an investment fund has an investment fund manager, the fund does not have to pay CF Participation Fees. Instead, the fund's manager will be paying the CM Participation Fees in respect of revenues generated from managing the fund. However, if an investment fund does not have an investment fund manager, section 2.1 makes it clear that it is subject to the CF Participation Fees. This ensures that such investment fund does not have an unfair advantage over other reporting issuers that are required to pay the CF Participation Fees.

Part 3

This Part requires the payment of CM Participation Fees by CM Market Players, and prescribes the CM Participation Fees in Appendix B of the Proposed Rule. The fees are the same as those published with the Concept Proposal, calculated on the basis of a CM Market Player's revenues attributable to Ontario. Under the Concept Proposal, the graduated schedule of CM Participation Fees would range from a minimum of $750 (for revenues under $500,000) to a maximum of $600,000 (for revenues over $1 billion). In the Proposed Rule, the minimum and maximum are $1,000 and $850,000, respectively. Again, these figures reflect current calculation of the OSC's anticipated revenue needs and may change before finalization of the Proposed Rule.

This Part prescribes the time of payment, the form to complete for that purpose, and the additional fee for late payment. It also prescribes the manner of calculating the specified Ontario revenue of registrant firms that are members of the IDA or MFDA and of the unregistered investment fund managers, for the purpose of determining the CM Participation Fees payable by them.

It was initially intended to require unregistered investment fund managers to pay the CM Participation Fees at the time of filing a pro forma prospectus for any mutual fund managed by it. However, OSC staff noted that some unregistered fund managers might be managing investment funds that are not in continuous distribution and are not required to file a pro forma prospectus. Accordingly, it was decided that an unregistered investment fund manager be required to pay the CM Participation Fees no later than 90 days after the end of its financial year. This requirement is reflected in subsection 3.2(2) of this Part.

Section 3.8 of this Part is intended to ensure that CM Participation Fees paid by investment fund managers, whether or not registered, will not be charged to the investment funds they manage or to the securityholders of such funds.

Part 4

This Part requires the payment of activity fees and prescribes the fee for each activity in Appendix C of the Proposed Rule, which combines into a single list the separate activity fees for CF Market Players and CM Market Players originally contemplated by the Concept Proposal. The applicable activity fee is payable by a person or company when

- filing prospectuses or other distribution-related documents, applications for discretionary relief, take-over bid and issuer bid documents, applications for registration and other registration-related documents, or
- requesting copies of Commission documents or a search of Commission records.

Appendix C of the Proposed Rule contains the same fees that were published with the Concept Proposal, except for the following:

- There is now a $5,500 fee for filing a prospecting syndicate agreement. See item C of the Appendix.
- In addition to applications under sections 74, 104 and 144 that require the $5,500 fee, applications under certain other sections of the Act and certain Rules of the OSC will require the same fee. These are listed in items D.1 and D.2 of the Appendix.
- The Concept Proposal contemplated a two-tier fees for applications processed by OSC Corporate Finance staff – $5,500 for applications under more than one section of the Act, Regulation or Rules and $1,500 for other applications (for example, an application under only one section of the Act). These are now combined into one fee of $1,500 per section up to a maximum of $5,500 in item D.3 of the Appendix. This is intended to avoid possible administrative inefficiencies arising if, for example, filers decide to file 3 separate applications for relief from 3 sections of the Act in order to save on fees.
- The original flat fee of $1,500 for applications under the Act, Regulation and Rules that are processed by OSC Capital Markets staff is now subsumed into item D.3 of the Appendix. The reason for this is that the cost of OSC staff resources in processing an application does not differ between Capital Markets staff and Corporate Finance staff.
- The original flat fee of $500 for applications under subsection 62(5) of the Act is also subsumed into item D.3 of the Appendix.
- The additional fees for “rush” applications or prospectuses that involve “complex” or “novel” offerings or issues have been dropped.
- No fee will be charged for an application under section 213 of the *Loan & Trust Corporations Act* (Ontario). See item D.3(iv) of the Appendix.
- A fee is now required to be paid for pre-filing, which will be credited against the applicable fee if the formal filing is subsequently proceeded with. See item E of the Appendix.

Appendix C currently contains footnotes that explain certain fees. The footnotes will be omitted in the final form of the Proposed Rule.

Parts 5 to 7

Part 5 deals with currency calculations if a required fee is paid in a currency other than Canadian dollars. Part 6 authorizes the Director to grant an exemption from any provision of the Proposed Rule. Part 7 deals with transitional issues.

Substance and Purpose of Proposed Policy

The purpose of the Proposed Policy is to state the views of the OSC as to the manner in which the Proposed Rule are to be interpreted and applied.

For example, Part 2 of the Proposed Policy states that no person or company that pays a fee under the Proposed Rule would generally be entitled to a refund. However, it also states that adjustments in the fees paid may be made in certain cases.

Another example relates to certain provisions of the Proposed Rule concerning the basis of the calculation, and the timing of payment, of the CF Participation Fees or CM Participation Fees. Sections 3.2 and 4.1 of the Proposed Policy explain that the combined effect of those provisions is that the participation fees are payable in advance for the payor's current financial year. However, the participation fees are calculated on the basis of the payor's financial statements as at the end of its immediately preceding financial year-end.

The Proposed Policy also includes Appendices that illustrate the application of the fees to a reporting issuer, an investment counsel/portfolio manager, an IDA member, a mutual fund dealer, and an unregistered investment fund manager. Some of the Appendices currently contain footnotes that refer to specific fee items in Appendix C of the Proposed Rule. The footnotes will be omitted in the final form of the Proposed Policy.

Authority for the Proposed Rule

Paragraph 43 of subsection 143(1) of the Act authorizes the OSC to make rules "prescribing the fees payable to the OSC, including those for filing, for applications for registration or exemptions, for trades in securities, in respect of audits made by the OSC, and in connection with the administration of Ontario securities law".

Unpublished Materials

In proposing the New Fee Model, the OSC has not relied on any significant unpublished study, report, decision or other written materials. However, the OSC sought input from market players from three different focus groups. The focus groups consisted of reporting issuers, dealers (including the Investment Dealers Association), advisers and mutual fund managers (including The Investment Funds Institute of Canada).

Anticipated Costs and Benefits

The New Fee Model is expected to generate net positive benefits in two primary areas, fairness and efficiency, both for the industry and the OSC. The changing nature of the securities industry, from a business based on primary offerings to one where 95% of the activity takes place in the secondary markets, has not been reflected in the fee structure. With the shift to monitoring continuous disclosure and trading, fees based primarily on filings no longer mirror the cost of regulation. The New Fee Model ties the OSC's cost of regulation to the revenues from fees by sector. The rapid growth of some sectors, particularly investment funds, has increased the fees collected out of proportion to the cost of regulation. The shift to fees based primarily on participation in the capital markets represents a considerable improvement in fairness.

Through reducing the number of payments based on activity fees, the administration costs associated with paying the fees should drop significantly for all stakeholders involved. Based on the experience of the past year, over 40,000 fee payments will be eliminated from the system. With improvements in both fairness and efficiency, only marginally offset by very modest set-up costs, the New Fee Model is expected to deliver substantial net benefits to the capital markets intermediaries and to the OSC.

Regulations to be revoked

The OSC will request the Lieutenant Governor in Council to revoke Schedule 1. The revocation will become effective on the same date that the Proposed Rule comes into force.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Rule. Submissions received by September 27, 2002 will be considered.

Submissions should be sent in duplicate to:

c/o John Stevenson, Secretary
Ontario Securities OSC
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
e-mail: jstevenson@osc.gov.on.ca

A diskette or an e-mail attachment containing submissions (in DOS or Windows format, preferably Word) should also be submitted.

Comment letters submitted in response to requests for comments are placed on the public file and form part of the public record, unless confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation may require the OSC to make comment letters available. Persons submitting comment letters should therefore be aware that the press and members of the public may be able to obtain access to comment letters.

Questions may be referred to:

Randee Pavalow
Director, Capital Markets
(416) 593-8257
e-mail: rpavalow@osc.gov.on.ca

Marrianne Bridge, CA
Manager, Compliance - Capital Markets
(416) 595-8907
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Investment Funds - Capital Markets
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e-mail: mdasil@osc.gov.on.ca

APPENDIX A
TO
NOTICE OF PROPOSED
RULE 13-502 - FEES
COMPANION POLICY 13-502CP - FEES
FORM 13-502F1, FORM 13-502F2 AND FORM 13-502F3

LIST OF COMMENTERS

1. Barclays Global Investors Canada Limited

2. BMO Investments Inc.

3. Canadian Bankers Association

4. Elliott and Page Limited

5. Fidelity Investments Canada Limited

6. Investment Counsel Association of Canada

7. Investment Dealers Association of Canada

8. Jennifer Northcote of Stikeman Elliott *(Commented in her personal capacity and not on behalf of the firm*)

9. Leith Wheeler Investment Counsel Ltd.

10. Manulife Financial Corporation
The Manufacturers Life Insurance Company
Sun Life Financial Services of Canada Inc.
Sun Life Assurance Company of Canada
Canada Life Financial Corporation
The Canada Life Assurance Company

11. Merrill Lynch Canada Inc.
Merrill Lynch & Co. Canada Ltd.
Merrill Lynch Canada Finance Company
Merrill Lynch Financial Assets Inc.

12. Nortel Networks

13. Placer Dome Inc.

14. Royal Mutual Funds Inc.
RBC Dominion Securities Inc.
RBC Global Investment Management Inc.
RBC Private Counsel Inc.
RT Capital Management Inc.

15. Scotia Securities Inc.

16. Sprucegrove Investment Management Ltd.

17. The Investment Funds Institute of Canada

APPENDIX B
TO
NOTICE OF PROPOSED
RULE 13-502 - FEES
COMPANION POLICY 13-502CP - FEES
FORM 13-502F1, FORM 13-502F2 AND FORM 13-502F3

FEE PROPOSAL - PUBLIC COMMENTS

General Comments

Theme	Detailed Comments and Arguments	Staff Response
Guiding principle of ability to pay may be inequitable for larger market players	The commenter thought that it was inequitable for large market players to be required to subsidize small market players. Another commenter observed (from the fee examples) that there is a significant decrease in the fees paid by large market players and a significant increase in the fees paid by small market players. The commenter stated that, from a business perspective, a small market player cannot afford to absorb large increases and the fees cannot be unfairly passed on to clients.	The concept proposal bases participation fees on a measure of the market player's size so as to measure the market player's use of (and, therefore, benefit from) Ontario's capital markets. As a result, large market players will pay higher participation fees than small market players because they are using Ontario's capital markets more than smaller market players. In staff's view, this model does not result in large market players subsidizing small market players.
60 day comment period was too short	One commenter thought that the 60 day comment period was too short and that, when a redraft of the concept proposal is published for comment, a more substantive comment period should be provided, along with the finalized fee schedule. Another commenter urged further consultation throughout the next stages of the project, with ample opportunity given for comment.	OSC staff consulted with industry representatives from both the issuer and registrant communities prior to releasing the concept proposal for the 60 day comment period. Proposed OSC Rule 13-502 - Fees (the "Proposed Rule") is now being published for the statutory 90-day comment period - which should allow sufficient time for further comment on the new fee regime.
Guiding principle of reducing the vulnerability of OSC revenues to fluctuations in general market activity shifts this vulnerability to market players	The commenter thought that, by trying to reduce the vulnerability of OSC revenues, the OSC is shifting this vulnerability to market players. Market players are highly vulnerable to revenue fluctuations and are required to make periodic adjustments to their expenses. The OSC should be subject to a similar discipline. Another commenter noted that the fee model seemed to be primarily concerned with predictability of revenues and setting an appropriate rate schedule to avoid any changes to the rate schedule during an economic downturn. The focus is entirely on rate increases to address revenue decreases, rather than reducing costs to match reduced revenues. The commenter suggested that cost reductions are the more appropriate method of dealing with an economic downturn since the level of capital markets activity typically declines with the economy, which implies fewer OSC staff resources needed. Consequently, the rate schedule should be set to provide enough revenue to cover the OSC's costs in today's economic environment.	In order to provide effective regulation of Ontario's securities markets - whether the markets are bear markets or bull markets - it is critical that the OSC have sufficient operating revenues and staff at all times. As a result, it was important for staff to develop a concept proposal that limited, to the extent possible, large swings in the OSC's revenues. Also, as discussed in the concept proposal, the OSC intends to review participation fees and activity fees every three years and will adjust the fees as necessary.

Theme	Detailed Comments and Arguments	Staff Response
Director/Executive Director discretion	Two commenters thought that guidance should be provided as to when a reduction or refund of participation fees would be granted or that the principles that will guide the exercise of discretion by the Director/Executive Director should be provided.	As in all circumstances where a rule provides for discretionary authority to grant relief from securities legislation, the Director or Executive Director will exercise discretion based on the facts and circumstances of the particular case. Generally, as in most cases where exemptive relief is sought, staff's preliminary view is that requests for reductions and refunds of participation fees will only be granted in rare and unusual circumstances. For transparency of this process, any decision granting a reduction or refund of participation fees will be published in the OSC weekly bulletin.
	One commenter requested elaboration of what would be considered to be a complex filing or a novel product or security.	The additional fee for a complex filing or a novel product or security has been dropped from the Proposed Rule.
OSC taking the lead in discussions with Canadian Securities Administrators ("CSA") regarding fee revisions	One commenter was concerned that other Canadian regulators may also adopt similar fee schedules that include participation fees. The commenter argued that there is a weaker argument in other Canadian jurisdictions that participation fees measure use of the capital markets. Fees should be coordinated with the CSA in order that the aggregate effect of participation fees on issuers be considered.	The concept proposal indicated that the OSC was taking the lead in discussions with the CSA with respect to revisions to the fee schedule. Any other CSA member that adopted a participation fee/activity fee model for charging fees would likely determine which costs are large enough and occur frequently enough to be charged as activity costs and then determine what costs remain to be charged to market players as participation fees. Since both activity fees and participation fees will be based on the jurisdiction's costs of regulating its capital markets, it is unlikely that the adoption of the OSC fee model in another CSA jurisdiction would result in inappropriate fees.
	Another group of commenters stated that any OSC fee schedule should be considered in the context of overall fees that would be payable by an issuer to the CSA. As well, the participation fee/activity fee model is workable in Ontario where the OSC is the primary regulator and Ontario is the jurisdiction whose capital markets are accessed regularly by a market participant. However, a similar model in other jurisdictions may result in a substantial increase in fees that is not justified by the services provided or expenses incurred in that jurisdiction. One commenter noted that any new fee model will only be of assistance to most major market players if adopted on a national basis. Another commenter noted that until the other [Canadian] jurisdictions adopt the new model, the full benefits of the new model will not be realized by its [Investment Counsel Association of Canada] members. A further commenter stated that to encourage other CSA jurisdictions to adopt the new fee model, the OSC should adjust the basis for calculating participation fees for capital markets market players. While it will continue to	The OSC continues to take the lead in discussions with the CSA with respect to revisions to the fee schedule in each of the CSA jurisdictions, and will address issues relating to harmonization in that context.

Theme	Detailed Comments and Arguments	Staff Response
	be based on gross revenues, the commenter suggests allocating the amount payable to each province by the proportion of total assets held by clients in the province, based on client account addresses. This comment was echoed by another commenter who recommended that allocation be harmonized across all provinces and that, for each province, the allocation be based on revenues generated from investors in that province. Another commenter stated that its [IFIC] members would welcome the implementation of an acceptable, uniform fee model across all jurisdictions. This commenter also stated that there should be some consideration of how the gross revenues model, if adopted nationally for capital markets market players, might disadvantage other jurisdictions.	
Basic premise of participation fee is incorrect - OSC costs should be allocated based on a user- pay system	One commenter thought that costs incurred by the OSC in regulating Ontario's capital markets should be allocated amongst market players on an equitable basis using a user pay system - i.e. where an entity draws on the resources of the OSC, it pays the resultant costs. The proposed tiered system for participation fees allocates costs to companies with large market capitalizations. The commenter argues that this is a flawed assumption in that companies with large market capitalizations do not necessarily use Ontario's capital markets to a greater extent than companies with small capitalizations, so that companies with large market capitalizations bear a disproportionate share of the OSC's costs. Another commenter stated that OSC fees must be based on usage of services by a market player, because usage fees are better aligned with the stated goals of the OSC. Some of the reasons given for this position include: - participation fees proposed will not necessarily result in lower fees and may result in substantially higher fees for large issuers that do not access the markets on a frequent basis and for large registrants; - cost of participation in Ontario's markets is not determinable by the market capitalization of an issuer. An issuer that goes to market frequently is using more of the OSC's resources and fees charged should reflect this; - revenues of a registrant do not correlate to the usage of services provided by the OSC. The amount paid by large registrants may be disproportionately higher than the fees paid by small registrants for the same level of service, resulting in large firms subsidizing small firms. Small firms with fewer resources in the areas of law, compliance and audit may, in fact, generate proportionately higher regulatory costs than large registrants with such resources; - OSC provides services and has jurisdiction only in Ontario. Accordingly, any fee should have a link to the capital raised in the Ontario marketplace and not to the overall value of the issuer; - participation fees are not charged by most other major market regulators. This may act as a	The fee model outlined in the concept proposal is partially based on a user-pay system. Activity fees will be charged for costs that staff could specifically identify and which were large enough to charge as separate fees. Participation fees will be based on a measure of the market player's size (based either on market capitalization or Ontario-based revenues) so as to measure the market player's use of the capital markets. The participation fees include all costs of OSC regulation which could not be identified as costs for which activity fees could be charged. As a result, the participation fees include costs of OSC securities and market regulation generally - including market oversight, oversight of self-regulatory organizations ("SRO's), enforcement, policy development, continuous disclosure and compliance reviews, etc.

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	competitive impediment or disincentive to access Ontario's capital markets. Another commenter stated that the examples show that an issuer with a large market capitalization that accesses markets frequently pays lower fees, while an issuer that uses the markets less frequently may pay higher fees, depending on its size. In this commenter's case, this results in a disproportionately high fee. The company has high a market capitalization but its size does not relate to its use of Ontario's capital markets since it has not filed a prospectus since 1987. Current fee is $2K. Proposed participation fee is $65K. Another commenter stated that [registrants] that rarely access the public markets are expected to pay significantly higher fees in exchange for no incremental activities from the OSC. Market players who have large activity volume and have a larger asset base should proportionately take on more of both the participation and activity fees because they require more attention from the OSC and collect more revenues from their clients.	
Proposed participation fees are too high. Fee amendments should result in decreased costs to all market players	The commenter stated that for services provided by the OSC that are not directly attributable to usage, smaller participation fees may be appropriate. Further, given the size of OSC surpluses in recent years, fee amendments should not result in increased costs to any market participant.	Many of the large OSC surpluses were generated before the OSC attained self-funding status. These surpluses were not retained by the OSC. When the OSC obtained self-funding status, the OSC agreed with the Ontario government that it would reduce its fees (on a going forward basis) to match its costs. The concept proposal is the OSC's fourth step in reaching this goal. The first step was the elimination of the secondary market fee and the termination and transfer fee for salespersons. The second step was the 10% fee reduction across-the-board effective August 4, 1999. The third step was the further 10% fee reduction across-the-board effective June 26, 2000. One of the objectives of the concept proposal is to rationalize the fees charged to market players - some of whom paid lower fees than they should have over the past several years and some of whom paid higher fees. By analysing the OSC's costs in detail, staff were able to develop a proposed fee structure that more fairly allocates the OSC's costs to market players. While this approach does not result in decreased fees to all market players, it does result in an overall reduction in fees payable by market players to the OSC of approximately 20% (based on its current revenues).

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Activity fees	One commenter noted that it would be preferable to have sufficient resources available so that applications are turned around in a reasonable time frame. The commenter said that, before commenting on the appropriateness of charging extra fees for rush applications, it would be appropriate to understand what normal turnaround periods for applications are anticipated to be. Another commenter wanted to confirm its understanding that the rush application fee would only be required where the applicant was responsible for initiating the application on a rush basis.	The additional fee for "rush" applications has been dropped from the Proposed Rule. OSC staff will continue to try and accommodate reasonable and justifiable requests for expedited processing of applications, subject to availability of resources.

Corporate Finance Market Players

Theme	Detailed Comments and Arguments	Staff Response
Duplicate participation fees	Certain Canadian life insurance companies (that provided a combined response) that adopted a holding company structure following their demutualization, for federal financial institution regulatory purposes, will be assessed a duplicate participation fee. In the case of three of these commenters, each of their operating companies and respective holding companies are reporting issuers and would each be subject to a participation fee - resulting in duplicate participation fees. Submission is that the subsidiary company should not be required to pay a separate participation fee so long as its assets are the same as those of its parent company and a participation fee is paid by the parent company.	The Proposed Rule provides that, where a reporting issuer ("subsidiary issuer") is wholly-owned by another reporting issuer ("parent issuer"), the subsidiary issuer will be exempt from paying participation fees so long as the parent issuer pays applicable participation fees, and so long as each of the assets and revenues of the subsidiary issuer represent greater than 90% of the parent issuer's assets and revenues.
Proposed fee model penalizes inactive special purpose vehicles and other inactive issuers	One commenter noted that the current fee schedule imposes high fees for offerings and low annual fees for continuous disclosure documents and thus inactive issuers have relatively small ongoing fees. Proposed fee schedule reverses this and thus penalizes inactive issuers. This is unjustified since inactive issuers are not putting any strain on the resources of the OSC and are deriving minimal ongoing benefit from Ontario's capital markets. Most of these inactive issuers have already paid significant fees to make their public offerings and have therefore already compensated the system for their participation in Ontario's capital markets. Revise concept proposal to lower participation fees for an issuer that has not accessed Ontario's capital markets in the previous 18 months and provide a "grandfathering" mechanism which permits issuers to pay lower participation fees if they have not accessed the capital markets in the 18 months prior to the new fee schedule coming into force.	The proposed participation fees include all OSC's costs that cannot be specifically identified and charged as activity fees. As a result, the participation fees include the cost of securities regulation generally (as discussed above). In staff's view, previously paid activity fees do not compensate the system for the OSC's ongoing costs of ensuring that market players have a strong and vibrant market in Ontario. As a result, the Proposed Rule does not have any "grandfathering" provision. However, the Proposed Rule provides for prorated participation fees in the first year of implementation of the new fee model.

Capital Markets Market Players

Theme	Detailed Comments and Arguments	Staff Response
Fees generated by investment vehicles should reflect the cost of regulating them	One commenter said that fees generated by investment vehicles should reflect the cost of regulating them. The proportion of OSC revenues generated by the increased popularity of mutual funds and pooled funds has greatly exceeded the cost to the OSC of regulating these investment products. Another commenter stated that the proposed fee schedule favours large capital markets market players, especially those managing large pooled/mutual funds.	Managers of mutual funds, scholarship plans and other investment funds benefit from OSC regulation of the capital markets, which provides effective and efficient capital markets for investors to invest in, resulting in increased capital for fund managers to manage. The fee proposal is not intended to favour large market players. It is intended to deal with large and small market players as fairly as is reasonably possible by imposing participation fees based on an appropriate factor -- the size of their gross revenue attributable to Ontario.
Proposed fees duplicate SRO fees	One commenter was concerned that the proposed fee model would be neutral to its [IDA] members as a whole and that its members would not participate in the relief from excess fees at all. The commenter also noted that this was unfair and burdensome since its members must also pay $21 million for self-regulation through the IDA, as well as the fees charged by other securities regulators in Canada.	Based on the fees prescribed in the Proposed Rule, it is anticipated that IDA members would enjoy savings of approximately 10% from the fee schedule currently in place in Ontario (after the 20% reduction). However, not all dealers will achieve this 10% reduction in fees. Some will pay more; some will probably pay substantially less. Also, since OSC fees are based on its costs of regulation, duplicate fees are not being charged to IDA members by the OSC. IDA members are being charged fees by the IDA for the IDA's direct regulation of those members. IDA members are also being charged fees by the OSC for oversight of the IDA operations.
Duplicate participation fees within families of registrants	The commenter thought that tiered participation fees would lead to unfair results because two registrants within the same corporate entity could end up paying a higher combined participation fees than one registrant with the same revenue base. The commenter proposed that related parties should be able to consolidate their gross revenues for the purpose of calculating their annual participation fees. Another commenter made a similar comment. This commenter proposed that a "consolidated" fee schedule be available for related companies at least in circumstances where there are no outside shareholders.	Staff considered permitting consolidation of gross revenues of affiliated registrants but decided that the OSC should not have to tailor the formula for calculating the participation fee in order to accommodate different corporate structures. It is up to a registrant or group of registrants to determine the corporate structure that would best suit their business needs, after giving consideration to a host of factors which could include the participation fee. Also, staff believe that, by permitting registrants within an affiliated group to deduct certain payments made to each other (e.g., trailer fees, advisory or sub-advisory fees) in determining their respective gross revenues attributable to Ontario,

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		the concerns raised by these comments are somewhat mitigated.
Increasing adviser fees are subsidizing other registrants	One commenter noted that advisers will pay higher fees under the concept proposal. If the proposal is intended to reduce overall fees collected by the OSC, the commenter did not understand why advisers should pay more and not benefit from the overall fee reduction which most, if not all, other categories of registration will receive. The commenter's concern was that advisers may be subsidizing other registrants under the new fee model. Furthermore, the increase in adviser fees does not seem to add any value to the services rendered to advisers or the protection of clients. Further, the commenter noted that the participation fees paid by registrants and issuers should bear some relationship to the OSC's cost of regulation. For example, if the OSC's costs of regulating advisers represents a certain percentage of the OSC's total costs, then total participation fees paid by advisers should make up a similar percentage of participation fees collected by the OSC. This analysis does not appear to be reflected in the concept proposal.	In developing the activity and participation fees, staff analysed costs on an OSC-wide basis and on a branch by branch basis. For example, when setting the activity fee for prospectuses, the actual costs of reviewing long and short form prospectuses were analysed. Similarly, the participation fees payable by capital markets market players are based on costs incurred by the capital markets branch and the branch's percentage of OSC general overhead. While this results in some market players paying more fees and some market players paying less fees, it is a fairer method of allocating fees than arbitrarily applying different participation fees to different classes of registrants.
Shift in fees from investment funds to fund managers	One commenter stated that an assumption underlying the fee model is that the increase in registrant fees (to fund managers) resulting from participation fees is balanced by the reduction in activity fees for investment fund filings. This results in an unjustified increase in the cost of business to fund managers, while the immediate beneficiary of the fee reduction would be the unitholders of the funds. Fund managers have no ability to reduce the effect of the participation fee by raising management fees because these fees are fixed and require approval to be increased. The commenter went on to note that ultimately the investment fund or fund manager clients will end up paying the participation fee of the fund manager. The commenter's proposal was that the OSC charge a participation fee for investment funds that reflects the level of regulatory activity required for these funds, which is relatively standard for all fund participants and should lend itself to a standard charge. Two other commenters stated that the concept proposal resulted in a shift in fees from investment funds to fund managers. It was unclear to the commenters whether fund managers had any basis to charge their participation fee to their funds. If the OSC's intent is that these fees may not be charged to the funds, then there will be a	In the concept proposal, investment funds will only pay for activity fees, e.g., for prospectus filings and applications for discretionary relief. All of the other costs involved in regulating investment fund activities are included in the participation fee charged to fund managers. However, this would result in only a partial shift of the fee burden to the fund managers because, under the current fee schedule, the distribution fee that is paid by investment funds directly is indirectly shared by the funds' unitholders and the fund managers to the extent that the amount of the distribution fee reduces the fund's net asset value ("NAV"). This means reduced returns for the unitholders and, for the fund manager, a lower NAV on which to calculate its management fee. Staff's view is that the proposal is a more appropriate fee structure for this industry. Staff also believe that it is fair to impose the participation fee on fund managers (rather than on the funds which they manage), since fund managers earn revenues from managing investors' money entrusted to them. The fact that fund managers would absorb the participation fee is offset by the fact that their management fee will be calculated on a higher NAV because there will be no distribution fee to reduce an investment fund's

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	significant shifting in the burden of regulatory fees from funds to the fund manager, thus changing the economics of the industry. (Commenters: Fidelity Investments Canada Limited and Royal Bank of Canada affiliates)	NAV. The Proposed Rule clarifies that the participation fee payable by fund managers cannot be charged directly to investment funds. However, there is nothing to prevent fund managers from recouping participation fees by seeking unitholder approval to increase the management fees payable by investment funds.
Gross revenue may not be the most relevant indicator of a registrant's use of the capital markets	One commenter was unable to assess the staff conclusion that gross revenue is the most relevant indicator of a registrant's use of the capital markets because the basis for staff's choice is not set out in the concept proposal. The commenter thought that a more appropriate indicator would be value of securities or assets under administration. The commenter also noted that income allocation may not directly relate to a registrant's participation in Ontario's capital markets but may instead reflect the registrant's business structure. Gross revenues will generally be allocated to the province where the registrant has its head office. Thus, if the registrant's head office is in Ontario, revenue would be allocated to Ontario even if the revenue was earned from activities outside of Ontario.	Before deciding on gross revenue as the basis for calculating the participation fee, staff considered its advantages and disadvantages relative to those of using "asset under administration" for that purpose, from the perspective of both the OSC and the market players. Staff determined that there are more advantages and less disadvantages to using gross revenue as opposed to using assets under administration. Staff understand that federal tax laws prescribe the manner of determining the percentage of revenue that a business entity (including a player in the capital markets) earned/generated in each of the Canadian jurisdictions, and require the business entity to indicate such percentage on its income tax return. Based on that information, the income tax paid by the business entity is apportioned to all the other Canadian jurisdictions where the taxable revenue was earned/generated. On many occasions, market players invoke federal tax requirements as a basis for obtaining discretionary relief from Ontario securities law, and the OSC has invariably accepted such arguments. The OSC should also be able to rely on the same federal tax requirements in determining a market player's gross revenue attributable to Ontario, for the purpose of calculating the participation fee payable by the market player.
	Another commenter stated that using gross revenues presupposes that there is a correlation between revenues and services provided to a registrant. The gross revenue approach penalizes firms that are small in terms of product lines, number of clients and number of employees, relative to the amount of revenue generated. Under the concept proposal, its fees would increase from $15K to $50K. Commenter believes that the increased fee exceeds the cost of services provided to it by the OSC.	Staff has already explained elsewhere the correlation between a market player's gross revenue and the services provided by the OSC to ensure that the market player continues to earn revenue in a capital market that is efficient and has the confidence of all market participants, including public investors.

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	Another commenter thought that the OSC should provide guidance on how revenue is to be appropriately allocated. The commenter refers to Appendix E of the concept proposal which indicates that, for the purpose of determining the participation fee, non-resident registrants that do not pay tax must allocate a proportion of total revenue generated from Ontario residents. The commenter believes that it would be unfair to require this from non-resident registrants and not to permit those who do pay tax in Ontario to do the same allocation of revenue.	Since the OSC is prepared to accept the allocation of gross revenue among Canadian jurisdictions in the manner prescribed by federal tax laws as a basis for determining gross revenue attributable to Ontario, staff believe that it is not necessary for the OSC to provide guidance for such purposes. Moreover, item 7 of Appendix E will be revised to state that, for non-resident and international registrants, gross revenue attributable to Ontario will be based on the proportion of total revenues generated from "capital markets activities" in Ontario. Such term is defined in the Proposed Rule to "include trading in securities, providing securities-related advice, portfolio management, and investment fund management and administration".
	A further commenter said that the use of gross revenue does not recognize the different sources of revenue and their relationship to regulatory activity. This may result in a larger proportionate amount of fees being allocated to fund managers that include institutional funds (vs. conventional mutual funds) in their business. Commenter believes that institutional funds require less regulatory oversight than mutual funds, and that this should be taken into account in setting fees.	The fact that a fund manager deals exclusively, substantially or partially in retail funds or institutional funds should not make a difference in the amount of the participation fee that the fund manager pays. The primary rationale for the participation fee is that the regulatory activities of the OSC enable the fund manager to use (and enjoy the benefits of) a capital market that is efficient and in which all market participants (and investors) have a great deal of confidence.
	Another commenter thought that the fee model did not contemplate a situation where a registrant may earn significant revenues that are not attributable to capital markets activity. For example, certain financial institutions carry on numerous non-capital market activities which generate significant revenues. Registrants should not be penalized because of their corporate structure. Further, the commenter questions whether it is appropriate from a jurisdictional perspective for the OSC to levy fees on revenues generated from activities unrelated to the Ontario markets. The commenter's proposal is to allow registrants that earn gross revenues from activities that are not related to capital market activities to deduct those revenues in calculating participation fees.	The definition of "Gross Revenue" in note 1 under Notes and Instructions - Part III of Form 13-502F3 (Appendix E of Concept Proposal) has been revised to "the sum of all revenues *earned from capital markets activities and* reported on a gross basis as per the audited financial statements in accordance with GAAP". The term "capital markets activities" is defined as indicated above.

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	A further commenter thought that the legal and financial structure of a registrant may not accurately represent where the fee revenue is derived from. For example, while the fees generated from distribution of Royal Mutual Funds ("RMF") result from investments of residents in all provinces, RMF is taxed 100% in Ontario because its sole place of business for tax purposes is Ontario. The commenter suggests that a more appropriate measure is the relative provincial allocation of the fees generated from the distribution of RMF - 41% of which is distributed to Ontario residents. Another commenter stated that its Ontario tax return specifies that 100% of its revenues are attributable to Ontario, which is where it has one permanent establishment. This commenter pays tax in Ontario based on worldwide revenues. A third commenter also advised that it attributes 100% of its gross revenues to Ontario. This commenter suggested using gross revenues as the basis for the participation fee, but allocating the amount payable to each province by the proportion of total assets held by clients in each province, based on client account addresses.	As previously stated, the OSC will rely on the percentage stated on a market player's income tax return, pursuant to federal tax laws, which indicates the portion of taxable revenue earned/generated in Ontario and other provinces (if any). If, under federal tax laws, less than 100% of a market player's revenues can be properly determined as having been earned/generated in Ontario, then its income tax return should state a percentage that is less than 100%. Staff believe that the other issues raised by these comments can be adequately addressed by the revised definition of "gross revenue" and by the definition of "capital markets activities" as stated above. With regard to fund managers, their gross revenues will be earned in Ontario if their fund management activities are carried on in Ontario, whether or not the assets of the funds they are managing are located in or obtained from Ontario.
	Another commenter was concerned that it would be subject to double fees if another regulator (e.g. the SEC) decided to assess the commenter based on revenues related to clients in their jurisdiction. The commenter suggested that a more appropriate revenue base would be revenues generated from Ontario residents.	In response to the first comment, staff believe that a market player which carries on activities in multiple jurisdictions should be prepared to pay the cost of doing business in multiple jurisdictions. As for the second comment, staff believe that "capital markets activities" in Ontario should be the determining factor for the participation fee.
Tiering of participation fees	One commenter thought that the tiered participation fees were too broad and all encompassing and that the current participation fee schedule would lead to registrants with largely divergent gross revenues paying the same participation fee. The commenter's proposal was to replace the "tiers" with a fixed percentage of revenue (similar to the Mutual Fund Dealers Association). A fixed percentage of revenue would be payable within defined tiers, as opposed to having a fixed dollar amount payable within each tier. Another commenter also thought that the participation fee tiers were too broad. This commenter would replace the "fixed tier" approach with a "declining tier" approach. Under the latter approach, a fixed percentage of revenue would be payable within defined tiers. At each progressive revenue tier, the percentage of revenue that would be payable as the participation fees would decrease. The proposed model alleviates the obvious unfairness that arises under the "fixed tier" approach. A further commenter thought that the participation fee tiers are too wide and that the levels of fees charged are too high at the low end and too low at the high end.	Staff decided on a few "broad tiers", as opposed to more and narrower tiers, in order to ensure that the OSC would have a reasonably stable revenue stream irrespective of market conditions. It is for the same reason that staff decided on fixed dollar amounts, rather than percentages, within tiers. The OSC must, at all times, have the financial resources to perform its regulatory function and fulfill its statutory mandate.

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Deductions from participation fees	One commenter thought that the model was unfair, because many mutual fund companies have financed the commissions payable to dealers from the sale of deferred charge units through securitisation vehicles that are not registrants. While the revenue may initially show on the mutual fund company's income statement, it is then paid to the securitisation vehicle. The commenter proposed that there be a deduction for amounts payable to securitisation vehicles.	The deductions from gross revenues for payments made to other registrants in Ontario are intended to avoid double charging of the participation fee on the same revenues. They are not intended to reduce the participation fee payable by a registrant for any revenue that is subsequently paid out to other entities, even if they are not registered in Ontario. Accordingly staff do not propose to allow a deduction for revenues paid by fund managers to unregistered securitisation vehicles or for revenues paid to advisers or sub-advisers not registered in Ontario.
	The same commenter said that no deduction had been provided for commissions payable by mutual fund companies to dealers for the sale of deferred charge units. The commenter proposed that a deduction be provided in order to eliminate the double counting that otherwise arises. The commenter also requested confirmation that the deduction for trailer fees paid to another registrant in Ontario can be made, even if the individual advisers or investors in respect of whom the trailer fees have been paid are non-Ontario residents.	With respect to the comment relating to the sale of deferred charge units, staff realize that, where an investment fund sells units on a deferred sales-charge basis, the fund manager pays to the dealer the commissions that should have been paid by the investors. It is for this reason that a deduction is permitted for "redemption fees earned upon redemption of units sold" on a deferred sales-charge basis. The residence of a client in respect of which a trailer fee is paid to an Ontario registrant is not a relevant consideration in the deductibility of the trailer fee from the gross revenue of another Ontario registrant.
	A further commenter noted that, by not permitting a deduction for sub-advisory fees paid to non-registrant advisors (e.g. international sub-advisors with expertise in foreign markets), the proposal effectively penalizes advisers who seek investment expertise outside of Ontario.	If, by using the services of foreign advisers, a fund manager is able to increase the NAV of the fund it is managing, the return to investors would be improved and the fund manager's management fee that is calculated on the fund's NAV would increase. Staff believe that a fund manager's decision whether or not to use the services of a foreign adviser is a business decision, and the cost (if any) of such decision should be borne by the fund manager.
Activity fees for mutual funds	Two commenters stated that in many cases, a single prospectus covers a number of mutual funds. Both commenters thought that this should significantly reduce the amount of work required to review the prospectus on a per fund basis. One commenter suggested that some form of discount should be available where a single prospectus covers a number of mutual funds. The other commenter suggested that one flat fee be charged for the first fund, with a lower fee for each additional fund under the same prospectus. This commenter suggested that this model is already in use in other jurisdictions of Canada.	In developing the proposed activity fees for mutual funds, staff analysed in detail the OSC's costs relating to mutual fund prospectus review. The total costs were then divided by the number of public mutual funds. As a result, the OSC's cost per mutual fund does not decline based on the number of mutual funds that are included in a single prospectus document. Also, contrary to what the commenters stated, combining the prospectuses of two or more mutual funds in a single

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		voluminous prospectus document does not, in fact, reduce the amount of staff time and effort necessary to review them. For example, whether staff is reviewing the prospectus of one mutual fund or the prospectuses of 20 mutual funds in a single document, staff still has to complete the initial review and do a comment letter within the same 10-business day period that is normally intended for the review of one prospectus. The use of multiple-fund prospectus documents simply means that staff have to work longer hours to meet timing expectations.
Duplication of activity fees with the *Commodity Futures Act*	Two commenters asked for clarification regarding whether activity fees would be charged twice if the firm or individual is registered under both the *Securities Act* ("SA") and the *Commodity Futures Act* ("CFA") The commenter's proposal was that these fees should not be duplicated.	With respect to non-registration-related activity fee, whether or not there would be a fee duplication would depend on the activity for which the fee is being levied. For example, if a SA/CFA registrant applies for concurrent relief from a SA requirement that has an equivalent CFA requirement, a single activity fee may be appropriate. However, if the application is for relief from one SA requirement and also from a separate and distinct CFA requirement, then two activity fees would be appropriate. With respect to the registration-related activity fees, the proposed Companion Policy 13-502CP (the "Proposed Policy") clarifies that, if a concurrent application for registration or for an exemption from a registration-related requirement is made pursuant to both the CFA and the SA, there will only be one activity fee levied for the concurrent applications. Where the applications are not made concurrently, the appropriate activity fee payable pursuant to either the CFA or the SA will be levied.
Drafting comments	One commenter wanted clarification that mutual funds and pooled funds would not be required to pay a participation fee.	It is clear in the Proposed Rule that investment funds (i.e., mutual funds, non-redeemable investment funds, or scholarship plans) are not subject to participation fees payable by CM Market Players (as that term is defined in the Notice) . It is the investment fund managers who would be subject to such fees. However, if an investment fund does not have an investment fund manager, the investment fund would be subject to the participation fees payable by CF Market Players (also as defined in the Notice).

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	A second commenter was concerned that the words "limited solely to those that represent the recovery of costs" have profit or loss implications that would prevent deduction for "administration fees" if, for example, a third party made a profit from such fees. (Commenter: Fidelity Investments Canada Limited)	The Proposed Policy clarifies that the words "limited solely to those that represent the recovery of costs" mean that a fund manager will not be permitted to make a deduction for more than the amount of "administration fees" it has paid on behalf of an investment fund. In staff's view, the words have nothing to do with whether or not a third party made a profit from the fees paid to it by the fund manager on behalf of the mutual fund.
	The same commenter also was unclear as to when rent and advertising would ever be charged to a mutual fund, other than (in the case of rent) as part of transfer agent charges. The commenter was unclear why rent would be specifically mentioned; many other costs relate to transfer agent functions, including salaries, system costs, etc.	The Proposed Policy clarifies that transfer agent charges mean the amount of fees/charges paid to the transfer agent.
	One commenter requested clarification as to whether the late filing fee of $100 per day for activity fees related to business days or calendar days.	The Proposed Rule states clearly that the late-filing fee relates to business days and not to calendar days. Staff do not think it is appropriate to charge a late per diem fee for a day on which it is not possible to make a filing through SEDAR.
	One verbal corporate finance commenter questioned when the first participation fees are payable. For example, if we implement the new fee schedule on April 1, 2002 and a reporting issuer has a December 31 year end, would the issuer be required to pay prorated participation fees (presumably 9/12) for the period from April 1, 2002 to December 31, 2002 or would the participation fees not kick in until the following year?	The transition provision of the Proposed Rule makes it clear that participation fees will be prorated in the first year of implementation of the new fee model. For example, if the new fee schedule comes into effect on April 1, 2003, an issuer with an October year end will be required to pay 7/12 of the applicable participation fee for that year.
	One verbal commenter questioned whether The Canadian Ventures Exchange ("CDNX") is considered to be a stock exchange for fee calculation purposes. Apparently the concept proposal is inconsistent. In some places, the term "Canadian stock exchange" is used – which would presumably include CDNX. In others, the term stock exchange is used more narrowly (inferring The Toronto Stock Exchange only)	The Proposed Rule uses the term "marketplace" as defined in National Instrument 21-101 Market Operations, which covers both CDNX and TSX.
	A further verbal commenter questioned whether the definition of equity securities included in the participation fee calculation was limited to listed securities that carry residual rights.	The Proposed Rule defines "equity securities" as having the same meaning ascribed to it in subsection 89(1) of the Act.

6.1.2 OSC Rule 13-502, Fees

ONTARIO SECURITIES COMMISSION
RULE 13-502
FEES

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PART 1 DEFINITIONS

1.1 Definitions

(1) In this Instrument,

"capitalization" means, for a reporting issuer, the capitalization determined in accordance with section 2.5, 2.6 or 2.7;

"capital markets activities" includes trading in securities, providing securities-related advice, portfolio management, and investment fund management and administration;

"Class 1 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction and that has a class of equity securities listed and posted for trading, or quoted on, a marketplace in either or both of Canada or the United States of America;

"Class 2 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction other than a Class 1 reporting issuer;

"Class 3 reporting issuer" means a reporting issuer that is not incorporated and that does not exist under the laws of Canada or a jurisdiction;

"corporate debt" means debt issued in Canada by a company or corporation that has a remaining term to maturity of one year or more;

"education savings plan" means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards to further the beneficiaries' education;

"entity" means a company, syndicate, partnership, trust or unincorporated organization;

"equity security" has the meaning ascribed to that term in subsection 89(1) of the Act;

"IDA" means the Investment Dealers' Association of Canada;

"investment fund" means a mutual fund, a non-redeemable investment fund or a scholarship plan;

"investment fund family" means two or more investment funds that have

(a) the same manager, or

(b) managers that are affiliated entities of each other;

"investment fund manager" means the person or company that directs the business, operations and affairs of an investment fund;

"marketplace" has the meaning ascribed to that term in National Instrument 21-101 Market Operation;

"MFDA" means the Mutual Fund Dealers Association of Canada;

"Ontario percentage" means, for the financial year of a person or company

15. that has a permanent establishment in Ontario, the percentage of the income of the person or company allocated to Ontario for the financial year in the corporate tax filings made for the person or company under the ITA; or

16. that does not have a permanent establishment in Ontario, the percentage of the total revenues of the person or company attributable to capital markets activities in Ontario;

"registrant firm" means a person or company registered as one or both of a dealer or an adviser under the Act;

"scholarship plan" means an issuer of a document constituting, or representing an interest in, an education savings plan and that issues securities that are related to discrete pools of assets referable to more than one education savings plan;

"specified Ontario revenues" means, for a registrant firm or an unregistered investment fund manager, the revenues determined in accordance with section 3.4, 3.5 or 3.6;

"subsidiary entity" has the meaning ascribed to "subsidiary" under GAAP; and

"unregistered investment fund manager" means an investment fund manager that is not registered under the Act.

(2) In this Rule, the person or company of which another person or company is a subsidiary entity is considered to be a parent of the subsidiary entity.

PART 2 CORPORATE FINANCE PARTICIPATION FEES

2.1 Application - This Part does not apply to an investment fund other than an investment fund that does not have an investment fund manager.

2.2 Participation Fee

(1) A reporting issuer shall pay, for each of its financial years, the participation fee shown in Appendix A that applies to the reporting issuer according to the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of its previous financial year.

(2) Subsection (1) does not apply to a reporting issuer that is a subsidiary entity for a financial year of the subsidiary entity, if

(a) the parent of the subsidiary entity is a reporting issuer;

(b) the parent of the subsidiary entity has paid the participation fee required for itself by subsection (1) for the financial year; and

(c) the net assets and gross revenues of the subsidiary entity represent more than 90 percent of the net assets and gross revenues of the parent for the previous financial year of the parent of the subsidiary entity.

2.3 Time of Payment

(1) A reporting issuer shall pay the participation fee no later than the date on which its annual financial statements are required to be filed.

(2) If the financial statements of a Class 2 reporting issuer are not available by the date referred to in paragraph (1)(b), the Class 2 reporting issuer shall pay the participation fee for a financial year on the basis on a good faith estimate of its capitalization as at the end of that financial year.

(3) A Class 2 reporting issuer that paid a participation fee under subsection (2) shall, when it files its annual financial statements for the applicable financial year, calculate the participation fee on the basis of those financial statements, and

(a) pay any amount of the participation fee not paid under subsection (2); or

(b) be entitled to receive from the Commission a refund of any amount paid under subsection (2) in excess of the participation fee payable for that financial year.

2.4 Form Requirements

(1) A reporting issuer shall file a Form 13-502F1, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

(2) A Class 2 reporting issue shall file a Form 13-502F2, completed in accordance with its terms, in connection with the adjustment of a payment made under subsection 2.3(2) in accordance with subsection 2.3(3).

2.5 Calculation of Capitalization for Class 1 Reporting Issuers - The capitalization of a Class 1 reporting issuer at the end of a financial year of the Class 1 reporting issuer is the aggregate of

(a) the market value of each class or series of equity securities of the reporting issuer outstanding on that date, calculated by multiplying

(i) the total number of securities of the class or series outstanding on that date; and

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on

(A) the marketplace in Canada on which the highest volume of the class or series of securities were traded in that financial year, or

(B) if none of the class or series of securities were traded on a marketplace in Canada, the marketplace in the United States of America on which the highest volume of the class or series of securities were traded in that financial year, and

(b) the market value of each class or series of corporate debt or preferred shares of the reporting issuer outstanding on that date, as determined by the reporting issuer.

2.6 Calculation of Capitalization for Class 2 Reporting Issuers - The capitalization of a Class 2 reporting issuer at the end of a financial year of the reporting issuer is the aggregate of each of the following items, as shown in its audited balance sheet as at the end of the financial year,

(a) retained earnings or deficit;

(b) contributed surplus;

(c) share capital, options, warrants and preferred shares;

(d) long term debt, including the current portion;

(e) capital leases, including the current portion;

(f) minority or non-controlling interest;

(g) items classified on the balance sheet between current liabilities and shareholders' equity, and not otherwise referred to in this subsection (1); and

(h) any other item forming part of shareholders' equity not otherwise referred to in this subsection (1).

2.7 Calculation of Capitalization for Class 3 Reporting Issuers - The capitalization of a Class 3 reporting issuer at the end of a financial year of the Class 3 reporting issuer is

(a) if the Class 3 reporting issuer has any debt or equity securities listed or traded on a marketplace located anywhere in the world, the aggregate of the value of each class or series of securities so listed or traded, calculated by multiplying

(i) the number of securities of the class or series outstanding on the date; and

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on the marketplace on which the highest volume of the class or series of securities were traded in that financial year; and

(iii) the percentage of the class or series registered in the name of, or held beneficially by, an Ontario person or company; or

(b) if the Class 3 reporting issuer has no debt or equity securities listed or traded on a marketplace located anywhere in the world, calculated by multiplying the capitalization as determined under section 2.6 by the percentage of the class or series registered in the name of, or held beneficially by, an Ontario person or company.

2.8 Participation Fee for a New Reporting Issuer

(1) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a prospectus that relates to a distribution of securities shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under subsection (2); and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(2) The capitalization of a reporting issuer referred to in subsection (1) for the purpose of calculating the participation fee shall be determined as provided under section 2.5., 2.6 or 2.7, adjusted by

(a) assuming the completion of all distributions contemplated by the prospectus as at the date of filing of the prospectus;

(b) for a Class 1 reporting issuer and a Class 3 reporting issuer, using the issue price of the securities being distributed under the prospectus, as disclosed in the prospectus, as the amount required to be calculated under subparagraph 2.5(a)(ii), paragraph 2.5(b) or paragraph 2.7(b); and

(c) for a Class 2 reporting issuer; basing its capitalization on the audited financial statements for the most recent financial year contained in the prospectus, adjusted as provided in paragraph (a).

(3) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a non-offering prospectus shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under section 2.6, based on the audited financial statements for the most recent financial year contained in the prospectus; and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(4) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer as the result of being deemed to be a reporting issuer by the Commission shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) for

(i) a Class 1 reporting issuer, the participation fee based on a capitalization determined under section 2.5,

(ii) a Class 2 reporting issuer, the participation fee based on a capitalization determined under section 2.6, and

(iii) a Class 3 reporting issuer, the participation fee based on a capitalization determined under section 2.7; and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(5) The section does not apply to a reporting issuer formed from a statutory amalgamation or arrangement, or a person or company continuing from a transaction to which clause 72(1)(i) of the Act applies.

2.9 Late Fee

(1) Subject to subsection (2), a reporting issuer that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A reporting issuer is not required to pay a fee under this section in excess of 25 percent of the participation fee otherwise payable under this Part.

2.10 Reliance on Published Information

(1) Subject to subsection (2), in determining its capitalization for purposes of this Part, a reporting issuer may rely upon information made available by a marketplace on which securities of the reporting issuer trade.

(2) Subsection (1) does not apply if the reporting issuer has knowledge both

(a) that the information make available by the marketplace in inaccurate; and

(b) of the correct information.

PART 3 CAPITAL MARKETS PARTICIPATION FEES

3.1 Participation Fee - A person or company that is a registrant firm or an unregistered investment fund manager shall pay, for each of its financial years, the participation fee shown in Appendix B that applies to the registrant firm or unregistered investment fund manager according to the specified Ontario revenues of the registrant firm or unregistered investment fund manager for its previous financial year.

3.2 Time of Payment

(1) A registrant firm shall pay the participation fee referred in section 3.1 by December 31 of each year.

(2) An unregistered investment fund manager shall pay the participation fee referred in section 3.1 no later than 90 days after the end of each financial year of the unregistered investment fund manager.

3.3 Form Requirement - A registrant firm and an unregistered investment fund manager shall file a Form 13-502F3, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

3.4 Calculation of Specified Ontario Revenue for a Member of the IDA - The specified Ontario revenue for a financial year of a registrant firm that is a member of the IDA is calculated by multiplying

(a) the amount indicated by the registrant firm as the Total Revenue on the Summary statement of income contained in the Joint Regulatory Financial Questionnaire and Report of the IDA for the financial year; and

(b) the Ontario percentage of the member of the IDA for the financial year.

3.5 Calculation of Gross Revenues for a Member of the MFDA - The specified Ontario revenues for a financial year of a registrant firm that is a member of the MFDA is calculated by multiplying

(a) the amount indicated by the registrant firm as its Total Revenue on the Summary statement of the Financial Questionnaire and Report of the MFDA for the financial year; and

(b) the Ontario percentage of the member of the MFDA for the financial year.

3.6 Calculation of Gross Revenues for Others

(1) The specified Ontario revenues for a financial year of a registrant firm that is not a member of the IDA or the MFDA or of an unregistered investment fund manager is calculated by multiplying

(a) the gross revenues of the registrant firm or unregistered investment fund manager contained in its audited financial statements for the financial year, less the reductions of that amount taken under subsections (2) and (3); and

(b) the Ontario percentage of the registrant firm or unregistered investment fund manager for the financial year.

(2) A person or company may reduce the amount referred to in subsection (1) by deducting the following items otherwise included in total revenue:

(a) redemption fees earned on the redemption of investment fund securities sold on a deferred sales charge basis; and

(b) administration fees relating to the recovery of costs from investment funds managed by the person or company for operating expenses paid on behalf of the investment fund by the person or company.

(3) A person or company may reduce the amount referred to in subsection (1) by deducting the following expenses incurred by the person or company in the applicable financial year:

(a) sub-advisory fees paid by the person or company to another registrant firm in Ontario; and

(b) trailing commissions paid by the person or company to another registrant firm in Ontario.

3.7 Late Fee

(1) Subject to subsection (2), a person or company that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A person or company is not required to pay a fee under subsection (1) in excess of 25 percent of the participation fee otherwise payable under this Part.

3.8 No Charge to Fund - The participation fee paid by

(a) a registrant firm that is also an investment fund manager, or

(b) an unregistered investment fund manager

shall not be borne by any investment fund, or the securityholders of any investment fund, that is managed by the registrant firm or unregistered investment fund manager.

PART 4 ACTIVITY FEES

4.1 Activity Fees - A person or company that files a document or takes an action listed in Appendix C shall, concurrently with the filing of the document or taking of the action, pay the activity fee shown in Appendix C beside the description of the document or action.

4.2 Investment Fund Families - Despite section 4.1, only one activity fee need be paid for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund.

PART 5 CURRENCY CALCULATIONS

5.1 Currency Calculations - Any calculation of money required to be made under this Rule that results in a currency other than Canadian dollars shall be translated into a Canadian dollar amount at the exchange rate posted by the Bank of Canada website on the date for which the calculation is made.

PART 6 EXEMPTIONS

6.1 Exemptions - The Director may grant an exemption from the provisions of this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 EFFECTIVE DATE AND TRANSITIONAL

7.1 Effective Date - This Rule comes into force on •, 2003.

7.2 Transitional

(1) Each reporting issuer to whom Part 2 will apply shall pay an initial participation fee, no later than • days after this Rule came into force, for the remainder of its current financial year.

(2) The fee referred to in subsection (1) shall be calculated by multiplying

(a) the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of the previous financial year of the reporting issuer; and

(b) the number of entire months remaining in the current financial year of the reporting issuer after the date that this Rule comes into force, divided by 12.

(3) No registrant firm shall be subject to Part 3 and Part 4 until •, 2003.

(4) Each unregistered investment fund manager shall pay an initial participation fee, no later than • days after this Rule came into force, for the remainder of its current financial year.

(5) The fee referred to in subsection (4) shall be calculated by multiplying

(a) the specified Ontario revenues of the unregistered investment fund manager, as determined under section 3.6, as at the end of the previous financial year of the unregistered investment fund manager; and

(b) the number of entire months remaining in the current financial year of the reporting issuer after the date that this Rule came into force, divided by 12.

(6) An investment fund the securities of which are in continuous distribution shall pay any fees owing to the Commission based on the amount of securities distributed in Ontario up to the date that this Rule came into force, as determined under the fee requirements that existed before this Rule came into force, on the earlier of

(a) • days after this Rule came into force; and

(b) the time of filing of the pro forma prospectus of the investment fund after this Rule came into force.

APPENDIX A – CORPORATE FINANCE PARTICIPATION FEES

Capitalization	Participation Fee
Under $25 million	$1,000
$25 million to under $50 million	$2,500
$50 million to under $100 million	$7,500
$100 million to under $250 million	$15,000
$250 million to under $500 million	$25,000
$500 million to under $1 billion	$35,000
$1 billion to under $5 billion	$50,000
$5 billion to under $10 billion	$65,000
$10 billion to under $25 billion	$75,000
Over $25 billion	$85,000

APPENDIX B – CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues	Participation Fee
Under $500,000	$1,000
$500,000 to under $1 million	$5,000
$1 million to under $5 million	$10,000
$5 million to under $10 million	$25,000
$10 million to under $25 million	$50,000
$25 million to under $50 million	$75,000
$50 million to under $100 million	$150,000
$100 million to under $200 million	$250,000
$200 million to under $500 million	$500,000
$500 million to under $1 billion	$650,000
Over $1 billion	$850,000

APPENDIX C - ACTIVITY FEES

Document or Activity			Fee
A.	**Prospectus Filing**		
1.	Preliminary or Pro Forma Prospectus in Form 41-501F1, (including if PREP procedures are used)		
	(a)	with gross proceeds of $5 million or less	$1,000
	(b)	with gross proceeds of more than $5 million to $20 million	$5,500
	(c)	with gross proceeds of more than $20 million	$7,500
	(d)	non-offering prospectus	$2,000
		Notes: *(i) This applies to most issuers, including investment funds that prepare prospectuses in accordance with Form 41-501F1; investment funds that prepare prospectuses in accordance with Form 81-101F1, Form 15 or Form 45 will pay the fees shown in item 5 below.* *(ii) In calculating gross proceeds, include any "green shoe" options and underwriters' over-allotment options.* *(iii) These filing fees are applicable to a preliminary prospectus in Form 41-501F1 filed in connection with special warrant offerings.* *(iv) Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.*	
2.	Additional fee for Preliminary or Pro Forma Prospectus in Form 41-501F1 of a resource issuer that is accompanied by an engineering report		$2,000
3.	Final Prospectus in Form 41-501F1 showing gross proceeds, if the corresponding preliminary prospectus did not disclose gross proceeds, or pricing supplement to a PREP prospectus in Form 41-501F1:		
	(a)	filed by any person or company, including an investment fund that is not in continuous distribution *Note: Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.*	The fee is the amount stated in this column opposite item A.1(a), (b) or (c), less $1,000
	(b)	filed by an investment fund that is in continuous distribution	None
4.	Preliminary Short Form Prospectus in Form 44-101F3 (including if shelf or PREP procedures are used)		$2,000
5.	Prospectus Filing by or on behalf of Certain Investment Funds		
	(a)	Preliminary or Pro Forma Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2	$600
	(b)	Preliminary or Pro Forma Prospectus in Form 15	$600
	(c)	Preliminary or Pro Forma Prospectus in Form 45	$600
	(d)	Final Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2, Final Prospectus in Form 15, and Final Prospectus in Form 45	None
	Note:	*Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.*	
B.	**Filing of Rights Offering Circular in Form 45-101F**		$2,000
C.	**Filing of Prospecting Syndicate Agreement**		$5,500
D.	**Applications for Discretionary Relief**		
1.	Application under clause 72(1)(m), sections 74, 104, and 127, subsection 140(2), or section 147 of the Act		$5,500 (plus $2,000 if the applicant does not pay a participation fee)

	Document or Activity	Fee
2.	Application for exemption from Multilateral Instrument 45-102, OSC Rule 45-501, OSC Rule 45-502, OSC Rule 45-503, National Instrument 51-101, OSC Rule 56-501, OSC Rule 61-501, National Instrument 62-101, National Instrument 62-103, or OSC Rule 62-501	$5,500 (plus $2,000 if the applicant does not pay a participation fee)
3.	Except as provided in items 1 and 2 above, application for discretionary relief from, or regulatory approval under, any other section of the Act, Regulation and any Rule of the Commission, excluding the following applications for which no fee is required: *Note: Where an application is made by or on behalf of one or more investment funds in an investment fund family, see section 4.2 of the Rule.*	$1,500 per section up to a maximum of $5,500 (plus $2,000 if the applicant does not pay a participation fee)
	(i) application under subsection 38(3), subsection 72(8) or section 83 of the Act	
	(ii) application under section 144 of the Act for an order revoking a cease-trade order to permit trades solely for the purpose of establishing a tax loss in accordance with OSC Policy 57-602	
	(iii) relief from section 213 of the *Loan and Trust Corporations Act* (Ontario)	
	(iv) application for waiver of the requirements of OSC Rule 51-501	
	(v) application where the discretionary relief or regulatory approval is evidenced by the issuance of a receipt for the applicant's final prospectus[2]	
E.	**Pre-Filings** *Note: The fee for a pre-filing shall be credited against the applicable fee payable if and when the formal filing is actually proceeded with; otherwise, the fee is non-refundable.*	the lower of $2,000 and the amount that would have been payable pursuant to this Appendix if the formal filing were made without the pre-filing
F.	**Take-Over Bid and Issuer Bid Documents**	
1.	Filing of a take-over bid or issuer bid circular under section 98 of the Act	$5,500 (plus $2,000 if the filer or an affiliate of the filer does not pay a participation fee)
2.	Filing of a notice of change or variation under subsection 98(2) or subsection 98(4) of the Act	$500
G.	**Continuous Disclosure**	
1.	Filing an initial annual information form pursuant to Part 3 of National Instrument 44-101	$2,000
2.	Fee for late filing of any of the following documents:	
	(a) annual financial statements and interim financial statements (b) renewal annual information form filed in accordance with National Instrument 44-101 ("Renewal AIF") (c) annual information form, other than Renewal AIF, (d) annual management report of fund performance and quarterly management report of fund performance (e) management's discussion and analysis (f) material change report (g) report on Form 45-501F1 under subsection 72(3) (h) report on Form 42 under subsection 203.1(1) of the Regulation (i) report of distributions under OSC Rule 45-503 (j) strip bond information statement under subsection 4.2(3) of OSC Rule 91-501 (k) report on Form 38 under subsection 117(1) of the Act (l) any other document, report or form required by Ontario securities law	$100 per business day (Subject to a maximum of $5,000 for all documents within one financial year)

[2] For example, an application for relief from OSC Rule 41-501 or NI81-101.

	Document or Activity	Fee
	to be filed within a prescribed period	
3.	Fee for late filing of insider report on Form 55-102F2	$50 per business day, per issuer (subject to a maximum of $1,000 per issuer within one financial year)
H.	**Registration-Related Activity**	
1.	New registration of a firm in any category of registration *Note: If a firm is registering as both a dealer and an adviser, it will be required to pay two activity fees.*	$800
2.	Change in registration category *Note: This would include a dealer becoming an adviser or vice versa, or changing a category of registration within the general categories of dealer or adviser. A dealer adding a category of registration, such as a dealer becoming both a dealer and an adviser, would be covered in the preceding section.*	$800
3.	Registration of a new director, officer or partner (trading and/or advising), salesperson or representative *Note: Registration of a new non-trading or non-advising director, officer or partner does not trigger an activity fee.*	$400 per person
4.	Change in status from a non-trading and/or non-advising capacity to a trading and/or advising capacity	$400 per person
5.	Registration of a new registrant firm resulting from the amalgamation of registrant firms	$6,000
6.	Application for amending terms and conditions of registration	$1,500
I.	**Notice to Director under section 104 of the Regulation**	$1,500
J.	**Request for certified statement from the Commission or the Director under section 139 of the Act**	$500
K.	**Commission Requests**	
1.	Request for a photocopy of Commission records	$0.50 per page
2.	Request for a search of Commission records	$10

FEE RULE

FORM 13-502F1
ANNUAL PARTICIPATION FEE FOR REPORTING ISSUERS

Reporting Issuer Name: _____

Participation Fee for the Financial Year Ending: _____

Complete Only One of 1, 2 or 3:

1. Class 1 Reporting Issuers (Canadian/U.S.-listed Issuers)

Market value of equity securities:
Total number of equity securities of a class or series outstanding at the end of the issuer's most recent financial year _____

Simple average of the closing price of that class or series as of the last trading day of each of the months of the financial year (under paragraph 2.5(a)(ii)(A) or (B) of the Rule) _____
X
Market value of class or series = _____ (A)

(Repeat the above calculation for each class or series of equity securities of the reporting issuer that are listed and posted for trading, or quoted on a marketplace in Canada or the United States of America at the end of the financial year) (A)

Market value of debt or Preferred Shares:
[Provide details of how determination was made.] (B)

(Repeat for each class or series of corporate debt or preferred shares) (B)

Total Capitalization (add market value of all classes and series of equity securities and market value of debt and preferred shares) (A) + (B) = _____

Total fee payable in accordance with Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule) _____

Total Fee Payable x $\frac{\text{Number of months remaining in financial year}}{\text{year or elapsed since most recent financial year}}{12}$

Late Fee, if applicable _____
(please include the calculation pursuant to section 2.9 of the Rule)

2. Class 2 Reporting Issuers (Other Canadian Issuers)

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Total Capitalization _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

Total Fee Payable x $\frac{\text{Number of months remaining in financial year year or elapsed since most recent financial year}}{12}$ _____

Late Fee, if applicable (please include the calculation pursuant to section 2.9 of the Rule) _____

3. Class 3 Reporting Issuers (Foreign Issuers)

Market value of securities:

Total number of the equity or debt securities outstanding at the end of the reporting issuer's most recent financial year _____

Simple average of the published closing market price of that class or series of equity or debt securities as of the last trading day of each of the months of the financial year on the marketplace on which the highest volume of the class or series of securities were traded in that financial year. X _____

Percentage of the class registered in the name of, or held beneficially by, an Ontario person X _____

(Repeat the above calculation for each class or series of equity or debt securities of the reporting issuer) = _____

Total Capitalization (add market value of all classes and series of securities) _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

Total Fee Payable x $\frac{\text{Number of months remaining in financial year year or elapsed since most recent financial year}}{12}$ _____

Late Fee, if applicable
(please include the calculation pursuant to section 2.9 of the Rule) _____

Notes and Instructions

1. This participation fee is payable by reporting issuers other than investment funds that do not have an unregistered investment fund manager.
2. The capitalization of income trusts or investment funds that have no investment fund manager, which are listed or posted for trading, or quoted on, a marketplace in either or both of Canada or the U.S. should be determined with reference to the formula for Class 1 Reporting Issuers. The capitalization of any other investment fund that has no investment fund manager should be determined with reference to the formula for Class 2 Reporting Issuers.
3. All monetary figures should be expressed in Canadian dollars and rounded to the nearest thousand. Closing market prices for securities of Class 1 and Class 3 Reporting Issuers should be converted to Canadian dollars at the closing rate in effect at the end of the issuer's last financial year, if applicable.
4. A reporting issuer shall pay the appropriate participation fee no later than the date on which it is required to file its annual financial statements.
5. The number of listed securities and published market closing prices of such listed securities of a reporting issuer may be based upon the information made available by a marketplace upon which securities of the reporting issuer trade, unless the issuer has knowledge that such information is inaccurate and the issuer has knowledge of the correct information.
6. Where the securities of a class or series of a Class 1 Reporting Issuer have traded on more than one marketplace in Canada, the published closing market prices shall be those on the marketplace upon which the highest volume of the class or series of securities were traded in that financial year. If none of the class or series of securities were traded on a marketplace in Canada, reference should be made to the marketplace in the United States on which the highest volume of that class or series were traded.
7. Where the securities of a class or series of securities of a Class 3 Reporting Issuer are listed on more than one exchange, the published closing market prices shall be those on the marketplace on which the highest volume of the class or series of securities were traded in the relevant financial year.

FEES RULE

FORM 13-502F2
ADJUSTMENT OF FEE PAYMENT UNDER SUBSECTION 2.4(2) OF RULE 13-502

Reporting Issuer Name: _____

Participation Fee for the Financial Year Ending: _____

1. State the amount paid under subsection 2.3(3) of Rule 13-502: _____
2. Show calculation of actual capitalization based on audited financial statements:

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Total Capitalization _____

Total Fee payable: _____

Difference between 1 and 2: _____
Indicate refund due (balance owing): _____

FEES RULE
FORM 13-502 F3

PARTICIPATION FEE CALCULATION
FOR REGISTRANT FIRMS
AND UNREGISTERED FUND MANAGERS

Notes and Instructions

1. Registrant firms are required to complete each Part that applies to their particular category of registration. Firms may have multiple registration categories and will be required to complete each relevant part as outlined below:

   Part I - Investment Dealers Association of Canada members
   Part II - Mutual Fund Dealers Association of Canada members
   Part III - Advisers[3] and other Dealers[4]

2. The components of revenue reported in each Part should be based on the same principles as the comparative statement of income which is prepared in accordance with generally accepted accounting principles ("GAAP"), except that revenues should be reported on an unconsolidated basis. It is recognized that the components of the revenue classification may vary between firms. However, it is important that each firm be consistent between periods.
3. Each Part should be read in conjunction with the related notes and instructions of that section where applicable.
4. Members of the Investment Dealers Association of Canada may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.
5. Members of the Mutual Fund Dealers Association of Canada may refer to Statement D of the MFDA Financial Questionnaire and Report for guidance.
6. Comparative figures are required for the registrant firms' year end date.
7. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario. The percentage attributable to Ontario for the reported year end should be the provincial allocation rate used in the corporate tax return for the same fiscal period. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from capital markets activities in Ontario, which shall include trading in securities, providing securities-related advice, portfolio management and investment fund management and administration. Refer to Part IV.
8. All figures should be expressed in Canadian dollars and rounded to the nearest thousand.
9. Information reported on this questionnaire must be certified by two members of senior management in Part V to attest to its completeness and accuracy.

[3] Includes all adviser categories as per section 99 of the Regulations in the *Securities Act* (Ontario) such as financial advisers, investment counsel, portfolio managers and securities advisers. This category also includes non- resident advisers and international advisers.

[4] Includes all dealer categories as per section 98 of the Regulations in the *Securities Act* (Ontario) except MFDA members which are treated separately in Part II.

Revenue for Participation Fee

Firm Name: _____

For the Period Ending: _____

Part I – Investment Dealers Association of Canada Members

	Current Year $	Prior Year $
REVENUE SUBJECT TO PARTICIPATION FEE		
1. Line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report		

Part II – Mutual Fund Dealers

REVENUE SUBJECT TO PARTICIPATION FEE		
1. Line 12 of Statement D of the MFDA Financial Questionnaire and Report		

Part III – Advisers, Other Dealers, and Unregistered Investment Fund Managers

1. Total Revenue as per the audited financial statements (note 1)		
Less the following items:		
2. Redemption Fees (note 2)		
3. Administration Fees (note 3)		
4. Sub-Advisory fees paid to other Ontario registrant firms (note 4)		
5. Trailer fees paid to other Ontario registrant firms (note 5)		
6. Line 12 of Statement D (reported above if dually registered) (note 6)		
7. Total Deductions - sum of lines 2 to 6		
8. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 7)		

[See Notes and Instructions for Part III]

Notes and Instructions - Part III

1. Gross Revenue is defined as the sum of all revenues earned from capital markets activities and reported on a gross basis as per the audited financial statements prepared in accordance with GAAP except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation.
2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.
3. Administration fees permitted as a deduction from line 1 are limited solely to those that represent the recovery of costs from the mutual funds for operating expenses paid on their behalf by the registrant firm or unregistered investment fund manager. Operating expenses include legal, audit, trustee, custodial and safekeeping fees, registrar and transfer agent charges, taxes, rent, advertising, unitholder services and financial reporting costs.
4. Where the advisory services of **another Ontario registrant firm** are used by the registrant firm to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line.
5. Trailer fees paid to **other Ontario registrant firms** are permitted as a deduction on this line.
6. To the extent that a registrant firm is also registered under the category of a mutual fund dealer defined in subsection 98(7) of the Regulations in the *Securities Act* (Ontario) and to the extent that revenues attributable to this category of registration were already reported in Part II, this amount may be deducted from total revenue on this line.

Part IV – Calculation of Revenue Attributable to Ontario

Firm Name: _____

Participation Fee for the Financial Year Ending: _____

Total Revenue subject to Participation Fee:	$
Line 1 from Part I	_____
Line 1 from Part II	_____
Line 8 from Part III	_____
Total	_____
Percentage attributable to Ontario (based on most recent tax return)	_____ %
Total Revenue attributable to Ontario	_____
Total Fee payable (refer to Appendix B of the Rule)	_____

Part V - Management Certification

Registrant Firm Name: _____

We have examined the attached statements and certify that, to the best of our knowledge, they present fairly the revenues of the firm for the period ended _____ and are prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

Name and Title	Signature	Date
1. _____	_____	_____
2. _____	_____	_____

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

PART 1 PURPOSE OF COMPANION POLICY

1.1 Purpose of Companion Policy – The purpose of this Companion Policy is to state the views of the Commission on various matters relating to Rule 13-502 Fees (the "Rule"), including

(a) an explanation of the overall approach of the Rule;

(b) explanation and discussion of various parts of the Rule; and

(c) examples of some matters described in the Rule.

PART 2 PURPOSE AND GENERAL APPROACH OF THE RULE

2.1 Purpose and General Approach of the Rule

(1) The general approach of the Rule is to establish a fee regime that accomplishes three primary purposes – to reduce the overall fees charged to market participants from what existed previously in Ontario, to create a clear and streamlined fee structure and to adopt fees that accurately reflect the Commission's costs of providing services.

(2) The fee regime implemented by the Rule is based on the concept of "participation fees" and "activity fees".

2.2 Participation Fees

(1) Participation fees generally are designed to represent the benefit derived by market participants from participating in Ontario's capital markets. Reporting issuers, registrant firms and unregistered investment fund managers are required to pay participation fees annually. The participation fee is based on a measure of the market participant's size, which is intended to serve as a proxy for the market participant's use of the Ontario capital markets. The amounts of the participation fees have been based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities. Participation fees replace most of the continuous disclosure filing fees and other activity fees formerly charged to market participants under the previous fees regime.

(2) The Rule provides for

(a) corporate finance participation fees, which are applicable to reporting issuers other than most investment funds; and

(b) capital markets participation fees, which are applicable to registrant firms and unregistered investment fund managers.

2.3 Activity Fees - Activity fees are designed to represent the direct cost of Commission staff resources expended in undertaking certain activities requested of staff by market participants, for example in connection with the review of prospectuses, applications for discretionary relief or the processing of registration documents. Market participants are charged activity fees only for activities undertaken by staff at the request of the market participant. Activity fees are charged for a limited number of activities only and are flat rate fees based on the average cost to the Commission of providing the service.

2.4 No Refunds

(1) Generally speaking, a person or company that pays a fee under the Rule is not entitled to a refund of that fee. For example, there is no refund available for an activity fee paid in connection with an action that is subsequently abandoned by the payor of the fee. Also, there is no refund available for a participation fee paid by a reporting issuer, registrant firm or unregistered investment fund manager that loses that status later in the financial year for which the fee was paid.

(2) An exception to the principle discussed in subsection (1) is provided for in subsection 2.3(3) of the Rule. This provision allows for the adjustment of a participation fee paid by a Class 2 reporting issuer based on a good faith estimate of its capitalization as at the end of a financial year if its financial statements are not available.

(3) The Commission will also consider requests for adjustments to fees paid in the case of incorrect calculations made by fee payors.

PART 3 CORPORATE FINANCE PARTICIPATION FEES

3.1 Application to Investment Funds - Section 2.1 of the Rule excludes investment funds from the application of Part 2 of the Rule, except if they do not have an investment fund manager. An investment fund that has an investment fund manager does not have to pay corporate finance participation fees because its manager will be paying the capital markets participation fees in respect of revenues generated from managing the investment fund. However, if the investment fund does not have an investment fund manager, the fund is made subject to the corporate finance participation fees to ensure that it does not have an unfair advantage over other reporting issuers that are required to pay such fees.

3.2 Fees Payable in Advance

(1) Section 2.2 of the Rule prescribes the annual payment of a participation fee by each reporting issuer other than those that are exempt from this fee under section 2.1 of the Rule. Subsection 2.2(1) of the Rule requires the payment of a fee, for each of its financial years, to be based on the capitalization of the reporting issuer as at the end of its previous financial year. Subsection 2.3(1) of the Rule requires the payment of this participation fee to be no later than the date on which the reporting issuer's annual financial statements are required to be filed.

(2) The Commission notes that the effect of sections 2.2 and 2.3 of the Rule is that a participation fee is payable in advance by a reporting issuer for its current financial year, even though the fee is based on the capitalization of the reporting issuer at the end of its previous financial year.

(3) Section 2.8 of the Rule pertains to the payment of a participation fee for a new reporting issuer. This section is consistent with the principle that a participation fee is payable in advance. A new reporting issuer is required to pay a participation fee when it becomes a reporting issuer for the remainder of its current financial year; the reporting issuer is required to calculate an annual participation fee in accordance with the requirements of section 2.8 of the Rule, and pay a proportionate amount based on the number of months left in the financial year.

(4) A person or company that ceases to be a reporting issuer in a financial year is not entitled to any refund of the participation fee payable for that financial year, as discussed in subsection 2.4(1) of this Policy.

3.3 Determination of Corporate Debt Market Value

(1) Section 2.5 of the Rule requires the calculation of the capitalization of a Class 1 reporting issuer to include the market value of each class or series or corporate debt or preferred shares outstanding as at the end of a financial year of the reporting issuer.

(2) Paragraph 2.5(b) of the Rule requires the reporting issue to determine the market value of the corporate debt or preferred shares. The Commission recognizes that the determination of the market value of corporate debt or preferred shares is a more difficult task than the determination of the market value of equity securities, which are usually listed and for which trading prices are generally readily available. Therefore, the Commission wishes to allow reporting issuers to use the best available source for pricing its corporate debt and preferred shares. The Commission notes that, at the time of this Policy, the best available source may be one or more of

(a) pricing services;

(b) quotations from one or more dealers; or

(c) transaction prices on recent transactions.

3.4 "Green Shoes" and Over-Allotment Options – Paragraph 2.8(b) of the Rule requires that the participation fee for Class 1 and Class 3 reporting issuers be based on the issue price of the securities being distributed under a prospectus. The Commission notes that this calculation should assume the issue of any securities under "green shoes" or over-allotment options.

PART 4 CAPITAL MARKET PARTICIPATION FEES

4.1 Fees Payable in Advance

(1) As with corporate finance participation fees, capital market participation fees are paid in advance by a registrant firm or an unregistered investment fund manager. The discussion contained in section 3.2 of this Policy is relevant to capital market participation fees as well as corporate finance participation fees.

(2) Subsection 3.2(1) of the Rule requires all registrant firms to pay a participation fee on the same date, December 31 in each year. This participation fee is paid for the current financial year of the registrant firm, based on the specified Ontario revenues for its previous financial year, even if the financial year of the registrant firm ends on December 31. Therefore, a registrant firm with a financial year end of December 31 will pay its participation fee on December 31 of the following year. So, in connection with the financial year end of December 31, 2001, the participation fee for the financial year of January 1, 2002 to December 31, 2002 will be paid on December 31, 2002, based on the specified Ontario revenues of the registrant firm for the financial year ended December 31, 2001.

(3) A registrant firm that has a financial year end of June 30 will still pay its participation fee on December 31 of each year. In connection, for instance, with the financial year end of June 30, 2002, the participation fee will be paid on December 31, 2002 for the financial year of the registrant firm of July 1, 2002 to June 30, 2003, with the calculation of the fee being based on the specified Ontario revenues of the registrant firm for the financial year ended June 30, 2002.

4.2 Late Fees – Section 3.7 of the Rule prescribes the payment of additional fees in case of overdue payment of fees. The Commission notes that it will, in appropriate circumstances, consider tardiness in the payment of fees as a matter going to the fitness for registration of a registrant firm in considering the registration status of that registrant firm. The Commission may also consider other appropriate measures in the case of late payment of fees by an unregistered investment fund manager, such as prohibiting the delinquent unregistered investment fund manager from continuing to manage any investment fund or cease trading the investment funds managed by that manager.

PART 5 ACTIVITY FEES

5.1 Late Filing Fee

(1) Item G.2 of Appendix C of the Rule lists the documents the late filing of which will be subject to a fee of $100 per business day, up to a maximum of $5,000 for all documents within one financial year. The last item in the list refers to "any other document, report or form required by Ontario securities law to be filed within a prescribed period".

(2) It is noted that the phrase "Ontario securities law" includes "a decision of the Commission or a Director to which [a] person or company is subject". Some orders or decisions of the Commission or a Director have granted exemptions to investment funds from certain conflict-of-interest provisions of the Act or National Instrument 81-102, on the condition that reports of certain transactions are filed on SEDAR within a prescribed period. The purpose of this condition would ensure transparency in such transactions. Market participants are reminded that the fee for late filing contained in the Rule would be applicable to those filings, as well as to filings required under the Act, the Regulation or the Rules.

5.2 Concurrent Filings under Securities Act and Commodity Futures Act - With respect to the registration-related activity fees, if a concurrent application for registration or for an exemption from a registration-related requirement is made pursuant to both the Securities Act and the CFA, there will only be one activity fee levied for the concurrent applications. Where the applications are not made concurrently, the appropriate activity fee payable pursuant to either the Securities Act or the CFA will be charged. These matters will be dealt with in a fees rule made under the CFA.

5.3 Permitted Deductions

(1) For the purpose of calculating specified Ontario revenues that would be the basis for determining the participation fee payable by a registrant firm that is not a member of the IDA or MFDA or an unregistered investment fund manager, subsections 3.6(2) and (3) permit certain deductions to be made. These deductions are intended to prevent "double counting" of revenues that would otherwise occur in the absence of the deductions.

(2) It is noted that the permitted deduction of administration fees is limited solely to those that represent the recovery of costs from investment funds for operating expenses paid on their behalf by the registrant firm or unregistered investment fund manager. No registrant firm or unregistered investment fund manager may make a deduction for more than the amount of administration fees it has paid on behalf of an investment fund managed by the registrant firm or unregistered investment fund manager.

5.4 **Investment Funds** - Section 4.2 of the Rule provides for the payment of only one fee for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund. It is contemplated that discretionary relief required by investment funds in an investment fund family in circumstances that are the same for all of them can be sought by way of a single application.

5.5 **Calculation Examples** - Appendices A through E contain some examples of how fees would be calculated under the Rule.

Appendix A
Reporting Issuer

Assume that:

- a reporting issuer is an Ontario corporation that was not previously a reporting issuer in Ontario
- the issuer's financial year-end is December 31
- the issuer obtains a receipt for the prospectus in connection with its initial public offering on August 17
- the issuer's capitalization on August 17, as determined in accordance with section 2.6 of the Rule, is $22 million, before taking into account the proceeds of an IPO
- the issuer becomes listed on the Toronto Stock Exchange in November, and its capitalization as of December 31 as determined in accordance with section 2.5 of the Rule is $55 million

Item	Participation Fee	Activity Fee
files an application pursuant to section 74 of the Act for relief from sections 25 and 53 of the Act prior to becoming a reporting issuer		$7,500 ($5,500 plus $2,000 because issuer does not pay a participation fee)
files a preliminary prospectus in connection with initial public offering, where the preliminary prospectus shows gross proceeds of $4 million		$1,000
files a final prospectus		nil
becomes a reporting issuer under the Act upon the issuance of a receipt for a prospectus on August 17 Note: Capitalization is adjusted to include the proceeds of the prospectus offering pursuant to subsection 2.8(2) of the Rule.	$833.33 ($2,500 times 4 full remaining months divided by 12)	
files a material change report within prescribed period		nil
files application pursuant to section 38(3) of the Act		nil
files application for relief pursuant to clause 80(b)(iii) of the Act		$1,500
files application for relief pursuant to sections 104 and 121 of the Act		$5,500
files AIF pursuant to Rule 51-501		Nil
files annual proxy materials		Nil
timing – files annual financial statements on May 20 (within prescribed period)		Nil
files a Notice of Intention to Make an Issuer Bid		Nil
files a Form 42 Report of Issuer Bid		Nil
files insider trading report within prescribed period		Nil
files preliminary prospectus that does not disclose gross proceeds		$1,000
files final prospectus with gross proceeds of $75 million		$6,500 ($7,500 less $1,000)
files initial AIF under National Instrument 44-101		$2,000
files preliminary short form prospectus		Nil
files short form prospectus		$2,000
files material change report 5 days late		$500

Appendix B
Dealer – Member of the Investment Dealers Association of Canada

Assume that:

- Financial year-end is December 31st
- Firm had specified Ontario revenues of $150 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $150 million	$250,000[5]	
files annual financial statements		nil
1 renewal of registration		nil
3 appointments of new trading officers/directors		$400 x 3 = $1,200[6]
24 appointments of salespersons		$400 x 24 = $9,600[7]
28 new branches		nil
4 branch closures		nil
12 terminations of salespersons		nil
1 termination of officer		nil
2 requests for change in the status of officers from non-trading to trading		$400 x 2 = $800[8]

5 See Appendix B of the Rule.
6 See item H.3 of Appendix C of the Rule.
7 See item H.3 of Appendix C of the Rule.
8 See item H.4 of Appendix C of the Rule.

Appendix C
Mutual Fund Dealer ("MFD")

Assume that:

- MFD's financial year-end is March 31st
- MFD had specified Ontario revenues of $35 million as at March 31, 2001
- MFD currently has 12 sales representatives and 2 branch offices
- audited financial statements have to be filed
- MFD is applying for discretionary relief from a registration requirement in the Act

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $35 million	$75,000[9]	
files for discretionary relief of one requirement under the Act		$1,500[10]
files annual financial statements		nil
1 renewal of registration		nil
2 appointments of new officers/directors		$400 x 2 = $800[11]
8 appointments of new salespersons		$400 x 8 = $3,200[12]
3 new branches		nil
Change in business name		nil
72 terminations of sales representatives		nil
1 termination of officer		nil
2 requests for change in the status of officers		$400 x 2 = $800[12]

9 See Appendix B of the Rule.
10 See item D.3 of Appendix C of the Rule.
11 See item H.3 of Appendix C of the Rule.
12 See item H.4 of Appendix C of the Rule.

Appendix D
Investment Counsel/Portfolio Manager ("ICPM")

Assume that:

- ICPM's financial year-end is December 31st
- ICPM had specified Ontario revenues of $600 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $600 million	$650,000[13]	
files annual financial statements		nil
1 renewal of registration		nil
5 appointments of new advising officers		$400 x 5 = $2,000[14]
1 appointments of new non-advising officer		nil
1 application for exemption from Rule 31-502 requirements		$1,500[15]

13 See Appendix B of the Rule.
14 See item H.3 of Appendix C of the Rule.
15 See item D.3 of Appendix C of the Rule.

Appendix E
Unregistered Investment Fund Manager ("UIFM")

Assume that:

- UIFM's financial year-end is December 31st
- UIFM had specified Ontario revenues of $375 million as at December 31, 2001
- UIFM currently manages 40 investment funds, 38 (IF1-IF38) of which are in continuous distribution and subject to NI81-101, while 2 (IF39 and IF40) are listed and traded on the Toronto Stock Exchange
- UIFM is establishing 5 new investment funds (IF41-IF45) that are all going to be in continuous distribution and are subject to NI81-101
- IF41 and IF42 need exemption from one section of the Act
- IF43, IF44 and IF45 need exemptions from four sections of NI81-102
- UIFM is establishing one new investment fund (IF46) that will do a one-time offering and whose securities will be listed and traded on the Toronto Stock Exchange
- IF46 needs exemptions from six sections of NI81-102
- audited financial statements for IF1-IF40 have to be filed
- material changes occurred for IF39 and IF40
- current SP and AIF of IF1-IF38 have to be renewed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $375 million	$500,000[16]	
files 1 application on behalf of IF41 and IF 42 for relief from one section of the Act		$1,500[17]
Files 1 application on behalf of IF43, IF44 and IF45 for relief from four sections of NI81-102		$5,500[18]
files preliminary SP and AIF for IF41-IF45 in a single document		$600 x 5=$3,000[19]
files annual financial statements for IF1-IF40 within prescribed period		nil
files application on behalf of IF46 for relief from six sections of NI81-102		$5,500
files preliminary prospectus in Form 41-501F1 for IF46, with gross proceeds bulleted		$1,000[20]
files pro forma SP and AIF for IF1-IF38 in a single document		$600 x 38=$22,800[21]
files final SP and AIF for IF41-IF45 in a single document		nil[22]
files amendment to SP and AIF for IF1-IF20 in a single document		nil
files final prospectus in Form 41-501F1 for IF46, with gross proceeds of $75 million		$7,500-$1,000=$6,500[23]
files material change report for IF39-IF40		nil
files final SP and AIF for IF1-IF38 in a single document		nil

16 See Section 3.1 and Appendix B of the Rule.

17 See item D.3 of Appendix C and section 4.2 of the Rule *(re investment funds in an investment family paying a single application fee)* of the Rule.

18 See item D.3 of Appendix C and section 4.2 of the Rule.

19 See item A.5(a) of Appendix C of the Rule.

20 See item A.1(a) of Appendix C of the Rule.

21 See item A.5(a) of Appendix C of the Rule.

22 See item A.5(d) of Appendix C of the Rule.

23 See item A.3(a), in conjunction with item A.1(c), of Appendix C of the Rule.

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
06-Jun-2002	Don Foster	Acuity Funds Ltd. - Units	300,000.00	23,701.00
31-May-2002	Vassilios & Chrissa Piliotis	Acuity Funds Ltd. - Units	150,000.00	10,055.00
05-Jun-2002	Canwest Media Sales Limited	AD2MEDIA, Ltd. - Debentures	US$120,000.00	1.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	3,619,080.00	3,600,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	653,445.00	650,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	703,710.00	700,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	50,265.00	50,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	402,120.00	400,000.00
05-Apr-2002	National Bank Fiancial Inc.	Aeroports de Montreal - Bonds	703,710.00	700,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	4,423,320.00	4,400,000.00
05-Apr-2002	National Bank Financial	Aeroports de Montreal - Bonds	2,010,600.00	2,000,000.00
31-May-2002	L Lee	AGII Growth Fund - Trust Units	5,729.41	754,565.00
04-Jun-2002	The Canada Life Assurance Company	Apollo Fund plc - Shares	1,532,500.00	1,000,000.00
12-Jun-2002	Joseph Newmark	Ariane Gold Corp. - Special Warrants	10,107,300.00	14,439,000.00
04-Jun-2002	Royal Precious Metals	Birim Goldfields Inc. - Common Shares	100,000.00	250,000.00
12-Apr-2002	Paul Kerr	BPI Global Opportunites III Fund - Units	25,000.00	265.00
04-Jun-2002	Graham Scott	Canica Design Inc. - Preferred Shares	1,253,164.00	626,582.00
23-May-2002	Standard Securities Capital Corporation	Cedara Software Corp. - Common Shares	0.00	25,000.00

30-May-2002	Wesley H. Ogden	CFM Admiral Blvd - Common Shares	3,069,200.00	195,366.00
05-Jun-2002	Altamira Mgmt Ltd	Credit Suisse First Boston Corporation - Common Shares	1,293,131.25	75,000.00
04-Jun-2002	Ontario Teachers Pension Plan	Credit Suisse First Boston Corporation - Common Shares	5,424,092.00	221,500.00
14-Jun-2002	CI Mutual Funds Group	Credit Suisse First Boston Corporation - Common Shares	1,728,000.00	75,000.00
06-Jun-2002	Credit Risk Advisors	Credit Suisse First Boston Corporation - Notes	4,580,120.43	2.00
31-May-2002	Elliot & Page	Credit Suisse First Boston Corporation - Notes	3,039,297.30	1.00
03-Jun-2002	Elliot & Page	Credit Suisse First Boston Corporation - Notes	7,581,211.63	1.00
07-Jun-2002	T.A.L. Investment Counsel Ltd	Credit Suisse First Boston Corporation - Notes	1,533,000.00	2.00
28-May-2002	4 Purchasers	Delta Systems Inc. - Debentures	1,912,777.00	1,912,777.00
06-Jun-2002	National Construction	eBuild.ca Inc. - Common Shares	100,000.00	200,000.00
07-Jun-2002	Frank Huff	Eagle Plains Resources Ltd. - Common Shares	10,500.00	70,000.00
31-May-2002	MWI Nominee Company Ltd.	ExtendMedia Inc. - Convertible Debentures	1,611,000.00	1,611,000.00
31-May-2002	The VenGrowth Investment Fund inc.	Footmaxx Holdings Inc. - Debentures	1,000,000.00	1,000,000.00
28-Jun-2002	Marie McFarlane	Fronteer Development Group Inc. - Common Shares	27,500.00	50,000.00
31-May-2002	25 Purchasers	Frontera Copper Corporation - Special Warrants	US$1,332,500.00	5,330,000.00
31-May-2002	18 Purchasers	Gammon Lake Resources Inc. - Units	6,500,000.00	5,200,000.00
03-Jun-2002	Leeward Bull & Bear Fund LP	Great Basin Gold Ltd. - Units	137,588.00	878,392.00
06-May-2002	Pinetree Capital Corp.	High River Gold Mines Ltd. - Common Shares	375,000.00	0.00
06-May-2002	Pinetree Capital Corp.	High River Gold Mines Ltd. - Warrants	12,500.00	125,000.00
10-May-2002	Bonnie Feeney	InfaCare Pharmaceutical Corporation - Shares	19,470.00	50,000.00
30-May-2002	Royal Bank of Canada	J.B. Hunt Transport Services, Inc. - Shares	3,000,075.00	75,000.00
07-Jun-2002	Kathryn Burry	KBSH Capital Management Inc. - Units	335,000.00	33,044.00

31-May-2002	Shaw;Wendy & Kent;David	Kingwest Avenue Portfolio - Units	1,248,000.00	60,554.00
12-Apr-2002	Daniel W Smith	Landmark Global Opportunities Fund - Units	183,883.00	1,658.00
19-Apr-2002	Janna Strongina	Landmark Global Opportunities Fund - Units	39,315.73	356.00
12-Apr-2002	Neil Fenton	Landmark Global Opportunities RSP Fund - Units	131,086.79	1,275.00
19-Apr-2002	John Graziano	Landmark Global Opportunities RSP Fund - Units	277,628.37	2,708.00
29-May-2002	AIM Global Fund Inc	LionOre Mining International Ltd. - Special Warrants	48,786,995.00	13,366,300.00
01-Apr-2002	BMO Nesbitt Burns Inc.	Master Credit Card Trust - Notes	4,915,195.00	4,700,000.00
07-Jun-2002	Black Saxon II Inc.	Microforum Inc., - Common Shares	0.00	0.00
30-May-2002	5 Purchasers	OPTI Canada Inc. - Common Shares	13,208,514.00	910,932.00
28-May-2002	Bank of Montreal Capital Corporation	P L Foods Ltd. - Common Shares	5,565,001.00	5,565,000.00
20-May-2002	Gene Vest Inc.	Pele Mountain Resources Inc. - Units	150,000.00	600,000.00
30-May-2002	GeneVest Inc.	Pele Mountain Resources Inc. - Units	150,000.00	600,000.00
30-May-2002	The Manufacturers Life Insurance Company	PSINet Limited - Limited Partnership Interest	824,961.00	824,961.00
04-Jun-2002	Yorkton Asset	Ranchgate Oil and Gas Limited - Common Shares	308,750.00	475,000.00
16-May-2002	Kathryn Hazel	Real Assets Investment Management Inc. - Units	75,000.00	7,331.00
22-May-2002	Saxon Stock Fund	Rocco Schiralli - Common Shares	645,000.00	75,000.00
23-May-2002	Elliott & Page Limited and Dynamic Mutual Funds	SRA International, Inc. - Common Shares	690,075.00	25,000.00
18-Apr-2002	George Papakados	Star Navigation Systems Inc. - Common Shares	494,349.38	1,521,075.00
31-Dec-2001	Thornmark Asset Management Inc.	The Thornmark Dividend & Income Fund - Units	1,989,658.00	1,989,658.00
31-Dec-2001	Thornmark Asset Management Inc.	The Thornmark U.S. Equity Fund - Units	2,880,237.00	2,880,237.00
12-Apr-2002	Lesley Blades	Trident Global Opportunities Fund - Units	51,000.00	478.00

19-Apr-2002	Donald Kerr	Trident Global Opportunities Fund - Units	214,390.25	1,983.00
19-Apr-2002	Jim Farwell	Trident Global Opportunities Fund - Units	85,142.34	849.98
28-May-2002	1035580 Ontario Inc.	Vision SCMS Inc. - Notes	585,000.00	585,000.00
06-May-2002	David Koschitzky	Watch This Inc. - Common Shares	135,928.00	679,639.00
21-Dec-2001	Biovail Technologies West Ltd.	Western Life Sciences Venture Fund, L.P. - Limited Partnership Interest	10,000,000.00	10,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
22-May-2002 to 28-May-2002	LH Enterprises Company Inc.	Fort Knox Gold Resources Inc. - Common Shares	107,820.00	25,000.00

NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3

Seller	Security	Number of Securities
Mackay Shields LLC	Algoma Steel Inc. - Common Shares	4,260,876.00
Aidan S. Bolger	Asset Management Software Systems Corp. - Common Shares	1,850,000.00
Glenn J. Mullan	Canadian Royalties Inc. - Common Shares	159,676.00
Larry Melnick	Champion Natural Health.com Inc. - Shares	29,900.00
Discovery Helicopters Inc.	CHC Helicopter Corporation - Shares	556,615.00
Bonnie Hartford	Energy Visions Inc. - Common Shares	150,000.00
The Schad Foundation	Husky Injection Molding Systems Ltd. - Common Shares	400,000.00
Bayside Financial Corp.	Parkland Industries Ltd. - Units	500,000.00
Targa Group Inc.	Plaintree Systems Inc. - Common Shares	6,661,665.00
Andrew J. Malion	Spectra Inc. - Common Shares	600,000.00
Stanley G. Hawkins	Tandem Resources Ltd. - Common Shares	5,979,344.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Aecon Group Inc. (formerly Armbro Enterprises Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 21st, 2002
Mutual Reliance Review System Receipt dated June 24th, 2002
Offering Price and Description:
$32,508,788 - 3,335,000 Common Shares issuable upon the exercise of previously
issued Special Warrants
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
Griffiths McBurney & Partners
National Bank Financial Inc.
Promoter(s):
Project #461200

Issuer Name:
Ariane Gold Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 14th, 2002
Mutual Reliance Review System Receipt dated June 18th, 2002
Offering Price and Description:
Rights to Subscribe for up to 17,000,000 Subscription Receipts at a Price of $0.70 per Subscription Receipt
31,460,000 Common Shares (and, in certain circumstances, Additional Warrants)
Upon the exercise of 31,460,000 previously issued Special Warrants.
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Canaccord Capital Corporation
Griffiths McBurney & Partners
Sprott Securities Inc.
Promoter(s):
David A. Fennell
James A. Crombie
Project #459824

Issuer Name:
CI American Value Sector Fund
CI Global Bond Sector Fund
CI Canadian Bond Sector Fund
CI International Balanced Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated June 21st, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #460827

Issuer Name:
Clarington Canadian Core Portfolio
Clarington U.S. Core Portfolio
Clarington Global Core Portfolio
Clarington Canadian Value Fund
Clarington RSP Global Value Fund
Clarington U.S. Mid-Cap Value Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 19th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
ClaringtonFunds Inc.
Promoter(s):
ClaringtonFunds Inc.
Project #460588

Issuer Name:
Cognos Incorporated
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated June 21st, 2002
Offering Price and Description:
4,500,000 Common Shares @$ Cdn$ * (US$*) per Common Share
Underwriter(s) or Distributor(s):
Goldman Sachs Canada Inc.
Morgan Stanley Canada Limited
RBC Dominion Securities Inc.
Promoter(s):
-
Project #460891

Issuer Name:
DPL Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
$ * * % Receivables-Backed Senior Notes, Series 2002- *
$ * *% Receivables-Backed Subordinated Notes, Series 2002- *
Expected Final Payment Date * , 200*
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Scotia Capital Inc.
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Desjardins Securities Inc.
Laurentian Bank Securities Inc.
Promoter(s):
National Bank of Canada
Project #460735

Issuer Name:
DPL Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
$ * * % Receivables-Backed Senior Notes, Series 2002- *
$ * *% Receivables-Backed Subordinated Notes, Series 2002- *
Expected Final Payment Date * , 200*
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Scotia Capital Inc.
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Desjardins Securities Inc.
Laurentian Bank Securities Inc.
Promoter(s):
National Bank of Canada
Project #460737

Issuer Name:
DPL Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
$ * 90-Day Bankers' Acceptance Rate + * % Receivables-Backed
Senior Notes, Series 2002- *
$ * *% Receivables-Backed Subordinated Notes, Series 2002- *
Expected Final Payment Date * , 200*
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Scotia Capital Inc.
Merrill Lynch Canada Inc.
Promoter(s):
National Bank Of Canada
Project #460743

Issuer Name:
Electromed Inc.
Type and Date:
Preliminary Prospectus dated June 20th, 2002
Receipt dated on June 20th, 2002
Offering Price and Description:
$3,193,600 - 8,188,714 Common Shares and 4,094,357 Common Shares Warrants (Issuable upon the exercise of 8,188,714 previously issued Special Warrants)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #460769

Issuer Name:
Emera Incorporated
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 19th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
$300,000,000 - Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #460874

Issuer Name:
Mustang Resources Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated June 21st, 2002
Mutual Reliance Review System Receipt dated June 21st, 2002
Offering Price and Description:
$5,000,000 - $8,000,000 - 5,000 - 8,000 Units @ $1,000 per Unit.
Minimum Subscription : 5 Units ($5,000)
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Promoter(s):
Richard A. M. Todd
Guy Turcotte
Project #461318

Issuer Name:
Nova Scotia Power Incorporated
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 19th, 2002
Mutual Reliance Review System Receipt dated June 20th, 2002
Offering Price and Description:
$300,000,000 - Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #460886

Issuer Name:
Phoenix Matachewan Mines Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 21st, 2002
Mutual Reliance Review System Receipt dated June 25th, 2002
Offering Price and Description:
$1,000,000 to $2,000,000 - 4,000,000 to 8,000,000 Units @ $.025 per Unit
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Jones, Gable & Company Limited
Promoter(s):
Robin B. Dow
Project #461440

Issuer Name:
Prime Restaurants Royalty Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated June 19th, 2002
Offering Price and Description:
$ * - * Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Promoter(s):
Prime Restaurant Group Inc.
Project #457816

Issuer Name:
Signature Dividend Sector Fund
Signature High Income Sector Fund
Harbour Fund
Signature Select Canadian Fund
Signature High Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated June 21st, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #460724

Issuer Name:
Altamira RSP Health Sciences Fund
Altamira RSP Global Diversified Fund
Altamira RSP Biotechnology Fund
Altamira Biotechnology Fund
Altamira Global Telecommunications Fund
Altamira Global Value Fund
Altamira Global 20 Fund
Altamira RSP Science and Technology Fund
Altamira RSP Japanese Opportunity Fund
Altamira RSP e-business Fund
Altamira Precision U.S. Midcap Index Fund
Altamira Precision European RSP Index Fund
Altamira Precision European Index Fund
Altamira Precision Dow 30 Index Fund
Altamira Health Sciences Fund
Altamira Global Financial Services Fund
Altamira e-business Fund
Altamira Precision U.S. RSP Index Fund
Altamira Precision International RSP Index Fund
Altamira Precision Canadian Index Fund
Altamira T-Bill Fund
Altamira Short Term Canadian Income Fund
Altamira US Larger Company Fund
Altamira Select American Fund
Altamira Science and Technology Fund
Altamira Japanese Opportunity Fund
Altamira Global Small Company Fund
Altamira Global Diversified Fund
Altamira Global Discovery Fund
Altamira European Equity Fund
Altamira Asia Pacific Fund
Altamira Precious and Strategic Metal Fund
Altamira Canadian Value Fund
Altamira Resource Fund
Altamira High Yield Bond Fund
Altamira Special Growth Fund
Altamira Short Term Government Bond Fund
Altamira Short Term Global Income Fund
Altamira Income Fund
Altamira Growth & Income Fund
Altamira Global Bond Fund
Altamira Equity Fund
Altamira Dividend Fund Inc.
Altamira Capital Growth Fund Limited
Altamira Bond Fund
Altamira Balanced Fund
AltaFund Investment Corp.
Principal Regulator - Ontario
Type and Date:
Amendment # 3 dated June 13th 2002 to the Amended and Restated Simplified Prospectus dated September 13th, 2001, amending and restating the Simplified Prospectus dated August 28th, 2001 and Amendment # 4 dated June 13th, 2002 to the Annual Information Form dated August 28th, 2001.
Mutual Reliance Review System Receipt dated 20th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Altamira Financial Services Ltd.
Promoter(s):
-
Project #376588

Issuer Name:
CMDF Early Stage Fund Inc.
(Class A Shares)
Type and Date:
Amendment #1 dated June 17th, 2002 to Prospectus dated December 27th, 2001
Receipt dated 21st day of June, 2002
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #398505

Issuer Name:
CMDF Venture Fund Inc.
(Class A Shares)
Type and Date:
Amendment #1 dated June 17th, 2002 Prospectus dated December 27th, 2001
Receipt dated 21st day of June, 2002
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #398518

Issuer Name:
RBC Investments Focus List Trust, 2001 Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 19th, 2002 to Simplified Prospectus and Annual Information Form
dated November 14th, 2001
Mutual Reliance Review System Receipt dated 25th date of June, 2002
Offering Price and Description:
(Series A and F Units)
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Co.
Promoter(s):
-
Project #394617

Issuer Name:
TD Short Term Bond Fund
TD Global Government Bond Fund
TD Canadian Stock Fund
TD Canadian Small-Cap Equity Fund
TD North American Equity Fund
TD Global Select RSP Fund
TD GlobalGrowth RSP Fund
TD EuroGrowth RSP Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus dated June 12th, 2002, amending and restating the Simplified Prospectus
dated October 19th, 2001, and Amendment # 3 dated June 12th, 2002 to the Annual Information Form dated October 19th, 2001
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
TD Asset Management Inc.
Promoter(s):
TD Asset Management Inc.
Project #383561

Issuer Name:
TD Global Biotechnology Fund
TD Global Biotechnology RSP Fund
TD Global Select RSP Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 12th, 2002 to Simplified Prospectus and Annual Information Form
dated November 2nd, 2001
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
TD Asset Management Inc.
Promoter(s):
-
Project #390460

Issuer Name:
TD International Growth Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated June 17th, 2002 to Simplified Prospectus and Annual Information Form
dated November 2nd, 2001
Mutual Reliance Review System Receipt dated 25th day of June, 2002
Offering Price and Description:
Advisor Series and F-Series Units)
Underwriter(s) or Distributor(s):
TD Asset Management Inc.
Promoter(s):
-
Project #390460

Issuer Name:
Viscount Canadian Equity Pool
Viscount International Equity Pool
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 17th, 2002 to Simplified Prospectus and Annual Information Form
dated February 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of June, 2002
Offering Price and Description:
Mutal Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #414912

Issuer Name:
Brompton MVP Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 25th, 2002
Mutual Reliance Review System Receipt dated 25th day of June, 2002
Offering Price and Description:
$125,000,000.00 - 12,500,000 Trust Units @$10.00 per Trust Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Raymond James Ltd.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Research Capital Corporation
Yorkton Securities Inc.
Acadian Securities Incorporated
Promoter(s):
Brompton MVP Management Limited
Project #452103

Issuer Name:
Cheyenne Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated 20th day of June 2002
Offering Price and Description:
$3,000,000 - Minimum 6,000,000 Units, Maximum 12,000,000 Units @$0.25 per Unit
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Timothy M. Cooney
Charles M. Baumgart
Project #441948

Issuer Name:
Coastal Income Corp.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of June, 2002
Offering Price and Description:
(Senior Preferred Shares)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Dundee Securities Corporation
Thomson Kernaghan & Co. Ltd.
Promoter(s):
Costal Investments Inc.
Project #442009

Issuer Name:
Heritage Scholarship Trust Plans
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated 25th day of June, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #445368

Issuer Name:
Nexfor Inc.
Type and Date:
Final Short Form Shelf Prospectus dated June 24th, 2002
Receipt dated 24th day of June, 2002
Offering Price and Description:
US$300,000,000 - Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #459324

Issuer Name:
Sun Life Assurance Company of Canada
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
$200,000,000 - 200,000 Sun Life ExchangEable Capital Securities - Series B
(SLEECS Series B)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #460019

Issuer Name:
Sun Life Capital Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
$200,000,000 - 200,000 Sun Life ExchangEable Capital Securities - Series B
(SLEECS Series B)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #448523

Issuer Name:
Sun Life Financial Services of Canada Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
$200,000,000 - 200,000 Sun Life ExchangEable Capital Securities - Series B
(SLEECS Series B)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #460010

Issuer Name:
Windsor Trust 2002 - A
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 19th, 2002
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
$200,000,000.00 - 4.124% Auto Loan Receivable-Backed Class A-1 Pay-Through Notes Scheduled Final Payment Date of March 15, 2006
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Promoter(s):
DaimlerChrysler Financial Services (debis) Canada Inc.
Project #449935

Issuer Name:
Canadian Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 19th, 2002
Mutual Reliance Review System Receipt dated 19th day of June, 2002
Offering Price and Description:
$66,000,000.00 - 5,000,000 Units @$13.20 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
-
Project #458570

Issuer Name:
Northgate Exploration Limited
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated June 18th, 2002
Mutual Reliance Review System Receipt dated 18th day of June, 2002
Offering Price and Description:
$85,000,000.00 - 41,463,415 Common Shares and Up to 13,821,138 Common Share Purchase Warrants @$2.05 per Unit
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
CIBC World Markets Inc.
TD Securities Inc.
Trilon Securities Corporation
Dundee Securities Corporation
Haywood Securities Inc.
Promoter(s):
-
Project #458351

Issuer Name:
Saputo Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 20th, 2002
Mutual Reliance Review System Receipt dated 21st day of June, 2002
Offering Price and Description:
$250,046,250.00 - 7,635,000 Common Shares @ $32.75 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Raymond James Ltd.
Scotia Capital Inc.
Promoter(s):
-
Project #458890

Issuer Name:
SouthernEra Resources Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 17th, 2002
Mutual Reliance Review System Receipt dated 18th day of June, 2002
Offering Price and Description:
$50,750,000.00 - 5,000,000 Common Shares @$7.25 per Common Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
Sprott Securities Inc.
First Associates Investments Inc.
Promoter(s):
-
Project #458053

Issuer Name:
Caldwell Balanced Fund
Caldwell International Fund
Caldwell Income Fund
Caldwell Canada Fund
Caldwell America Fund
Caldwell Technology Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 21st, 2002
Mutual Reliance Review System Receipt dated 21st day of June, 2002
Offering Price and Description:
(Units)
Underwriter(s) or Distributor(s):
Caldwell Securities Ltd.
Promoter(s):
-
Project #447686

Issuer Name:
Ethical Global Equity Fund
Ethical Canadian Equity Fund
Ethical RSP Global Equity Fund
Ethical RSP North American Equity Fund
Ethical Special Equity Fund
Ethical Pacific Rim Fund
Ethical Global Bond Fund
Ethical North American Equity Fund
Ethical Balanced Fund
Ethical Income Fund
Ethical Money Market Fund
Ethical Growth Fund
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 24th, 2002
Mutual Reliance Review System Receipt dated 25th day of June, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Credential Asset Management Inc.
Promoter(s):
-
Project #449060

Issuer Name:
ISEE3D Inc.
Type and Date:
Rights Offering dated May 10th, 2002
Accepted 13th day of May, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
Promoter(s):
Project #438004

Issuer Name:
CPG Income Fund
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated April 15th, 2002
Withdrawn on June 20th, 2002
Offering Price and Description:
$ * - * Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Soctia Capital Inc.
TD Securities Inc.
Dundee Securities Corporation
Promoter(s):
CCL Industries Inc.
Project #437016

Issuer Name:
Royal Capital Management Corp.
Type and Date:
Preliminary Prospectus dated October 31st, 2001
Closed on June 21st, 2002
Offering Price and Description:
A minimum of $350,000 and a maximum of $1,000,000
A Minimum of 70,000 and maximum of 200,000 Class A Common Shares
@ $5.00 per Class A Common Share
Minimum Subscription : $700 (140 Class A Common Shares
Underwriter(s) or Distributor(s):
Reco Futures (Canada) Ltd.
Promoter(s):
-
Project #398330

Issuer Name:
Ventax Robotics Corporation
Type and Date:
Preliminary Prospectus dated January 31st, 2002
Closed on June 25th, 2002
Offering Price and Description:
$3,500,000 - 2,800,000 Units (Upon the exercise of an equal number of Special Warrants) (Each Unit is composed of One Common Share and One-half of One Common Share Purchase Warrant)
@ $1.25 per Special Warrant
Underwriter(s) or Distributor(s):
Standard Securities Capital Corporation
Promoter(s):
Hans Armin Ohlmann
Project #418934

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Credit Agricole Indosuez Securities, Inc. Attention: Nat Minucci 666 Third Avenue 8th Floor New York NY 10017 USA	International Dealer	Jun 19/02
New Registration	Sterling Capital Management LLC c/o Gowling Lafleur Henderson LLP Attention: Christopher J. Bardsley Suite 5800 Scotia Plaza 40 King Street West Toronto ON M5H 3Z7	International Adviser Investment Counsel & Portfolio Manager	Jun 20/02
New Registration	Hill & Gertner Capital Corporation Attention: David Hill 828 Richmond Street West Toronto ON M6J 1C9	Limited Market Dealer	Jun 20/02
New Registration	McLean Budden Funds Inc. Attention: Douglas William Mahaffy 145 King Street West Suite 2525 Toronto ON M5H 1J8	Mutual Fund Dealer	Jun 24/02
New Registration	Rampart Investment Management Company Inc. Attention: Ronald Mark Egalka One International Plaza Boston MA 02110-2634 USA	Non-Canadian Advisor Investment Counsel & Portfolio Manager	Jun 24/02
Change in Category (Categories)	McLean Budden Limited/McLean Budden Limitee Attention: Robert Bruce Murray 145 King Street West Suite 2525 Toronto ON M5H 1J8	From: Mutual Fund Dealer Investment Counsel & Portfolio Manager To: Mutual Fund Dealer Limited Market Dealer Investment Counsel & Portfolio Manager	Jun 24/02
Change of Name	Suntrust Capital Markets, Inc. Attention: Brian C. Keith c/o Borden Ladner Gervais LLC Scotia Plaza 40 King Street West Toronto ON M5H 3Y4	From: Suntrust Equitable Securities Corporation To: Suntrust Capital Markets, Inc.	Jul 27/01

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 TSX Notice to Participating Organizations

TSX NOTICE TO PARTICIPATING ORGANIZATIONS

June 24, 2002 2002-150

PARTICIPATING ORGANIZATION DISCIPLINED

Firm Disciplined

On June 19, 2002, a Hearing Committee Panel of The Toronto Stock Exchange Inc. (the "Exchange") approved an Offer of Settlement concerning Research Capital Corporation ("Research Capital"), a Participating Organization of the Exchange.

Rule Violated

Under the terms of the Offer of Settlement, Research Capital admits that it committed the following violation:

> Between November 23, 1998 and March 4, 1999, Research Capital failed to keep proper records, contrary to Section 16.03 of the General By-law of the Exchange.

Penalty Assessed

Pursuant to the terms of the Offer of Settlement, Research Capital is required to pay a fine of $15,000 and $2,500 towards the cost of the investigation.

Summary of Facts

In September 1998, Research Capital identified a problem with one of its traders not properly completing trade tickets. Although Research Capital was aware that the trader was not properly completing trade tickets, Research Capital allowed the conduct to continue in the period November 23, 1998 to March 4, 1999.

These incomplete tickets did not provide an accurate audit trail which hampered the investigation into the trades, contrary to the public interest. In particular, the incomplete and inaccurate records resulted in an inability of the Exchange to show when the orders were received, the order size, and price limit.

Participating Organizations which require additional information should direct their questions to Marie Oswald, Vice President, Investigations and Enforcement, Market Regulation Services Inc. at 416-646-7283.

LEONARD PETRILLO
VICE PRESIDENT
GENERAL COUNSEL & SECRETARY

Toronto Stock Exchange and TSX Venture Exchange are members of the TSX group of companies.

13.1.2 TSX Request for Comments – The Proposed Market-on-Close System

REQUEST FOR COMMENTS – THE PROPOSED MARKET-ON-CLOSE SYSTEM

On May 28, 2002, the Board of Directors of The Toronto Stock Exchange Inc. ("TSX" or the "Exchange") approved amendments to the Rules and Policies of the Exchange to implement a new process for the entry and execution of market-on-close orders ("MOC Orders") for the Exchange (the "MOC System").

The MOC System is designed to address concerns regarding increased volatility at the close of the continuous market and the limited opportunities for direct participation by market participants in trading at the close. A MOC Order is an order for the purchase or sale of a security entered on the Exchange on a trading day for the purpose of executing at the last sale price of the security on that trading day.

Overview

The proposed changes to the Rules and Policies of the Exchange include the introduction of:

- a separate MOC book (the "MOC Book") that will run in parallel to the continuous market. Market priced MOC Orders for certain eligible securities (initially, MOC Orders will only be accepted on the S&P TSE 60 stocks and XIU (I-Units) ("MOC Securities ")) may be entered in the MOC Book between 7:00 a.m. and 3:40 p.m. At 3:40 p.m., there will be a MOC imbalance reduction period with an opportunity to offset the imbalance.

- an order entry session following the continuous market close at 4:00 p.m. The MOC Book will be integrated with the continuous market book (the "Continuous Market Book") at 4:00 p.m. to form the closing market book (the "Closing Market Book"). The Closing Market Book will display only a continually updated indicative closing price (i.e. broker, imbalance and order volume information will not be displayed) and participants will be able to enter limit priced MOC Orders in reaction to the price.

- a closing call, which will immediately follow a random close (between 4:05 p.m. and 4:05:30 p.m.) of the Closing Market Book to further order entry for the purpose of determining a fair closing price, during which orders in the Closing Market Book will execute (the "Closing Call").

Market participants would also continue to have the option of entering orders directly in the Special Trading Session ("Special Trading Session Orders"). However, Special Trading Session Orders may not be entered prior to the opening of the Special Trading Session. Unless designated as Closing Call only, MOC Orders that do not execute in the Closing Call will also participate in the Special Trading Session.

In order to implement the MOC System, the Exchange proposes to introduce amendments to certain of the Rules and Policies of the Exchange as discussed herein. The text of the proposed amendments is set out in Appendix "A" attached hereto. The amendments will be effective upon approval by the Ontario Securities Commission (the "Commission") following public notice and comment. Comments on the proposed amendments should be delivered within 30 days of the date of this notice to:

Leonard P. Petrillo
Vice President,
General Counsel and Secretary
The Toronto Stock Exchange Inc.
The Exchange Tower
2 First Canadian Place
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
e-mail: leonard.petrillo@tsx.ca

A copy should also be provided to:

Cindy Petlock
Manager, Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 593-8240
e-mail: cpetlock@osc.gov.on.ca

Description of the Proposed MOC System

MOC Securities

Initially, MOC Securities will include only the S&P TSE 60 stocks and XIU (I-Units). However, following an evaluation period, the list of MOC Securities may be expanded to include other securities listed on the Exchange. The Exchange may, in its discretion, add additional stocks to the list of MOC Securities as appropriate.

Participants

All Participating Organizations ("POs") and eligible clients ordinarily permitted to access the trading system will be permitted to enter MOC Orders as described below. MOC Orders may be entered in the MOC Book and the Closing Market Book via existing vendor trade station terminals.

Minimum Order Size

A MOC Order may be entered only for a board lot or an integral multiple of a board lot of a MOC Security.

Order Type Restrictions

MOC Orders will be restricted to orders for regular settlement. Jitney orders and short sales may be entered but must be marked appropriately. MOC Orders may be entered using the voluntary attribution choices feature. MOC Orders may also be designated as Closing Call only ("CCO"). Designating an order CCO will remove the

unfilled balance of the order from the Closing Market Book after the Closing Call (i.e. CCO orders that do not fully execute in the Closing Call will not participate in the Special Trading Session).

MOC Book

The Exchange proposes to introduce a separate MOC Book that will run in parallel to the Continuous Market Book. Market priced MOC Orders may be entered in the MOC Book from 7:00 a.m. to 3:40 p.m. and orders will be recorded in time priority. Orders in the MOC Book may be cancelled until 3:40 p.m. Orders in the MOC Book will not be publicly disseminated. The ability to enter market priced MOC Orders in the MOC Book is designed for participants concerned primarily about obtaining a fill at the last sale price.

The Exchange is currently considering moving the opening order entry time in the MOC Book from 7:00 a.m. to a later time (e.g. 9:00 a.m.) to accommodate participants on the West coast who operate in a different time zone.

MOC Imbalance Broadcast and Reduction

Beginning at 3:40 p.m., the Exchange proposes to introduce a MOC imbalance broadcast and reduction period with an opportunity to offset the imbalance. MOC Orders in the MOC Book as at 3:40 p.m. will be used to calculate the MOC imbalance (the "MOC Imbalance"), which will be disseminated to the trading community. Between 3:40 and 4:00 p.m. the MOC Book will be open to further order entry of market priced MOC Orders but only on the contra side of the MOC Imbalance. An updated MOC Imbalance will be disseminated to the trading community as offsetting MOC Orders are entered. Once the MOC Imbalance is resolved, the MOC Book will be closed to the entry of further orders.

Between 3:40 p.m. and 4:00 p.m. only Trading Services may cancel a MOC Order in the MOC Book.

Between 7:00 a.m. and 4:00 p.m., there is no interaction between the MOC Book and the Continuous Market Book.

Calculated Closing Price

Prior to the opening of the Closing Market Book for order entry, the final MOC Orders will be applied against the orders in the Continuous Market Book to derive the initial calculated closing price ("CCP"). The CCP will be calculated in a manner similar to the calculation of the calculated opening price. The initial CCP will then be disseminated to the trading community.

If there are no orders for a particular MOC Security entered in the MOC Book or there is no MOC Imbalance for that MOC Security, the CCP for the MOC Security will be the last sale price on the Exchange in the regular session. However, a Closing Call will still be held.

Closing Market Book

At 4:00 p.m., the Continuous Market Book and the MOC Book will be combined to form a Closing Market Book where only the indicative closing price will be disclosed. Market priced MOC Orders from the MOC Book will rank in priority over orders from the Continuous Market Book.

Both buy and sell limit priced MOC Orders (but not market priced MOC Orders) may be entered in the Closing Market Book. The ability to enter limit priced MOC Orders is designed for participants who are primarily price sensitive. Limit priced MOC Orders will be recorded in price-time priority. The Closing Market Book will display only a continually updated CCP (i.e. order volume, imbalance and broker information will not be displayed) and participants will be able to enter limit priced MOC Orders in reaction to the updated price. All limit orders in the Closing Market Book (including limit priced MOC Orders) can be CFO'd (i.e. Change Former Order) or cancelled.

Even if there is no MOC Imbalance for a particular MOC Security, orders for the MOC Security may still be entered in the Closing Market Book and a Closing Call will still be held.

Random Close

The Closing Market Book will be closed to further order entry at a random time between 4:05 p.m. and 4:05:30 p.m. The Exchange believes the implementation of a random close will mitigate gaming attempts prior to the Closing Call. When the Closing Market Book is closed, the final CCP will be determined.

Closing Call

The Closing Call will be executed immediately following the random close of the Closing Market Book. Orders will be matched at the final CCP.

MOC Securities will be delayed from participation in the Closing Call automatically if the CCP has moved outside of set volatility parameters. MOC delays will be managed by Trading Services.

Allocation

Orders will be executed in the Closing Call based on the following allocation:

- Market priced MOC Orders will trade first with other market priced MOC Orders in time priority. However, consistent with the trading algorithm in the continuous market and the Special Trading Session, unintentional crosses will trade first, although unattributed orders will not seek out unintentional crosses.

- Remaining market priced MOC Orders will then trade with limit priced orders from the Closing Market Book in time priority. Again, unintentional

crosses will trade first, although unattributed orders will not seek out unintentional crosses.

- Finally, limit priced orders will trade in time priority. Again, unintentional crosses will trade first, although unattributed orders will not seek out unintentional crosses.

If a market priced MOC Order does not trade or is only partially filled during the Closing Call, provided that the order has not been specified as CCO, the order will be converted to a limit price at the CCP and will be eligible to trade in the Special Trading Session. Similarly, if a limit priced MOC Order does not fully trade during the Closing Call, provided that the order has not been specified as CCO, the order will be eligible to trade in the Special Trading Session.

All MOC Orders specified as CCO that are not completely filled will be terminated following the Closing Call and will not be eligible for trading in the Special Trading Session.

Special Trading Session

The Special Trading Session will begin at 4:05 p.m. and will continue until 5:00 p.m., as is currently the case. However, a MOC Security will not be eligible for trading in the Special Trading Session until completion of the Closing Call in respect of that MOC Security. All MOC Orders that do not trade by the close of the Special Trading Session will be terminated.

MOC Securities delayed prior to the Closing Call, and which remain in a delayed state beyond the beginning of the Special Trading Session, will go directly into the Special Trading Session once the delay has been released by Trading Services.

The price for trading in the Special Trading Session and for index rebalancing will be the last sale price for each security. The Exchange proposes that the last sale price for MOC Securities will be the final CCP and the last sale price for other securities will be the price of the last sale of at least one board lot of such security on the Exchange during the Regular Session.

Other than as noted above, the rules for trading in the Special Trading Session (including with respect to the submission of crosses) will be unchanged.

Reports

The system will generate a STAMP Match Report for all trades at the conclusion of the Closing Call. These trades will then be validated by the TSE trading engine. Trade notifications will then be sent through the STAMP gateway to all order originators. The trade information will also be disseminated to official TSE feeds (TBF, TL1 and TL2). However, since MOC trades may be unattributed, the trade reports will have an unattributed broker number, i.e. 001 and contain only public information (e.g. symbol, volume, price and a MOC trade marker).

Information on unattributed trades, including private information, will be made available to designated brokers through a STAMP query at the end of the Closing Call. POs will be responsible for building access to the STAMP trade query in order to access this information.

Registered Traders

Registered Traders (RTs) will have no direct obligations in the proposed MOC Order entry and execution process and will not be entitled to RT participation.

Must-Be-Filled (MBF) Session

There will be no change to the current timing and process for the MBF session.

Implementation

Implementation is anticipated for the fourth quarter, 2002.

Discussion of Proposed Amendments

The amendments to the Rules and Policies of the Exchange in order to implement the proposed MOC System are set out in Appendix "A". Division 9 of Part 4 of the Rules of the Exchange currently governs trading in the Special Trading Session. The Exchange proposes to amend Division 9 so that it governs the Special Trading Session and the MOC System. The Exchange also proposes to add a number of new definitions to Rule 1-101(2) and to amend the normal course issuer bid "prohibited purchases" section of Policy 6-501.

Harmonization with the Universal Market Integrity Rules for Canadian Marketplaces (The "UMI Rules")

The UMI Rules contemplate the existence of "Market-on-Close Orders" which have been defined in the UMI Rules as "an order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing at the closing price of the security on that marketplace on that trading day." If an order is received prior to closing, the price at which the order will trade will not be known at the time the order is received. For these reasons, the UMI Rules provide exemptions for Market-on-Close Orders from restrictions on short selling, best price obligations, exposure of client orders and client-principal trading. The UMI Rules definition of "Market-on-Close Orders" is broad enough to include both market and limit priced MOC Orders, as well as Continuous Market Book orders once they are in the Closing Market Book. The Exchange understands that Market Regulation Services Inc. ("RS") is currently reconsidering whether the exemptions from the short sale rule for MOC Orders currently set out in the UMI Rules should be applicable to orders entered after the close of the continuous market (i.e. limit priced MOC Orders entered in the Closing Market Book).

The draft version of the UMI Rules published on October 12, 2001 as part of the application of RS to be recognized as a self-regulatory organization contained a provision

which would have exempted principal and non-client orders that were Market-on-Close Orders from the application of the client priority rule. However, this proposed exemption was not carried forward into the final version of the UMI Rules. Accordingly, under the existing UMI Rule 5.3, a Participant that has principal or non-client orders filled as Market-on-Close Orders may, in certain circumstances, be subject to the requirement to provide a reallocation of the fill of the order to client orders that may have been entered either as Market-on-Close Orders or in the continuous market. The reallocation obligation would arise where the client order had not been immediately entered upon receipt onto a marketplace. The Exchange understands that RS will be "reproposing" exemptions from the client priority rule for certain principal and non-client orders entered as "Market-on-Close Orders". If necessary, the Exchange will seek a formal exemption from RS on behalf of its POs from the requirement to comply with the client priority rule for principal and non-client orders entered as "Market-on-Close Orders".

Public Interest Assessment

The proposed MOC System is designed to address concerns regarding increased volatility at the close of the continuous market and the limited opportunities for direct participation by market participants in trading at and following the close. The MOC System is the result of extensive public consultation and comment. In developing the MOC System, the Exchange consulted a broad cross-section of industry participants, including members of the buy side and sell side communities. They expressed strong support for the implementation of a market-on-close order system as a means to reduce the volatility at the close of the continuous market and to further enhance liquidity. The Exchange believes that the proposed MOC system will:

- Reduce volatility and market impact costs at the close of the continuous market by allowing MOC Orders to be entered separately and by providing an orderly management of MOC Orders.
- attract liquidity and ensure better price discovery.
- Enable a broad range of market participants to participate in an orderly and fair process for setting the closing price.
- Provide an accurate reflection of end-of-day value based on supply and demand.

For these reasons, the Exchange believes that introducing the proposed MOC System is in the best interests of the Canadian capital markets.

The Exchange believes that under the terms of the protocol between the Exchange and the Commission, the proposed amendments to the Rules and Policies of the Exchange 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 Commission.

Questions

Questions concerning this notice should be directed to Leonard P. Petrillo, Vice President, General Counsel and Secretary, at (416) 947-4514.

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(2) shall be amended to amend or add the following definitions:

"Book" means the electronic file of committed orders for listed securities but does not include the MOC Book or the Closing Market Book.

"calculated closing price" means the closing price for MOC Securities calculated in the manner prescribed by the Board.

"CCO Order" means a MOC Order that may be executed solely during the Closing Call.

"Closing Call" means the time at which orders in the Closing Market Book may execute at the calculated closing price.

"Closing Market Book" means the electronic file that holds MOC Market Orders, MOC Limit Orders and orders from the Book from 4:00 p.m. until the Special Trading Session on a Trading Day.

"Last Sale Price" means in respect of a MOC Security, the calculated closing price and in respect of any other listed security, the price of the last sale of at least one board lot of such security on the Exchange in the Regular Session.

"MOC Book" means the electronic file that holds MOC Market Orders entered between 7:00 a.m. and 4:00 p.m.

"MOC Imbalance" means the difference between MOC Orders to buy and MOC Orders to sell MOC Securities, calculated in the manner determined by the Exchange.

"MOC Limit Order" means an order for the purchase or sale of a MOC Security entered in the Closing Market Book on a Trading Day for the purpose of executing at the Last Sale Price of the security on that Trading Day, provided that the Last Sale Price does not exceed a specified maximum price in the case of a buy order or fall below a specified minimum price in the case of a sell order, but does not include a Special Trading Session Order.

"MOC Market Order" means an order for the purchase or sale of a MOC Security entered in the MOC Book on a Trading Day for the purpose of executing at the Last Sale Price of the security on that Trading Day, but does not include a Special Trading Session Order.

"MOC Order" includes a MOC Market Order and a MOC Limit Order.

"MOC Securities" means securities in respect of which MOC Orders may entered as designated by the Exchange from time to time.

"Random Close" means the time between 4:05 p.m. and 4:05:30 p.m. on a Trading Day at which the Closing Market Book is closed to further entry of orders.

2. Division 9 of Part 4 of the Rules of the Exchange shall be deleted and the following substituted:

DIVISION 9 - SPECIAL TRADING SESSION AND MARKET ON CLOSE

Rule 4-901 Special Trading Session

1. All listed securities shall be eligible for trading during the Special Trading Session, provided that a MOC Security shall not be eligible for trading until the completion or other resolution of the Closing Call in respect of that MOC Security.

2. All transactions in the Special Trading Session shall be at the Last Sale Price for each security.

3. Except as otherwise provided, the normal rules of priority and allocation and all other Exchange Requirements shall apply to the Special Trading Session.

Rule 4-902 Market On Close

1. Eligible Securities

MOC Orders may only be entered for MOC Securities.

2. Board Lots

A MOC Order must be for a board lot or an integral multiple of a board lot of a MOC Security.

3. MOC Order Entry

(a) MOC Market Orders may be entered in the MOC Book from 7:00 a.m. until 3:40 p.m. on each Trading Day.

(b) The MOC Imbalance is calculated at 3:40 p.m. on Each Trading Day.

(c) Following the broadcast of the MOC Imbalance until 4:00 p.m. on each Trading Day, MOC Market Orders may be entered in the MOC Book but solely

on the contra side of the MOC Imbalance and only to the extent of the MOC Imbalance.

(d) MOC Limit Orders may be entered in the Closing Market Book from 4:00 p.m. until the Random Close.

4. Closing Call

(a) The Closing Call shall occur on each Trading Day immediately following the Random Close.

(b) Orders in the Closing Market Book shall execute in the Closing Call in the following sequence:

(i) MOC Market Orders shall trade with offsetting MOC Market Orders entered by the same Participating Organization, according to time priority, provided that neither order is an unattributed order; then

(ii) MOC Market Orders shall trade with offsetting MOC Market Orders, according to time priority; then

(iii) MOC Market Orders shall trade with offsetting orders in the Closing Market Book entered by the same Participating Organziation, according to time priority, provided that neither order is an unattributed order; then

(iv) MOC Market Orders shall trade with offsetting orders in the Closing Market Book, according to time priority; then

(v) Orders in the Closing Market Book shall trade with offsetting orders in the Closing Market Book entered by the same Participating Organization, according to time priority, provided that neither order is an unattributed order; then

(vi) Remaining orders in the Closing Market Book shall trade according to time priority.

(c) An order for a MOC Security shall not execute if, at the Random Close:

(i) the Exchange has delayed the MOC Security because the calculated closing price exceeds the volatility parameters set by the Exchange; or

(ii) the participation of the MOC Security has been otherwise delayed by a Market Surveillance Official.

5. Unfilled Orders

(a) All CCO Orders that are not completely filled in the Closing Call shall be automatically cancelled.

(b) All other MOC Market Orders that are not completely filled in the Closing Call shall be converted to MOC Limit Orders at the calculated closing price and shall be eligible for trading in the Special Trading Session.

(c) All other orders from the Closing Market Book that are not completely filled in the Closing Call shall be eligible for trading in the Special Trading Session.

(d) All MOC Limit Orders that are not completely filled during the Special Trading Session shall be automatically cancelled.

6. Application of Exchange Requirements

(a) Except as otherwise provided in this Rule, all Exchange Requirements shall apply to the entry and execution of MOC Orders.

THIS RULE AMENDMENT MADE this 28th day of May, 2002 to be effective upon approval of the Ontario Securities Commission, following public notice and comment.

"Wayne Fox"
Wayne C. Fox, Chair

"Leonard Petrillo"
Leonard P. Petrillo, Secretary

THE POLICIES

OF

THE TORONTO STOCK EXCHANGE INC.

The Policies of The Toronto Stock Exchange are hereby amended as follows:

1. Policy 6-501(9)1 is amended by inserting "or in the Closing Call" after the phrase "or the POSIT Call Market"

THIS POLICY AMENDMENT MADE this 28th day of May, 2002 to be effective upon approval of the Ontario Securities Commission, following public notice and comment.

"Wayne Fox"
Wayne C. Fox, Chair

"Leonard Petrillo"
Leonard P. Petrillo, Secretary

Chapter 25

Other Information

25.1 Consents

25.1.1 Sino-Forest Corporation - cl. 4(b) of Reg. 62

Headnote

Consent given to OBCA corporation to continue under the CBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B16, as am., s. 181.
Securities Act, R.S.O. 1990, C. S.5, as am.

Regulations Cited

Regulation made under the Business Corporation Act, R.R.O., Reg. 62, as am by Reg. 289/00, s. 4(b)
Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.

IN THE MATTER OF
THE REGULATION MADE UNDER
THE BUSINESS CORPORATIONS ACT (ONTARIO)
R.S.O. 1990, c. B.16 (the "OBCA") AND
ONT. REG. 289/00 (THE "FORMS REGULATION")

AND

IN THE MATTER OF
SINO-FOREST CORPORATION

CONSENT
(Clause 4(b) of the Forms Regulation)

UPON the application (the "Application") of Sino-Forest Corporation (the "Corporation") to the Ontario Securities Commission (the "Commission") requesting the consent of the Commission to continue into another jurisdiction pursuant to clause 4(b) of the Forms 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 proposes to make application (the "Application for Continuance") to the Director appointed under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "CBCA") pursuant to section 181 of the OBCA;

2. pursuant to clause 4(b) of the Forms Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission;

3. the Corporation is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act");

4. the Corporation is not a defaulting reporting issuer under Act or the Regulation thereunder and, to the best of its knowledge, information and belief, is not a party to any proceeding under the Act;

5. the continuance of the Corporation under the CBCA has been proposed because the Corporation believes it to be in its best interest to conduct its affairs in accordance with the CBCA;

6. the material rights, duties and obligations of corporation under the CBCA are substantially similar to those under the OBCA with the exception that the OBCA requires that a majority of a corporation's directors be resident Canadians whereas the CBCA was recently amended to provide that at least one-quarter of directors need be resident Canadians;

7. the shareholders of the Corporation will be meeting at the Annual and Special Meeting of the Shareholders on Monday, June 17, 2002 to approve the continuance under the CBCA; and

8. the Corporation presently intends to continue to be a reporting issuer in the Province of Ontario.

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

THE COMMISSION hereby consents to the continuance of the Corporation under the CBCA.

June 18 2002.

"Harold P. Hands" "H. Lorne Morphy"

25.1.2 Metallica Resources Inc. - cl. 4(b) of Reg. 62

Headnote

Consent given to OBCA corporation to continue under the CBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B16, as am., s. 181. Securities Act, R.S.O. 1990, C. S.5, as am.

Regulations Cited

Regulation made under the Business Corporation Act, R.R.O., Reg. 62, as am by Reg. 289/00, s. 4(b).
Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.

IN THE MATTER OF
THE REGULATION MADE UNDER
THE BUSINESS CORPORATIONS ACT (ONTARIO)
R.S.O. 1990, c. B.16 (the "OBCA") AND
ONT.REG. 289/00 (THE "FORMS REGULATION")

AND

IN THE MATTER OF
METALLICA RESOURCES INC.

CONSENT
(Clause 4(b) of the Forms Regulation)

UPON the application (the "Application") of Metallica Resources Inc. (the "Corporation") to the Ontario Securities Commission (the "Commission") requesting the consent of the Commission to continue into another jurisdiction pursuant to clause 4 (b) of the Forms 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 proposes to make application (the "Application for Continuance") to the Director appointed under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "CBCA"), pursuant to section 181 of the OBCA;

2. pursuant to clause 4(b) of the Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission;

3. the Corporation is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S.5, (the "Act");

4. the Corporation is not a defaulting reporting issuer under the Act or the Regulation thereunder and, to the best of its knowledge, information and belief, is not a party to any proceeding under the Act;

5. the continuance of the Corporation under the CBCA has been proposed because the Corporation believes it to be in its best interest to conduct its affairs in accordance with the CBCA;

6. the material rights, duties and obligations of a corporation under the CBCA are substantially similar to those under the OBCA with the exception that the OBCA requires that a majority of a corporation's directors be resident Canadians whereas the CBCA was recently amended to provide that only one-quarter of directors need be resident Canadians; and

7. the shareholders of the Corporation have approved the continuance under the CBCA at the Annual and Special Meeting of the Shareholders held on June 6, 2002; and

8. the Corporation presently intends to continue to be a reporting issuer in the Province of Ontario.

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

THE COMMISSION hereby consents to the continuance of the Corporation under the CBCA.

June 21, 2002.

"Robert Korthals" "Harold P. Hands"

25.2 Approvals

25.2.1 Greydanus Management Inc.

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

Rules Cited

Ontario Securities Commission Approval 81-901, Approval of Trustees of Mutual Fund Trusts (1997), 20 O.S.C.B. 200.

June 21, 2002

Lerner & Associates

Attention: James W. Dunlop

Dear Sirs/Mesdames:

Re: Application by Greydanus Management Inc. (the "Applicant") for approval to act as trustee of Greydanus Hedge Fund (the "Fund") pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) (the "LTCA").
- Application #556/02

Further to the application dated June 12, 2002 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the LTCA, the Commission approves the proposal that the Applicant act as trustee of the Funds which it manages.

"Robert W. Korthals" "Harold P. Hands"

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