The Ontario Securities Commission

OSC Bulletin

July 12, 2002

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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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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JULY 12, 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
M5H 3S8

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Robert W. Korthals	C	RWK
Mary Theresa McLeod	C	MTM
H. Lorne Morphy, Q.C.	C	HLM
Robert L. Shirriff, Q.C.	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.	**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
September 6, 10, 12, 13, 24, 26 & 27/02 9:30 a.m. - 4:30 p.m.	K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff. Panel: HIW / DB / RWD
August 20/02 2:00 p.m.	**Mark Bonham and Bonham & Co. Inc.**
August 21 to 30/02 9:30 a.m.	s. 127 M. Kennedy in attendance for staff Panel: PMM / KDA / HPH
September 16 - 20/02 10:00 a.m.	**James Pincock** s. 127 J. Superina in attendance for Staff Panel: HLM

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

1.1.2 Amendment to National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications

AMENDMENT TO NATIONAL POLICY 12-201 MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

The Commission, together with the other members of the Canadian Securities Administrators, has amended National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications. **The amendments to the National Policy will come into force on July 15, 2002**.

The Notice of Amendment and NP 12-201 are published in Chapter 5 of this Bulletin.

1.1.3 IOSCO Technical Committee: Three Reports on Matters of Interest to the Canadian Mutual Fund Industry

INTERNATIONAL ORGANISATION OF SECURITIES COMMISSIONS (IOSCO)

TECHNICAL COMMITTEE RECENT PUBLICATIONS: THREE REPORTS ON MATTERS OF INTEREST TO THE CANADIAN MUTUAL FUND INDUSTRY

Two reports are being released for comments—one on the responsibilities of collective investment schemes as shareholders and another about performance presentation standards

The IOSCO Technical Committee recently approved for publication two consultation reports, one entitled *"Collective Investment Schemes as Shareholders: Responsibilities and Disclosure"* and another entitled *"Performance Presentation Standards for Collective Investment Schemes".* **IOSCO is seeking comments on both reports and asks that comments be sent to its General Secretariat by September 30, 2002.**

The Technical Committee's standing committee on investment management[1] prepared the consultation reports for industry comment to make sure that current international practices and views on the issues noted are accurately reflected. Participants in the Canadian mutual fund industry are encouraged to review these reports and provide the IOSCO General Secretariat with comments. The Canadian industry practice and experience with the issues noted is welcomed.

We reproduce the two reports in this edition of the Bulletin under Chapter 6. You can also download them from the IOSCO website at www.iosco.org. Comments can be sent to the IOSCO General Secretariat in the manner and at the address noted at the end of this notice.

The Technical Committee's consultation report entitled "*Collective Investment Schemes as Shareholders: Responsibilities and Disclosure"* deals with the role of collective investment schemes (mutual funds) as institutional investors active in national and global market places. With increased corporate ownership by mutual funds, the manner in which mutual funds deal with the voting and other shareholder rights attached to the securities of corporations becomes an important issue—for market places, for mutual fund investors and for mutual fund regulators.

The consultation report canvasses a number of issues related to the role of mutual funds in the governance of the corporations they hold. The industry guidelines referred to in the consultation report emphasize the need for disclosure and reinforce the conclusions of the report that, if mutual fund managers participate in corporate governance, they should act in the best interests of mutual fund investors.

The Technical Committee asks three questions in the paper:

(i) Is a mutual fund required to exercise voting and other shareholder rights or otherwise become involved in the governance of corporations in its portfolio?

(ii) Who can make decisions about voting and other shareholder rights attached to mutual fund portfolio securities and how should these decisions be made?

(iii) Should a mutual fund provide information to mutual fund investors about how its rights as a shareholder will be exercised?

The Technical Committee canvasses the current industry and regulatory responses to these questions and concludes with its views on appropriate regulatory responses. The Technical Committee asks for industry comment on the answers it suggests and the issues discussed in the consultation report.

The Technical Committee's consultation report entitled "*Performance Presentation Standards for Collective Investment Schemes*" concerns regulatory approaches to performance advertising by mutual funds, and in particular the use of past performance in advertising. The consultation report describes the approach taken in a number of jurisdictions to mutual fund performance reporting and advertising. Based on its review of these approaches, the Technical Committee presents some general principles for the presentation of performance information. The Technical Committee wishes to obtain industry comment on the matters outlined in the consultation report, including its general principles. The Standing Committee intends to do further work to develop best practice standards for the presentation of mutual fund performance information in advertisements.

A third report about prospectus simplification efforts was approved for publication

The Technical Committee recently approved for publication on the IOSCO website at www.iosco.org a report also prepared by the Technical Committee's Standing Committee on investment management that canvasses international mutual fund prospectus simplification initiatives. This report entitled "*Investor Disclosure and Informed Decisions: Use of Simplified Prospectuses by Collective Investment Schemes"* examines how mutual fund regulators can facilitate informed investor decision-making through prospectus simplification initiatives. Requirements for simpler prospectuses can encourage mutual fund industry participants to pay increased attention to clearly informing investors about their investment. The paper explores key themes arising out of the work of

[1] Standing Committee 5 on Investment Management looks at issues related to the regulation and operation of "collective investment schemes" (mutual funds) and their "operators" (mutual fund managers).

Standing Committee members in relation to simplified prospectuses and outlines common responses to various regulatory issues.

How comments can be sent to the IOSCO General Secretariat

You can contact the Commission staff who participates on the Technical Committee's Standing Committee for further information about the publications noted. You can send staff your comments on the two consultation reports for forwarding onto the IOSCO General Secretariat.

Please contact:

Rebecca Cowdery
Manager, Investment Funds Regulatory Reform
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
Telephone: 416-593-8129
Facsimile: 416-593-8218
E-mail: rcowdery@osc.gov.on.ca

You can also directly send your comments on the two consultation reports by mail, fax or email to:

General Secretariat
International Organisation of Securities Commissions (IOSCO)
Plaza de Carlos Trías Bertrán, 7
Planta 3ª
28020 Madrid
España
Telephone: +34 (91) 417 55 49
Facsimile: +34 (91) 555 93 68
E-mail: terry@oicv.iosco.org

Please copy Commission staff with your comments.

1.1.4 Notice of National Policy 51-201 Disclosure Standards

NOTICE OF NATIONAL POLICY 51-201 DISCLOSURE STANDARDS

The Commission is publishing in today's Bulletin National Policy 51-201 Disclosure Standards. The Policy had been published for comment on May 25, 2001, and has now been adopted by the Commission. A summary of the comments received and the responses to those comments can be found in the Notice of the Policy.

The Notice and Policy are published in Chapter 5 of the Bulletin.

1.3 News Releases

1.3.1 OSC Establishes Small Business Advisory Committee

FOR IMMEDIATE RELEASE
July 4, 2002

OSC ESTABLISHES SMALL BUSINESS ADVISORY COMMITTEE

TORONTO – The Ontario Securities Commission is establishing a Small Business Advisory Committee (the SBAC) to advise on securities regulatory issues facing small and medium-sized businesses in Ontario. It is expected that the SBAC will advise staff on any issues arising from the implementation of the recently-revised *Exempt Distributions* rule and will also serve as a forum for continuing communication between the Commission and small business.

The SBAC will be chaired initially by Margo Paul, Manager, Corporate Finance, OSC, who will serve a two-year term. The SBAC will be composed of approximately ten individual volunteers, meeting approximately four times a year.

Representatives of small businesses, industry associations, law and accounting firms and other interested persons are invited to apply in writing for membership on the SBAC indicating their areas of practice and relevant experience. Members will serve two-year terms and are expected to have extensive knowledge of small business issues and a strong interest in securities regulatory policy as it relates to small business financing. As such, familiarity with securities regulation would be helpful.

Applications

Interested parties should submit their application by August 31, 2002 to:

Margo Paul
Manager, Corporate Finance
Ontario Securities Commission
(416) 593-8136
mpaul@osc.gov.on.ca

Background

In June 1994, the Commission established an industry task force, known as the Task Force on Small Business Financing, to make recommendations about the Ontario legislative and regulatory framework governing the raising of capital by small and medium-sized enterprises. The Task Force issued its final report in October 1996.

On November 30, 2001, revised OSC Rule 45-501 *Exempt Distributions* came into force. This rule implements many of the recommendations of the Task Force relating to the regulation of private placement financing.

Recognizing the critical role played by the Task Force's industry participants in the development of the new exempt market regime, the Commission is establishing the SBAC, which will provide ongoing advice to the Commission and Commission staff.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

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

1.3.2 CSA News Release - New Rules for Issuers' Communications with Shareholders

For Immediate Release
July 8, 2002

New Rules for Issuers' Communications with Shareholders

Montréal – New rules adopted by Canada's securities regulators will allow securities issuers to better identify their shareholders and to communicate with them directly.

Currently, an issuer cannot generally obtain the names of shareholders who hold its securities through a broker or other intermediary. *National Instrument 54-101 (Communication with beneficial owners of securities of a reporting issuer)* permits issuers, as of September 2002, to obtain from brokers the names of their shareholders who have not objected to being identified. In addition, it allows issuers holding shareholder meetings on or after September 1, 2004, to send meeting materials directly to these non-objecting shareholders. *National Instrument 54-102 (Interim financial statement and report exemption)* establishes procedures that will allow issuers to send interim financial statements and reports only to shareholders who specifically request the documents.

"These measures will allow issuers to determine who their shareholders are and to choose how to communicate with them," said Doug Hyndman, Chair of the Canadian Securities Administrators. "Shareholders can still remain anonymous," he added, "but it will be their choice, and not the choice of their brokers."

The rules came into effect on July 1, 2002. As Quebec is still awaiting regulatory approval of the rules, it has enacted temporary exemptions to allow Quebec issuers to benefit from the harmonized standards.

The rules may be viewed at the commission websites listed below.

The CSA, comprised of the thirteen provincial and territorial authorities, administer Canadian securities regulations to protect investors and to ensure an efficient and effective securities market.

Media relations contacts:

Joni Delaurier
Alberta Securities Commission
403-297-4481
www.albertasecurities.com

Michael Bernard
B.C. Securities Commission
604-899-6524
1-800-373-6393 (B.C. & Alberta only)
www.bcsc.bc.ca

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733
1-800-655-5244 (Manitoba only)
www.msc.gov.mb.ca

Éric Pelletier
Ontario Securities Commission
416-595-8913
1-877-785-1555 (Ontario only)
www.osc.gov.on.ca

Barbara Timmins
Commission des valeurs mobilières du Québec
514-940-2176
1-800-361-5072 (Quebec only)
www.cvmq.com

1.3.3 OSC Extends Temporary Order Against Mark Edward Valentine

FOR IMMEDIATE RELEASE
July 8, 2002

OSC EXTENDS TEMPORARY ORDER AGAINST MARK EDWARD VALENTINE

TORONTO – After a two day hearing which commenced on July 2 and resumed today, the Ontario Securities Commission extended a temporary order made against Mark Edward Valentine. The ruling extends the June 17 order suspending Mr. Valentine's registration, and requires him to cease trading in securities, with the exception of certain defined transactions, until at least January 31, 2003.

The order also provides that the exemptions contained in Ontario securities laws do not apply to Mr. Valentine for the same period, provided that he may trade in certain securities for his own account, or for the account of his RRSP or RRIF. The order states that, if a hearing before the Commission is not commenced by January 31, 2003, Staff of the Commission may apply to have the order further extended.

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
416-595-8913

Michael Watson
Director, Enforcement
416-593-8156

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

1.3.4 Arlington Securities Inc. and Samuel Brian Milne

FOR IMMEDIATE RELEASE
July 9, 2002

IN THE MATTER OF ARLINGTON SECURITIES INC. AND SAMUEL BRIAN MILNE

TORONTO – On June 25, 2002 the Ontario Securities Commission issued its Reasons for Decision in the matter of Arlington Securities Inc. and Samuel Brian Milne.

The Commission decided that Arlington failed to deal fairly, honestly, and in good faith with its clients by charging excessive mark-ups on the sale of securities.

From 1996 to 2000, all of Arlington's business consisted of principal trading. 92% of its revenues derived from the sale of eight issuers. Arlington sold these stocks to its clients at large mark-ups, from 146% to 338%. The Commission decided that, given the enhanced obligation of fairness owed by a dealer to a client in a principal trade, the nature of Arlington's business and the degree of risk involved to the dealer, the mark-ups were "unjustifiably large."

By charging excessive mark-ups, Arlington did not act in the best interests of its clients and acted contrary to the public interest. Milne authorized, permitted, and acquiesced in Arlington's conduct and thereby acted contrary to the public interest.

The Commission reprimanded Arlington, terminated its registration, and permanently removed from it the benefit of any exemptions under Ontario securities law. The Commission also reprimanded Milne, ordered that he resign as an officer and director of any issuer and ordered that he cease trading in securities, not have the benefit of any exemptions under Ontario securities law, and not serve as an officer or director of any issuer for three years.

He was also ordered to pay $5,000 toward the costs of the investigation.

Copies of the Reasons for Decision and Order 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
416-595-8913

Michael Watson
Director, Enforcement Branch
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 CMP 2002 Resource Limited Partnership - MRRS Decision

Headnote

Issuer exempted from interim financial reporting requirements for first and third quarter of each financial year. Exemption terminates upon the occurrence of a material change in the business affairs of the Issuer unless the Decision Makers is satisfied that the exemption should continue.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 6(3), s. 77(1), 79, 80(b)(iii).

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

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

AND

IN THE MATTER OF
CMP 2002 RESOURCE LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received the application of CMP 2002 Resource Limited Partnership (the "Partnership") for a decision pursuant to the securities legislation (the "Legislation") of the Jurisdictions exempting the Partnership from the requirements of the Legislation to file with the Decision Makers and send to its securityholders (the "Limited Partners") interim financial statements for the first and third quarters of each financial year of the Partnership;

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

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

1. the Partnership is a limited partnership formed pursuant to the *Limited Partnerships Act* (Ontario) by declaration of partnership filed on August 29, 1988;

2. on April 10, 2002 the Decision Makers issued a receipt for a prospectus of the Partnership (the "Prospectus") dated April 5, 2002 with respect to the offering of units of the Partnership ("Partnership Units");

3. the Partnership was formed for the purpose of investing the proceeds from the issue and sale of the Partnership Units primarily in flow-through shares of corporations that represent to the Partnership that they are principal business corporations as defined in the *Income Tax Act* (Canada) and that they intend to incur Canadian Exploration Expense;

4. the Partnership Units have not been and will not be listed for trading on a stock exchange;

5. on or about January 16, 2004, or as soon as substantially all statutory resale restrictions on the Partnership's investments have expired, the Partnership will be liquidated and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. It is the current intention of the general partner of the Partnership prior to such dissolution to enter into an agreement with an open-end mutual fund corporation managed by Dynamic Mutual Funds Ltd. (the "Mutual Fund"), whereby the assets of the Partnership would be exchanged for shares of the Mutual Fund and upon such dissolution, Limited Partners would then receive their *pro rata* share of the shares of the Mutual Fund;

6. unless a material change takes place in the business and affairs of the Partnership, the Limited Partners will obtain adequate financial information concerning the Partnership from the semi-annual financial statements and the annual report containing audited financial statements of the Partnership together with the auditors' report thereon distributed to Limited Partners;

7. given the limited range of business activities to be conducted by the Partnership and the nature of the investment of the Limited Partners in the Partnership, the provision by the Partnership of interim financial statements in respect of the first and third quarters of each financial year of the Partnership will not be of significant benefit to the

Limited Partners and may impose a material financial burden on the Partnership;

8. each of the purchasers of Partnership Units will consent to the exemption requested herein by executing the subscription and power of attorney form in respect of their purchase of Partnership Units; and

9. it is disclosed in the Prospectus that Dynamic CMP Funds V Management Inc., as the general partner of the Partnership, will apply for the relief granted herein;

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:

1. the Partnership is exempted from the requirement to file with the Decision Makers interim financial statements for the first and third quarters of each financial year of the Partnership; and

2. the Partnership is exempted from the requirement to send to the Limited Partners interim financial statements for the first and third quarters of each financial year of the Partnership, provided that these exemptions shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

July 3, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.2 TD Asset Management Inc. - MRRS Decision

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, NEWFOUNDLAND AND LABRADOR,
NOVA SCOTIA, ONTARIO, QUEBEC AND
SASKATCHEWAN

AND

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

AND

IN THE MATTER OF
TD PRIVATE INTERNATIONAL BOND FUND
TD PRIVATE RSP INTERNATIONAL BOND FUND
(individually a "Fund" and collectively, the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan (the "Jurisdictions") has received an application from TD Asset Management Inc. ("TDAM"), in its capacity as trustee and manager of the Funds for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Funds be deemed to have ceased to be reporting issuers in the Jurisdictions;

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 TDAM and the Funds have represented to the Decision Makers that:

1. TDAM is a wholly-owned subsidiary of the Toronto-Dominion Bank.

2. TDAM is subject to the *Ontario Business Corporations Act* and its head office is located in Toronto, Ontario.

3. TDAM is the trustee and manager of the Funds.

4. Each Fund is a mutual fund trust governed under the laws of Ontario pursuant to an amended and

restated Trust Indenture dated as of March 26, 2002, as amended on April 15, 2002.

5. The Funds filed a simplified prospectus dated February 3, 1998 and became reporting issuers on that date in Ontario and each of the Non-Principal Jurisdictions.

6. The Funds are currently reporting issuers in Ontario and each of the Non-Principal Jurisdictions.

7. To the best of TDAM's knowledge, the Funds are not in default of any of their obligations as reporting issuers under the Legislation or any of the requirements of the securities laws of the Jurisdictions.

8. There is no current prospectus for the Funds.

9. TDAM, on its own behalf and not in its capacity as trustee of the Funds, is the sole registered unitholder of each Fund and as such is the sole beneficial owner of all the outstanding units of each Fund.

10. Other than the units of each Fund held by TDAM on its own behalf, each Fund has no securities, including debt securities, outstanding.

11. TDAM has determined that it is no longer desirable to offer units in the Funds to the public.

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 Funds be deemed to have ceased to be reporting issuers in each of the Jurisdictions.

June 28, 2002.

"Paul A. Dempsey"

2.1.3 Biovail Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - amended issuer bid made through the facilities of the NYSE by U.S. offeror with approximately 540 registered holders in Canada holding 12.5% of the total outstanding securities subject to the bid - Offeror exempt from formal issuer bid requirements, provided that in each of the Jurisdictions the issuer bid is made in compliance with the applicable U.S. securities laws.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 93(3)(e), 95, 96, 97, 98, 100 and 104(2)(c).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, QUEBEC AND MANITOBA,

AND

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

AND

IN THE MATTER OF
BIOVAIL CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Quebec and Manitoba (collectively, the "Jurisdictions") has received an application from Biovail Corporation (the "Company") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that in connection with the proposed purchase by the Company of up to 12,862,800 of its issued and outstanding common shares pursuant to an issuer bid, the Company be exempt from the provisions in the Legislation relating to issuer bids (the "Issuer Bid Requirements") insofar as purchases under the issuer bid are made by the Company through the facilities of the New York Stock Exchange (the "NYSE");

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 Company has represented to the Decision Makers that:

1. The Company is a corporation amalgamated under the *Business Corporations Act* (Ontario) and its head office is located in Ontario.

2. The Company is a reporting issuer or its equivalent in each of the provinces of Canada (where that concept exists), and is not in default of its reporting issuer obligations under the Legislation.

3. The Company is also a registrant with the Securities Exchange Commission in the United States (the "SEC") and is subject to the requirements of the *United States Securities Act of 1934* (the "1934 Act").

4. The authorized capital of the Company consists of an unlimited number of common shares (the "Shares"), of which, as at June 13, 2002, approximately 150,162,417 Shares were issued and outstanding.

5. The Shares are listed on the Toronto Stock Exchange (the "TSX") and the NYSE under the trading symbol "BVF". Approximately 75% of the Shares that have traded to date in 2002 have traded through the NYSE, up from 72% in 2001. The remainder of Shares in those periods traded through the TSX.

6. Based on information provided by the Company's transfer agent, as at June 13, 2002, there were approximately 540 registered holders of Shares in Canada, holding in the aggregate approximately 18,761,666 Shares, which represents approximately 12.5% of the total issued and outstanding Shares. This information indicates that there were 386 registered holders in Ontario holding approximately 12.5% of the total issued and outstanding Shares and 99 holders in Manitoba holding approximately 0.0009% of the total issued and outstanding Shares. This data further indicates that there were fewer than 50 registered holders, if any, resident in the provinces of British Columbia, Alberta, Saskatchewan, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island, and in the Yukon Territory, the Northwest Territories, and Nunavut. According to a report obtained from Independent Investors Communications Corporation, there were more than 50 beneficial holders of Shares in Quebec holding approximately 3.5% of the issued and outstanding Shares.

7. On February 14, 2002, the Company commenced a normal course issuer bid pursuant to which the Company was able to repurchase up to 5% of the issued and outstanding Shares. As at May 31, 2002, the Company had repurchased 7,791,400 Shares under that bid through the facilities of the NYSE. These repurchases were exempt from the Issuer Bid Requirements under the "normal course issuer bid" exemption in the Legislation.

8. On May 31, 2002, the Company's normal course issuer bid was amended to provide that the Company could repurchase up to 10% of the public float, or an additional 5,071,400 Shares, through the facilities of the TSX, for a total of 12,862,800 Shares (representing approximately 8% of the total issued and outstanding Shares). The amended bid is currently limited to the facilities of the TSX and is exempt from the Issuer Bid Requirements under the "recognized stock exchange" exemption in the Legislation.

9. As a much higher volume of Shares trade through the NYSE, the Company wishes to have the ability to continue to repurchase Shares through the facilities of the NYSE and wishes to extend the amended bid to the facilities of the NYSE (the "Proposed Bid").

10. The Proposed Bid will be completed in compliance with the 1934 Act, the *United States Securities Act of 1933,* and the rules of the SEC made pursuant to such statutes (collectively, the "Applicable U.S. Securities Laws"). All purchases made through the NYSE will be made through only one broker in any one day, will not be made at the opening of the market or within one half hour of the close, will not be made at prices higher than the highest published independent bid or last reported independent sale price on the NYSE (whichever is higher), and will be in an amount that does not exceed, in any one day, 25% of the average daily trading volume over the past four weeks. NYSE rules also require that the NYSE be notified within 10 days of the end of a quarter of repurchases of shares by listed companies and promptly of any repurchases in excess of the market price.

11. The Company cannot rely on the "recognized stock exchange" exemption from the Issuer Bid Requirements in the Legislation for the Proposed Bid because the NYSE is not recognized for the purpose of this exemption.

12. The Company cannot rely on the "normal course issuer bid" exemption from the Issuer Bid Requirements in the Legislation because the Company is proposing to repurchase more than 5% of the issued and outstanding common Shares within a 12 month period.

13. The Company cannot rely on the "de minimis" exemption from the Issuer Bid Requirements in the Legislation because there are more than 50 registered holders of Shares in each of Ontario and Manitoba and, in the case of Quebec, there are more than 50 beneficial holders of Shares.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that

provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Proposed Bid is exempt from the Issuer Bid Requirements, provided that the Proposed Bid is made in compliance with the requirements of Applicable U.S. Securities Laws.

July 3, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.4 TrizecHahn Holdings Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application – Issuer holds all of its securities - issuer deemed to have ceased being a reporting issuer.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
TRIZECHAHN HOLDINGS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Québec and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from TrizecHahn Holdings Ltd. (the "Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Corporation cease to be a reporting issuer or equivalent thereof under the Legislation;

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

AND WHEREAS the Corporation has represented to the Decision Makers as follows:

1. The Corporation was incorporated under the laws of Canada on October 5, 1960. On September 27, 1999, the Corporation was continued under the *Business Corporations Act* of New Brunswick;

2. The Corporation, formerly Trizec Corporation Ltd., became a wholly-owned subsidiary of Trizec Hahn Corporation ("TrizecHahn") on November 1, 1996 pursuant to a merger and arrangement agreement between Trizec Corporation Ltd. and TrizecHahn. The name of the Corporation was changed from Trizec Corporation Ltd. to TrizecHahn Holdings Ltd. on December 31, 1996;

3. The head office of the Corporation is located at BCE Place, 181 Bay Street, Suite 3900, Toronto, Ontario M5J 2T3;

4. The Corporation is a reporting issuer under the Legislation in good standing in each of the Jurisdictions;

5. The authorized capital of the Corporation consists of an unlimited number of Preferred Shares, an unlimited number of Class A ordinary shares, an unlimited number of Class B ordinary shares and an unlimited number of Class I Non-Voting Shares and, as of June 19, 2002, there were 272,291,650 Class A ordinary shares, no Preferred Shares, no Class B ordinary shares and 24,917,100 Class I Non-Voting Shares issued and outstanding;

6. No securities of the Corporation are listed or posted for trading on any stock exchange;

7. The Corporation has no current intention to seek public financing by way of an offering of its securities;

8. The Corporation is a direct wholly-owned subsidiary of TrizecHahn and an indirect wholly-owned subsidiary of Trizec Canada Inc., each of which is a reporting issuer in all of the Jurisdictions;

9. The Corporation was the guarantor of 10.875% senior notes due October 15, 2005 of Trizec Finance Ltd. All of the Notes were redeemed on June 7, 2002; and

10. There are no debt or equity securities of, or guaranteed by, the Corporation held by any person other than TrizecHahn.

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

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 Corporation is deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation as of the date of this decision.

July 3, 2002.

"Margo Paul"

2.1.5 Jones Collombin Investment Counsel Inc. - MRRS Decision

Headnote

Mutual reliance review system for exemptive relief applications – portfolio manager exempted from the dealer registration requirements in the Legislation in respect of trades in shares or units of mutual funds managed by portfolio manager, made by portfolio manager through its officers and employees acting on its behalf, to managed accounts, subject to terms and conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended s. 25, 74(1).

Rules Cited

National Instrument 81-102 Mutual Funds.
Ontario Securities Commission Rule 31-506 - SRO Membership - Mutual Fund Dealers.
Ontario Securities Commission Rule 45-501 Exempt Distributions.

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

AND

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

AND

IN THE MATTER OF
JONES COLLOMBIN INVESTMENT COUNSEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (individually, a "Decision Maker", and, collectively, the "Decision Makers") in each of the provinces of Alberta and Ontario (the "Jurisdictions") has received an application (the "Application") from Jones Collombin Investment Counsel Inc. ("JCIC"), for a decision that the requirement (the "Dealer Registration Requirement") in the Legislation that prohibits a person or company from trading in a security unless the person or company is registered in the appropriate category of registration under the Legislation should not apply in respect of any trades, in shares or units of a mutual fund (a "JCIC Fund") that is managed by JCIC, made by JCIC to a client account of JCIC that is a Managed Account (as defined below):

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 JCIC has represented to the Decision Makers that:

1. JCIC is a corporation incorporated under the *Business Corporations Act* (Ontario) and conducts an active portfolio management operations (the "Portfolio Management Operations") offering services to a large and diversified client base. JCIC currently has assets under management of approximately $327 million.

2. JCIC's Portfolio Management Operations are designed to cater to the following distinct business segments:

   (a) *Private Clients* – high net worth individuals who access its portfolio management services by establishing and maintaining segregated individually managed accounts.

   (b) *Institutional Clients* – corporations, institutions, endowments and foundations which have their assets managed in segregated individually managed accounts.

3. JCIC conducts its Portfolio Management Operations in accordance with adviser registrations under the Legislation of each Jurisdiction.

4. JCIC has applied for registration as a limited market dealer under the Legislation of Ontario.

5. As part of its Portfolio Management Operations, JCIC provides discretionary portfolio management services to investment portfolio accounts (a "Managed Account") of clients, under which JCIC, pursuant to a written agreement made between JCIC and each client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the specific consent of the client to the trade.

6. Incidental to its principal business of portfolio management, JCIC wishes to distribute shares or units of mutual funds to Managed Accounts. JCIC will not distributes shares or units of mutual funds to persons for whom it does not have Managed Accounts.

7. JCIC would like to indirectly pool existing smaller segregated accounts and make its portfolio management services available to a broader range of potential customers, including individuals who would not generally be considered to have sufficient assets to warrant the establishment of a segregated Managed Account due to related cost and asset diversification considerations.

8. One way of making its portfolio management services available to clients whose assets are not sufficiently valued to warrant a Managed Account that holds portfolio securities directly is to offer such clients one or more mutual funds. In such a circumstance, an individual would establish a Managed Account with JCIC and consent to allow JCIC to exercise its discretion to invest some, or all, of the individual's assets in a mutual fund managed by JCIC. The individual is thereby able to partake of JCIC's investment management expertise, as regards both asset allocation and individual stock selection, as well as the lower costs and broader asset diversification associated with mutual fund investments relative to direct holdings of individual securities. In order to accommodate the widest possible range of clients in its private client business, JCIC will prospectus qualify these mutual funds.

9. Once the Managed Accounts holding mutual fund securities grow to a sufficient size, these accounts would become eligible for JCIC's individual stock selection services.

10. The sale of mutual fund securities to its Managed Accounts in the Jurisdictions would normally require JCIC to become registered as a mutual fund dealer and become a member of the Mutual Fund Dealers Association of Canada ("MFDA"). For the reasons discussed below, JCIC does not believe it to be desirable or appropriate to become a member of the MFDA.

11. As a mutual fund dealer, JCIC would be subject to the requirements of Ontario Securities Commission Rule 31-506 *SRO Membership - Mutual Fund Dealers* (the "MFDA Rule") and its counterpart in Alberta and must become a member of the MFDA in accordance with the MFDA Rule.

12. Upon becoming a member of the MFDA, JCIC would be required to comply with the By-law and Rules of the MFDA including Section 2.3.1 of the MFDA Rules. Section 2.3.1 of the MFDA Rules provides that no member shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the member. Section 2.3.1 is complemented by Section 2.3.4 which provides that the form of limited trading authorization contemplated by Section 2.3.2 may not in any way confer general discretionary trading authority upon a member.

13. Accordingly, it would not be possible for JCIC to conduct its Portfolio Management Operations while at the same time be a member of the MFDA. If JCIC were precluded from offering mutual funds to its Managed Accounts, it would be deprived of a fundamentally important means of delivering investment management advice to those Managed Accounts whose asset value is not

sufficiently large enough to hold portfolio securities directly.

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

AND WHEREAS each of the Decision Makers is satisfied that the tests 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 under the Legislation of each Jurisdiction that the Dealer Registration Requirement in the Legislation shall not apply to trades in shares or units of JCIC Funds made by JCIC, through its officers and employees acting on its behalf (each, a "JCIC Representative"), to Managed Accounts,

PROVIDED THAT:

(A) JCIC is at the time of the trade, registered under the Legislation as an adviser in the category of "portfolio manager" (or the equivalent);

(B) if the trade is made in a Jurisdiction other than Ontario, it is made by or at the direction of a JCIC Representative who is, at the time of the trade, registered under the Legislation to act on behalf of JCIC as an adviser in the category of "portfolio manager" (or the equivalent);

(C) if the trade is made in the Jurisdiction of Ontario, JCIC is, at the time of the trade, registered under the Legislation of the Jurisdiction as a dealer in the category of "limited market dealer", and the trade is made on behalf of JCIC by a JCIC Representative who is, at the time of the trade, either (i) registered under the Legislation to act on behalf of JCIC as an adviser in the category of "portfolio manager" (or the equivalent), or (ii) acting under the direction of such a person and is himself or herself registered under the Legislation to trade on behalf of JCIC pursuant to its limited market dealer registration; and

for each Jurisdiction, this Decision shall terminate one year after the coming into force, subsequent to the date of this Decision, of a rule or other regulation under the Legislation of the Jurisdiction that relates, in whole or part, to any trading by persons or companies that are registered under the Legislation as portfolio managers (or the equivalent), in securities of a mutual fund, to an account of a client, in respect of which the person or company has full discretionary authority to trade in securities for the account, without obtaining the specific consent of the client to the trade, but does not include any rule or regulation that is specifically identified by the Decision Maker for the Jurisdiction as not applicable for these purposes.

July 5, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.6 Beutel Goodman Managed Funds Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to conditions, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer will conduct limited mutual fund dealer activities only - mutual fund dealer subject to terms and conditions of registration.

Statute Cited

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

Rule Cited

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

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

AND

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

AND

IN THE MATTER OF
BEUTEL GOODMAN MANAGED FUNDS INC.

DECISION
(Section 5.1 of the Rule)

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

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

AND UPON the Registrant having represented to the Director that:

1. the Registrant is a wholly-owned subsidiary of Beutel Goodman & Co. Ltd. ("BG&Co.");

2. the Registrant is registered under the Act as a mutual fund dealer and BG&Co. is registered as an adviser in the categories of "investment counsel" and "portfolio manager";

3. the Registrant is the manager of a number of mutual funds that it or BG&Co. has established, which are sold to the public either pursuant to a simplified prospectus or on an exempt basis, and it or BG&Co.will be the manager of any other mutual funds that it or BG&Co. may establish in the future;

4. the requested relief is required in Ontario only and no similar application has been filed in any other jurisdiction;

5. the securities of the mutual funds managed by the Registrant are and will be generally sold to the public through other registered dealers;

6. 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;

7. 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;

8. any person or company that is not currently a mutual fund client of the Registrant or BG&Co. on the date of this Decision, will, before they are accepted as a mutual fund client of the Registrant or BG&Co., receive prominent written notice from the Registrant or BG&Co. 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*;

9. upon the next general mailing to its or BG&Co.'s mutual fund clients and in any event before September 30, 2002, the Registrant or BG&Co. shall provide to all of their mutual fund clients the written notice referred to in paragraph 8, above;

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

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

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

June 28, 2002.

"David M. Gilkes"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION OF BEUTEL GOODMAN MANAGED FUNDS INC. AS A MUTUAL FUND DEALER

Definitions

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

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

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

   (c) "Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where, 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) "Commission" means the Ontario Securities Commission;

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

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

      (A) an employee of the Registrant;

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

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

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

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

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

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

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

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

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

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

      (ii) a trade in securities of a mutual fund for which the Registrant

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

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

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

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

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

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

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

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

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

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

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

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

(n) "Managed Account" means, for the Registrant, an investment portfolio account of a client under which the Registrant or an affiliate of the Registrant, pursuant to a written agreement made between the Registrant or an affiliate of the Registrant and the client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the client's specific consent to the trade;

(o) "Managed Account Trade" means, for the Registrant, a trade to, or on behalf of a Managed Account of the Registrant or an affiliate of the Registrant, where the trade consists of a purchase or redemption, through the Registrant of securities of a mutual fund, that is made on behalf of the Managed Account;

where, in each case,

(i) the Registrant or an affiliate of the Registrant is the portfolio adviser to the mutual fund;

(ii) the mutual fund is managed by the Registrant or an affiliate of the Registrant; and

(iii) either of:

(A) the mutual fund is prospectus-qualified in Ontario; or

(B) the trade is not subject to sections 25 and 53 of the Act;

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

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

(i) an Executive or Employee of the Registrant;

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

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

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

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

(r) "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, she or it 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;

(s) "Pooled Fund Rule" means, for the Registrant, a rule or other regulation that relates, in whole or in part, to the distribution of securities of a mutual fund and/or non-redeemable investment fund, other than pursuant to a prospectus for which a receipt has been obtained from the Director, made by the Registrant on or on behalf of a Managed Account, but does not include Ontario Rule 45-501 Exempt Distributions;

(t) "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);

(u) "Registrant" means Beutel Goodman Managed Funds Inc.;

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

(w) "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;

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

(y) "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;

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

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

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

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

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

3. For the purposes hereof:

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

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

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

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

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

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

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

Restricted Registration

Permitted Activities

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

(a) a Client Name Trade;

(b) an Exempt Trade;

(c) a Fund-on-Fund Trade;

(d) an In Furtherance Trade;

(e) a Managed Account Trade, provided that, at the time of the trade, the Registrant or an affiliate of the Registrant responsible for making investment decisions for the Managed Account is registered under the Act as an adviser in the categories of "investment counsel" and "portfolio manager";

(f) a Permitted Client Trade; or

(g) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (f), the trades are limited and incidental to the principal business of the Registrant, and provided also that paragraph (e) will cease to be in effect one year after the coming into force, subsequent to the date of this Decision, of any Pooled Fund Rule.

2.1.7 StrategicNova Mutual Fund Services Inc. - s. 5.1 of Rule 31-506

Headnote

Section 5.1 of Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted, subject to conditions, from the requirements of the Rule that it file an application and prescribed fees with the Mutual Fund Dealers Association of Canada - mutual fund dealer will conduct limited mutual fund dealer activities only - mutual fund dealer subject to terms and conditions of registration.

Statute Cited

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

Rule Cited

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

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

AND

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

AND

IN THE MATTER OF
STRATEGICNOVA MUTUAL FUND SERVICES INC.

DECISION
(Section 5.1 of the Rule)

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

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

AND UPON the Registrant having represented to the Director that:

1. the Registrant is registered under the Act as a mutual fund dealer;
2. an affiliate of the Registrant is the manager of a number of mutual funds that it or an affiliate of the Registrant have established, which are sold to the public either pursuant to a simplified prospectus or on an exempt basis, and the affiliate or another affiliate of the Registrant will be the manager of any other funds that the affiliate or the other affiliate of the Registrant may establish in the future;
3. the requested relief is required in Ontario only and no similar application has been filed in any other jurisdiction;
4. the securities of the mutual funds managed by an affiliate of the Registrant are and will be generally sold to the public through other registered dealers;
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 mutual fund client of the Registrant on the date of this Decision, will, before they are accepted as a mutual fund 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 mutual fund clients and in any event before November 30, 2002, the Registrant shall provide to all of its mutual fund clients the written notice referred to in paragraph 7, above;

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

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

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

June 28, 2002.

"David M. Gilkes"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION OF STRATEGICNOVA MUTUAL FUND SERVICES INC. AS A MUTUAL FUND DEALER

Definitions

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

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

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

   (c) "Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where, 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) "Commission" means the Ontario Securities Commission;

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

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

      (A) an employee of the Registrant;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) an Executive or Employee of the Registrant;

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

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

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

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

(p) "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, she or it 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;

(q) "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);

(r) "Registrant" means StrategicNova Mutual Fund Services Inc.;

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

(t) "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;

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

(v) "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;

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

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

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

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

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

3. For the purposes hereof:

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

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

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

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

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

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

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

Restricted Registration

Permitted Activities

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

(a) a Client Name Trade;

(b) an Exempt Trade;

(c) a Fund-on-Fund Trade;

(d) an In Furtherance Trade;

(e) a 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.

2.1.8 Accenture Ltd. - MRRS Decision

Headnote

MRRS - trades in securities of foreign issuer in connection with share incentive plan to employees, executives and consultants ('participants'), including trades through agent and to former participants, exempt from registration requirements, provided conditions in s. 2.14(1) of MI 45-102 are satisfied - first trades exempt from registration requirements provided the first trade is executed on a foreign exchange or market - activities of SSB in connection with the plan exempt from registration requirements.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1), 35(1)(12)(iii), 53(1), 72(1)(f)(iii), 74(1).

Applicable Ontario Rule

OSC Rule 45-503 Trades to Employees, Executives and Consultants - ss. 2.2, 2.4, 3.3, 3.5.

Applicable Instrument

Multilateral Instrument 45-501 Resale of Securities - s. 2.14(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUÉBEC

AND

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

AND

IN MATTER OF
ACCENTURE LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario and Québec (the "Jurisdictions") has received an application from Accenture Ltd. ("Accenture") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that (i) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") shall not apply to certain trades in securities of Accenture made in connection with the Accenture Ltd 2001 Share Incentive Plan (the "Plan"); and (ii) the Registration Requirements shall not apply to first trades of Shares (as defined below) acquired under the Plan;

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 Accenture has represented to the Decision Makers as follows:

1. Accenture is an exempted company registered in Bermuda, is not a reporting issuer under the Legislation and has no present intention of becoming a reporting issuer under the Legislation.

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

3. The authorized share capital of Accenture is 20,000,000,000 Class A common shares ("Shares"), par value US$0.0000225 per share; 1,000,000,000 Class X common shares, par value US$0.0000225 per share; and 2,000,000,000 preferred shares, par value US$0.0000225 per share. As of August 14, 2001, there were 343,307,238 Shares issued and outstanding and as of July 18, 2001, there were 591,161,472 Class X common shares issued and outstanding.

4. The Shares are listed and posted for trading on the New York Stock Exchange ("NYSE") and are registered with the United States Securities Exchange Commission under the Securities Exchange Act of 1934, as amended.

5. The purpose of the Plan is to aid Accenture and its affiliates (each an "Accenture Company" and collectively, the "Accenture Companies") in rewarding employees, officers and directors ("Current Employees") and consultants ("Consultants") and to motivate such individuals to exert their best efforts on behalf of the Accenture Companies by providing incentives through the granting of Awards (as defined below).

6. The Plan is administered by a committee (the "Committee") of the board of directors of Accenture (the "Board") or, at its election, the Board, and may be terminated or amended by the Committee at any time. The Committee may also grant Awards to such additional individuals as it may determine.

7. Under the Plan, the Committee may grant, inter alia, options to purchase Shares ("Options") and Restricted Share Units ("RSUs") as well as other share-based awards (collectively, "Awards") (each such individual granted an Award, a "Participant").

8. Accenture has appointed Salomon Smith Barney Inc. ("SSB") to act as its agent in connection with the administration and operation of the Plan.

9. The role of SSB may include: (a) facilitating the exercise of Options by Participants; (b) maintaining accounts on behalf of Participants; (c) holding Shares on behalf of Participants; and (d) facilitating resales of Shares acquired under the Plan through the facilities of the NYSE.

10. SSB is a corporation registered under applicable securities legislation in the United States and is registered as an international dealer, investment counsel and portfolio manager in Ontario. SSB is not a registrant in Quebec.

11. There are approximately 999 and 167 Current Employees, respectively, resident in Ontario and Québec.

12. Participation in the Plan by Participants is voluntary and Participants are not induced to participate in the Plan or to exercise their Awards by expectation of employment or continued employment with the Accenture Companies. Awards generally are not transferable otherwise than by will or the laws of decent and distribution.

13. In certain circumstances, Participants who were granted Awards during the term of their employment with or the term of their provision of services to the Accenture Companies will continue to have certain rights in respect of such Awards following termination of their employment or the completion of the provision of their services to the Accenture Companies ("Former Participants"). In the case of termination of employment or the termination of the provision of services as a result of death, disability or retirement, the Plan provides for the exercise of Options during certain specified time periods, unless such periods are modified by the Committee.

14. The Committee has established procedures governing the exercise of Options. Generally, in order to exercise an Option, the Participant must submit to Accenture a notice of exercise identifying the Option and the number of Shares for which the Option is being exercised, together with full payment for the Shares underlying the Options. The Option exercise price may be paid in cash or, where permitted by the Committee, Shares or by way of a cashless exercise.

15. A copy of the U.S. Prospectus relating to the Plan will be delivered to each Participant who is granted an Award under the Plan. The annual reports, proxy materials and other materials Accenture is required to file with the SEC will be provided to Participants who acquire Shares under the Plan at the same time and in the same manner as such documents are provided to U.S. shareholders.

16. Participants or their legal representatives who wish to sell Shares acquired under the Plan may do so through SSB.

17. At the time of any grant of Awards under the Plan, holders of Shares whose last address as shown on the books of Accenture were in Canada, and in any of the Jurisdictions, will not hold more than 10% of the outstanding Shares and will not represent in number more than 10% of the total number of holders of Shares.

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

19. The Legislation of Ontario does not contain exemptions from the Registration Requirements for certain trades in Awards and Shares to, by, with and on behalf of Participants, Former Participants or their legal representatives, including trades carried out with or through SSB.

20. When SSB sells Shares on behalf of Participants, Former Participants or their legal representatives, such persons and SSB, as applicable, are not able to rely on the exemption from the Registration Requirement contained in the Legislation of certain of the Jurisdictions for trades made by a person or company acting solely through a registered dealer under the Legislation.

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

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

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

(a) the Registration Requirements shall not apply in Ontario to any trade or distribution of Awards made in connection with the exercise of Options under the Plan, including trades and distributions involving SSB, Participants, Former Participants or the legal representative of Participants or Former Participants, provided that the first trade in Shares acquired pursuant to this Decision in Ontario shall be deemed a

distribution under the Legislation of such Jurisdiction unless the conditions in section 2.14(1) of Multilateral Instrument 45-102 are satisfied;

(b) the first trade in Shares acquired through the Plan, including a first trade in Shares effected through SSB, shall not be subject to the Registration Requirements in Ontario, provided that such first trade is made to a person or company outside of Canada or, in the case of a Former Participant or the legal representative of a Former Participant, such first trade is made through an exchange or market outside of Canada; and

(c) the Registration Requirements shall not apply to SSB for the activities it performs in connection with the Plan.

June 27, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.9 SCF Acquisition Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Employment agreements entered into between offeror and key employees of the target who are also selling securityholders of the target - Agreements reflect commercially reasonable terms and negotiated at arm's length - Agreements include severance entitlements and opportunity to invest specified amounts in target following completion of the bid - 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
ALBERTA, ONTARIO, AND QUEBEC

AND

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

AND

IN THE MATTER OF
SCF ACQUISITION CORPORATION

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in Alberta, Ontario, and Québec (the "Jurisdictions") has received an application (the "Application") from SCF Acquisition Corporation (the "Applicant"), a wholly-owned subsidiary of SCF IV, L.P. ("SCF"), in connection with its offer (the "Offer"), by way of a formal take-over bid, to purchase all of the outstanding common shares (the "IPS Shares") in the capital of Integrated Production Services Ltd. ("IPS") that SCF does not already own, for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Applicant be exempt from the prohibition contained in the Legislation that, where an applicant intends to make a take-over bid, neither the applicant nor any person acting jointly or in concert with the applicant shall enter into any collateral agreement, commitment or understanding with any security holder of the offeree issuer that has the effect of providing to that security holder a consideration of greater value than that offered to other holders of

the same class of securities (the "Prohibition on Collateral Agreements");

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

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

3.1 IPS was amalgamated under the *Business Corporations Act* (Alberta) (the "ABCA") on April 5, 2000 and is a reporting issuer in British Columbia, Alberta and Ontario and is not in default of any of the requirements of the Legislation;

3.2 the IPS Shares are listed and posted for trading on The Toronto Stock Exchange and as at May 25, 2002, there were 25,618,889 IPS Shares outstanding (28,943,558 calculated on a fully-diluted basis);

3.3 as at June 24, 2002, SCF owns 11,111,000 IPS Shares, or approximately 43% of the outstanding IPS Shares;

3.4 SCF is a limited partnership formed under the laws of the State of Delaware with its principal executive offices located in Houston, Texas;

3.5 SCF is not, and has no current intention of becoming, a reporting issuer in any jurisdiction in Canada;

3.6 the Applicant was incorporated under the ABCA for the sole purpose of making the Offer and is not, nor does it have any current intention of becoming, a reporting issuer in any jurisdiction in Canada;

3.7 the Applicant's head office is located in Calgary, Alberta;

3.8 the authorized share capital of the Applicant is comprised of an unlimited number of common shares, all of which are owned by SCF;

3.9 all of the directors and officers of the Applicant are managing directors of SCF;

3.10 on May 25, and May 26, 2002, the Applicant mailed a take-over bid and circular with respect to the Offer;

3.11 on May 25, 2002, SCF and IPS entered into a pre-acquisition agreement with respect to the Offer (the “Pre-Acquisition Agreement”) under which SCF agreed, subject to the satisfaction of certain conditions, to make the Offer;

3.12 SCF and IPS negotiated an offering price of $3.05 per IPS Share for the Offer which represents a premium of 38% above the weighted average trading price of the IPS Shares over the 30 trading days prior to the announcement of SCF's intention to make an offer on March 14, 2002;

3.13 all of the directors and officers of IPS (the “Executives”) who hold IPS Shares have agreed to accept the Offer and deposit up to an aggregate 3,070,977 IPS Shares or approximately 10.6% of the outstanding IPS Shares (calculated on a fully-diluted basis) to the Offer, subject to the right to withdraw such IPS Shares in certain events;

3.14 IPS, with the approval of the Applicant, has entered into employment agreements (the "Executive Employment Agreements") with the Executives dated May 15, 2002;

3.15 the Executives’ execution of the Executive Employment Agreements was a condition to SCF and IPS entering into the Pre-Acquisition Agreement. SCF believes that without the continued employment of the Executives, there would be a material reduction in the value of IPS to SCF;

3.16 the current positions of the Executives (which will remain the same upon completion of the Offer, as will their duties and responsibilities) and the reasons why the continued employment of each of the Executives following completion of the Offer is important to SCF, are:

3.16.1 David Yager is President and is integral to the business of the firm in the areas of industry knowledge, customer relationships, and knowledge and experience with respect to IPS' products and services;

3.16.2 Barry Lee is Executive Vice-President and Chief Operating Officer, and will be important because of his familiarity with IPS' equipment, operations, personnel and customer relationships;

3.16.3 James Hill is IPS' Chief Financial Officer and his extensive experience in all financial aspects of the oilfield service industry makes him important to the continuity of IPS' cost control, cash management, financial reporting and tax reporting and filing;

3.16.4 Mark Stormoen is Vice-President, Production Testing Services and his 20 years of domestic and international well testing experience give IPS extensive technical and sales experience in the gas well testing service area;

3.16.5 Bob Duval is Vice-President, E-Line Services, and has over 20 years of wireline experience that gives him extensive knowledge of IPS' E-Line products, employees and customer base;

3.16.6 Bob Copeland is Vice-President, Business Development, with 25 years of industry experience, leads a number of strategic initiatives to develop IPS' business;

3.16.7 Richard Ironside is Managing Director of Premier Sea & Land Pte. Ltd., and has thirty years of experience in Southeast Asia that provides IPS with extensive knowledge of foreign operations and clients;

3.17 the Executive Employment Agreements formalized the employment arrangements between IPS and the Executives that had been agreed to by the IPS Board at a meeting of the IPS Board held on December 7, 2001;

3.18 under the Executive Employment Agreements, each Executive will maintain his position and base salary with IPS;

3.19 the purpose of entering into the Executive Employment Agreements is to provide for continuity of senior management and not for the purpose of providing the Executives with greater consideration for their IPS Shares than the consideration that may be received under the Offer by holders of IPS Shares other than the Executives;

3.20 IPS, with the approval of the Applicant, has entered into letter agreements (the "Continued Employment Agreements") with each Executive who signed an Executive Employment Agreement;

3.21 under the Continued Employment Agreements, the Executives will, after the Applicant has completed the Offer:

3.21.1 have the opportunity to invest, to a specified amount at and a cost of $3.05 per IPS Share, in IPS; and

3.21.2 receive options to acquire IPS Shares from treasury at an exercise price of $3.05 per IPS Share, granted on substantially the same terms as IPS' current stock option plan - any future option grants will be made at the discretion of the IPS Board;

3.22 the purpose of entering into the Continued Employment Agreements is to retain experienced management and provide incentives to facilitate the growth of IPS and not for the purpose of providing the Executives with greater consideration for their IPS Shares than the consideration that may be received under the Offer by holders of IPS Shares other than the Executives;

3.23 the terms of the Executive Employment Agreement and the Continued Employment Agreements are consistent with industry standards and are commercially reasonable and supportable;

3.24 Doug Robinson, the Chairman of the Board and Chief Executive Officer of IPS:

3.24.1 currently holds 2.3% of the IPS Shares (or 3.7% of the IPS Shares not already owned by SCF) on a fully-diluted basis;

3.24.2 has entered into a severance agreement (the "Severance Agreement") with IPS regarding the termination of his employment upon SCF taking up and paying for IPS Shares under the Offer;

3.24.3 will provide consulting services under a consulting agreement (the "Consulting Arrangement") to IPS for a period of six months

after termination for a fee of $5,000 per month; and

3.24.4 has also entered into an agreement (the "Robinson Agreement") under which he will be provided with the opportunity to acquire IPS Shares from treasury on the same terms as the Executives;

3.25 the terms of Mr. Robinson's severance under the Severance Agreement are consistent with industry standards with regard to his position, experience and length of service and the fee for Mr. Robinson's consulting services under the Consulting Arrangement is commensurate with, or lower than, the entitlements of similarly experienced consultants in Mr. Robinson's peer group;

3.26 the purpose of entering into the Consulting Arrangement and the Robinson Agreement is to facilitate the successful completion of the privatization of IPS and preserve the value of IPS and not for the purpose of providing Mr. Robinson with greater consideration for his IPS Shares than the consideration that may be received under the Offer by holders of IPS Shares other than Mr. Robinson;

3.27 SCF, IPS and HSBC Capital (Canada) Inc. ("HSBC") have entered into an agreement in connection with the Offer regarding the restructuring of a $5,000,000 principal amount 9% convertible debenture issued to HSBC (the "HSBC Debenture") on June 30, 2000, the principal amount of which is convertible at any time on or before May 31, 2005, into IPS Shares at a conversion price equal to $2.70 per IPS Share (the "Term Sheet");

3.28 the provisions of the HSBC Debenture are such that the Offer cannot be consummated without triggering an event of default;

3.29 the Term Sheet provides that before the expiry time for the Offer, IPS and HSBC will use their diligent commercially reasonable efforts to negotiate and enter into an agreement to amend the terms of the HSBC Debenture (the "HSBC Debenture Amending Agreement") and that IPS, SCF and HSBC will also use such efforts to negotiate and enter into a satisfactory shareholders' agreement relating to the relationship between the parties after the completion of the Offer in the event that the HSBC Debenture is converted into IPS Shares by HSBC;

3.30 the HSBC Debenture Amending Agreement is conditional on receiving the approval of all necessary regulatory authorities, including receipt of an order of the appropriate securities commissions approving the HSBC Debenture Amending Agreement;

3.31 SCF, IPS and HSBC have not yet entered into either the HSBC Debenture Amending Agreement and the Offer is conditional on these agreements being completed on a basis that is satisfactory to SCF;

3.32 the purpose of the Term Sheet and the HSBC Debenture Amending Agreement is to:

3.32.1 eliminate the term renewal options which represent a 50% reduction in the potential life of the HSBC Debenture, which otherwise may impede future financing activities of IPS;

3.32.2 provide a pre-payment privilege to SCF, who possesses greater access to capital than IPS, with the opportunity to eliminate a 9% interest rate debt obligation, which is commercially reasonable given the relatively high rate;

3.32.3 remove the existing covenants and approval rights under the HSBC Debenture to ensure that the completion of the Offer will not trigger an event of default and that IPS' operations are not unduly restricted; and

3.32.4 subordinate the HSBC Debenture to any current and/or future arm's length debt enabling IPS to seek future debt financing, should it be required;

and not for the purpose of providing HSBC with greater consideration for their deemed ownership of IPS Shares than the consideration that may be received under the Offer by shareholders other than HSBC;

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 each 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 Executive Employment Agreements, the Continued Employment Agreements, the Consulting Arrangement, the Robinson Agreement, the Severance Agreement and the HSBC Debenture Amending Agreement are made for purposes other than to increase the value of the consideration paid to the Executives, Doug Robinson and HSBC for their IPS Shares and may be entered into despite the Prohibition on Collateral Agreements.

July 2, 2002.

“Eric T. Spink” “Thomas G. Cooke”

2.1.10 Parkland Income Fund et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from registration and prospectus requirements granted in connection with an arrangement where exemptions not available for technical reasons. First trade of securities acquired deemed a distribution unless certain conditions in Multilateral Instrument 45-102 Resale of Securities are satisfied.

Applicable Alberta Provisions

Securities Act, R.S.A., 2000, c. S-4, s. 144.

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

AND

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

AND

IN THE MATTER OF
PARKLAND INCOME FUND,
PARKLAND INVESTMENT TRUST AND
PARKLAND HOLDINGS LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

1. WHEREAS the Canadian securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Quèbec, Saskatchewan and the Yukon Territory (the "Jurisdictions") has received an application from Parkland Income Fund (the "Fund"), Parkland Investment Trust (the "Trust") and Parkland Holdings Limited Partnership ("Holdings LP") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that the requirements under 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 in respect of certain trades and distributions of securities to be made in connection with a plan of arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta) (the "Business Corporations Act") involving Parkland Industries Ltd. ("Parkland") and the shareholders (the "Shareholders") of Parkland and certain trades relating to securities issued in connection therewith;

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

3. AND WHEREAS the Fund, the Trust and Holdings LP have represented to the Decision Makers that:

   3.1 Parkland is a corporation incorporated under the Business Corporations Act. It is engaged in the transportation fuels marketing business, including retail and wholesale sale of gasoline, and the operation of convenience stores in western Canada;

   3.2 the authorized capital of Parkland consists of an unlimited number of common shares ("Parkland Shares") in the capital of Parkland and preferred shares. As of May 9, 2002 there was an aggregate of 5,042,488 Parkland Shares issued and outstanding or reserved for issuance on the exercise of stock options. It is anticipated that all options to acquire Parkland Shares will be exercised on or before the effective date (the "Effective Date") of the Arrangement;

   3.3 the Parkland Shares are presently listed on the Toronto Stock Exchange (the "TSX") and Parkland is a reporting issuer (or the equivalent) in each of British Columbia, Alberta, Saskatchewan and Ontario. Following

the Effective Date, the Parkland Shares will be delisted from the TSX and Parkland will apply to cease to be a reporting issuer, where applicable;

3.4 the Fund is an open-ended, limited purpose trust formed under the laws of the Province of Alberta pursuant to a declaration of trust (the "Fund Declaration of Trust") dated April 30, 2002. The Fund was formed in order to hold the securities of the Trust;

3.5 the Fund was established with nominal capitalization and currently has only nominal assets (including its interest in the Trust, the trustee of the Trust and the general partner of Holdings LP) and no liabilities. The only activity currently anticipated to be carried on by the Fund will be the holding of securities of the Trust, the trustee of the Trust and the general partner of Holdings LP;

3.6 the Fund is authorized to issue an unlimited number of units ("Units");

3.7 Units are redeemable at any time on demand by the holders thereof. In certain instances such a redemption may be paid and satisfied by way of, at the option of the Fund, the issuance of notes ("Fund Notes") of the Fund or a distribution in specie of a number of securities of the Trust held by the Fund and any other assets of the Fund;

3.8 the Fund has received conditional approval from the TSX for the listing on the TSX of the Units issuable in connection with the Arrangement and the Exchange (as defined below);

3.9 the Trust is an open-ended, limited purpose trust formed under the laws of the Province of Alberta pursuant to a declaration of trust (the "Trust Declaration of Trust") dated April 30, 2002. The Trust was formed in order to hold securities of Holdings LP;

3.10 the Trust was established with nominal capitalization and currently has only nominal assets (including its interest in Holdings LP) and no liabilities. The only activity currently anticipated to be carried on by the Trust will be the holding of securities of Holdings LP;

3.11 the Trust is authorized to issue an unlimited number of units (the "Trust Units"). As of the date hereof, there was one Trust Unit issued and outstanding and that Trust Unit is owned by the Fund;

3.12 Trust Units are redeemable at any time on demand by the holders thereof. In certain instances such a redemption may be paid and satisfied by way of, at the option of the Trust, the issuance of notes ("Trust Notes") of the Trust or a distribution in specie of a number of securities of Holdings LP held by the Trust and any other assets of the Trust;

3.13 the Trust is not a reporting issuer (or equivalent) in any of the Jurisdictions;

3.14 Holdings LP is a limited partnership formed under the laws of the Province of Alberta by a limited partnership agreement (the "Limited Partnership Agreement") dated as of April 30, 2002;

3.15 Holdings LP was formed with nominal capitalization and currently has only nominal assets and no liabilities. The only activity currently anticipated to be carried on by Holdings LP will be the holding of Parkland Shares, directly or indirectly, and securities of a limited partnership that is currently a subsidiary of Parkland;

3.16 Holdings LP is authorized to issue an unlimited number of each of two classes of limited partnership units: "Holdings LP Units" and "Rollover LP Units". The Trust holds all of the Holdings LP Units;

3.17 "Holdings Notes" are promissory notes to be issued by Holdings LP to certain Shareholders in connection with the Arrangement;

3.18 Holdings LP is not a reporting issuer (or equivalent) in any of the Jurisdictions.

3.19 the Arrangement will require the prior approval of (i) two-thirds of the votes cast by Shareholders present in person or by proxy at the Meeting on a resolution to approve the Arrangement and (ii) the Alberta Court of Queen's Bench;

3.20 a notice of special meeting and management information circular has been prepared in conformity with the provisions of Business Corporations Act and applicable securities laws and an interim order granted by the Alberta Court of Queen's Bench and contains prospectus-level disclosure of the business and affairs of

Parkland and the Fund and a detailed description of the particulars of the Arrangement and the securities to be issued in connection therewith;

3.21 on the Arrangement becoming effective and in accordance with the terms of the Arrangement:

3.21.1 the outstanding Parkland Shares (except those held by Holding Companies (as defined below)) and the shares of certain holding corporations ("Holding Companies") which will be transferred to Holdings LP as part of the Arrangement in lieu of the transfer of Parkland Shares will be transferred to Holdings LP in exchange for Holdings Notes or Rollover LP Units;

3.21.2 all such Holdings Notes will be exchanged with the Trust for Trust Units and Trust Notes;

3.21.3 all such Trust Units and Trust Notes will be exchanged with the Fund for Units;

3.21.4 all of the Parkland Shares and shares of Holding Companies will be transferred by Holdings LP to 988386 Alberta Ltd. ("Acquisitionco"), a wholly-owned subsidiary of Holdings LP, in exchange for notes and shares of Acquisitionco;

3.21.5 Holdings LP will issue Holdings LP Units to the Trust in exchange for the issuance to Holdings LP by the Trust of Trust Notes; and

3.21.6 the Trust will redeem the Holdings Notes and Holdings LP will redeem the Trust Notes.

3.22 upon the completion of the Arrangement, all of the issued and outstanding Parkland Shares will be held, indirectly, by Holdings LP;

3.23 the Rollover LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units of the Fund and are exchangeable pursuant to the Exchange Agreement (as hereinafter defined) at any time at the option of the holder until June 30, 2008 for Trust Units and Trust Notes in a specified ratio, which Trust Units and Trust Notes will be immediately and automatically exchanged for Units with the result that each Rollover LP Unit is indirectly exchangeable for one Unit. Holdings LP may compel such exchange in certain circumstances, including at any time after June 30, 2008. In certain other circumstances, the Rollover LP Units are to be automatically exchanged on the same basis;

3.24 the Limited Partnership Agreement provides that the Rollover LP Units will generally not be (except as required by the Limited Partnership Agreement or by applicable law) entitled to receive notice of or attend any meeting of the partners of Holdings LP, but pursuant to the Fund Declaration of Trust will be entitled to receive notice of and attend any meeting of holders of Units and to one vote at such meeting in respect of each Unit for which such Rollover LP Units are exchangeable. Each Rollover LP Unit will entitle the holder to distributions from Holdings LP payable at the same time as, and equivalent to, each distribution paid by the Fund on a Unit. On the liquidation, dissolution or winding-up of Holdings LP, a holder of Rollover LP Units will be entitled to receive from Holdings LP an amount equal to all declared and unpaid distributions on each such Rollover LP Unit held by the holder on any distribution record date prior to the date of liquidation, dissolution or winding-up but will not otherwise be entitled to participate in a distribution of the assets of Holdings LP. Rollover LP Units may only be transferred in certain limited circumstances. The Limited Partnership Agreement has certain standard anti-dilution provisions;

3.25 concurrently with the effective time of the Arrangement, the Fund, the Trust, Holdings LP and all of the holders of which will enter into an agreement (the "Exchange Agreement") pursuant to which:

3.25.1 the Fund and the Trust will grant to each holder of Rollover LP Units the right (the "Exchange Right") to exchange all or any portion of the Rollover LP Units held by them for Units on the basis of one Unit for each one Rollover LP Unit exchanged, subject to adjustment, at any time until June 30, 2008;

3.25.2 each Unitholder will grant to the Fund and the Trust the right (the "Call Right") to exchange all, but not less than all, of the Rollover LP Units held by them for Units on the basis of one Unit for each one Rollover LP Unit exchanged, subject to adjustment, at any time after June 30, 2008 and in certain other stated events; and

3.25.3 the parties will agree that in certain stated events, the Rollover LP Units will be automatically exchanged (the "Automatic Exchange") for Units on the basis of one Unit for each one Rollover LP Unit exchanged, subject to adjustment;

3.26 the Exchange Agreement provides that (i) on exercise of the Exchange Right by a holder of Rollover LP Units, (ii) on exercise of the Call Right by the Fund and the Trust, and (iii) on an Automatic Exchange, the following shall occur, and be deemed to occur, automatically in the following order without any further act or formality:

3.26.1 all of outstanding Rollover LP Units shall be transferred to the Trust;

3.26.2 in exchange therefor, Trust Units and Trust Notes shall be issued by the Trust to the holders of Rollover LP Units on the basis of one Trust Unit and one Trust Note for each one Rollover LP Unit;

3.26.3 such Trust Units and Trust Notes shall be transferred to the Fund; and

3.26.4 in exchange therefor, Units shall be issued by the Fund to the holders of Rollover LP Units in such amount as the holders of Rollover LP Units are entitled on exercise of the Exchange Right or the Call Right or on an Automatic Exchange, as the case may be.

3.27 the steps under the Arrangement, the exercise of the Exchange Right and the Call Right, an Automatic Exchange pursuant to the Exchange Agreement, and the redemption of Units pursuant to the Fund Declaration of Trust or Trust Units pursuant to the Trust Declaration of Trust involve a number of trades ("Trades"), each of which will or may occur;

3.28 there may be no exemptions from the Registration Requirement and the Prospectus Requirement available under the Legislation for certain of the Trades;

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

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

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

6.1 the Registration Requirement and the Prospectus Requirement shall not apply to the Trades; and

6.2 the first trade in Rollover LP Units, the first trade of Units acquired under the Decision, on the exercise of the Exchange Right or the Call Right or on the Automatic Exchange and the first trade in securities issued or transferred by the Fund or the Trust on the redemption of, respectively, Units or Trust Units shall be deemed to be a distribution or a primary distribution to the public, unless:

6.2.1 except in Quèbec, the conditions is subsections (3) or (4) of section 2.6 of Multilateral Instrument 45-102 Resale of Securities ("MI 45-102") are satisfied, except that for the purposes of determining the period of time that the Fund has been a reporting issuer under section 2.6 of MI 45-102 the period of time that Parkland was a reporting issuer immediately before the Arrangement may be included; and

6.2.1.1 in Quèbec,

6.2.1.1.1 the alienation of such Rollover LP Units or Units is made on an organized market outside of Québec or upon the Fund becoming a reporting issuer in Québec and having, or being deemed to have, complied with the appropriate requirements for more than 12 months immediately preceding the trade;

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

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

6.2.1.1.4 if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

July 4, 2002.

"Glenda A. Campbell" "Eric T. Spink"

2.1.11 North American Palladium Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirement that the author of a technical report be a member of a "professional association" in order to be considered a "qualified person" - decision previously published with error in signature line - corrected version now being published.

National Instruments Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, 2001 24 OSCB 303, ss. 1.2, 2.1 and 5.1.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCES OF ALBERTA, MANITOBA, NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND, AND QUÉBEC

AND

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

AND

IN THE MATTER OF
NORTH AMERICAN PALLADIUM LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan (the "Jurisdictions") has received an application (the "Application") from North American Palladium Ltd. (the "Corporation") for: (1) an exemption from the requirement contained in National Instrument 43-101 ("NI 43-101") that the author of a technical report or other information upon which disclosure of a scientific or technical nature is based be a member in good standing of a professional association in order for the author to be considered a "qualified person" as defined in NI 43-101 (the "Membership Qualification Requirement"); and (2) an exemption from the requirement contained under the legislation of the Jurisdictions (the "Legislation') to pay a fee in connection with the Application (the "Application Fee Requirement").

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 Corporation has represented to the Decision Makers that:

1. The Corporation's head office is located at Suite 2116, 130 Adelaide Street West, Toronto, Ontario, Canada.

2. The Corporation is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation.

3. The Corporation's securities are listed for trading on The Toronto Stock Exchange and The American Stock Exchange.

4. The Corporation is in the business of exploring for and mining platinum group metals. Its principal asset is the Lac des Iles mine located in the Thunder Bay District in Ontario.

5. The Corporation employs three geoscientists, Doug Kim, Maurice Lavigne and Dan Redmond to author technical reports required to be filed by the Corporation pursuant to NI 43-101 and to prepare information upon which the Corporation's disclosure of a scientific or technical nature may be based.

6. Each of Messrs. Kim, Lavigne and Redmond is a member in good standing of the Association of Geoscientists of Ontario ("AGO"). AGO was a "professional association" as defined in NI 43-101 until February 1, 2002.

7. AGO is being replaced in Ontario by the Association of Professional Geoscientists of Ontario ("APGO"). APGO is a "professional association" as defined in NI 43-101.

8. Each of Messrs. Kim, Lavigne and Redmond have filed an application to become a member of APGO and each would be a "qualified person" as defined in NI 43-101 except only for not yet being a member in good standing of a "professional association".

AND WHEREAS under 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 the Decision Makers with the jurisdiction to make the Decision has been met;

The Decision of the Decision Makers under the Legislation is that:

1. except in the province of Québec, the Corporation is exempt from the Application Fee Requirement; and

2. the Corporation is exempt from the Membership Qualification Requirement in connection with technical reports or other information prepared by any of Messrs. Kim, Lavigne or Redmond provided that:

   a. each of Messrs. Kim, Lavigne and Redmond complies with all other elements of the definition of "qualified person" in NI 43-101; and

   b. (1) the relief granted in this Decision with respect to Mr. Kim shall terminate on the earlier of: (a) the date Mr. Kim becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003; (2) the relief granted in this Decision with respect to Mr. Lavigne shall terminate on the earlier of: (a) the date Mr. Lavigne becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003; and (3) the relief granted in this Decision with respect to Mr. Redmond shall terminate on the earlier of: (a) the date Mr. Redmond becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (b) February 1, 2003.

June 11, 2002.

"Margo Paul"

2.1.12 Rio Alto Exploration Ltd. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements in connection with a distribution of shares of subsidiary company to parent company shareholders and third party in order to spin off and capitalize subsidiary. Issuer spun off from a reporting issuer in connection with a plan of arrangement deemed to be a reporting issuer where parent company has been a reporting issuer for more than 12 months and the assets that will make up the business of the spun off issuer have been subject to reporting in the continuous disclosure filings of the parent company. Prospectus level disclosure of the spun off entity to be provided in the information circular.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 74(1) - s. 25, s. 53 & ss. 83.1(1).

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

AND

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

AND

IN THE MATTER OF
CANADIAN NATURAL RESOURCES LIMITED,
RIO ALTO RESOURCES INTERNATIONAL INC. AND
RIO ALTO EXPLORATION LTD.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, the Yukon Territory and Nunavut Territory (the "Jurisdictions") has received an application from Rio Alto Exploration Ltd. ("Rio Alto") and Rio Alto Resources International Inc. ("Newco") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

1.1 the registration and prospectus requirements of the Legislation shall not apply to certain trades made in connection with or subsequent to a proposed plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta) (the "ABCA") involving Canadian Natural Resources Limited ("CNQ"), Newco, Rio Alto and the securityholders of Rio Alto;

1.2. Newco be deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Northwest Territories, Yukon Territory and Nunavut Territory; and

1.3 Newco shall be exempted from the requirement of the Basic Qualification Criteria set forth in National Instrument 44-101 (the "Instrument") from the time the Arrangement becomes effective, that it be a reporting issuer in the respective Jurisdiction for the 12 calendar months preceding the date of the filing of its most recent Annual Information Form;

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

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

Canadian Natural Resources Limited

3.1 CNQ is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.2 CNQ is a senior independent energy company engaged in the acquisition, exploration, development, production, marketing and sale of oil and natural gas. Its principal areas of operations are Western Canada, the United Kingdom sector of the North Sea and offshore West Africa;

3.3 the authorized capital of CNQ consists of an unlimited number of common shares and 200,000 Class 1 preferred shares. As of May 15, 2002, there were 122,927,720 common shares and no Class 1 preferred shares issued and outstanding. Also as of May 15, 2002, 12,474,292 common shares were reserved for issuance in connection with the exercise of outstanding stock options;

3.4 CNQ has been, and currently is, a reporting issuer (where such concept exists) for a period of time in excess of 12 months under the securities legislation of the Jurisdictions. To the best of its knowledge, information and belief, CNQ is not in default of the requirements under the Legislation or the regulations made thereunder (the "Regulations");

3.5 the common shares of CNQ are listed and posted for trading on both the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange (the "NYSE"), trading under the symbols "CNQ" and "CED", respectively;

Rio Alto Exploration Ltd.

3.6 Rio Alto is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.7 Rio Alto's business is the acquisition of interests in petroleum and natural gas rights and the exploration, development, production, marketing and sale of petroleum and natural gas. While having interests in properties outside Canada, the bulk of the Corporation's activities are concentrated in the Province of Alberta;

3.8 the authorized capital of Rio Alto consists of an unlimited number of common shares (the "Rio Alto Shares"), an unlimited number of first preferred shares and an unlimited number of second preferred shares. As of May 23, 2002, there were 75,926,702 Rio Alto Shares and no first preferred or second preferred shares issued and outstanding. Also as of May 23, 2002, 5,256,436 Rio Alto Shares were reserved for issuance in connection with the exercise of outstanding stock options;

3.9 Rio Alto has been, and currently is, a reporting issuer (where such concept exists) for a period of time in excess of 12 months under the securities legislation of the Jurisdictions. To the best of its knowledge, information and belief, Rio Alto is not in default of the requirements under the Legislation or the Regulations;

3.10 the Rio Alto Shares are listed and posted for trading on the TSX, trading under the symbol "RAX";

Newco

3.11 Newco is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

3.12 Newco has not conducted any business to date, except for the entering into of the Arrangement with CNQ and Rio Alto;

3.13 the authorized capital of Newco consists of an unlimited number of common shares (the "Newco Shares") and an unlimited number of first preferred shares. As of the date hereof, there is issued and outstanding 1 common share, this share being owned by Rio Alto. There are no first preferred shares issued and outstanding;

3.14 Newco is not a reporting issuer in any jurisdiction;

3.15 Newco will apply to list the Newco Shares on the TSX;

The Arrangement

3.16 on May 13, 2002, CNQ and Rio Alto announced the intention to enter into a Plan of Arrangement (the "Arrangement"), the composition of which is set forth below;

3.17 pursuant to the Arrangement, Rio Alto will transfer to Newco all of the issued and outstanding shares (the "Subsidiary Shares") it holds and inter-company receivables (the "Subsidiary Receivables") it holds of, certain directly and indirectly wholly-owned subsidiary companies ("the Subsidiaries") which own certain properties in the Oriente Basin of Ecuador and the San Jorge Basin of Argentina (collectively, the "Newco Properties"), in exchange for that number of Newco Shares which (together with the Newco Shares issued to Rio Alto pursuant to paragraph 3 below and any Newco Shares owned by Rio Alto prior to the Arrangement) is equal to the number of Rio Alto Shares then issued and outstanding. Rio Alto shall then distribute one (1) Newco Share to each shareholder of Rio Alto for every Rio Alto Share held by such shareholder;

3.18 Rio Alto shall subscribe for and shall be issued, subject to adjustment, 4,210,526 Newco Shares, each Newco Share having a subscription price of $1.90, subject to adjustment. The Newco Shares issued to Rio Alto hereunder shall be included and be part of the Newco Shares distributed to the shareholders of Rio Alto as described in paragraph 3.17 above;

3.19 CNQ shall acquire (the "Acquisition") all of the Rio Alto Shares currently issued and outstanding by offering the holders thereof the choice to receive for each Rio Alto Share so tendered (i) 0.3468 of a CNQ Share, (ii) $18.10 in cash or (iii) any combination of items (i) and (ii) having a value equal to the value of the Rio Alto Shares so tendered by such shareholder. The maximum number of CNQ Shares issuable under item (i) is 12,270,000, and the maximum aggregate amount payable under item (ii) is $850,000,000, each amount being subject to prorationing in the event that one or both 'maximums' are exceeded;

3.20 in lieu of fractional CNQ Shares, each holder of a Rio Alto Share, who would otherwise be entitled to receive a fractional CNQ Share, shall be paid by CNQ an amount equal to the product of such fraction multiplied by $52.20;

3.21 CNQ shall subscribe for and shall be issued 8,330,000 Newco Shares, each having a subscription price of $1.90;

The Order

3.22 the Information Circular in connection with the Arrangement as provided to all securityholders and filed in each of the Jurisdictions will contain, (or, to the extent permitted will have incorporated by reference therein) prospectus-level disclosure of CNQ, Rio Alto and Newco;

3.23 the Newco Properties have been the subject of continuous disclosure on an ongoing basis for more than 12 months, in accordance with Rio Alto's responsibilities as a reporting issuer;

3.24 Securityholders of Rio Alto shall have the right to dissent from the Arrangement under Section 191 of the ABCA, and the Information Circular will disclose full particulars of this right in accordance with applicable law;

3.25 exemptions from registration and prospectus requirements of the Legislation in respect of trades made in securities of Newco in connection with the Arrangement and exemptions from prospectus requirements of the Legislation in respect of first trades in

Newco Shares following the Arrangement are not otherwise available in all Jurisdictions;

3.26 Newco will not be a reporting issuer within the definitions of all of the applicable Jurisdictions at the time of the Arrangement becoming effective;

3.27 Newco will not be qualified to file a prospectus in the form of a short form prospectus under the Instrument at the time of the Arrangement becoming effective;

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

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

6. **THE DECISION** of the Decision Makers under the Legislation is that:

6.1 all trades made in securities of Newco in connection with the Arrangement shall not be subject to the registration and prospectus requirements of the Legislation;

6.2 except in Quebec, the first trade in a Jurisdiction of Newco Shares acquired by CNQ, Rio Alto or former shareholders of Rio Alto in connection with the Arrangement shall be distributions or primary distributions under the Legislation of such Jurisdiction except that where

6.2.1 Newco is a reporting issuer in a jurisdiction listed in Appendix B to Multilateral Instrument 45-102 *Resale of Securities* preceding the trade;

6.2.2 the seller is in a special relationship with Newco, as the case may be, as defined in the Legislation, the seller has reasonable grounds to believe that Newco is not in default of any requirement of the Legislation; and

6.2.3 no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the first trades;

then such a first trade shall be a distribution or primary distribution only if it is from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Newco, as the case may be, to affect materially the control of Newco, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Newco shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Newco;

6.3 the alienation in Quebec of Newco Shares acquired by CNQ, Rio Alto or former shareholders of Rio Alto in connection with the Arrangement shall be distributions under the legislation of Quebec except that where

6.3.1 Newco is a reporting issuer in Quebec immediately preceding the trade;

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

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

6.3.4 if the selling shareholder is an insider or officer of Newco, the selling securityholder has no reasonable grounds to believe that Newco is in default of any requirement of securities legislation;

6.4 Newco shall be deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of the Jurisdictions, other than Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Northwest Territories, Yukon Territory and Nunavut Territory; and

6.5 Newco shall be exempted from the requirement of the Basic Qualification Criteria that it be a reporting issuer in the applicable Jurisdiction for the 12 calendar months preceding the date of filing of its most recent Annual Information Form.

June 26, 2002.

“Eric T. Spink” “Thomas G. Cooke”

2.1.13 Mulvihill Capital Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - mutual fund dealer exempted from the legislative requirements that it file an application to become a member of the Mutual Fund Dealers Association of Canada (the "MFDA") and become a member of the MFDA - mutual fund dealer subject to certain terms and conditions of registration.

Applicable Statute

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

Applicable Ontario Rule

Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1 and 5.1.

Applicable Published Document

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

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

AND

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

AND

IN THE MATTER OF
MULVIHILL CAPITAL MANAGEMENT INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions") has received an application (the "Application") from Mulvihill Capital Management Inc. (the "Registrant") for a decision (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 registered as a dealer in the category of "mutual fund dealer" or its equivalent and as an adviser in the categories of "investment counsel" and "portfolio manager" or their equivalents in each of the Jurisdictions;

2. the Registrant is also registered with the Ontario Securities Commission as a limited market dealer;

3. the Registrant is the portfolio adviser, and an affiliate is the manager, of a number of mutual funds that it or an affiliate have established, which are sold to the public either pursuant to a simplified prospectus or on an exempt basis, and it or an affiliate will be the manager of any other funds that it or an affiliate may establish in the future;

4. 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;

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

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

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

7. upon the next general mailing to its mutual fund clients and in any event before October 31, 2002, the Registrant shall provide to all of its mutual fund clients the written notice referred to in paragraph 6, 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 Ontario, effective May 31, 2001 in Saskatchewan, effective July 1, 2001 in Manitoba, effective July 8, 2002 in British Columbia and July 5, 2002 in Alberta, 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".

July 9, 2002.

"David M. Gilkes"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION OF MULVIHILL CAPITAL MANAGEMENT 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; in Manitoba, the *Securities Act*, R.S.M. 1988, c.S50, as amended; in Saskatchewan, the *The Securities Act, 1988*, S.S. 1988, c.S-42.2, as amended; in Alberta, the *Securities Act*, R.S.A. 2000, c. S-4, 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 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, Manitoba, Saskatchewan, British Columbia and Alberta 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 Manitoba, Saskatchewan, British Columbia and Alberta, 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) "Managed Account" means, for the Registrant, an investment portfolio account of a client under which the Registrant, pursuant to a written agreement made between the Registrant and the client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the client's specific consent to the trade;

(m) "Managed Account Trade" means, for the Registrant, a trade to, or on behalf of a Managed Account of the Registrant, where the trade consists of a purchase or redemption, through the Registrant of securities of a mutual fund, that is made on behalf of the Managed Account;

where, in each case,

(i) the Registrant is the portfolio adviser to the mutual fund;

(ii) the mutual fund is managed by the Registrant or an affiliate of the Registrant; and

(iii) either of:

(A) the mutual fund is prospectus-qualified in the jurisdiction where the trade occurs; or

(B) the trade is not subject to the registration and prospectus requirements of the Act;

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

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

(p) "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;

(q) "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, she or it 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;

(r) "Pooled Fund Rule" means, for the Registrant, a rule or other regulation that relates, in whole or in part, to the

distribution of securities of a mutual fund and/or non-redeemable investment fund, other than pursuant to a prospectus for which a receipt has been obtained from the Director, made by the Registrant on or on behalf of a Managed Account, but does not include Ontario Rule 45-501 Exempt Distributions, BC Instrument 45-103 Capital Raising Distributions or BC Instrument 45-505 Alternative Reporting Requirements for Exempt Distributions of Securities of Eligible Pooled Funds;

(s) "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);

(t) "Registrant" means Mulvihill Capital Management Inc.;

(u) "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;

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

(w) "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

(x) "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 Managed Account Trade, provided that, at the time of the trade, the Registrant is registered under the Act as an adviser in the categories of "investment counsel" and "portfolio manager" or their equivalents;

   (f) a Permitted Client Trade; or

   (g) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (f), the trades are limited and incidental to the principal business of the Registrant, and provided also that paragraph (e) will cease to be in effect one year after the coming into force, subsequent to the date of this Decision, of any Pooled Fund Rule.

2.1.14 Texas Instruments Incorporated - MRRS Decision

Headnote

MRRS – Relief from registration and prospectus requirements for issuance of securities by foreign issuer to Canadian employees, former employees and permitted transferees and for related trades in connection with a long-term incentive plan and employee stock purchase plans – Relief from issuer bid requirements for acquisition by foreign issuer of shares and awards under such plans – Issuer with *de minimis* Canadian presence.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1), 35(1)12(iii), 35(1)(17), 53(1), 72(1)(f)(iii), 73(1)(k), 74(1), 93(3)(d) and 104(2)(c).

Applicable Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s. 183.

Applicable Ontario Rules

Rule 45-503 – Trades to Employees, Executives and Consultants – ss. 2.2, 2.4, 3.3 and 3.5.

Applicable Instrument

Multilateral Instrument 45-102 – Resale of Securities – s. 2.14.

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

AND

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

AND

IN THE MATTER OF
TEXAS INSTRUMENTS INCORPORATED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia and Alberta (the "Jurisdictions") has received an application from Texas Instruments Incorporated ("Texas Instruments" or the "Company") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that: (i) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and the requirement to file a prospectus and obtain a receipt (the

"Prospectus Requirements") (the Registration Requirement and the Prospectus Requirement are, collectively, the "Registration and Prospectus Requirements") will not apply to certain trades in securities of Texas Instruments made in connection with the Texas Instruments 2000 Long-Term Incentive Plan (the "LTIP"), the TI Employees 2002 Stock Purchase Plan (the "2002 ESPP"), the TI Employees 1997 Stock Purchase Plan (the "1997 ESPP") (the 2002 ESPP and 1997 ESPP together the "ESPPs", the LTIP and ESPPs are collectively, the "Plans"); (ii) the Registration Requirement will not apply to first trades of shares of common stock acquired under the Plans executed on an exchange or market outside of Canada; and (iii) the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, taking up and paying for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration and collateral benefits together with the requirement to file a reporting form within 10 days of an exempt issuer bid and pay a related fee (the "Issuer Bid Requirements") will not apply to certain acquisitions by the Company of Shares pursuant to the LTIP in each of the Jurisdictions;

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 Texas Instruments has represented to the Decision Makers as follows:

1. Texas Instruments is presently a corporation in good standing incorporated under the laws of the State of Delaware.

2. Texas Instruments and affiliates of Texas Instruments ("Texas Affiliates") (Texas Instruments and Texas Affiliates are collectively, the "Texas Companies") are primarily engaged in the design, manufacture, and sale of semiconductors, sensors and controls, and educational and productivity solutions.

3. The Company is registered with the Securities and Exchange Commission (the "SEC") in the U.S. under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g-3-2.

4. The Company is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions.

5. Texas Instruments Canada Limited, a wholly owned subsidiary of Texas Instruments, is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions.

6. The authorized share capital of Texas Instruments consists of 2,410,000,000 shares of common stock ("Shares"); 10,000,000 shares of Preferred Stock ("Preferred Shares"). As of March 31, 2002, there were 1,734,397,724 Shares and no Preferred Shares issued and outstanding.

7. The Shares are listed on the New York Stock Exchange (the "NYSE").

8. Texas Instruments uses the services of one or more agent(s)/broker(s) under the Plans (each an "Agent"). Initially UBS PaineWebber Inc. ("UBS") has been appointed as an agent/broker in connection with the LTIP. Computershare Trust Company, Inc. is the administrator for the ESPPs and, as administrator, it uses Computershare Securities Corporation ("Computershare") as the agent/broker for the ESPPs. In addition, with respect to the ESPPs, Broadcort Capital Corporation ("Broadcort") (an institutional arm of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), executes the purchase and sale orders for the Shares. UBS, Broadcort, Computershare and Merrill Lynch are registered under applicable U.S. securities or banking legislation to trade in securities. None of these Agents are registered to conduct retail trades in the Jurisdictions. If the current agent/brokers were replaced, or if additional agents/brokers were appointed, Texas Instruments would not expect the successor or additional agents/brokers to be so registered in the Jurisdictions.

9. The Agents' role in the Plans may include: (a) assisting with the administration of the Plans including providing record-keeping services; (b) facilitating the exercise of Options (as defined below), or other Awards (as defined below) which are exercisable for Shares (including cashless and stock-swap exercises); (c) holding Shares issued under the Plans on behalf of Participants (as defined below), Former Participants (as defined below) and Permitted Transferees (as defined below); (d) facilitating the cancellation and surrender of Awards as permitted under the Plans; (e) facilitating the resale of the Shares issued in connection with the Plans and (f) facilitating the mechanisms as set out in the Plans for the payment of withholding taxes.

10. The purpose of the LTIP is to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company. The purpose of the ESPPs is to encourage in all employees a proprietary interest in the Company.

11. Subject to adjustment as described in the Plans, the maximum number of Shares that may be issued pursuant to the Plans are: 40,000,000

Shares under the 1997 ESPP; 20,000,000 Shares under the 2002 ESPP; and 120,000,000 Shares under the LTIP, plus any Shares remaining for grant of awards under the 1996 Long-Term Incentive Plan, predecessor to the LTIP.

12. The LTIP permits grants of options ("Options") on Shares, restricted stock ("Restricted Stock"), restricted stock units ("Restricted Stock Units"), performance units ("Performance Units") and other stock-based awards including stock appreciation rights and rights to dividends and dividend equivalents ("Other Stock-Based Awards") (Options, Shares, Restricted Stock, Restricted Stock Units, Performance Units, and Other Stock-Based Awards are, collectively, "Awards") to employees of the Texas Companies. Employees of Texas Companies receiving Awards will be referenced as "LTIP Participants".

13. Under the ESPPs, employees of the Texas Companies are offered an opportunity to purchase Shares by means of applying accumulated payroll deductions to the purchase of Shares at a discount price determined in accordance with the terms of the ESPPs. Employees of Texas Companies participating in the ESPP will be referenced as "ESPP Participants".

14. Employees of the Texas Companies eligible to participate in the Plans will not be induced to purchase Shares or to exercise Awards by expectation of employment or continued employment.

15. As of February 16, 2002, there were approximately forty-seven (47) Participants resident in Ontario, seven (7) Participants resident in Alberta and two (2) Participants resident in British Columbia.

16. All necessary securities filings have been made in the U.S. in order to offer the Plans to participants resident in the U.S.

17. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the LTIP will be delivered to each LTIP Participant who receives an Award under the LTIP. Similarly, a prospectus prepared according to U.S. securities laws describing the terms and conditions of the ESPP will be delivered to each ESPP Participant who is eligible to participate in the ESPP. The annual reports, proxy materials and other materials Texas Instruments provides to its U.S. shareholders will be provided or made available upon request to LTIP Participants and ESPP Participants (together "Participants") resident in the Jurisdictions who acquire and retain Shares under the Plans at substantially the same time and in substantially the same manner as such documents would be provided to U.S. shareholders.

18. The Plans are administered by the board of directors (the "Board") of Texas Instruments or a committee appointed by the Board (the "Committee").

19. In order to exercise an Option under the LTIP, an optionee must submit a written notice of exercise to Texas Instruments or to the Agent identifying the Option, the number of Shares being purchased and the method of payment, or this information may be communicated to the Agent telephonically.

20. The LTIP provides that on exercise of Options, the payment of the exercise price in order to acquire the Shares may be made: (a) in cash; (b) by the surrender of Shares owned by the Option holder to the Company for cancellation or deposit in treasury ("Stock-Swap Exercises") or to the Agent for resale; (c) by a combination of the foregoing; or (d) such other consideration and method of payment permitted by the Committee at an exercise price determined in accordance with the terms of the LTIP.

21. Options started under the LTIP will vest and will be exercisable as specified in the Option agreement as determined by the Committee. The exercise price for each Option shall be established in the discretion of the Board provided that the exercise price per Share shall not be less than the Fair Market Value (as defined in the LTIP) of a Share on the effective date of grant of the Option.

22. The Committee will fix the term of each Option. The Option holder will choose the date of exercise.

23. Restricted Stock and Restricted Stock Units will be subject to such restrictions as the LTIP or the Committee may impose. Unless otherwise determined by the Committee, upon termination of employment for any reason all Restricted Stock and Restricted Stock Units still subject to restriction will be forfeited and reacquired by the Company ("Award Forfeitures").

24. Performance Units become payable to a LTIP Participant upon the achievement of specified performance goals during specified performance periods. A Performance Unit may be denominated or payable in cash, Shares, other securities, other Awards, or other property. The performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit will be determined by the Committee.

25. The Committee will determine the terms and conditions of Other Stock Based Awards. Shares

or other securities granted under Other Stock Based Awards will be purchased for such consideration in an amount and in a form as determined by the Committee, which consideration will not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

26. The Committee shall have the power and authority to cancel, forfeit and suspend any Award under the LTIP in its discretion, except that such action shall require consent of the affected Participant if such action would adversely affect the rights of such Participant under any outstanding Award ("Award Surrenders").

27. Texas Instruments has the right to deduct applicable taxes from any payment under the LTIP by withholding, at the time of delivery or vesting of cash or Shares under the LTIP, an appropriate amount of cash or Shares ("Share Withholding Exercises") or a combination thereof for a payment of taxes required by law or to take such other action as may be necessary in the opinion of Texas Instruments or the Committee to satisfy the obligations for the withholding of such taxes based on minimum withholding rates.

28. Awards and rights under the Plans are not transferable by a Participant other than by will or beneficiary designation or by the laws of intestacy unless otherwise provided for by the Committee.

29. Following the termination of a Participant's relationship with the Texas Companies for reasons of disability, retirement, termination, change of control or any other reason (such Participants are "Former Participants"), and where Awards have been transferred by will or pursuant to a beneficiary designation or the laws of intestacy or otherwise on the death of a Participant ("Permitted Transferees"), the Former Participants and Permitted Transferees will continue to have rights in respect of the Plans ("Post-Termination Rights").

30. Post-Termination Rights may include, among other things: (a) the right to continued vesting and to exercise Awards for a period determined in accordance with the grant terms and the LTIP; (b) the right to receive Shares under the ESPPs and in certain limited circumstances, to purchase Shares under the ESPPs on the purchase date next following such termination; (c) the right to receive payment of accumulated payroll deductions in his or her account, without interest under the ESPPs; and (d) the right to sell Shares acquired under the Plans.

31. Post-Termination Rights will only be effective where such rights accrued while the Participant had a relationship with the Texas Companies.

32. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plans will be effected through the NYSE.

33. As of March 11, 2002, Canadian resident shareholders did not own (as record owners), directly or indirectly, more than 10% of the issued and outstanding Shares and do not represent in number more than 10% of the shareholders of Texas Instruments. If at any time during the currency of the Plans, Canadian shareholders of Texas Instruments hold of record, in the aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders represent in number more than 10% of all shareholders of Texas Instruments, Texas Instruments will not grant further Awards without first applying to the relevant Jurisdictions for an order with respect to further trades to and by Participants in that Jurisdiction in respect of the Shares acquired under the Plans.

34. Pursuant to the LTIP, the acquisition of Awards and Shares by the Company in the following circumstances may constitute an "issuer bid": Stock Swap Exercises, Share Withholding Exercises, Award Surrenders and Award Forfeitures involving Shares.

35. The issuer bid exemptions in the Legislation may not be available for such acquisitions by the Company since such acquisitions may occur at a price that is not calculated in accordance with the "market price," as that term is defined in the Legislation and may be made from Permitted Transferees.

36. The Legislation of all of the Jurisdictions does not contain exemptions from the Prospectus and Registration Requirements for all the intended trades in Awards under the Plans.

37. Where the Agents sell Shares on behalf of Participants, Former Participants and Permitted Transferees, the Agents, Participants, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration Requirement contained in the Legislation of the Jurisdictions.

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

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

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

(a) the Registration and Prospectus Requirements will not apply to any trade or distribution of Awards made in connection with the Plans, including trades or distributions involving Texas Instruments or its affiliates, the Agent, Participants, Former Participants or Permitted Transferees, provided that the first trade in Shares acquired under the Plans pursuant to this Decision will be deemed a distribution or primary distribution to the public under the Legislation unless the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 "Resale of Securities" are satisfied;

(b) the first trade by Participants, Former Participants or Permitted Transferees in Shares acquired pursuant to the Plans, including first trades effected through the Agent, will not be subject to the Registration Requirement, provided such first trade is executed through a stock exchange or market outside of Canada; and

(c) the Issuer Bid Requirements will not apply to the acquisition by Texas Instruments of Awards and or Shares from Participants, Former Participants or Permitted Transferees in connection with the Plans provided such acquisitions are made in accordance with the provisions of the Plans.

July 4, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.15 Tyco International Ltd. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - amendment to previous MRRS decision to reflect change in corporate structure.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.

Regulations Cited

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

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

AND

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

AND

IN THE MATTER OF
TYCO INTERNATIONAL LTD., CIT GROUP INC., CIT FINANCIAL LTD. AND CIT HOLDINGS, LLC

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia (the "Jurisdictions") has received an application from Tyco International Ltd. ("Tyco"), CIT Group Inc. (CIT Group Inc., together with its successors, "New CIT"), CIT Financial Ltd. (formerly, CIT Credit Group Inc. and Newcourt Credit Group Inc.) (for the purposes hereof, "Newcourt"), and CIT Holdings, LLC ("Holdings") (collectively, the "Applicants") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") to amend a decision granted by the Decision Makers of the Jurisdictions (the "Holdings Decision Makers") on September 29, 2000 to The CIT Group, Inc. ("CIT"), Newcourt, and Holdings, as amended by a decision granted by the Holdings Decision Makers on May 31, 2001 to CIT, Newcourt, Holdings, Tyco Capital Holding, Inc. ("Tyco Acquisition") (formerly, CIT Holdings (NV) Inc. and Tyco Acquisition Corp. XIX (NV)) and Tyco (collectively, the "Decision Document"),

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

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

1. Tyco is a company incorporated with limited liability under the laws of Bermuda and is subject to the reporting requirements of the United States Securities Exchange Act of 1934 (the "Exchange Act"). Tyco is a reporting issuer in Ontario, Quebec, Nova Scotia, British Columbia, Alberta, Saskatchewan and Manitoba. Tyco is not on the list of defaulting reporting issuers maintained by the Holdings Decision Makers, where applicable.

2. The common shares of Tyco (the "Tyco Common Shares") are listed on the New York Stock Exchange, the Bermuda Stock Exchange and the London Stock Exchange.

3. The authorized capital of Tyco consists of 2,500,000,000 Tyco Common Shares and 125,000,000 preference shares, par value U.S.$1.00 per share. As of March 25, 2002 (a) 2,021,527,745 Tyco Common Shares were issued and outstanding, and (b) one preference share was issued and outstanding.

4. CIT was a corporation incorporated under the laws of the State of Delaware and was subject to the reporting requirements of the Exchange Act. On June 1, 2001, CIT merged with and into a subsidiary of Tyco, Tyco Acquisition, with Tyco Acquisition continuing as the surviving corporation and as a wholly-owned indirect subsidiary of Tyco. Following the merger, substantially all the assets and liabilities of CIT were transferred to a new wholly-owned subsidiary, New CIT (formerly Tyco Capital Corporation and previously The CIT Group, Inc. and Tyco Acquisition Corp. XX (NV)), a corporation incorporated under the laws of the State of Nevada.

5. Prior to the IPO (defined below), New CIT will merge up and into Tyco Acquisition. Tyco Acquisition will then merge into CIT Group Inc. (Del), a Delaware corporation, and CIT Group Inc. (Del) will be renamed CIT Group Inc. As a result of the mergers, New CIT will be domiciled in Delaware and will be the successor to New CIT's assets, operations and business.

6. Holdings is a limited liability company under the laws of the State of Delaware, all of its membership interests are held by New CIT, and it is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia. Holdings is not on the list of defaulting reporting issuers maintained by the Holdings Decision Makers, as applicable.

7. Newcourt is a corporation amalgamated under the laws of the Province of Ontario, a wholly-owned subsidiary of CIT Exchangeco Inc., and is not a reporting issuer or the equivalent thereof in any of the Jurisdictions.

8. On April 25, 2002, Tyco announced that it intends to separate New CIT through an initial public offering (the "IPO") of 100% of the issued and outstanding shares of common stock ("CIT Common Shares") of New CIT. Following the IPO, Tyco and its affiliates will no longer hold any CIT Common Shares. Tyco Capital Limited, a Bermuda corporation which is an indirect wholly owned subsidiary of Tyco, will be the seller of the CIT Common Shares in the IPO.

9. On April 25, 2002, New CIT filed a Form S-1 Registration Statement (the "S-1") with the U.S. Securities and Exchange Commission (the "SEC") in connection with the proposed IPO. The S-1 was amended on May 13, 2002 and on June 12, 2002.

10. Following the IPO, New CIT will be subject to the information requirements under the Exchange Act with respect to the CIT Common Shares, and in accordance therewith will file reports and other information with the SEC. The informational requirements will be greater than those required of New CIT prior to the IPO, as additional information will be disclosed in New CIT's annual form 10-K, and New CIT will be required to prepare and file proxy statements in connection with its annual meetings of shareholders.

11. At the time CIT acquired Newcourt, Newcourt had outstanding unlisted public debt securities in Canada (the "Canadian Public Debt"), pursuant to a trust indenture dated June 1, 1995 between CIBC Mellon Trust Company (formerly, The R-M Trust Company) and Newcourt and supplemental indentures thereto (collectively, the "Indenture"). Holdings assumed all of Newcourt's obligations under the outstanding Canadian Public Debt pursuant to a supplemental indenture.

12. Following Tyco's acquisition of CIT, New CIT provided an unconditional, absolute and irrevocable guaranty of full and prompt payment of all principal and interest on the Canadian Public Debt.

13. The Decision Document permitted Holdings to comply with specified continuous disclosure requirements of the Legislation by filing and delivering disclosure materials related to New CIT.

14. The Decision Document contained a condition that Tyco remain the direct or indirect beneficial owner of all the issued and outstanding membership interests of Holdings. After the IPO, Tyco will no longer be the indirect beneficial owner of all the membership interests of Holdings.

15. After the IPO, holders of the Canadian Public Debt will continue to have access to information relating to New CIT in accordance with the conditions imposed in the Decision Document. After the IPO, additional information concerning New CIT will be available to holders of the Canadian Public Debt, as New CIT will be required to file additional information with the SEC once the S-1 has become effective. New CIT will continue to file with the Holdings Decision Makers all documents filed by it with the SEC under the Exchange Act.

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

AND WHEREAS each of the Holdings 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 Holdings Decision Makers pursuant to the Legislation is that the operative portion of the Decision Document is amended as follows:

(a) deleting paragraph 2(a) and replacing it with the following:

"New CIT files with the Decision Makers copies of all documents required to be filed by it with the SEC under the Exchange Act including, but not limited to, copies of any Form 10-K, Form 10-Q and Form 8-K, which documents will include financial statements prepared solely in accordance with United States generally accepted accounting principles"; and

(b) deleting the reference to "Tyco" in paragraph 2(c) and replacing it with "New CIT".

July 9, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.16 Placer Dome Inc. - MRRS Decision

Headnote

Mutual Reliance Relief System for Exemptive Relief Applications – relief from the requirement that the author of a technical report be a member of a "professional association" in order to be considered a "qualified person".

National Instruments Cited

National Instrument 43-101 – Standards of Disclosure for Mineral Projects, 2001 24 OSCB 303, ss. 1.2, 2.1, 5.1 and 9.1.

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

AND

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

AND

IN THE MATTER OF
PLACER DOME INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker" and collectively, the "Decision Makers") in each of Alberta, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, the Northwest Territories, and Nunavut (the "Jurisdictions") has received an application (the "Application") from Placer Dome Inc. (the "Corporation") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that: (1) the Corporation is exempt from the requirement contained in National Instrument 43-101 ("NI 43-101") that the author of a technical report or other information upon which disclosure of a scientific or technical nature is based be a member in good standing of a professional association in order for the author to be considered a "qualified person" as defined in NI 43-101 (the "Membership Qualification Requirement"); and (2) the Corporation is exempt from the requirement contained in the Legislation to pay a fee in connection with the Application (the "Application Fee Requirement");

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 Corporation has represented to the Decision Makers that:

1. The Corporation is a corporation amalgamated under the laws of Canada in 1999. The Corporation's registered office and corporate head office are located in Vancouver, British Columbia at 1055 Dunsmuir Street, Suite 1600.

2. Directly and through its subsidiaries, the Corporation 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. Although the Corporation's principal product and source of earnings is gold, significant quantities of silver and copper are also produced.

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

4. The Corporation's common 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 Depositary Receipts representing the common shares are listed for trading on Euronext – Brussels.

5. Placer Dome (CLA) Limited, a wholly-owned subsidiary of the Corporation, is the employer of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson, who in the course of their employment may author technical reports required to be filed by the Corporation pursuant to NI 43-101 and may prepare or supervise the preparation of information upon which the Corporation's disclosure of a scientific or technical nature may be based.

6. Each of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson is a member of the Association of Geoscientists of Ontario ("AGO"). AGO was a "professional association" as defined in NI 43-101 until February 1, 2002.

7. AGO is being replaced in Ontario by the Association of Professional Geoscientists of Ontario ("APGO"). APGO is a "professional association" as defined in NI 43-101.

8. Each of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson has applied to become a member of APGO and would be a "qualified person" as defined in NI 43-101 except only for not yet being a member in good standing of a "professional association".

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

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

The Decision of the Decision Makers under the Legislation is that:

1. except in the province of Quebec and the Northwest Territories, the Corporation is exempt from the Application Fee Requirement; and

2. the Corporation is exempt from the Membership Qualification Requirement in connection with technical reports or other information prepared by, or under the supervision of, any of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson provided that:

   (a) each of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson complies with all other elements of the definition of "qualified person" in NI 43-101; and

   (b) the relief granted in this Decision shall terminate with respect to each of Andrew Cheatle, Dan Gagnon, John Morton Shannon and Raymond Swanson on the earlier of: (1) the date such individual becomes a member of APGO or is advised that his application for membership to APGO has been denied; and (2) February 1, 2003.

July 9, 2002.

"Iva Vranic"

2.1.17 Perigee Investment Counsel Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - mutual fund dealer exempted from the legislative requirements that it file an application to become a member of the Mutual Fund Dealers Association of Canada (the "MFDA") and become a member of the MFDA - mutual fund dealer subject to certain terms and conditions of registration.

Applicable Statute

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

Applicable Ontario Rule

Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1 and 5.1.

Applicable Published Document

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

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

AND

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

AND

IN THE MATTER OF
PERIGEE INVESTMENT COUNSEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Manitoba and Ontario (the "Jurisdictions") has received an application (the "Application") from Perigee Investment Counsel Inc. (the "Registrant") for a decision (the "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 registered as a dealer in the category of "mutual fund dealer" or its equivalent and as an adviser in the categories of "investment counsel" and "portfolio manager" or their equivalents in each of the Jurisdictions;

2. the Registrant is the manager and the portfolio adviser of a number of mutual funds that it or an affiliate have established, which are sold to the public either pursuant to a simplified prospectus or on an exempt basis, and it or an affiliate will be the manager of any other funds that it or an affiliate may establish in the future;

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

4. 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;

5. any person or company that is not currently a mutual fund client of the Registrant on the date of this Decision, will, before they are accepted as a mutual fund 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;

6. upon the next general mailing to its mutual fund clients and in any event before October 31, 2002, the Registrant shall provide to all of its mutual fund clients the written notice referred to in paragraph 5, 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 Ontario, effective July 1, 2001in Manitoba and effective July 9, 2002 in 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".

July 9, 2002.

"David M. Gilkes"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION OF PERIGEE INVESTMENT COUNSEL 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; in Manitoba, the *Securities Act*, R.S.M. 1988, c.S50, 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 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, Manitoba 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 Manitoba and 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) "Managed Account" means, for the Registrant, an investment portfolio account of a client under which the Registrant, pursuant to a written agreement made between the Registrant and the client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the client's specific consent to the trade;

(m) "Managed Account Trade" means, for the Registrant, a trade to, or on behalf of a Managed Account of the Registrant, where the trade consists of a purchase or redemption, through the Registrant of securities of a mutual fund, that is made on behalf of the Managed Account;

where, in each case,

(i) the Registrant is the portfolio adviser to the mutual fund;

(ii) the mutual fund is managed by the Registrant or an affiliate of the Registrant; and

(iii) either of:

(A) the mutual fund is prospectus-qualified in the jurisdiction where the trade occurs; or

(B) the trade is not subject to the registration and prospectus requirements of the Act;

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

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

(p) "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;

(q) "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, she or it 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;

(r) "Pooled Fund Rule" means, for the Registrant, a rule or other regulation that relates, in whole or in part, to the distribution of securities of a mutual fund and/or non-redeemable investment fund, other than pursuant to a prospectus for which a receipt has been obtained from the Director, made by the Registrant on or on behalf of a Managed Account, but

does not include Ontario Rule 45-501 Exempt Distributions, BC Instrument 45-103 Capital Raising Distributions or BC Instrument 45-505 Alternative Reporting Requirements for Exempt Distributions of Securities of Eligible Pooled Funds;

(s) "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);

(t) "Registrant" means Perigee Investment Counsel Inc.;

(u) "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;

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

(w) "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

(x) "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 Managed Account Trade, provided that, at the time of the trade, the Registrant is registered under the Act as an adviser in the categories of "investment counsel" and "portfolio manager" or their equivalents;

(f) a Permitted Client Trade; or

(g) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (f), the trades are limited and incidental to the principal business of the Registrant, and provided also that paragraph (e) will cease to be in effect one year after the coming into force, subsequent to the date of this Decision, of any Pooled Fund Rule.

2.1.18 Fletcher Challenge Forests Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issuer deemed to have ceased to be a reporting issuer. Issuer's securities are publicly traded but not on any market in Canada. Canadian shareholders hold less than 10% of the issued and outstanding shares and will continue to receive foreign jurisdiction continuous disclosure documents.

Applicable Ontario Statutes

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCES 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
FLETCHER CHALLENGE FORESTS LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the "Relevant Jurisdictions") has received an application (the "Application") from Fletcher Challenge Forests Limited (the "Issuer") for a decision under the securities legislation of each of the Relevant Jurisdictions (the "Legislation") that the Issuer be deemed to have ceased to be a reporting issuer in each of the Relevant Jurisdictions;

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

AND WHEREAS The Issuer has represented to the Decision Makers as follows:

1. the Issuer is a corporation governed by the laws of New Zealand. Its registered office is located at 8 Rockridge Avenue, Penrose, Auckland, New Zealand; general information regarding the Issuer can be found on its website at www.fcf.co.nz;

2. as at March 6, 2002, the issued capital of the Issuer consisted of 929,507,897 Ordinary Shares and 1,859,015,794 Preference Shares held by a total of approximately 38,500 shareholders; the Ordinary Shares and Preference Shares are traded in the United States in the form of American Depository Shares (ADSs); the Ordinary Shares and Preference Shares are listed on The New Zealand Stock Exchange and The Australian Stock Exchange and the ADSs are listed on The New York Stock Exchange; there are no other securities of the Issuer, including debt securities, currently outstanding;

3. as at March 6, 2002 there were approximately 112 registered holders of Ordinary Shares and Preference Shares in Canada holding an aggregate of 397,268 Ordinary Shares and 466,402 Preference Shares representing approximately 0.043% and 0.025%, respectively, of the total number of issued and outstanding Ordinary Shares and Preference Shares; the following is a list of the number of registered holders of Ordinary Shares and Preference Shares resident in each of the Relevant Jurisdictions:

Alberta	6
British Columbia	51
Manitoba	1
Newfoundland	3
Nova Scotia	2
Ontario	38
Quebec	6
Saskatchewan	3

4. in November 1994, the Ordinary Shares of the Issuer were voluntarily delisted from The Toronto Stock Exchange; none of the Ordinary Shares, Preference Shares or any other outstanding securities of the Issuer are listed or quoted on any exchange in Canada;

5. the Issuer became a reporting issuer on June 1987 in the Relevant Jurisdictions when a prospectus was filed for an offering of exchangeable shares by a wholly-owned Canadian subsidiary of the Issuer; the Issuer is currently a reporting issuer in each of the Relevant Jurisdictions and is not in default of any of the requirements of the Legislation;

6. following a number of reorganizations, in 2000 and 2001, the Issuer divested three of its four operating divisions. Following these divestitures, the Issuer no longer had any significant business or assets in Canada;

7. the Issuer is subject to the provisions of the United States *Securities Exchange Act* of 1934, the rules and regulations of The New York Stock Exchange, The New Zealand and Australian Stock Exchanges and applicable New Zealand securities and corporate law;

8. resident Canadian holders of Ordinary Shares and Preference Shares will receive all the materials that are mailed to holders of shares in New Zealand, Australia and several other jurisdictions, including, but not limited to, annual reports, semi-annual reports and proxy solicitation materials; these materials are substantially similar to those materials required to be delivered by reporting issuers under the Legislation;

9. the Issuer's management, assets and business are primarily located in New Zealand and its business is conducted outside of Canada; and

10. the Issuer has no present intention of seeking public financing by way of an offering of its securities in Canada.

AND WHEREAS under MRRS, 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 Issuer is deemed to have ceased to be a reporting issuer in the Relevant Jurisdictions.

July 2, 2002.

"Brenda Leong"

2.2 Orders

2.2.1 Baltic Resources Inc. - ss. 83.1 (1), ss. 9.1(1) of NI 43-101 and ss. 59(2) of Sched. 1 of Reg. 1015

Headnote

Subsection 83.1(1) - Issuer deemed to be a reporting issuer in Ontario - Issuer has been a reporting issuer in Alberta and in British Columbia since February 10,1998 - Issuer listed and posted for trading on the Canadian Venture Exchange - continuous disclosure requirements of Alberta and British Columbia substantially identical to those of Ontario.

NI 43-101 - issuer exempt from filing technical report in subsection 4.1(1) of NI 43-101 and from related fee set out in subsection 53(1) of Schedule 1 to Reg.

Statutes Cited

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

Regulations Cited

Regulation 1015, R.R.R. 1990, as am., Schedule 1- ss. 53(1), 59(2).

National Instruments Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects (2001), 24 OSCB 303, ss. 4.1(1), 9.1(1).

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

AND

IN THE MATTER OF
BALTIC RESOURCES INC.

ORDER
(Subsection 83.1 (1) of the Act, Subsection 9.1(1) of NI 43-101 & Subsection 59(2) of Schedule 1 to the Regulation)

UPON the application (the "Application") of Baltic Resources 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 the Ontario securities laws;

AND UPON the application of the Issuer to the Director of the Commission for a decision that the Issuer be exempt from the requirement contained in subsection 4.1(1) of NI 43-101 to file a technical report upon first becoming a reporting issuer in Ontario and pursuant to subsection 59(2) of Schedule 1 to the Regulation for a decision that the Applicant be exempt from the requirement contained in subsection 53(1) of Schedule 1 to the Regulation to pay a fee in connection with this application;

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

AND UPON the Issuer representing to the Commission and the Director that:

1. The Issuer was incorporated as 707489 Alberta Ltd. under the Business Corporations Act (Alberta) on August 27, 1996. The Issuer's name was changed to Baltic Resources Inc. on January 14, 1997.

2. The head office of the Issuer is located at Suite 202, 1212-31st Avenue N.E., Calgary, Alberta T2E 7S8.

3. The Issuer is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

4. As of June 21, 2002, 11,855,000 common shares and no preferred shares were issued and outstanding. Incentive stock options entitling the holders to purchase up to 1,075,000 additional common shares of the Issuer were also outstanding.

5. The Issuer has been a reporting issuer under the Securities Act (Alberta) (the "Alberta Act") and the Securities Act (British Columbia) (the "B.C. Act") since February 10, 1998. The Issuer is not in default of any requirement of the Alberta Act or the B.C. Act.

6. The common shares of the Issuer are listed on the TSX Venture Exchange (the "TSXVX") and the Issuer is in compliance with all requirements of the TSXVX. The Issuer is not a designated capital pool company by the TSXVX.

7. The TSXVX requires all of its listed issuers, which are not otherwise reporting issuers in Ontario, to assess whether they have a "significant connection to Ontario" as defined in Policy 1.1 of the TSXVX Corporate Finance Manual.

8. The TSXVX requires that where an issuer, which is not otherwise a reporting issuer in Ontario, becomes aware that it has a significant connection to Ontario, the issuer promptly make a *bona fide* application to the Commission to be deemed a reporting issuer in Ontario.

9. The Issuer has determined that it has a significant connection to Ontario in that (i) its most advanced property is located in Ontario, (ii) more than 30% of the Issuer's outstanding shares are held by beneficial owners resident in Ontario and (iii) one of the directors is resident in Ontario.

10. The Issuer has applied to the Commission pursuant to subsection 83.1(1) of the Act for an

order that it be deemed a reporting issuer in Ontario.

11. Subsection 4.1(1) of NI 43-101 provides that, upon first becoming a reporting issuer in a Canadian jurisdiction, an issuer shall file with the securities regulatory authority in that Canadian jurisdiction, a current technical report for each property material to the issuer.

12. The Issuer does not have a current technical report and would not otherwise be required to file a technical report pursuant to NI 43-101 at this time except for having to become a reporting issuer in Ontario pursuant to the CDNX Corporate Finance Manual.

13. The Issuer is not a reporting issuer in Ontario and is not a reporting issuer, or equivalent, in any jurisdiction other than Alberta and British Columbia.

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

15. The continuous disclosure materials filed by the Issuer under the Alberta Act and the B.C. Act are available on the System for Electronic Document Analysis and Retrieval.

16. There have been no penalties or sanctions imposed against the Issuer by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and the Issuer has not entered into any settlement agreement with any Canadian securities regulatory authority.

17. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by 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.

18. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, is or has been subject to any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court of 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.

19. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, is or has been subject to any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

20. None of the directors or officers of the Issuer, nor to the knowledge of the Issuer, its directors and officers, any of the controlling shareholders, is or has been at the time of such event a director or officer of any issuer which is or has been subject to: (i) any cease trade or similar order, 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.

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 be deemed to be a reporting issuer for the purposes of Ontario securities law;

AND IT IS DECIDED pursuant to subsection 9.1(1) of NI 43-101 that the Issuer is exempt from subsection 4.1(1) of NI 43-101 upon being deemed to be a reporting issuer in Ontario;

AND IT IS FURTHER DECIDED pursuant to subsection 59(2) of Schedule I to the Regulation that the Issuer is exempt from the requirement contained in subsection 53(1) of Schedule I to the Regulation to pay a fee in connection with the making of this application insofar as it refers to NI 43-101.

July 3, 2002.

“Margo Paul”

2.2.2 United Overseas Bank Limited - s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act - relief for Schedule III bank from requirement to register as an adviser where the performance of the service as an adviser is incidental to principal banking business.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. S.20, as am. 22(1)(b), 80.

IN THE MATTER OF
THE COMMODITIES FUTURES ACT,
R.S.O. 1990, CHAPTER S.20, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
UNITED OVERSEAS BANK LIMITED

ORDER
(Section 80)

UPON application (the "Application") by United Overseas Bank Limited ("UOB") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 80 of the Act exempting UOB from the requirement to obtain registration as an adviser under clause 22(1)(b) of the Act in connection with the banking business to be carried on by UOB in Ontario;

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

AND UPON UOB having represented to the Commission that:

1. The United Overseas Bank Limited is Singapore's largest bank validly existing under the banking laws of Singapore.

2. The UOB Group offers a wide range of financial services through its global network of branches, offices and subsidiaries - commercial and corporate banking, personal financial services, private banking, trust services, treasury services, asset management, corporate finance, capital market activities, venture capital management, proprietary investments, general insurance and life assurance. It also offers stockbroking services through its associate, UOB-Kay Hian Holdings Limited. UOB also has diversified interests in travel, leasing, property development, hotel management, healthcare, manufacturing and general trading.

3. The Applicant is currently represented in Canada by United Overseas Bank (Canada) ("UOBC") and it does not conduct any other business activities in Canada. The Applicant intends to provide the current business services of UOBC which includes consumer, commercial and corporate lending, treasury functions and deposit-taking (including to facilitate the lending of money, dealing in foreign exchange or dealing in securities, other than debt obligations of UOB for clients). It also plans to secure additional business opportunities (retail and corporate) through the full service branch.

4. UOB will only accept deposits from the following:

   (a) Her Majesty in right of Canada or in right of a province or territory, an agent of Her Majesty in either of those rights and includes a municipal or public body empowered to perform a function of government in Canada, or an entity controlled by Her Majesty in either of those rights;

   (b) the government of a foreign country or any political subdivision thereof, an agency of the government of a foreign country or any political subdivision thereof, or an entity that is controlled by the government of a foreign country or any political subdivision thereof;

   (c) an international agency of which Canada is a member, including an international agency that is a member of the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the Caribbean Development Bank and the European Bank for Reconstruction and Development and any other international regional bank;

   (d) a financial institution (i.e.: (a) a bank or an authorized foreign bank under the Bank Act; (b) a body corporate to which the Trust and Loan Companies Act (Canada) applies, (c) an association to which the Cooperative Credit Association Act (Canada) applies, (d) an insurance company or a fraternal benefit society to which the Insurance Companies Act (Canada) applies, (e) a trust, loan or insurance corporation incorporated by or under an Act of the legislature of a province or territory in Canada, (f) a cooperative credit society incorporated and regulated by or under an Act of the legislature of a province or territory in Canada; (g) an entity that is incorporated or formed by or under an Act of Parliament or of the legislature of a province or territory in Canada and that is primarily engaged in dealing in securities, including portfolio management and

investment counseling, and is registered to act in such capacity under the applicable Legislation, and (h) a foreign institution that is (i) engaged in the banking, trust, loan or insurance business, the business of a cooperative credit society or the business of dealing in securities or is otherwise engaged primarily in the business of providing financial services, and (ii) is incorporated or formed otherwise than by or under an Act of Parliament or of the legislature of a province or territory in Canada);

(e) a pension fund sponsored by an employer for the benefit of its employees or employees of an affiliate that is registered and has total plan assets under administration of greater than $100 million;

(f) a mutual fund corporation that is regulated under an Act of the legislature of a province or territory in Canada or under the laws of any other jurisdiction and has total assets under administration of greater than $10 million;

(g) an entity (other than an individual) that has gross revenues on its own books and records of greater than $5 million as of the date of its most recent annual financial statements; or

(h) any other entity, where the deposit facilitates the provision of the following services by the authorized foreign bank to the entity, namely,

(i) lending money,

(ii) dealing in foreign exchange, or

(iii) dealing in securities, other than debt obligations of the authorized foreign bank.

(i) other person if the trade is in a security which has an aggregate acquisition cost to the purchaser of greater than $150,000;

collectively referred to for purposes of this Decision as "Authorized Customers".

5. In June 1999, amendments to the Bank Act were proclaimed that permit foreign commercial banks to establish direct branches in Canada. These amendments have created a new Schedule III listing foreign banks permitted to carry on banking activities through branches in Canada;

6. UOB is seeking an order under the Bank Act permitting it to establish a full service branch under the Bank Act and designating it on Schedule III to the Bank Act;

7. Section 31(a) of the Act refers to a "bank listed on Schedule I or II to the Bank Act" in connection with the exemption from the adviser registration requirement however no reference is made in the Act to entities listed on Schedule III of the Bank Act;

8. In order to ensure that UOB, as an entity listed on Schedule III to the Bank Act, is able to provide banking services to businesses in Ontario it requires similar exemptions enjoyed by banking institutions incorporated under the Bank Act to the extent that the current exemptions applicable to such banking institutions are relevant to the banking business being undertaken by UOB in Ontario;

9. UOB will be performing certain foreign exchange advisory services in connection with its principal banking business;

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

IT IS RULED pursuant to section 80 of the Act that upon the making of an order under the Bank Act permitting UOB to establish a branch listed on Schedule III of that Act, UOB is exempt from the requirement of clause 22(1)(b) of the Act where the performance of the service as adviser is solely incidental to UOB's principal banking business.

July 5, 2002.

“Robert L. Shirriff” “H. Lorne Morphy”

2.2.3 EdgeStone Capital Equity Fund II-A, L.P. and EdgeStone Capital Equity Fund II-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 45-501
OF THE ONTARIO SECURITIES COMMISSION
("Rule 45-501")

AND

IN THE MATTER OF
EDGESTONE CAPITAL EQUITY FUND II-A, L.P. AND
EDGESTONE CAPITAL EQUITY FUND II-B, L.P.

ORDER
(Section 147 of the Act)

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from EdgeStone Capital Equity Fund II-A, L.P. ("Fund A") and EdgeStone Capital Equity Fund II-B, L.P. ("Fund B") 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 of the Ontario Securities Commission ("Rule 45-501") in connection with the issue and sale of limited partnership units of the Funds;

AND WHEREAS the Funds have represented to the Commission that:

1. Fund A and Fund B are limited partnerships formed under the laws of Ontario for the purpose of making primarily equity and equity-related investments in Canadian-based entities, with a primary focus on mid and later stage entities. The principal office of each of the Funds is located in Ontario.

2. 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 Fund B (the "Fund B GP") is an Ontario corporation. Each of the Fund A GP and the Fund B GP are wholly owned subsidiaries of EdgeStone Capital GP Holdco, Inc., an Ontario corporation ("GP Holdco"). All of the limited partnership units in the Fund A GP LP are held by the indirect shareholders of GP Holdco, or their affiliates.

3. Fund B was originally formed as an Ontario limited partnership on January 9, 2002 with the name "NB Capital Equity Fund II, L.P." The original general partner of Fund B was an Ontario limited partnership (the "Old Fund B GP"), the general partner of which was the Fund B GP.

4. On January 9, 2002, 13 Ontario purchasers (the "Initial Fund-B Purchasers") purchased limited partnership units of Fund B on an exempt basis in reliance on Section 2.3 of Rule 45-501. Fund B filed a Form 45-501F1 with the Ontario Securities Commission (the "Commission") in respect of these trades on January 17, 2002. The Initial Fund-B Purchasers agreed to pay to Fund B, in the aggregate, Cdn. $7,016,355 (collectively, the "Initial Fund B Commitments"), and upon filing of the Form 45-501F1 in respect of such trades, Fund B paid fees to the Commission of Cdn. $1,122.62 pursuant to Section 7.3 of Rule 45-501.

5. On June 20, 2002, the following occurred:

   (a) Fund A was formed and certain amendments were made to the partnership agreement governing Fund B, for the purpose of facilitating the qualification of one of the Funds (namely, Fund A) as a "qualified limited partnership" under the Income Tax Act (Canada);

   (b) certain agreements among Fund B and the Initial Fund-B Purchasers were amended to provide, among other things, and except as otherwise referred to in paragraph 5(c) below, for the issuance and sale to each Initial Fund-B Purchaser of the same number of limited partnership units of Fund A as such Initial Fund B Purchaser held in Fund B, that such Purchaser would agree to pay an amount to Fund A (the "Fund A Commitment") equal to its Initial Fund B Commitment less the amount paid by such Initial Fund B Purchaser to Fund B pursuant to its Adjusted Fund B Commitment (as hereinafter defined), that the amount of each Initial Fund B Purchaser's Initial Fund B Commitment would be reduced to an amount equal to

30% of such Initial Fund B Purchaser's Fund A Commitment (the "Adjusted Fund B Commitment"), and that the aggregate amount that each Initial Fund B Purchaser would be required to pay to Fund A and Fund B, in the aggregate, pursuant to such Initial Fund B Purchaser's Fund A Commitment and Adjusted Fund B Commitment would not exceed the amount of such Initial Fund B Purchaser's Fund A Commitment. For example, if an Initial Fund B Purchaser's Initial Fund B Commitment was Cdn. $200,000, pursuant to the amendments, such Initial Fund B Purchaser's Fund A Commitment became Cdn. $200,000, such Fund B Purchaser's Adjusted Fund B Commitment became Cdn. $60,000 and the maximum amount that such Initial Fund B Purchaser would be required to pay to Fund A and Fund B in the aggregate pursuant to such purchaser's Fund A Commitment and Adjusted Fund B Commitment would be limited to Cdn. $200,000;

(c) the aggregate amount that one Initial Fund-B Purchaser agreed to pay to Fund A and Fund B pursuant to such Initial Fund-B Purchaser's Fund A Commitment and Adjusted Fund B Commitment was increased from the amount of such purchaser's Initial Fund B Commitment. Such purchaser agreed to pay up to 100% of this amount, as so increased (less the amount paid by such purchaser to Fund B), to Fund A and up to 30% of this amount to Fund B (the limited partnership units of Fund A issued to the Initial Fund-B Purchasers as described in paragraph 5(b) above and in this paragraph 5(c) being referred to herein as the "Initial Fund A Units", and the trades in the Initial Fund A Units to the Initial Fund-B Purchasers being referred to herein as the "Initial Fund-B Purchaser Distributions";

(d) ten additional Ontario purchasers (the "New Purchasers") 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 "New Purchaser Distributions") were effected on an exempt basis in reliance on Section 2.3 of Rule 45-501; and

(e) the Old Fund B GP assigned its interest as general partner of Fund B to the Fund B GP and Fund B changed its name to its current name.

6. Additional Ontario purchasers ("Future Purchasers") may, in the future, purchase limited partnership units of Fund A and Fund B on an exempt basis in reliance on Section 2.3 of Rule 45-501 (the "Future Purchaser Distributions").

7. The restructuring of the investment by the Initial Fund B Purchasers in Fund B into an investment in Fund A and Fund B, and the investment and prospective investment by the New Purchasers and Future Purchasers in Fund A and Fund B, have been structured as investments 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, will 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 under the *Income Tax Act* (Canada) generally will not be made by Fund A, but may be made by Fund B.

8. Each Initial Fund B Purchaser and New Purchaser was required, and each Future Purchaser will be required, to purchase limited partnership units of each of Fund A and Fund B, such that each Initial Fund B Purchaser and New Purchaser holds, and each Future Purchaser will hold, the same percentage limited partnership interest in each of Fund A and Fund B.

9. 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.

10. The entities that hold and that will hold, directly or indirectly, all of the partnership interests in Fund A hold, and will hold, directly or indirectly, all of the partnership interests in Fund B.

11. The aggregate amount that each Initial Fund B Purchaser, each New Purchaser and each Future Purchaser (collectively, the "Purchasers" and individually, a "Purchaser") is and will be required to pay to Fund A and Fund B, in the aggregate, for their respective limited partnership interests in the Funds is limited to a maximum amount (such amount being the "Aggregate Commitment Amount"). Each Purchaser has agreed or will agree to pay up to 100% of its Aggregate Commitment Amount to Fund A (less the amount invested by the Purchaser in Fund B), and up to 30% of its Aggregate Commitment Amount to 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. Each Purchaser's obligation to provide funds to Fund B is and will be limited to the lesser of 30% of the Purchaser's Aggregate Commitment Amount, and the difference between the Purchaser's Aggregate Commitment Amount and

the amount actually invested by the Purchaser in Fund A. As the allocation of proceeds paid by the Purchasers 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 January, 2007).

12. 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 each 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 amount is 100% of the Aggregate Commitment Amount of each Purchaser, and in the case of Fund B, that amount is 30% of the Aggregate Commitment Amount of each Purchaser, so both limited partnerships are required to pay fees at the time the Form 45-501F1's are required to be filed by them, calculated based on an aggregate amount of proceeds equal to 130% of the Aggregate Commitment Amount of each Purchaser, even though the aggregate amount of proceeds that will ultimately be received by both Funds will not exceed 100% of the Aggregate Commitment Amount of each Purchaser, in total.

13. In addition, Fund A will be required to pay filing fees under Section 7.3 of Rule 45-501 in connection with the distribution by it of the Initial Fund A Units to each Initial Fund-B 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 from the Initial Fund B Purchasers that may be received by Fund A. Fund B has already paid fees calculated on Cdn. $7,016,355.00 of such proceeds.

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

IT IS ORDERED, pursuant to Section 147 of the Act, that:

(a) 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 New Purchaser Distributions and the Future Purchaser 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 New Purchaser Distributions and the Future Purchaser Distributions, calculated on the maximum amount of proceeds therefrom that may be received by Fund A and Fund B, in the aggregate; and

(b) Fund A is exempt from the requirement to pay the fees applicable under Section 7.3 of Rule 45-501 to the filing by Fund A of the Form 45-501F1 in respect of the Initial Fund-B Purchaser Distributions, to the extent such fees are calculated on proceeds of Cdn. $7,016,355.00.

June 28, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2.4 Rubicon Minerals Corporation Inc. - ss. 83.1(1)

Headnote

Reporting issuer in Alberta and British Columbia that is listed on the TSX Venture Exchange deemed to be a reporting issuer in Ontario.

Statutes Cited

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

Policies Cited

Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario (2001) 24 OSCB 1531.

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

AND

IN THE MATTER OF
RUBICON MINERALS CORPORATION

ORDER
(Subsection 83.1(1))

UPON the application of Rubicon Minerals Corporation Inc. (the "Company") to the Ontario Securities Commission (the "Commission") for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purpose of Ontario securities law;

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

AND UPON the Company having represented to the Commission as follows:

1. The Company is a company governed by the *Company Act* (British Columbia). Its registered office and head office are located in Vancouver, British Columbia.

2. The authorized capital of the Company consists of 250,000,000 common shares without par value. As of July 3, 2002, there were 31,763,722 common shares of the Company outstanding.

3. The Company became a "reporting issuer" under the *Securities Act* (British Columbia) on November 19, 1997 by way of prospectus and became a reporting issuer under the *Securities Act* (Alberta) on July 1, 2001 due to the merger of the Alberta and Vancouver Stock exchanges.

4. The Company's common shares were listed on the Vancouver Stock Exchange (the "VSE") on November 19, 1997. The Company's common shares currently trade on the TSX Venture Exchange Inc. ("TSX Venture") under the trading symbol "RMX".

5. The Company is not a reporting issuer (or the equivalent) under the securities legislation of any jurisdiction other than the Provinces of British Columbia and Alberta.

6. The Company is not on the lists of defaulting reporting issuers maintained pursuant to section 113 of the *Securities Act* (Alberta) or section 77 of the *Securities Act* (British Columbia). The Company is not in default of any requirement of the TSX Venture.

7. The continuous disclosure requirements of the *Securities Act* (Alberta) and the *Securities Act* (British Columbia) are substantially the same as the requirements under the Act.

8. The materials filed by the Company as a reporting issuer in the Provinces of Alberta and British Columbia since November 19, 1997 are available on the System for Electronic Document Analysis and Retrieval.

9. The Company is not a capital pool company as defined in the policies of the TSX Venture.

10. Neither the Company nor any of its officers, directors or controlling shareholders has been (i) 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 likely be considered important to a reasonable investor making an investment decision.

11. Neither the Company nor any of its officers, directors or controlling shareholders is subject to any (i) known ongoing or concluded investigations by any Canadian securities regulatory authority or any 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 ten years.

12. No director, officer or controlling shareholder of the Company is or has been, within the preceding ten years, a director or officer of any other issuer which has been the subject of, (i) any cease-trade or similar order, or order that denied access to any exemption under Ontario securities law, for a period of more than 30 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.

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

IT IS HEREBY ORDERED pursuant to section 83.1(1) of the Act that the Company be deemed to be a reporting issuer for the purposes of Ontario securities law.

July 4, 2002.

"Margo Paul"

2.2.5 Mark Edward Valentine - s. 127

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

AND

IN THE MATTER OF
MARK EDWARD VALENTINE

ORDER
(Section 127 of the Securities Act, R.S.O. 1990, c.S.5 as amended)

WHEREAS on June 17, 2002 the Ontario Securities Commission (the "Commission") made a Temporary Order (the "Temporary Order") pursuant to section 127(1) of the Securities Act, R.S.O. 1990, c.S.5 as amended (the "Act");

AND WHEREAS, pursuant to the Temporary Order, the registration of Mark Edward Valentine ("Valentine") under Ontario securities law was suspended for the later of fifteen days after the making of the Temporary Order or the conclusion of a hearing under section 127(6) of the Act unless further extended by the Commission at such a hearing;

AND WHEREAS, further pursuant to the Temporary Order, trading in any securities by Valentine was ordered to cease;

AND WHEREAS the Temporary Order expired on July 2, 2002 and was extended on consent to July 8, 2002;

AND WHEREAS on June 24, 2002 the Commission issued a Notice of Hearing (the "Notice") with respect to a hearing 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 until the conclusion of the hearing pursuant to clause 7 of section 127 of the Act;

(b) to make an order pursuant to clause 1 of section 127(1) of the Act further suspending the registration of Valentine until further ordered by the Commission;

(c) to make an order pursuant to clause 2 of section 127(1) of the Act that trading in any securities by Valentine cease until further ordered by the Commission;

(d) further, or in the alternative to paragraph (c) above, to make an order pursuant to clause 8 of section 127(1) of the Act to extend the Temporary Order until further ordered by the Commission; and

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

AND WHEREAS on June 24, 2002, staff of the Commission issued a Statement of Allegations (the "Statement of Allegations") in connection with the matters set out in the Notice which was appended to the Notice;

AND WHEREAS on July 2, 2002 and July 8, 2002, the Commission heard the submissions of counsel for Valentine and the submissions of counsel for staff of the Commission with respect to the matters set out in the Notice;

AND AS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED pursuant to sections 127(1) and 127(7) of the Act that, effective immediately:

1. the registration of Valentine is suspended and the exemptions contained in Ontario securities law do not apply to Valentine for a period commencing from this date and ending January 31, 2003; provided that, during this period, Valentine may trade in certain securities for his own account or for the account of his registered retirement savings plan or registered retirement income fund (as defined in the *Income Tax Act* (Canada)) if:

   (a) the securities are securities referred to in clause 1 of subsection 35(2) of the Act; or

   (b) in the case of securities other than those referred to in the foregoing paragraph (a):

      (i) the securities are listed and posted for trading on The Toronto Stock Exchange or the New York Stock Exchange (or their successor exchanges); and

      (ii) Valentine does not own directly, or indirectly through another person or company or through any person or company acting on his behalf, more than one (1) percent of the outstanding securities of the class or series of the class in question;

2. if a hearing arising out of the Notice dated June 24, 2002 in connection with the matters set out in the Statement of Allegations is not commenced for whatever reason before January 31, 2003, staff may apply to the Commission for an order extending this order for such further period as the Commission considers appropriate.

3. in this order, "Ontario securities law" has the meaning ascribed to that term in the Act.

July 8, 2002.

"H. I. Wetston" "R. W. Davis" "D. Brown"

2.3 Rulings

2.3.1 McLean Budden Limited - ss. 74(1)

Headnote

Pursuant to subsection 74(1) of the Act, a ruling, subject to terms and conditions, that the dealer registration requirements in section 25 of the Act do not apply to the Registrant and its representatives in connection with (a) trades by the Registrant of units of mutual funds managed and promoted by the Registrant to clients for whom the Registrant has fully managed accounts governed by the terms of an investment management agreement, and (b) wholesaling and marketing activities carried on by the Registrant in respect of the mutual funds, to the extent that such activities constitute acts in furtherance of a trade.

Statues Cited

Securities Act, R.S.O. 1990, c. S.5, as amended s. 25, 74(1).

Rules Cited

National Instrument 81-102 Mutual Funds.
Ontario Securities Commission Rule 31-506 - SRO Membership - Mutual Fund Dealers.
Ontario Securities Commission Rule 45-501 Exempt Distributions.

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

AND

IN THE MATTER OF
MCLEAN BUDDEN LIMITED

RULING
(Subsection 74(1))

UPON the application (the **Application**) of McLean Budden Limited (the **Registrant**) to the Ontario Securities Commission (the **Commission**) for a ruling pursuant to subsection 74(1) of the Act that the requirements of section 25 of the Act to be registered as a dealer shall not apply to the Registrant or to the officers and employees of the Registrant acting on its behalf in respect of certain activities relating to mutual funds of which the Registrant is the manager (the **Mutual Funds**);

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

AND UPON the Registrant having represented to the Commission that:

1. The Registrant is a corporation governed by the *Canada Business Corporations Act*.

2. The Registrant is registered under the Act as an adviser in the category of investment counsel and portfolio manager and as a dealer in the category of mutual fund dealer and has applied for registration as a dealer in the category of limited market dealer.

3. The requested relief is required in Ontario only and no similar application has been filed in any other jurisdiction.

4. The Registrant carries on business primarily as an investment counsel and portfolio manager. As part of its portfolio management operations, the Registrant provides discretionary portfolio management services to investment portfolio accounts (each a **Managed Account**) of clients, under which the Registrant, pursuant to a written agreement made between the Registrant and each client, makes investment decisions for the account and has full discretionary authority to trade in securities for the account without obtaining the specific consent of the client to the trade.

5. The Registrant is the manager of eight mutual funds and may in the future be the manager of additional mutual funds which are subject to National Instrument 81-102 – *Mutual Funds* (**NI 81-102**) and are offered for sale pursuant to a simplified prospectus and annual information form and pursuant to exemptions from the requirement to file a prospectus and the Registrant is the manager of 23 mutual funds and may in the future be the manager of additional mutual funds which are offered for sale pursuant to exemptions from the requirement to file a prospectus.

6. Incidental to its principal business of portfolio management, the Registrant wishes to distribute shares or units of the Mutual Funds to Managed Accounts. Except as provided for in paragraph 8 of this Order, the Registrant will not distribute shares or units of the Mutual Funds to persons for whom it does not have Managed Accounts.

7. The Registrant has a wholly-owned subsidiary, McLean Budden Funds Inc. (**MBF**) which has been registered as a mutual fund dealer and has applied for membership in the Mutual Fund Dealers Association of Canada (the **MFDA**). MBF has been established for the purpose of acquiring and continuing to conduct retail mutual fund distribution activities formerly undertaken by the Registrant.

8. The Registrant also wishes to conduct marketing and wholesaling activities in respect of the Mutual Funds. “Marketing or Wholesaling Activities” means, for the Registrant, a trade by the Registrant that consists of any act, advertisement, or solicitation, directly or indirectly, in furtherance

of another 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 affiliate of the Registrant; or

(ii) a purchase or sale of securities of a mutual fund in respect of which the Registrant acts as the "principal distributor" of the mutual fund for the purposes of NI 81-102;

and where, the purchase or sale is, in each case, made by or through an other dealer that is registered under the Act where the trade is made in a category that permits it to act as a dealer for such trade.

9. Without the relief requested the Registrant would require continued registration as a mutual fund dealer in order to (a) distribute shares or units of prospectus-qualified Mutual Funds to investors for whom the Registrant has Managed Accounts who are not "accredited investors" pursuant to Rule 45-501 – *Exempt Distributions*, and (b) conduct Marketing and Wholesaling Activities in respect of the Mutual Funds.

10. Without the relief requested, the Registrant would be subject to Rule 31-506 *SRO Membership – Mutual Fund Dealers* which requires mutual fund dealers to apply for and maintain membership in the MFDA.

11. The effect of the MFDA's membership rules is to preclude a mutual fund dealer such as the Registrant from conducting its principal business of acting as an adviser and accepting discretionary portfolio management mandates.

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

IT IS RULED pursuant to subsection 74(1) of the Act that the requirements in section 25 of the Act shall not apply to trades in shares or units of Mutual Funds made by the Registrant, through its officers and employees acting on its behalf (each, a **Registrant Representative**), to Managed Accounts,

PROVIDED THAT:

(A) the Registrant is, at the time of the trade, registered under the Act as an adviser in the categories of "investment counsel" and "portfolio manager" and as a dealer in the category of "limited market dealer";

(B) the trade is made on behalf of the Registrant by a Registrant Representative who is, at the time of the trade, either (i) registered under the Act to act on behalf of the Registrant as an adviser in the categories of investment counsel and portfolio manager, or (ii) acting under the direction of such a person and is himself or herself registered under the Act to trade on behalf of the Registrant pursuant to its limited market dealer registration; and

(C) this Order shall terminate one year after the coming into force, subsequent to the date of this Order, of a rule or other regulation under the Act that relates, in whole or part, to any trading by persons or companies that are registered under the Act as portfolio managers (or the equivalent), in securities of a mutual fund, to an account of a client, in respect of which the person or company has full discretionary authority to trade in securities for the account, without obtaining the specific consent of the client to the trade, but does not include any rule or regulation that is specifically identified by the Commission as not applicable for these purposes.

AND, IT IS RULED pursuant to subsection 74(1) of the Act that the requirement in section 25 of the Act shall not apply to trades that consist of Marketing or Wholesaling Activities in respect of shares or units of Mutual Funds made by the Registrant through Registrant Representatives,

PROVIDED THAT, in the case of each such trade, the Registrant is, at the time of the trade, registered under the Act as a dealer in the category of limited market dealer and the Registrant Representative that makes the trade on behalf of the Registrant is, at the time of the trade, registered under the Act to trade on behalf of the Registrant pursuant to its limited market dealer registration.

June 21, 2002.

"Robert W. Korthals" "Harold P. Hands"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 Mark Kassirer

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

AND

IN THE MATTER OF
MARK KASSIRER

Hearing: June 17, 2002

Panel:	Paul M. Moore, Q.C.	- Vice-Chair (Chair of the Panel)
	M. Theresa McLeod	- Commissioner
	Harold P. Hands	- Commissioner
Counsel:	Tracy Pratt Yvonne Lo	- For the Staff of the Ontario Securities Commission
	Chris G. Paliare	- For Mark Kassirer

EXCERPT FROM THE SETTLEMENT HEARING CONTAINING THE ORAL REASONS FOR DECISION

The following statement has been prepared for purposes of publication in the Ontario Securities Commission Bulletin and is based on the transcript of the hearing, including oral reasons delivered at the hearing, in the matter of Mark Kassirer The transcript has been edited, supplemented and approved by the panel for the purpose of providing a public record of the panel's decision in the matter. This decision should be read together with the settlement agreement and order attached.

• • • • •

Vice-Chair Moore:

We approve the settlement agreement as being in the public interest.

We note that Mr. Kassirer was not directly responsible for the supervision of the parties involved, although he was indirectly responsible as the chairman of Phoenix. We also note that he thought there was an adequate system of controls in place, although he now realizes it was inadequate. Mr. Kassirer's conduct was not that of someone who did not care whether or not there were controls. We also saw no evidence of moral culpability or dishonesty on anyone's part, and we're not exactly sure why the unauthorized investing activity took place. But we certainly are satisfied that there is no evidence that Mr. Kassirer profited in any way from it.

We think the crucial matter, from the public interest point of view, is addressed in the settlement agreement itself: namely, the requirement that Mr. Kassirer take courses as outlined and that an examination of the company's procedures be undertaken to ensure that prudent controls are now properly in place.

Having said all that, it is important to record that we do agree with the fact that this matter was brought, and the guilty plea, because the public requires assurance when investors hand over their money for investment and they are promised certain investment strategies, that someone is going to be watching the shop to make sure their money is invested as promised.

The buck stops at the top. Accordingly, we really have to look right up the chain to senior management and ask what went wrong. And while we think it would be unreasonable to expect absolute liability in every case where there is a loss, merely because there is a loss, we do not believe it is unreasonable for the public to expect, and to insist, that adequate safeguards be in place to make sure, as best as possible, things will be delivered as promised.

Accordingly, we believe that this is an excellent settlement. It is right for this particular case and very appropriate. On that basis, we approve the settlement agreement.

June 17, 2002.

Approved on behalf of the panel

"Paul M. Moore"

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

AND

IN THE MATTER OF
MARK KASSIRER

ORDER
(Subsection 127(1))

WHEREAS on June 13, 2002, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") respecting Mark Kassirer ("Kassirer");

AND WHEREAS Kassirer entered into a Settlement Agreement in which he agreed to a proposed settlement of the proceedings, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission and upon hearing submissions from counsel for Kassirer and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order pursuant to subsection 127(1) of the Act;

IT IS ORDERED THAT:

1. the attached Settlement Agreement executed June 13 and 14, 2002 is approved;

2. pursuant to subsection 127(1), paragraph 4 of the Act, Kassirer Asset Management Corporation ("KAMC") submit to a review by Deloitte & Touche Inc. of current controls and procedures respecting its trading and accounting systems to ensure compliance with applicable securities law. The review shall be at Kassirer's or KAMC's expense. The review shall be completed by no later than September 30, 2002;

3. pursuant to subsection 127(1), paragraph 4 of the Act, a report of the findings of the review described in paragraph 2 above, including any deficiencies, shall be submitted to the Commission to the attention of the Director, Capital Markets and Kassirer concurrently. KAMC shall institute the necessary changes to rectify the deficiencies reported by Deloitte & Touche Inc. by no later than October 31, 2002;

4. pursuant to subsection 127(1), paragraph 1 of the Act, Kassirer must pass the Partners, Directors and Officers examination by no later than December 15, 2002 as a term and condition of his continued registration; and

5. pursuant to subsection 127(1), paragraph 6 of the Act, Kassirer is reprimanded.

June 17, 2002.

"Paul Moore" "Harold P. Hands" "Theresa McLeod"

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

AND

IN THE MATTER OF
MARK KASSIRER

SETTLEMENT AGREEMENT BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION AND MARK KASSIRER

I. INTRODUCTION

1. By Notice of Hearing, the Ontario Securities Commission (the "Commission") will convene a hearing to consider the approval of this proposed settlement between Staff of the Commission ("Staff") and the respondent Mark Kassirer ("Kassirer") including the making of an Order pursuant to subsection 127(1) and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act").

II. Joint Settlement Recommendation

2. Staff agrees to recommend settlement of an intended proceeding respecting Kassirer in accordance with the terms and conditions described below. Kassirer consents to the making of an Order against him in the form attached as Schedule "A" based on the facts set out in Part III of this Settlement Agreement.

III. STATEMENT OF FACTS

Acknowledgement

3. Solely for the purposes of this proceeding, and of any other proceeding commenced by a securities regulatory agency, Staff and Kassirer agree with the facts set out in paragraphs 4 through 34.

Phoenix Research and Trading Corporation

4. 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 Commission as an investment counsel and portfolio manager pursuant to the Act. Phoenix Canada's registration was voluntarily suspended in May 2000 due to its difficulties in filing audited financial statements and maintaining insurance.

5. Pursuant to a services agreement with Phoenix Research and Trading (Bermuda) Limited ("Phoenix Bermuda"), Phoenix Canada provided investment advisory and portfolio management services to several entities including the Phoenix Fixed Income Arbitrage Limited Partnership ("PFIA LP"), the Phoenix Equity Arbitrage Limited Partnership ("PEA LP"), Phoenix Fixed Income Arbitrage Fund Limited, Phoenix Fund Limited, Phoenix Equity Arbitrage Fund Limited and Phoenix Alternative Strategies Fund Limited.

6. Unitholders invested in Phoenix Fund Limited, Phoenix Fixed Income Arbitrage Fund Limited and Phoenix Alternative Strategies Fund Limited (collectively, the "Feeder Funds"). The Feeder Funds (and other investors) invested in units of PFIA LP and PEA LP. The Phoenix Hedge Fund Limited Partnership, a TSE-listed hedge fund, also held units of PFIA LP and PEA LP.

7. Kassirer was the Chair of Phoenix Canada. During the material time, Kassirer mistakenly believed that he was registered with the Commission as an investment counsel and portfolio manager pursuant to the Act. Currently, Kassirer is the sole registered officer of Kassirer Asset Management Corporation ("KAMC"). KAMC is registered with the Commission as an investment counsel and portfolio manager pursuant to the Act.

8. 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.

9. 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.

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

PFIA LP's Long Position in U.S. Treasury Notes

11. PFIA LP was a hedge fund. Its investment objective was to maximize returns by pursuing professionally-managed fixed income market neutral and arbitrage investment trading strategies. Such trading strategies are designed to reduce exposure to market direction. PFIA LP held investments in U.S. dollars, Canadian dollars and Euros.

12. From the Fall of 1998 through early January 2000, Duthie was responsible for PFIA LP's U.S. dollar portfolio. 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.

13. As of January 4, 2000, PFIA LP held a $3.3 billion U.S. long position in 6% U.S. treasury notes due August 15, 2009 (the "UST Notes"). The UST Notes represented PFIA LP's entire U.S. dollar portfolio. The UST Notes had been financed by repurchase agreements ("repos"). The UST Notes were not hedged. Such Notes were contrary to the investment guidelines and restrictions of PFIA LP.

14. The Bank of New York informed Phoenix Canada on January 4, 2000 that the latter was in a significant overdraft position (in excess of $50 million U.S.) The UST Notes caused the overdraft position. As a result, Phoenix Canada was forced to liquidate all of PFIA LP's assets. A loss to PFIA LP of over $120 million was sustained due to the UST Notes.

15. On January 5, 2000, Phoenix Canada contacted Staff and informed it of the problem with the UST Notes. Phoenix Canada promptly retained a forensic accounting firm to prepare a report respecting the UST Notes.

The Management of Phoenix Canada

16. Phoenix Canada's fixed income arbitrage business was headed by Mock. In connection with such business, Mock managed the Operations Group, comprising the CFO (Taylor), the Operations Manager and the Settlement Clerk. The fixed income traders, including Duthie, reported to Mock. The Research and Risk Manager and Systems Support also reported to Mock (the former only as it related to Phoenix Canada's fixed income arbitrage activity).

17. Kassirer managed Phoenix Canada's equity arbitrage business. No one involved in Phoenix Canada's fixed income arbitrage business reported directly to Kassirer.

18. Taylor was the Director of Operations and Finance and then the CFO of Phoenix Canada. He was the most senior person in the Operations Group. Taylor's duties included the direct supervision of the Operations Manager and the Settlement Clerk.

PFIA LP's U.S. Dollar Portfolio

19. Phoenix Canada management informs Staff that, between January 1999 and early January 2000, Duthie was authorized to engage in a low risk, matched book trading strategy of repos and open reverse repurchase agreements ("open reverse repos") in U.S. treasury benchmark issues. Duthie did not engage, however, in such a trading strategy. Rather, he accumulated unhedged long bond positions.

20. Management relied only 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").

21. Within one day of being informed by the Bank of New York that PFIA LP was in a significant overdraft position, Phoenix Canada discerned that the UST Notes were long bonds and not the purported open reverse repos.

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 alternative 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 repos.

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

23. Phoenix Canada's method of capturing Duthie's trades in the purported open reverse repos was inappropriate and unreliable. 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 (long) bond module of Alydia. Phoenix Canada then made two manual adjustments based solely on Duthie's representations. This method of recording the purported open reverse repos was fundamentally flawed.

24. Phoenix Canada prepared, on a daily basis, a value at risk ("VAR") report. The information used to create the VAR report was pulled from the information inputted to Alydia. Phoenix Canada adjusted the VAR report program so that the purported open reverse repos (entered as long bonds) were treated as short term long bonds (which they were not) and their risk assessed accordingly. This adjustment was inaccurate and 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.

25. Further, Phoenix Canada relied exclusively on Duthie to assign a "price" to the purported open reverse repos (entered as long bonds) to adjust the net income. The "price" assigned to the purported open reverse repos was unsubstantiated and unreliable.

26. Phoenix Canada failed to:

(i) maintain any record of the original trades of the purported open reverse repos;

(ii) segregate PFIA LP's U.S. bond inventory between long bonds and purported open reverse repos;

(iii) make the accounting adjustments necessary to accurately record the purported open reverse repos; and

(iv) maintain and retain any documentation respecting the calculation of the adjusted "price" of the purported open reverse repos.

As a result of these failures, the true nature of the UST Notes remained undetected by Phoenix Canada.

27. Moreover, Phoenix Canada failed to segregate duties by:

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

(ii) permitting Duthie to execute trades on behalf of PFIA LP respecting the purported open reverse repos and make the net income 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.

As a result of these failures, the true nature of the UST Notes remained undetected by Phoenix Canada.

28. 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.

29. Further, 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 Conduct

30. Kassirer failed to supervise adequately and provide oversight of Phoenix Canada's conduct respecting the UST Notes, the purported open reverse repos and Duthie's activities.

31. As the Chair, 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.

32. 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.

33. Kassirer's conduct as described in paragraphs 30 through 32 was contrary to the public interest.

34. Kassirer co-operated with Staff in its investigation concerning the UST Notes.

IV. TERMS OF SETTLEMENT

35. Kassirer agrees to the following terms of settlement:

(i) The making of an Order:

(a) approving this Settlement Agreement;

(b) requiring KAMC to submit to a review by Deloitte & Touche Inc. of current controls and procedures respecting its trading and accounting systems to ensure compliance with applicable securities law. The review shall be at Kassirer's or KAMC's expense. The review shall be completed by no later than September 30, 2002;

(c) a report of the findings of the review described in paragraph (i)(b) above, including any deficiencies, shall be submitted to the Commission to the attention of the Director, Capital Markets and Kassirer concurrently. KAMC shall institute the necessary changes to rectify the deficiencies reported by Deloitte & Touche Inc. by no later than October 31, 2002;

(d) imposing terms and conditions on the registration of Kassirer namely that Kassirer pass the Partners, Directors and Officers (PDO) examination by no later than December 15, 2002; and

(e) reprimanding Kassirer; and

(ii) Kassirer will make a payment by certified cheque to the Commission in the amount of $10,000 respecting the costs of the Commission's investigation.

V. STAFF COMMITMENT

36. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Kassirer respecting the facts set out in Part III of this Settlement Agreement.

VI. APPROVAL OF SETTLEMENT

37. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for June 17, 2002, or such other date as may be agreed to by Staff and Kassirer (the "Settlement Hearing"). Kassirer shall attend the Settlement Hearing in person.

38. Counsel for Staff or for Kassirer may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Kassirer agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

39. If this settlement is approved by the Commission, Kassirer agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

40. Staff and Kassirer agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

41. 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;

(i) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Kassirer leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Kassirer;

(ii) Staff and Kassirer 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;

(iii) 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 Kassirer, or as may be required by law; and

(iv) Kassirer agrees that he 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.

VII. DISCLOSURE OF SETTLEMENT AGREEMENT

42. Except as permitted under paragraph 38 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Kassirer 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 Kassirer, or as may be required by law.

43. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

44. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

45. A facsimile copy of any signature shall be as effective as an original signature.

June 14, 2002.

"Mark Kassirer"
Mark Kassirer

June 13, 2002.

"Michael Watson"
Staff of the Ontario Securities Commission
Per: Michael Watson

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
Perial Ltd.	26 June 02	08 July 02		09 Jul 02
Sextant Entertainment Group Inc.	25 June 02	05 July 02	05 Jul 02	
TCT Logistics Inc.	24 June 02	05 July 02	05 Jul 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	05 Jul 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		
Systech Retail Systems Inc.	27 June 02	10 July 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		

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Chapter 5

Rules and Policies

5.1.1 CSA Notice of Amendments to National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications (the System)

CANADIAN SECURITIES ADMINISTRATORS

NOTICE OF AMENDMENTS TO NATIONAL POLICY 12-201
***MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS* (THE SYSTEM)**

Introduction

The purpose of this notice is to inform users of the System of a number of changes to National Policy 12-201 (the Policy). The System was formally implemented January 1, 2000. Since that time, a committee of CSA members has collected comments from staff and filers about how the System might be improved. As a result of that input, several changes to the Policy have been adopted. The changes are not considered material and accordingly have not been published for comment. **The changes to the Policy come into effect on July 15, 2002.**

Changes to the Policy

The major changes to the Policy:

- Clarify the pre-filing discussion procedure to encourage filers to make more effective use of the process.
- Allow for e-mail communication between regulators and filers. Initial applications and supporting materials must still be filed by facsimile and in paper format. Filers concerned with the use of e-mail for confidential applications may request in their application that communication be by facsimile and/or telephone.
- Shorten the decision-making period for opting into a decision from seven business days to five business days. In most cases non-principal regulators currently make decisions within five business days. The application review period has not been shortened as the principal regulator can shorten this period at any time.
- Provide that principal regulators will recirculate draft decision documents to non-principal regulators if the relief requested or the terms and conditions of that relief have changed substantially either during or after the application review period.

In addition, there are minor changes in certain defined terms and in the form of the MRRS decision document.

The Policy

The text of the amended Policy follows and can also be found on the securities commission websites listed below:

- **www.albertasecurities.com**
- **www.bcsc.bc.ca**
- **www.cvmq.com**
- **www.msc.gov.mb.ca**
- **www.gov.ns.ca/nssc/**
- **www.osc.gov.on.ca**
- **www.ssc.gov.sk.ca**

Questions

Please refer your questions to any of:

Denise Duifhuis
British Columbia Securities Commission
Telephone: (604) 899-6792 or (800) 373-6393 (in B.C.)
e-mail: dduifhuis@bcsc.bc.ca

Marsha Manolescu
Alberta Securities Commission
Telephone: (780) 422-1914
e-mail: Marsha.Manolescu@seccom.ab.ca

Dean Murrison
Saskatchewan Securities Commission
Telephone: (306) 787-5879
e-mail: dmurrison@ssc.gov.sk.ca

Chris Besko
The Manitoba Securities Commission
Telephone: (204) 945-2561
e-mail: cbesko@gov.mb.ca

Margo Paul
Ontario Securities Commission
Telephone: (416) 593-8136
e-mail: mpaul@osc.gov.on.ca

Paul Hayward
Ontario Securities Commission
Telephone: (416) 593-3657
e-mail: phayward@osc.gov.on.ca

Sylvie Lalonde
Commission des valeurs mobilières du Québec
Telephone: (514) 940-2199 ext. 4555
e-mail: sylvie.lalonde@cvmq.com

Shirley Lee
Nova Scotia Securities Commission
Telephone: (902) 424-5441
e-mail: leesp@gov.ns.ca

July 12, 2002.

5.1.2 National Policy 12-201 Mutual Reliance Review System For Exemptive Relief Applications

NATIONAL POLICY 12-201
MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS*

Part 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this policy

"**application**" means a request for exemptive relief other than a waiver application or pre-filing as defined in the prospectus policy or a request for exemptive relief if a certificate of registration can evidence the granting of exemptive relief for that request;

"**CSA committee**" means the Exemptive Relief Applications Committee of the Canadian Securities Administrators;

"**exemptive relief**" means any approval, declaration, determination, exemption, extension, order, ruling, permission, recognition, revocation, waiver or other relief sought under securities legislation or securities directions;

"**filer**" means

(a) a person or company filing an application, and

(b) an agent of a person or company referred to in paragraph (a);

"**local securities directions**" means, for the local jurisdiction, the instruments listed in Appendix A of NI 14-101 opposite the name of the local jurisdiction;

"**local securities legislation**" means, for the local jurisdiction, the statute and other instruments listed in Appendix B of NI 14-101 opposite the name of the local jurisdiction;

"**local securities regulatory authority or regulator**" means, for the local jurisdiction, the securities commission or similar regulatory authority listed in Appendix C of NI 14-101 opposite the name of the local jurisdiction or the regulator listed in Appendix D of NI 14-101 opposite the name of the local jurisdiction;

"**materials**" means the documents and fees set out in Part 5;

"**MRRS MOU**" means the Memorandum of Understanding related to the mutual reliance review system signed as of October 14, 1999;

"**NI 14-101**" means National Instrument 14-101 Definitions, or in Québec Policy Statement 14-101 relating to definitions;

"**pre-filing**" means a consultation with one or more of the local securities regulatory authorities or regulators regarding the interpretation or application of securities legislation or securities directions to a particular transaction or matter or proposed transaction or matter that is the subject of, or is referred to in, an application, if the consultation is initiated before the filing of the application;

"**principal decision documents**" means the principal regulator's staff memorandum, recommendation and proposed MRRS decision document(s) that are circulated to each non-principal regulator with whom an application has been filed under this policy;

"**prospectus policy**" means National Policy 43-201 - Mutual Reliance Review System for Prospectuses and AIFS;

"**requested regulator**" means a participating principal regulator that a filer requests under section 3.3(1) to act as the principal regulator;

"**securities directions**" means the instruments listed in Appendix A of NI 14-101;

"**securities legislation**" means the statutes and other instruments listed in Appendix B of NI 14-101;

"**system**" means the mutual reliance review system described in this policy for the review of applications;

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* In Québec, the title of this instrument is: Notice 12-201 relating to the Mutual Reliance Review System for exemptive relief applications

1.2 Interpretation

Terms defined or interpreted in the MRRS MOU and used in this policy have the respective meanings given them in the MRRS MOU.

Part 2 OVERVIEW AND APPLICATION

2.1 Overview and Application

(1) This policy describes the application of the mutual reliance concepts set out in the MRRS MOU relating to the filing and review of applications.

(2) A filer may elect to use the system for any application made in more than one jurisdiction.

(3) Although the filer will generally deal only with the principal regulator regarding an application filed under the system, the local securities legislation and local securities directions in each jurisdiction are applicable to that application. Filers should ensure that the exemptive relief sought is both appropriate and necessary in each jurisdiction where the application is made.

(4) Filers should be aware that the terms and conditions of the MRRS decision document will generally reflect the local securities legislation and local securities directions of the jurisdiction in which the principal regulator is located.

(5) Filers are reminded that the primary objective of the system is to reduce unnecessary duplication in the review of applications. The timelines set out in the system are designed to ensure that the principal regulator and the non-principal regulators have sufficient time to consider the application and exercise their discretion.

Part 3 PRINCIPAL REGULATOR

3.1 Participating Principal Regulators - As of the date of this policy, the securities regulatory authorities and regulators of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador have agreed to act as principal regulator for applications filed under this policy.

3.2 Determination of Principal Regulator - A filer is responsible for selecting a principal regulator in accordance with the following guidelines when electing to use the system for a particular application:

1. The filer should select as its principal regulator the local securities regulatory authority or regulator in the jurisdiction where the filer's head office is located.

2. If the filer does not require exemptive relief in the jurisdiction referred to in paragraph 1 or the local securities regulatory authority or regulator in the jurisdiction referred to in paragraph 1 is not a participating principal regulator under the system, the filer should select the participating principal regulator in the jurisdiction with which the filer has the next most significant connection to act as the principal regulator.

3. If the filer has no significant connection to any jurisdiction, the filer may select any participating principal regulator to act as the principal regulator.

If the filer is a mutual fund, the location of the head office of the manager of the mutual fund will be considered to be the location of the head office of the mutual fund for the purposes of selecting a principal regulator under section 3.2.

Filers are reminded that it is the location of the head office or the significant connection of the person or company filing an application, not the head office location or connection of the agent, that is used to satisfy the criteria for selecting a principal regulator under section 3.2. For example, the selection of the jurisdiction in which the offices of the law firm filing an application on behalf of a client, whose head office is located in another jurisdiction, would not satisfy the criteria under section 3.2.

3.3 Change of Principal Regulator - by Filer

(1) A filer may apply for a change of principal regulator for an application if:

(a) the filer believes the principal regulator determined in accordance with section 3.2 is not the appropriate local securities regulatory authority or regulator to act as principal regulator for a

particular application such as where the nature of the exemptive relief sought could result in the selection of more than one principal regulator in respect of a transaction or matter; or

(b) the filer withdraws its application in the jurisdiction where the principal regulator is located after the principal regulator has commenced its review of the application because no exemptive relief is required in that jurisdiction, but the filer wishes to remain in the system for the application.

(2) A filer may apply for a change of principal regulator by filing a written notice of the request with the principal regulator determined in accordance with section 3.2 and the requested regulator at least two business days before the filing of the application referred to in paragraph (1)(a) or as soon as practicable after the withdrawal referred to in paragraph (1)(b). The written notice should address the basis for the original designation of principal regulator under section 3.2 and the reasons for the requested change.

(3) Filers are reminded to include notice of any change of principal regulator together with reasons for the change in the application.

(4) Requests to change a filer's principal regulator under paragraph (1) will not generally be granted unless exceptional circumstances justify the change.

(5) If staff of both participating principal regulators consent to the change in designated principal regulator under paragraph (1)(a), staff of the requested regulator will notify the filer.

(6) If staff of both participating principal regulators consent to the change in designated principal regulator under paragraph (1)(b), staff of the requested regulator will notify the filer and the non-principal regulators by e-mail or facsimile of the change and the reasons for the change.

3.4 Change of Principal Regulator - by the Participating Principal Regulators

(1) For a particular application filed under the system, staff of the participating principal regulators may determine that it would be preferable for a participating principal regulator other than the principal regulator determined in accordance with section 3.2 to act as a filer's principal regulator. This determination will generally only be made when changing the principal regulator would result in greater administrative and regulatory efficiencies in the review process for the application such as where the nature of the exemptive relief sought results in the selection of more than one principal regulator in respect of a transaction or matter.

(2) If staff of the participating principal regulators propose to change a filer's principal regulator for a particular application, staff of the redesignated principal regulator will notify the filer and non-principal regulators by e-mail or facsimile of the change in principal regulator and the reasons for the proposed change in principal regulator.

3.5 Continued Use of Requested Regulator - A filer may continue to select the requested principal regulator as its principal regulator for future applications filed under the system, if there has been no material change in the circumstances giving rise to the change in principal regulator. Filers are reminded to reference the change in principal regulator when setting out the basis for its selection of principal regulator in any future application under the system.

3.6 Notification to CSA Committee - The participating principal regulators involved in a proposal to change a filer's principal regulator will advise the CSA committee of all determinations made under section 3.3 or 3.4 and the reasons for the decision.

Part 4 PRE-FILING DISCUSSIONS

4.1 General

(1) The principles of mutual reliance are available to govern the review of pre-filings of applications that will be made to a principal regulator and at least one other non-principal regulator. Filers intending to file an application under the system should use the procedures set out in Part 4 for any pre-filings related to the application.

(2) Filers are reminded to identify the pre-filing as an MRRS filing and file the pre-filing sufficiently in advance of the filing of the application under the system to avoid any delays in the issuance of the MRRS decision document.

(3) Filers should also be aware that different review procedures apply to those pre-filings that are routine and those that raise novel and substantive issues or novel public policy issues.

4.2 Procedure for Routine Pre-Filings - Except as provided in section 4.3, a pre-filing made under Part 4 should be submitted to the principal regulator in the form required by the principal regulator and the filer will deal directly with the principal regulator to resolve the pre-filing. If staff of the principal regulator determine that the pre-filing involves novel and substantive issues or raises novel public policy issues, staff of the principal regulator will advise the filer that the pre-filing would be more appropriately dealt with in accordance with the procedures described in section 4.3.

4.3 Procedure for Novel and Substantive Pre-Filings - If staff of the principal regulator determine that a pre-filing filed under Part 4 involves a novel and substantive issue or raises a novel public policy issue:

(a) staff of the principal regulator will request that the filer concurrently submit the pre-filing by facsimile to the principal regulator and all non-principal regulators where relief may be required;

(b) the principal regulator will notify the non-principal regulators by e-mail or facsimile that it has requested that the pre-filing be sent to the non-principal regulators. The notice will identify the name, phone number, fax number and e-mail address of the staff member who has been assigned to review the pre-filing;

(c) on receipt of the notice, staff of each non-principal regulator will notify the principal regulator staff member by e-mail or facsimile of the name, phone number, fax number and e-mail address of the staff member assigned to the pre-filing in that jurisdiction;

(d) staff of the principal regulator will make arrangements with the non-principal regulators within seven business days or as soon as practicable after the notice referred to in subsection 4.3(b) to discuss the issues arising on the pre-filing. The principal regulator will assume that a non-principal regulator who does not participate in discussions has no position on the pre-filing. The principal regulator will advise the filer of the results of those discussions; and

(e) if a non-principal regulator has not received the pre-filing at the time the notice is received, the filer will be directed by staff of the principal regulator to deliver the pre-filing to that non-principal regulator. When the principal regulator is satisfied that each non-principal regulator is in receipt of the pre-filing, the principal regulator will provide the filer and the non-principal regulators with a new notice referred to in subsection 4.3(b) and will make the arrangements in subsection 4.3(d) after sending the new notice.

4.4 Disclosure in Related Application - In any application filed under this system, the filer should describe the subject matter of any pre-filing and the approach taken on the pre-filing by staff of the principal regulator and, if applicable, staff of any non-principal regulator that disagreed with the approach adopted by the principal regulator and had an alternative approach for the pre-filing.

Part 5 FILING OF MATERIALS UNDER MRRS

5.1 Election of MRRS and Identification of Principal Regulator - A filer wishing to use the system is responsible for selecting a principal regulator in accordance with the criteria set out in Part 3 and identifying the non-principal regulators from whom exemptive relief is sought.

5.2 Materials to be Filed

(1) A filer should file concurrently in each jurisdiction where exemptive relief is sought materials consisting of

(a) a written application drafted in accordance with the procedures of the principal regulator as to format and content in which the filer:

(i) states that the application is being filed under the system and identifies the jurisdictions in which the application is being filed,

(ii) identifies whether a separate application in connection with the same transaction or subject matter has been filed outside of the system in one or more jurisdictions and the reasons for filing a separate application,

(iii) identifies the principal regulator(s) selected and the basis for that selection (i.e. whether in accordance with the guidelines in section 3.2 or the criteria in section 3.3 or 3.4),

(iv) describes any pre-filing discussions under sections 4.2 and 4.3,

(v) sets out any request to shorten either the review period referred to in section 6.2 or the opting out period referred to in section 8.1, or both, together with supporting reasons,

(vi) sets out under separate headings all of the exemptive relief sought, including any request for confidentiality, and clearly identifies the jurisdictions in which each head of relief is sought and all of the relevant provisions of the local securities legislation and local securities directions of the jurisdiction in which the principal regulator and each non-principal regulator is located, including an analysis where the provisions of the local securities legislation or local securities directions of a jurisdiction in which a non-principal regulator is located differs from those of the jurisdiction in which the principal regulator is located. These provisions may be set out in a footnote or table of concordance, and

(vii) sets out references to previous orders of the decision makers which would support granting the relief or indicates that the relief requested is novel and has not been previously granted;

(b) supporting materials;

(c) draft form(s) of MRRS decision document(s) with terms and conditions, including resale restrictions, based on the local securities legislation and local securities directions of the jurisdiction in which the principal regulator is located; and

(d) the appropriate fees payable in each jurisdiction under securities legislation.

(2) By way of example,

(a) if in connection with a reorganization, a filer with a head office in jurisdiction A requires exemptive relief from the prospectus and registration requirements in all jurisdictions and wishes to be designated as a reporting issuer in only three jurisdictions (jurisdictions “A”, “B” and “C”), the filer would

(i) select a principal regulator in accordance with section 3.2 - in this case the filer selects jurisdiction “A” as the principal regulator for each head of relief,

(ii) set out the relief sought under two separate headings - in this case one for the registration and prospectus relief and a second for the reporting issuer designation,

(iii) prepare and file with the application one draft MRRS decision document dealing with the registration and prospectus relief for all jurisdictions and the reporting issuer designation for jurisdictions “A”, “B” and “C”;

(b) if, however, the filer in this example wishes to be designated as a reporting issuer in only jurisdictions “B” and “C”, the filer would ordinarily file a separate application for each head of relief, but under the system

(i) the filer would

(A) combine the requests for exemptive relief in one application,

(B) select another principal regulator in accordance with section 3.2 for the reporting issuer designation head of relief as that relief is not required in jurisdiction “A”, and

(C) prepare and file with the application two draft MRRS decision documents, one dealing with the registration and prospectus relief for which jurisdiction “A” is the principal regulator and the second dealing with the reporting issuer designation for which either jurisdiction “B” or “C” would act as the principal regulator, or

(ii) in exceptional circumstances, the filer could request a change of principal regulator under section 3.3; or

(c) if registration and prospectus relief is required in a number of jurisdictions for a multi-trade transaction, such as an amalgamation or reorganization, but the trades that require relief differ from jurisdiction to jurisdiction, due to the availability of statutory exemptions or blanket relief, the filer would

(i) select a principal regulator in accordance with section 3.2,

(ii) in the application

(A) establish that some aspect of the transaction or subject matter of the application requires exemptive relief in each jurisdiction,

(B) provide a detailed analysis of the trades and the exemptive relief required in each jurisdiction together with supporting arguments, and

(C) identify any statutory exemptions that apply to any aspect of the transaction or subject matter of the application in each jurisdiction, and

(iii) prepare and file with the application one draft MRRS decision document that provides registration and prospectus relief for the entire transaction or subject matter of the application. This will ensure that the exempt transaction or subject matter is treated uniformly in all jurisdictions named in the MRRS decision document.

(3) Filers are advised to submit their applications sufficiently in advance of any deadlines to ensure that staff of the principal regulator has a reasonable opportunity to complete their review of the application and make recommendations to the principal regulator and all of the non-principal regulators for a decision on the merits of the application.

(4) Filers must ensure that some aspect of the exemptive relief sought is necessary in each jurisdiction where the application is made.

(5) Filers are reminded that the Commission des valeurs mobilières du Québec ("CVMQ") will require that a French language version of the draft MRRS decision document be filed in Québec when the CVMQ is acting as principal regulator.

5.3 Request for Confidentiality

(1) Filers requesting that the application and supporting material be held in confidence during the application review process must provide a substantive reason for the request.

(2) If a filer is seeking to have any of the application, supporting materials, or the MRRS decision document held in confidence after the effective date of the MRRS decision document, the request for confidentiality should be set out in a separate head of relief with the appropriate fee payable in each jurisdiction where confidentiality is sought.

(3) The filer should provide an explanation in the application to demonstrate that the request for confidentiality is reasonable in the circumstances and is not prejudicial to the public interest.

(4) The filer should also provide a timeline for lifting a grant of confidentiality.

(5) Staff of the principal and non-principal regulators normally communicate among themselves and the filer using e-mail. If the filer is concerned with this practice, they may request in the application that all communications be made by facsimile or telephone.

5.4 Filing

(1) The filer should file materials with the principal regulator and concurrently with each non-principal regulator. Applications cannot be filed electronically through SEDAR as the materials filed under the system are not a mandated filing under SEDAR.

(2) Filers are encouraged to file the application both by facsimile and in paper format to ensure the timely delivery of materials to all non-principal regulators. Failure to file the application concurrently in all jurisdictions may affect the timing of the review and the issuance of the MRRS decision document.

5.5 Incomplete or Deficient Material

(1) If the materials filed under the system are deficient or incomplete, staff of the principal regulator may direct that the filer file an amended application with the principal regulator and each non-principal regulator.

(2) Upon confirmation from the filer that an amended application has been filed with the principal regulator and all non-principal regulators, the principal regulator will provide the filer and the non-principal regulators with a new acknowledgment of receipt referred to in section 5.6 which will trigger a new seven business day review period referred to in section 6.2.

5.6 Acknowledgment of Receipt of Filing

(1) Upon receipt of an application, the principal regulator will provide by e-mail or facsimile an acknowledgment of receipt of the application to the filer and non-principal regulators. In the acknowledgement, the principal regulator will identify the name, phone number, fax number and e-mail address of the staff member who has been assigned to review the application and the end date of the review period referred to in section 6.2.

(2) On receipt of the acknowledgement, each non-principal regulator will notify the principal regulator by e-mail or facsimile of the name, phone number, fax number and e-mail address of the staff member assigned to the application in that jurisdiction and confirm receipt of the application.

(3) If a non-principal regulator has not received the application at the time the acknowledgment is received, the filer will be directed by staff of the principal regulator to deliver the application to that non-principal regulator. When the principal regulator is satisfied that each non-principal regulator is in receipt of the application, the principal regulator will provide the filer and the non-principal regulators with a new acknowledgement of receipt referred to in this section which will trigger a new seven business day review period referred to in section 6.2.

5.7 Withdrawal or Abandonment of Application

(1) If an application is withdrawn at any time during the process, the filer is responsible for notifying by e-mail or facsimile the principal regulator and all non-principal regulators and providing an explanation for the withdrawal.

(2) If at any time during the review process staff of the principal regulator determine that an application has been abandoned by a filer, staff of the principal regulator will notify by e-mail or facsimile the filer that the application will be marked “not proceeded with” and the file closed without further notice to the filer unless the filer responds in writing within 10 business days with acceptable reasons as to why the file should remain open. If no response is received from the filer within the 10 business day time period, staff of the principal regulator will notify by e-mail or facsimile the filer and all non-principal regulators that the file has been closed.

Part 6 REVIEW OF MATERIALS

6.1 Reliance on Principal Regulator

(1) Staff of the principal regulator is responsible for reviewing any application filed under the system in accordance with its usual review procedures, analysis and previous orders together with the benefit of comments, if any, from staff of the non-principal regulators.

(2) The filer will generally deal only with staff of the principal regulator, who will be responsible for issuing comments to and receiving responses from the filer.

(3) In exceptional circumstances, staff of the principal regulator may refer the filer to staff of a non-principal regulator.

6.2 Review Period for Non-Principal Regulators

(1) Staff of the non-principal regulators will have seven business days from receipt of the acknowledgment referred to in section 5.6 to review the application.

(2) If staff of a non-principal regulator identify substantive issues that in the view of staff may, if left unresolved, cause the non-principal regulator to opt out of the system for that particular application, staff will forward these

comments to staff of the principal regulator by e-mail or facsimile before the expiration of the seven business day review period or the abridged period referred to in section 6.3.

(3) If staff of a non-principal regulator are of the view that no relief is required under the securities legislation of that jurisdiction, staff of the non-principal regulator will notify the filer and the principal regulator by e-mail or facsimile and request that the application be withdrawn in that jurisdiction.

(4) If staff of a non-principal regulator do not send comments within the seven business day review period, or the abridged period provided under section 6.3, staff of the principal regulator may assume that staff of the non-principal regulator have no comments on the application.

6.3 Abridgement of Review Period for Non-Principal Regulators

(1) If staff of the principal regulator considers it appropriate, they can abridge the seven business day review period referred to in section 6.2 by notifying each of the non-principal regulators by e-mail or facsimile.

(2) Such abridgements will generally be made only in exceptional circumstances.

(3) Filers requesting an abridgement must satisfy the staff of the principal regulator that the application has been concurrently filed in all jurisdictions and that immediate attention to the application is necessary and reasonable under the circumstances.

(4) If staff of a non-principal regulator are of the view that there is insufficient time to review the application under the abridged time period, staff of the non-principal regulator will notify the filer and the principal regulator by e-mail or facsimile and request that the application be withdrawn from the system for that jurisdiction. The application will be processed as a local application filed in that jurisdiction.

6.4 Review and Processing of Application by Principal Regulator - Following the expiration of the seven business day period referred to in section 6.2 or the abridged period referred to in section 6.3, staff of the principal regulator will

(a) complete their review of the application;

(b) prepare a staff memorandum that

(i) provides an analysis of the application and the exemptive relief sought,

(ii) identifies a request by the filer for the application and/or the MRRS decision document to be held in confidence beyond the effective date of the MRRS decision document, the basis for the request, including a timeframe for lifting of any grant of confidentiality, and

(iii) identifies any substantive issues raised by staff of the non-principal regulators and sets out how those issues have been resolved*;*

(c) if it is making a recommendation to deny the exemptive relief sought by the filer, concurrently notify staff of each non-principal regulator by e-mail or facsimile of the recommendation;

(d) if there is a recommendation to grant the exemptive relief sought, prepare a proposed MRRS decision document following the form described in section 11.2. The proposed MRRS decision document should also reference any request for confidentiality of materials and/or the MRRS decision document beyond the effective date of the MRRS decision document; and

(e) where the relief requested, or the terms and conditions of the relief requested in the proposed MRRS decision document differs substantially from any draft decision document submitted by the filer either with the application or during the time the application is under review, staff of the principal regulator will circulate the proposed MRRS decision document to staff of the non-principal regulators for comments.

Part 7 DECISION OF PRINCIPAL REGULATOR

7.1 Principal Regulator to Grant or Deny Relief - Upon completion of the review process and after considering the recommendation of its staff, the principal regulator will determine whether it will grant or deny the exemptive relief sought.

7.2 Decision to Grant Exemptive Relief

(1) If the principal regulator makes a decision to grant the exemptive relief sought, the principal regulator will immediately circulate by facsimile the principal decision documents to the non-principal regulators.

(2) Two business days before the expiry of the opting out period referred to in section 8.1, the principal regulator will follow-up by e-mail or facsimile with a reminder to each non-principal regulator that has not provided the confirmation referred to in section 8.1.

(3) The principal regulator will not communicate the decision to the filer until after the opting out period referred to in section 8.1 has elapsed except where all non-principal regulators have made their decisions before the expiry of the opting out period, in which case the principal regulator will communicate the decision to the filer as soon as it receives all of the confirmations referred to in section 8.1.

7.3 Potential Denial of Exemptive Relief - If the principal regulator is not prepared to grant the exemptive relief sought based on the information before it, staff of the principal regulator will notify the filer and the staff of the non-principal regulators by e-mail or facsimile that it is not prepared to grant the exemptive relief sought based on the information before it.

7.4 Opportunity to be Heard on a Potential Denial

(1) If a filer requests the opportunity to appear and make submissions to the principal regulator as a result of a potential denial of the exemptive relief sought, the principal regulator will notify by e-mail or facsimile the non-principal regulators with whom the application was filed that the filer has made the request and circulate their staff memorandum and recommendation.

(2) The principal regulator may hold a hearing, either solely, jointly or concurrently with other interested non-principal regulators.

(3) The non-principal regulators with whom the application was filed may make whatever arrangements they consider appropriate, including conducting a hearing contemporaneously with the hearing held by the principal regulator.

(4) After the hearing, staff of the principal regulator will provide a copy of the decision to the non-principal regulators by e-mail or facsimile.

Part 8 DECISION OF NON-PRINCIPAL REGULATORS

8.1 Decision of Non-Principal Regulator

(1) Each non-principal regulator will have five business days from receipt of the principal decision documents to confirm to the principal regulator by e-mail or facsimile whether it has made the same decision as the principal regulator or is opting out of the system for that application.

(2) If staff of the principal regulator considers it appropriate, staff may only request, but cannot require, that the non-principal regulators abridge the five business day time period if possible. Filers requesting an abridgement will be asked to satisfy staff of the principal regulator that the abridgement is necessary and reasonable in the circumstances.

(3) Each non-principal regulator may document for its own purposes the decision made on each application in its jurisdiction in accordance with its own procedures.

Part 9 OPTING OUT OF THE SYSTEM

9.1 Opting Out of the System

(1) A non-principal regulator electing to opt out of the system on any particular application will notify the filer, the principal regulator and other non-principal regulators by e-mail or facsimile and briefly indicate reasons for opting out.

(2) In opting out of the system for a particular application, a non-principal regulator is not making a decision on the merits of the application.

(3) A filer is entitled to deal directly with a non-principal regulator that has opted out of the system to resolve outstanding issues and obtain a decision in respect of that particular application without having to file a new application or remit a new application fee. If the filer and non-principal regulator are able to resolve all outstanding issues, the non-principal regulator may opt back into the system for that application by notifying the principal regulator and all other non-principal regulators by e-mail or facsimile within the opting out period referred to in section 8.1.

(4) Reasons for opting out will be forwarded by the non-principal regulator to the CSA committee.

Part 10 EFFECT OF SILENCE

10.1 Effect of Silence - Silence on the part of a non-principal regulator at the end of the opting out period referred to in section 8.1 will mean that the non-principal regulator is considered to have opted out of the system for that particular application.

Part 11 MRRS DECISION DOCUMENT

11.1 Effect of MRRS Decision Document

(1) The MRRS decision document evidences that a decision has been made by the principal regulator and each of the non-principal regulators that has not opted out of the system for the application.

(2) The MRRS decision document will generally reflect the local securities legislation and local securities directions of the jurisdiction in which the principal regulator is located. This may mean that similar transactions or matters may be subject to different terms and conditions, for example resale restrictions, depending on who acts as the principal regulator for an application.

(3) The MRRS decision document provides exemptive relief for the entire transaction or matter that is the subject of the application. This ensures that the exempt transaction or matter is treated in a uniform manner in all jurisdictions named in the MRRS decision document. Consequently, if the transaction or matter is a composite transaction or matter comprised of a series of trades, the filer will look to the MRRS decision document for all trades in the series and not rely on statutory exemptions for some trades and on the MRRS decision document for other trades.

11.2 Form of MRRS Decision Document

(1) Except as described below, the MRRS decision document will be in the form of the MRRS decision document attached as Schedule A. This will not preclude the issuance of a less formal MRRS Decision Document where it is the current practice. If the decision is a denial of the relief sought, the MRRS decision document will set out reasons for the decision.

(2) If the MRRS decision document is in a form other than the form set out in Schedule A, the MRRS decision document should contain wording to the effect that the MRRS decision document evidences the decisions of each relevant local securities regulatory authority or regulator, as the case may be, and that the decision sets out the decisions of such securities regulatory authorities or regulators, as the case may be.

11.3 Issuance of MRRS Decision Document

(1) The principal regulator will not issue a MRRS decision document with respect to an application until the earlier of

(a) the date that the principal regulator has received all of the confirmations referred to in section 8.1; or

(b) the date the opting out period referred to in section 8.1 has expired.

(2) After the opting-out period has elapsed, or such earlier date as the principal regulator has received all of the confirmations referred to above, the principal regulator will issue a MRRS decision document evidencing that a decision to grant or deny the exemptive relief sought has been made by the principal regulator and each non-principal regulator that has not opted out of the system for that application.

(3) If the MRRS decision document evidences a denial of the exemptive relief sought, reasons for the denial will be provided in the MRRS decision document.

(4) The principal regulator will then send the MRRS decision document by facsimile to the filer and by facsimile, e-mail, or both to the non-principal regulators.

11.4 Effective Date of MRRS Decision Document - The decisions made by each of the principal regulator and the non-principal regulators with respect to an application will have the same effective date as the MRRS decision document.

11.5 Local Decision - Notwithstanding the issuance of the MRRS decision document, the CVMQ will concurrently issue its own local decision in each case. The CVMQ local decision will have the same terms and conditions as the MRRS decision document. No other local securities regulatory authority or regulator will issue a local decision.

SCHEDULE A

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF **(list by name those jurisdictions where the application was filed that have not opted out of the system for this application)**

AND

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

AND

IN THE MATTER OF _____ **(name(s) of filer/relevant parties)**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of _____ **(list by name the jurisdictions where the application was filed that have not opted out of the system for this application)**(the "Jurisdictions") has received an application from _____ **(Name(s) of filer(s) and relevant parties)** ("Definitions as required", collectively the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to _____ **(Describe in words - do not use statutory references)** shall not apply to _____ **(State who or if a transaction is involved briefly describe the transaction in question - do not break down into parts - do not use statutory references - include appropriate defined term)**;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the _____ **(Name of the principal regulator)** is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

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

(Insert numbered representations disclosing all facts relevant to the granting of the relief, including the location of the head office of the Filer. Do not use statutory references.)

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 requirement contained in the Legislation to _____ **(Describe in words - do not use statutory references)** shall not apply to _____ **(State who or, if applicable, the transaction using the appropriate definition)** provided that:

(Insert numbered terms and conditions. These should be generic and without statutory references to the Legislation of the Jurisdictions where this application was filed and have not opted out of the System for this application)

DATED _____ , 20__ .

_____ **(Name)**

_____ **(Title)**

5.1.3 Notice of Policy under the Securities Act - National Policy 51-201 Disclosure Standards and Rescission of National Policy 40 Timely Disclosure

NOTICE OF POLICY UNDER THE SECURITIES ACT
NATIONAL POLICY 51-201 DISCLOSURE STANDARDS
AND RESCISSION OF NATIONAL POLICY 40 TIMELY DISCLOSURE

I. Notice of Policy and Rescission of Policy

The Commission, together with the other members of the Canadian Securities Administrators (the "CSA" or "we"), have adopted National Policy 51-201 Disclosure Standards ("the Policy").

We have also rescinded National Policy 40 Timely Disclosure. The Commission has also withdrawn OSC Notice 30 Confidential Material Change Reports.[1]

We first published the Policy for comment on May 25, 2001.[2] Appendix A contains a list of the people and organizations who commented on the Policy. We have made a number of changes to the Policy in response to these comments. Appendix B to the notice summarizes the comments and our responses. The changes made to the Policy as a whole are not material and do not introduce new thoughts or directional focus that were not the subject of notice and comment. Accordingly, we are not re-publishing the Policy for comment.

II. Substance and Purpose of the Policy

The Policy has been adopted to address concerns about the practice of selective disclosure. Selective disclosure occurs when a company discloses material nonpublic information to one or more individuals or companies and not broadly to the investing public. Selective disclosure creates opportunities for insider trading and damages investor confidence in the fairness and integrity of the capital markets.

We have not introduced new law in this area as existing Canadian legislation on "tipping" already prohibits selective disclosure. The Policy has two aims. First, it will help to ensure that investors have equal access to important information that may affect their investment decisions. Second, it will help companies to navigate between business pressures and legislative requirements. To achieve these goals, the Policy:

- describes timely disclosure obligations for reporting companies and the confidential filing mechanism contained in securities legislation;
- provides interpretive guidance on existing legislative prohibitions against selective disclosure;
- highlights disclosure practices where companies take on a high degree of risk in light of the legislative prohibitions against selective disclosure;
- gives examples of the types of information likely to be material under securities legislation; and
- lists some "best disclosure" practices that can be adopted by companies to help manage their disclosure obligations.

III. Summary of Responses to Specific Requests for Comment

In this section we discuss the comments received to the specific questions that we raised in the May 2001 notice and our responses. A more detailed summary of the comments received on these specific issues and our responses to the commenters is included in Appendix B.

1. "Necessary course of business" exception

We asked for specific comment on our approach to the "necessary course of business" exception. In particular, should the "necessary course of business" exception cover communications made to a potential private placee?

The May version of the Policy stated that disclosures by a company in connection with a private placement may be in the "necessary course of business". Commenters were divided as to whether this was the right approach. Commenters who supported our approach argued that receipt of material information may be necessary for companies to raise financing. In

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1 (1992) 15 OSCB 4555.

2 In Ontario, see (2001) 24 OSCB 3301.

addition, private placees will typically negotiate with the company for the information that they need in order to make an investment decision. Commenters who opposed our approach argued that private placees, who purchase directly from the company, should not be in a better position (i.e., an informational advantage) than secondary market investors.

We have considered the various arguments and have decided to maintain our original approach. We are concerned that if we take a more restrictive interpretation of the "necessary course of business" exception we may be unduly interfering with the ability of companies to raise funds in the exempt market. We also believe that the legislation provides adequate protections for secondary market investors by prohibiting private placees from further disclosing information received from the company (other than in the "necessary course of business"), or from trading with knowledge of this information until it has been "generally disclosed". To address some of the commenters concerns, however, we have added more guidance in the Policy which recommends that companies make disclosure of such information to the marketplace at the earliest opportunity.

2. "Generally Disclosed"

We asked for specific comment on our approach for determining how a company may satisfy the "generally disclosed" requirement under the tipping provisions.

The May version of the Policy explained how courts and the commissions have interpreted the term "general disclosure". We indicated that a company will likely satisfy the "generally disclosed" requirement under the tipping provisions, for example, by issuing a news release distributed through a widely circulated news or wire service; or making an announcement through a press conference or conference call provided that adequate notice has been given and members of the public may attend or listen to it. We also said that posting information on the company's Web site would not, by itself, be likely to satisfy the "generally disclosed" requirement.

We received three comment letters which said that news releases should be the only acceptable means of generally disclosing material information. One commenter argued that posting information to a company's Web site should be considered general disclosure.

We agree that disclosure by news release is probably the safest way to ensure general disclosure of material information.[3] But we do not believe that it is the only way for companies to make "general disclosure". Securities legislation in this area does not require use of a particular method, or establish a "one size fits all" standard for disclosure; rather it is essential that a company choose a disclosure method that will ensure dissemination of material information in a manner that will effectively reach the market place. The guidance contained in insider trading case law gives companies considerable flexibility in choosing appropriate methods of "general disclosure". We therefore believe that it would be undesirable for us to change the Policy to suggest that companies can make "general disclosure" only through a news release.[4] As regulators, we do not want to hinder the use of current technologies in the disclosure process provided that the goals of securities regulation are not undermined.

We also considered whether we should rethink our position with respect to Web site postings. We believe that a company's Web site can be an important component of an effective disclosure process and encourage companies to make use of the Internet to improve investor access to corporate information. We do not believe, however, that posting material information on a company's Web site would alone constitute "general disclosure". Information that is posted to a Web site is not effectively "pushed" out to the marketplace. Instead, investors must seek out this information themselves. As technology evolves in this area we will revisit the guidance in the Policy relating to this issue.

3. Best Disclosure Practices

We asked market participants for comment on the practicalities of a company implementing the recommended "best disclosure" practices in the Policy.

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3 In the case of a "material change", securities legislation requires that issuers must issue and file a press release.

4 We note that commenters in the United States are urging the SEC to take a more flexible approach in this area as well. In April 2001, the SEC sponsored a public roundtable discussion to discuss the impact of Regulation FD. The roundtable included issuers, institutional investors, securities analysts, and journalists. One of the issues discussed was the use of technology by issuers to make disclosure. In December 2001 former Commissioner Laura Unger released a report examining the effects of Regulation FD and the concerns raised by roundtable participants (the "Unger Report"). The Unger Report cites comments by roundtable panellists expressing frustration about rules of the US stock exchanges which mandate paper press releases to disclose material information and urging the SEC to permit Regulation FD disclosures by Internet Web site posting. The Unger Report recommends that the SEC should: (i) explore with the exchanges ways to amend their rules to permit greater use of technology to disseminate material information; (ii) allow Regulation FD disclosures to be made by adequately noticed Web site postings, fully accessible webcasts and electronic mail alerts; (iii) encourage issuers to post written transcripts of webcast presentations and to archive webcasts and transcripts on their Web sites. (See Laura Unger, "Special Study: Regulation Fair Disclosure Revisited").

Commenters were generally supportive of the recommended "best disclosure" practices. One commenter was concerned, however, that the suggested "best practices" will become mandatory requirements, despite our intent that the Policy not be prescriptive. The commenter was also concerned that the guidelines may be burdensome for smaller companies.

The Policy is intended to assist companies in managing their disclosure obligations and minimize the risk of breaching securities law by highlighting some risky disclosure practices. The Policy's objective is to outline what we consider to be good disclosure practices, not to impose regulatory requirements. Hopefully, companies will also recognize the benefits of good disclosure in terms of corporate credibility and market integrity. Each company needs to exercise its own judgement and develop a disclosure regime that meets its own needs and circumstances. We recognize that many large companies have specialist investor relations staff and devote considerable resources to disclosure, while in smaller companies this is often just one of the many roles of senior management. We encourage companies to consider adopting the measures discussed in the Policy, but they should be implemented flexibly and sensibly to fit the situation of individual companies. Where particular methods of achieving good disclosure are suggested, our intention is to give meaningful guidance, not to tell companies that no other way is acceptable. Finally, we attempted to reflect in the Policy disclosure practices that many companies have voluntarily adopted.[5]

IV. Summary of Changes to Policy

Appendix B to the Notice summarizes the changes made to the Policy in response to comments received. We draw your attention in particular to the following changes:

"Necessary Course of Business"

- the list of examples of possible "necessary course of business" communications has been expanded to address certain communications with controlling shareholders (see section 3.3(4) of the Policy);
- we have explained why we believe that issuer communications with credit rating agencies may be in the "necessary course of business" (see section 3.3(7) of the Policy); and
- the following guidance relating to a company's communication with the media has been added:
    - we explain that relationships with the press and other media, though often contributing to a well informed market, need careful management in instances where undisclosed material information is involved; and
    - we stress that companies are not prohibited from speaking with the media about non-material information or material information that has been previously disclosed (see section 3.3(8) of the Policy).

"Generally Disclosed"

- the discussion relating to "general disclosure" has been clarified to recommend that a company make a replay or transcript of analyst conference calls available to the public for a reasonable amount of time (see section 3.5(4) of the Policy)[6]

Materiality

- more examples of material information have been added (see section 4.3 of the Policy); and
- the discussion relating to the timely disclosure policies of the various exchanges has been amended to stress the importance of issuer compliance (see section 4.5(2) of the Policy).

Risks Associated with Certain Disclosure

- guidance has been added to say that companies should be careful about circulating analyst reports to shareholders or potential investors, as this may constitute an endorsement of the report (see section 5.2 (4) of the Policy); and
- the discussion relating to the "duty to update" has been amended to:
    - delete the suggestion that the obligation to disclose "material changes" creates a "duty to update" voluntary

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5 For example, the Canadian Investor Relations Institute ("CIRI") conducted a survey of its member companies in May 2001. The CIRI survey showed that 60% of respondents had a written disclosure policy and of those without one, 83% were contemplating developing one within the next 12 months. In 2000, only 43% reported that their company had a written disclosure policy.

6 The May version of the Policy did not explicitly say that replays were necessary.

forward looking statements;

- remind companies that some provincial securities laws prohibit a person, while engaging in investor relations activities or with the intention of effecting a trade in a security, from making a statement that the person knows, or ought reasonably to know, is a misrepresentation;[7]

- recommend that as a matter of "good practice" companies should update earnings estimates; and

- emphasize that whatever a company's practice is, the company should explain its update policy to investors when making a forward looking statement (see Section 6.9 of the Policy).[8]

Best Disclosure Practices

- we have added a recommendation that a company's board or audit committee should review the following disclosures in advance of their public release by the company:

  - earnings guidance issued by the company; and

  - news releases containing financial information taken from the company's financial statements prior to the release of such statements.

    - we have also clarified that pre-releasing information taken from the company's financial statements without prior board or audit committee review is inconsistent with the requirements of some provinces that require board or audit committee approval of interim and annual financial statements (see section 6.4 of the Policy);

- the guidance on the recommended scope of a company's "quiet period" has been amended to say that:

  - companies should avoid discussing earnings expectations and other financial information with analysts and investors during the "quiet period"; and

  - being in the "quiet period" should not prevent a company from conducting normal course communications with analysts or investors or from participating in investor conferences or meetings to discuss information that is in the public domain or that is non-material information (see section 6.10 of the Policy).[9]

- we have added a recommendation that companies concurrently post to their web sites all information that they file on SEDAR (see section 6.12(2) of the Policy).

We also note that various initiatives are currently underway with respect to standards governing financial analysts. In response to the recommendations of the Securities Industry Committee on Analyst Standards (the "Crawford Committee"), the Investment Dealers Association of Canada published its Proposed Policy No. 11 Analyst Standards on July 5, 2002. The CSA is reviewing the proposed IDA policy and further guidance in this area may be forthcoming.

V. Canadian tipping requirements and Regulation FD

In the notice accompanying the May 2001 version of the Policy we discussed what other foreign regulators had done in response to concerns about selective disclosure. In particular we discussed the U.S. Securities and Exchange Commission's Regulation FD. You can read the May 2001 notice for a description of Regulation FD. We have included again as an addendum to this notice a chart which compares the Canadian and U.S. rules on selective disclosure. We believe that it is important that companies continue to keep these differences in mind as compliance with U.S. rules does not necessarily ensure compliance with Canadian rules in this area.

VI. Ongoing monitoring by the Commission

As part of the Commission's ongoing continuous disclosure review program, Staff in the Continuous Disclosure Team ("CD Team") will typically request a copy of a company's written disclosure policy or a description of the company's corporate

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7 This prohibition could impliedly extend to a previously issued statement which the market continues to rely upon but has subsequently become misleading and has not been amended or withdrawn.

8 The discussion relating to the "duty to update" appeared in section 5.7 of the May version.

9 The May version of the Policy recommended that companies consider stopping all communications with analysts, institutional investors and other market professionals during the "quiet period".

disclosure practices if there is no policy in place. Staff provides feedback in areas where the policy can be improved, and encourages boards and audit committees to consider this feedback in assessing the adequacy of the company's disclosure practices. The results of these reviews will be reported as part of the CD Team's annual report on the progress of its continuous disclosure review program. The CD Team has also been monitoring disclosure sources for any indications of selective disclosure.

VII. Text of Policy

The text of the Policy follows.

DATED: July 12, 2002.

ADDENDUM
COMPARISON OF "TIPPING" PROVISIONS IN CANADIAN SECURITIES LAW AND REGULATION FD

Note: The "tipping" provisions contained in provincial securities legislation are generally similar across Canada. However, the CSA caution that some differences do exist in these legislative provisions. Market participants should therefore consult the applicable legislation of each province and territory for details of the relevant prohibitions.

Elements	"Tipping" Provisions	Regulation FD
Basic Rule or Prohibition	No reporting issuer and no person or company in a special relationship with a reporting issuer shall inform, other than in the necessary course of business, another person or company of a material fact or material change ("privileged information" in the case of Québec) with respect to the reporting issuer before the material fact or material change has been generally disclosed.	Whenever an issuer, or any person acting on its behalf, discloses any material nonpublic information regarding the issuer or its securities to any person described in the regulation, the issuer shall make public disclosure of the information: (1) simultaneously, in the case of an intentional disclosure; and (2) promptly, in the case of a non-intentional disclosure.
Scope of Communications Covered (Communications "By")	Communications by a reporting issuer and any person or company in a special relationship with a reporting issuer. "Person or company in a special relationship with a reporting issuer" includes: ➢ directors, officers, or employees of the reporting issuer ➢ insiders, affiliates or associates of the reporting issuer ➢ persons or companies engaged in any business or professional activity with the reporting issuer ➢ a person or company that learns of material information about the reporting issuer while a director, officer, employee, insider, affiliate or associate of the reporting issuer ➢ a person or company that learns of material information about the reporting issuer from anybody else and knows, or reasonably should have known, that they are a person or company in a special relationship. Québec securities legislation extends the prohibition to communications by persons: ➢ having privileged information that, to their knowledge, was disclosed by an insider, affiliate, associate or by any other person having acquired privileged information in the course of his relations with the reporting issuer; and	Communications by an issuer, or any person acting on its behalf. "Person acting on behalf of an issuer" is defined as: ➢ any senior official of the issuer or any other officer, employee, or agent of an issuer who regularly communicates with certain persons enumerated in the regulation or with holders of the issuer's securities.

Elements	"Tipping" Provisions	Regulation FD
	➢ by persons having acquired privileged information that these persons know to be such.	
Scope of Communications Covered (Communications "To")	Communications made to another person or company.	Communications made to securities market professionals or holders of the issuer's securities, including: ➢ a broker or dealer, or a person associated with a broker or dealer ➢ an investment adviser, an institutional investment manager or a person associated with either of the foregoing ➢ an investment company or an affiliated person, or ➢ a holder of the issuer's securities under circumstances in which it is reasonably foreseeable that the person will purchase or sell the issuer's securities on the basis of the information. Excluded are communications made: ➢ to a person who owes a duty of trust or confidence to the issuer (such as an attorney, investment banker, or accountant) ➢ to a person who expressly agrees to maintain the disclosed information in confidence ➢ to an entity whose primary business is the issuance of credit ratings, provided that the information is disclosed solely for the purpose of developing a credit rating and the entity's ratings are publicly available ➢ in connection with securities offering registered under the Securities Act.
Materiality	Any information "that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value" of the securities. "Privileged information" is defined in Québec securities legislation as any information "that has not been disclosed to the public and that could affect the decision of a reasonable investor".	U.S. case law interprets materiality as follows: ➢ information is material if "there is a substantial likelihood that a reasonable shareholder would consider it important" in making an investment decision ➢ there must be a substantial likelihood that a fact "would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information available".
Timing of Required Disclosure	An issuer must **first** generally disclose material information before it discloses it to any person or company. Where a "material change" occurs in the affairs of a reporting issuer, the issuer must immediately issue and file a press release disclosing the nature and substance of the change, followed by a material change report filed within ten days of the date on which the change occurred.	For an "intentional" selective disclosure, the issuer is required to publicly disclose the same information simultaneously. ➢ a selective disclosure is "intentional" when the issuer or person acting on their behalf either knows or is reckless in not knowing, prior to making the disclosure, that the information is both material and nonpublic.

Elements	"Tipping" Provisions	Regulation FD
		When an issuer makes a non-intentional disclosure of material nonpublic information, it is required to make public disclosure "promptly". ➢ "promptly" means as soon as reasonably practicable (but in no event after the later of 24 hours or the commencement of the next day's trading on the New York Stock Exchange) after a senior official of the issuer learns that there has been a non-intentional disclosure that the senior official knows, or is reckless in not knowing, is both material and nonpublic.
Standard of Required Disclosure	Material information must first be "generally disclosed" before it can be communicated to another person or company. Provincial securities legislation does not define "generally disclosed". Québec securities legislation uses the term "generally known".	An issuer must make "public disclosure" of material nonpublic information it discloses. "Public disclosure" is defined in the regulation to include: ➢ the furnishing or filing with the Securities and Exchange Commission of a Form 8-K ➢ in the alternative, disclosure "that is reasonably designed to provide broad, non-exclusionary distribution of the information to the public".
"Necessary Course of Business"	Communication of material undisclosed information "in the necessary course of business" is exempt from the "tipping" provisions.	
Liability and Defences	Violations of the "tipping" provisions are subject to enforcement action by the appropriate provincial securities regulatory authority. These proceedings can include: ➢ administrative proceedings before provincial tribunals for orders in the public interest, including cease trade orders, suspensions of registration, removal of exemptions and prohibitions from acting as director or officer of an issuer ➢ civil proceedings before the courts for a declaration that a person or company is not complying with provincial securities law and for the imposition of any order the courts consider appropriate, or ➢ proceedings in provincial offences court for fines or imprisonment or both. No person or company shall be found to have breached the "tipping" provisions if they can prove that they reasonably believed that the material information in question had been generally disclosed (or, in Québec, was generally known).	Violations of Regulation FD are subject to enforcement action by the Securities and Exchange Commission. These proceedings can include: ➢ administrative proceedings for cease-and-desist orders, or ➢ civil proceedings for injunctive relief or fines. Regulation FD does not create any new duties under the antifraud or private litigation provisions of U.S. securities law. ➢ there is no liability for an issuer under Rule 10b-5 and there is no creation of private liability for issuers **solely** for violations of Regulation FD.

APPENDIX A

List of Commenters

2. Association for Investment Management and Research - Canadian Advocacy Council
3. Canada Life
4. Canadian Investor Relations Institute (CIRI)
5. TSX Venture Exchange Inc. (TSX Venture Exchange) - (Note - at the time of the comment letter, TSX Venture Exchange Inc. was the Canadian Venture Exchange (CDNX))
6. Howson Tattersall Investment Counsel
7. Intrawest Corporation
8. John Kaiser, Canspec Research
9. McCarthy Tétrault LLP
10. Ogilvy Renault
11. Ontario Bar Association - Securities Subcommittee of the Business Law Section (OBA)
12. Simon Romano
13. J.D. Scarlett
14. Scotia Capital Inc.
15. Shareholder Association for Research and Education
16. Toronto Stock Exchange Inc. (TSX)

APPENDIX B
NP 51-201 - SUMMARY OF COMMENT LETTERS

Issue and Commenter	Public Comment	CSA Response
Timely Disclosure and Standards of Materiality CIRI (7/25/01) Shareholder Association for Research and Education J.D. Scarlett John Kaiser, Canspec Research McCarthy Tétrault	• Clearer guidelines should be provided to determine what is material, including more examples of what constitutes a material change versus a material fact, more guidance on how materiality might be applied to a volatile security versus a less volatile security, and examples of what is **not** a material change.	While recognizing that materiality judgments can often be difficult, attempting to create an exhaustive list of events that are always or never material is neither appropriate nor feasible. Deciding what is or is not material to an issuer is a fact-specific exercise; what is material for one issuer in one case may not be material for another issuer in another case. The definitions of material fact and material change provide flexible standards for determining materiality in fact specific circumstances through the application of the standards to the facts. In responding to similar comments suggesting a bright-line standard for purposes of Regulation FD, the SEC cited with approval the decision of the US Supreme Court in *Basic Inc.* v. *Levinson*, 485 U.S. 224, 236 (1988). The reasoning in this decision is equally applicable to the statutory standard of materiality in the Canadian context: "A bright-line rule indeed is easier to follow than a standard that requires the exercise of judgment in the light of all the circumstances. But ease of application alone is not an excuse for ignoring the purposes of the securities acts and Congress' policy decisions. Any approach that designates a single fact or occurrence as always determinative of an inherently fact-specific finding such as materiality, must necessarily be over- or underinclusive." The Policy has been amended to expand the list of examples of events or information that may be material. However, attempting to provide an exhaustive list of what are, and what are not, "material facts" and "material changes" would create a "checklist approach" to materiality judgments, which is precisely what the Policy cautions against. The Policy recommends that issuers monitor the market's reactions to corporate information it publicly discloses. Ongoing monitoring and assessment of market reaction to this disclosure will help with future determinations of materiality.
	• The CSA should consider a safe harbour provision and a due diligence defence to protect issuers who have not disclosed something because it has not yet been confirmed or is not yet sufficiently probable.	The CSA's view is that there is no need to provide a safe harbour in these situations because something that is not yet sufficiently probable is not considered material and is therefore not subject to the timely disclosure requirements. The definition of material change in provincial securities legislation includes a decision to implement a change made by an issuer's senior management who believes that confirmation of the decision by the issuer's board is probable. If confirmation is not probable, the decision to implement the change is not a material change and therefore does not need to be disclosed forthwith. In addition, the CSA cannot, in a policy statement, provide for a safe harbour or defence to a requirement contained in provincial securities legislation.
	• The CSA should provide a resource for guidance on issues of materiality.	In our experience, issuers and their counsel rarely want to consult with regulators on such matters. In the event that they do, staff of the provincial securities administrators is available for guidance.
	• Regulators should consider adopting the practice of issuing "no action" letters, on which issuers can rely.	Although such an approach may be appropriate in certain circumstances, albeit rare, the CSA does not see any demonstrable need to formally adopt this practice. Provincial securities administrators have not been revisiting issuers' materiality decisions to an extent that would warrant adopting the practice.

Issue and Commenter	Public Comment	CSA Response
	• The CSA should update and provide guidance on the filing of confidential material change reports.	The Policy provides guidance on the filing of confidential material change reports in paragraphs 2.2 and 2.3 of Part II. Further, as indicated in the Notice to the Policy, the Ontario Securities Commission proposes to withdraw Ontario Securities Commission Notice *Confidential Material Change Reports*, effective the date the Policy comes into force.
	• The difference between a material fact, material change and material information should be clarified. The policy should clarify that a material fact must be generally disclosed if it has been selectively disclosed. It should also clarify that the timely disclosure obligation does not require the immediate disclosure of all market sensitive or predictive information, such as material facts.	The Policy sets out the different obligations that attach to material changes and material facts. In paragraph 2.1 and footnote 1, the Policy reiterates the definition of material change and the timely disclosure obligation that goes with it. Paragraph 3.1 and footnotes 6 and 7, set out the tipping provisions and the definitions of material fact and privileged information. Paragraph 3.1(1) and footnote 8 have been amended to clarify that material facts and material changes are collectively referred to as material information. Paragraph 3.1(4) has also been amended to clarify that the timely disclosure obligations do not apply to material facts. Paragraph 3.5 indicates that the tipping provisions prevent an issuer from informing anyone of material information that has not been generally disclosed. Paragraph 3.5 and footnote 20 also state that not all material information has to be released into the marketplace.
	• The commenter objects to the hindsight aspect to the definition of materiality. Materiality should not encompass changes to the market price or value of the security that were not reasonably foreseeable.	Two commenters objected to the retrospective aspect of the definition of "material fact" in provincial securities legislation, whereby a fact in relation to an issuer's securities is deemed material if it, in fact, significantly affects the market price or value of such securities. The Policy cannot change existing law. The measures recommended in the Policy are not, and cannot be, prescriptive. "Material change" and "material fact" are defined in the legislation and it is beyond the authority of the Policy to change those definitions. However, as part of its proposed legislation to enact a statutory civil remedy for continuous disclosure violations, the CSA has proposed a change to the definition of "material fact" which would remove the retroactive aspect of the current definition. The definition, as proposed, would be: "**"material fact,"** when used in relation to securities issued or proposed to be issued, means a fact that would reasonably be expected to have a significant effect on the market price or value of the securities." (See CSA Notice 53-302 – Proposal for a Statutory Civil Remedy for Investors in the Secondary Market and Response to the Proposed Change to the Definitions of "Material Fact" and "Material Change" (2000) 23 OSCB 1). The commenter suggested that a material change should only extend to information regarding the business and affairs of an issuer that would reasonably be expected to result in a significant change in the market price or value of the issuer's securities. In fact, only the definition of material fact contains this retrospective element, so no change to the definition of material change is necessary to address this concern.

Issue and Commenter	Public Comment	CSA Response
	• The requirement to disclose a material change if Board approval is probable should be changed to when the Board formally approves the event. Technology is now better able to quickly disseminate information, so there is no need to build in the lead-time provided by imminent Board approval.	The Policy cannot change the existing requirements of provincial securities legislation. Further, the purpose of this section is not just to allow for sufficient lead-time to disseminate a material change that appears imminent. It also prevents an issuer from delaying disclosure of a material change that is sufficiently likely to happen on the basis that the issuer's Board has not formally approved such change.
	• The policy should require the timely disclosure of all material information, including material facts and changes. Securities legislation should be amended to require this disclosure.	As indicated above, the Policy cannot change the existing requirements of provincial securities legislation to require the timely disclosure of material information. See a similar comment made by the TSX and the CSA response below.
	• The policy should provide more interpretive guidance on what constitutes material information and expand the list of examples of material information drawn from the exchange policies. The list should include as material political, economic or social events that relate directly to the affairs of the issuer.	As indicated in response to a similar comment above, we agree with the commenter's position and have amended the Policy to provide more examples of the kinds of things that could be material. The Policy has also been amended to clarify its guidance on the materiality of external political, economic, and social developments (see section 4.4 of the Policy). Issuers are not generally required to interpret the impact of external political, economic, and social developments on their affairs. However, if an external development will have or has had a direct effect on the business and affairs of an issuer that both satisfies the "market impact" test for materiality and is uncharacteristic of the effect generally experienced by other issuers engaged in the same business or industry, then the development would likely be material.
	• CSA should reconsider moving to the U.S. standard of materiality, the reasonable investor test. • The market impact test assumes that secondary trading will indicate whether or not information is material to an issuer. This is a faulty assumption in situations where securities are thinly traded or the market is inefficient, where price movement does not properly reflect the importance of the information. • The U.S. standard does not allow issuers to delay or avoid disclosure based on an assessment of after-the-fact market reaction.	Moving to a US standard of materiality was canvassed in the context of the CSA's proposed amendments to securities legislation creating a limited statutory civil liability regime for continuous disclosure (see CSA Notice 53-302 – Proposal for a Statutory Civil Remedy for Investors in the Secondary Market and Response to the Proposed Change to the Definitions of "Material Fact" and "Material Change"). In particular, the CSA considered amending the definitions of "material fact" and "material change" to reflect the "reasonable investor" standard of materiality used in Quebec and US securities legislation. However, some commenters who responded to the proposed amendments expressed concern that changing the materiality standard would raise too many issues of interpretation and introduce an unacceptable level of subjectivity and uncertainty into materiality determinations. Ultimately, the CSA decided not to proceed with the amendments to the definitions as part of its proposal for civil liability for continuous disclosure.

Issue and Commenter	Public Comment	CSA Response
	• The policy does not address the "mosaic theory." It should acknowledge that an analyst could use a non-material fact to complete a framework that, overall, may disclose material information.	The Policy addressed the "mosaic theory" in paragraph 5.1(1), footnote 28, of the version published for comment May 25, 2001. The Policy has been amended to move the guidance previously in footnote 28 into the body of the Policy at paragraph 5.1(4).
	• In Part V, the Policy indicates that issuers should not disclose significant data to analysts, such as sales and profit figures. This suggests that the CSA believes that such information is material, which has implications for insider trading as well. The guidelines should be careful not to "create a new standard for materiality." It therefore may be appropriate to clarify that the CSA's commentary is not intended to change the materiality standard.	The guidelines do not create a new standard of materiality. It should be noted that the guidance in question is included in the section of the Policy entitled "Risks Associated with Certain Disclosures." This section highlights those disclosure practices which the CSA believes are inherently more risky. The CSA's reference to the example of sales and profit figures is in keeping with the guidance offered by the exchanges' timely disclosure policies, which provide that significant changes in near-term earnings prospects are considered material. No new materiality standard is created by recognizing that sales and profit figures are generally considered to be material information by the marketplace.
Rescission of NP 40 TSX TSX Venture McCarthy Tétrault	• Rescinding NP 40 would fragment the timely disclosure regime, with the statutory requirement of timely disclosure of material changes different from the TSX policy of timely disclosure of material information. The Exchange would be isolated in its higher standard of timely disclosure.	The rescission of NP 40 does not result in a dual disclosure regime anymore than presently exists. To the extent that NP 40 purports to require immediate disclosure of all material information (both material facts and changes) it is beyond the authority of a policy statement. According to securities legislation, an issuer's timely disclosure obligations are confined to disclosing material changes and other disclosure specifically required under applicable rules. This does not prevent the exchanges from implementing and enforcing their own timely disclosure requirements for issuers who list on their facilities. The Policy has been amended to emphasize that it is not uncommon, or inappropriate, for exchanges to impose requirements on their listed companies in addition to those imposed by securities legislation (see paragraph 4.5(2) of the Policy).
	• Without CSA guidance to follow the Exchange's policy, listed companies might be tempted to ignore the Exchange's higher standard and risk being suspended/delisted, knowing the Exchange is reluctant to resort to such a drastic remedy.	The proposed rescission of NP 40 should not be construed as a lack of support by the CSA for the exchanges' timely disclosure regimes. The Policy has been amended to emphasize that the CSA expects issuers listed on an exchange to comply with the exchange's requirements, including their timely disclosure requirements. Issuers who do not comply with these requirements could find themselves subject to an administrative proceeding before a provincial securities regulatory authority (see paragraph 4.5(2) of the Policy). The Policy has also been amended to refer to the settlement in *In the Matter of Air Canada*. There, the parties to the settlement agreed that by disclosing earnings information that had not been generally disclosed to 13 analysts, the company failed to comply with the TSX Company Manual and thereby acted contrary to the public interest (see footnote 32 of the Policy).

Issue and Commenter	Public Comment	CSA Response
	• With the discretion not to disclose material facts, issuers could disclose positive news and withhold negative, reducing the overall quality of issuer disclosure. Issuers could also be confused by the two different standards.	Paragraph 2.1(2) of the Policy states that unfavourable news must be disclosed just as promptly and completely as favourable news. The Policy has been amended to state, in addition, that issuers who disclose positive news while withholding negative news could find their disclosure practices subject to scrutiny by provincial securities regulators.
	• The commenter recommends that the CSA adopt a timely disclosure rule requiring the timely disclosure of material information. Alternatively, provincial securities legislation should be amended to achieve the same result.	The TSX's Committee on Corporate Disclosure (the "Allen Committee") canvassed this issue and ultimately did not recommend a timely disclosure requirement for material information in its final report (see *Responsible Corporate Disclosure, a Search for Balance*, March 1997). In its interim report, the Allen Committee recommended giving NP 40 legal effect, thereby creating a timely disclosure requirement for material information. However, as one Committee member pointed out, this recommendation was not without difficulty. Imposing it could narrow the application of the prohibition against insider trading, increase the number of confidential filings by issuers, and result in ongoing news releases over the course of a transaction to satisfy the requirement. The distinction in provincial securities legislation between material facts and material changes allowed disclosure to be delayed to such a point where a development constituted a change in the business, operations or capital of the issuer while recognizing that some information, without amounting to a change, could still affect the market price of the issuer's shares. People who knew this information should not be allowed to trade in the issuer's securities unless the information was generally disclosed.
	• Rescinding NP 40 will create a dual disclosure regime. NP 40 harmonized the statutory requirement for timely disclosure with the TSX and TSX Venture requirements. This uniformity created greater certainty for issuers.	See above.
	• The Policy does not specify that issuers must comply with the exchanges' rules on timely disclosure. There is no reference to the exchanges' policies in paragraph 1.1(3) or paragraph 2.1 of the Policy. Part V does not adequately explain that the exchanges' disclosure obligations involve material information, not just material changes. Different standards for timely disclosure could result in more "negotiations" with listed companies as to what they must disclose.	Issuers enter into listing agreements with the exchanges they list on that require issuers to comply with exchange rules. As noted above, the CSA expects reporting issuers to honour their contractual obligations to comply with applicable exchange rules, which is a condition of listing. The requirements of the exchanges' disclosure policies are discussed in subsection 4.5(2) of the Policy.

Issue and Commenter	Public Comment	CSA Response
	• The CSA should reconcile the different requirements for timely disclosure as between provincial securities legislation and the policies of the exchanges.	See responses above.
Best Practices OBA	• Concern that "best practices" will effectively become mandatory requirements, notwithstanding the intent that the policy not be prescriptive. Over time, the best practices will become the liability standard for judging the actions of directors and officers of public companies. They may be administrative burdens for smaller issuers, who will still feel compelled to adopt them out of concern for liability. • The CSA should be cautious about using "best practices" guidelines as a policy-making tool.	We understand the concern expressed in the comment. We reiterate that the "best practices" set out in the Policy are not prescriptive measures but satisfy the description of "Policy" found in provincial securities legislation. The CSA's view is that the "best practices" model is the best means of providing guidance in this important area. Other alternatives considered by the CSA included prescriptive rule making and offering no guidance at all.
Part II – Timely Disclosure McCarthy Tétrault	• To the extent that Part II proposes a general approach to timely disclosure, CSA should adopt Quebec's approach as the general CSA approach. The Quebec approach to timely disclosure allows a company the opportunity to decline to make disclosure where it would be prejudicial. There is also no requirement to make a regulatory filing.	We acknowledge the difference in what the law says in different jurisdictions. However, the Policy does not and cannot change the timely disclosure requirements provided for in provincial securities legislation and, in particular, the confidential material change report mechanism in jurisdictions other than Québec.
3.2 Persons Subject to Tipping Provisions The tipping provisions generally apply to anyone in a "special relationship" with a reporting issuer. J.D. Scarlett	• There is no guidance with respect to the obligations of tippees who receive information from persons not in a special relationship with a reporting issuer. • An example is the investment dealer who, on behalf of an offeror proposing a take-over of the securities of a reporting issuer, consults a portfolio manager with respect to a lock-up of the reporting issuer's securities, which the	We believe that the prohibition against tipping addresses the example given by the commenter. The offeror's plan to make the take-over bid for the shares of the reporting issuer would in all likelihood be material with respect to the reporting issuer. News of a take-over bid, or a proposed bid, for the target reporting issuer would reasonably be expected to have a significant effect on the market price or value of the shares of the reporting issuer. Provincial securities legislation would prohibit the offeror from informing anybody of the proposed bid before news of it has been generally disclosed, unless the information is given in the necessary course of business to effect the transaction. The investment dealer looking to lock up shares on behalf of the offeror would also be prohibited from informing anybody of news of the bid prior to it being generally disclosed, unless the disclosure is made in the necessary course of business. The definition of "person or company in a special relationship with a reporting issuer" deems those

Issue and Commenter	Public Comment	CSA Response
	portfolio manager declines. Is the portfolio manager prohibited from trading in the securities of the reporting issuer?	engaged in professional activity on behalf of a company proposing a take-over bid for securities of a reporting issuer to be in a special relationship with that reporting issuer. Similarly, the portfolio manager would also be prohibited from informing anybody of news of the bid prior to it being generally disclosed. The definition also deems those who learn of material information with respect to a reporting issuer from someone they knew or ought to have known was in a special relationship with the reporting issuer to themselves be in a special relationship with the reporting issuer.
3.3 Necessary Course of Business The "tipping" provision allows a company to make a selective disclosure if doing so is in the "necessary course of business." Shareholder Association for Research and Education Simon Romano McCarthy Tétrault	• The policy should confine the necessary course of business exception to the single communication, so that tippees cannot further inform persons or companies. Recipients of material information in the necessary course of business could further selectively disclose the information to the media or investors without repercussions, since, having received the information in the necessary course of business, these tippees would no longer be persons in a special relationship with the reporting issuer.	The CSA disagrees with the commenter's interpretation of how the tipping provisions work. Even where a selective disclosure is permitted by virtue of the "necessary course of business" exception, the persons or companies involved are still in a special relationship with the reporting issuer. Accordingly, there is no need to confine communications in the necessary course of business to the single instance to prevent further tipping, as the recipient continues to be subject to the prohibition by virtue of the operation of the legislation.
	• Securities legislation should be amended to extend the tipping provisions to anyone with material nonpublic information, not just those in a special relationship with a reporting issuer.	Provincial securities legislation does not need to be amended to make this change because the existing definition of "person or company in a special relationship with a reporting issuer" covers the situation described by the commenter. The definition includes, "a person or company that learns of a material fact or material change with respect to the issuer from any other person or company described in this subsection, including a person or company described in this clause, and knows or ought reasonably to have known that the other person or company is a person or company in a special relationship." The effect of this aspect of the definition is to cast a wide net over any person or company who learns of material information that has not been generally disclosed to bring them within the prohibition against tipping.
	• Why is disclosure to credit rating agencies in the necessary course of business when disclosure to equity analysts is not? Credit rating agencies analyze issuers' debt for public consumption; equity analysts analyze issuers' equity for public consumption.	The CSA's view is that there is a fundamental distinction between disclosure to credit rating agencies and disclosure to equity analysts, which lies in the purpose for which the information is used. While research reports prepared by equity analysts can be targeted to an analyst's firm's clients, credit ratings are directed to a wider public audience. We also note that credit rating agencies are not in business to trade, as principal or agent, in the securities they are called upon to rate. This is distinguishable from the equity analyst who typically works for an investment bank whose activities include trading, underwriting and advisory services.

Issue and Commenter	Public Comment	CSA Response
		As the SEC indicated in response to similar comments about the exclusion of rating agencies from the reach of Regulation FD, "[r]atings organizations…have a mission of public disclosure; the objective and result of the ratings process is a widely available publication of the rating when it is completed." The CSA adopts this analysis. In paragraph 3.3(2)(g) of the Policy, the CSA indicates that communications to credit rating agencies would generally be considered in the "necessary course of business," provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available. Further, securities legislation often affords companies or their securities status based on obtaining specified ratings from approved rating agencies. Consequently, ratings form part of the statutory framework of provincial securities legislation in a way that analysts' reports do not. We have amended the Policy to highlight this distinction (see subsection 3.3(7) of the Policy).
	• It is doubtful that the *George* decision is authority for the proposition that an issuer's disclosure to analysts is not in the necessary course of business. The relevant remarks in the decision were *obiter*. There was no discussion of significant issues like whether asking analysts, on a confidential basis, to hold off issuing new reports until a development is clarified is appropriate or not.	Footnote 16 of the Policy expressly points out that the Ontario Securities Commission's guidance on this issue was provided in *obiter*. However, this does not detract from the relevance or usefulness of the guidance as an indication to the marketplace as to how the Commission would regard such conduct if it were directly in issue before the Commission. In the *George* decision, the Commission addressed, in *obiter*, the disclosure by an issuer's chief executive officer to an analyst material information about the issuer's projected earnings that had not been generally disclosed. The analyst in turn communicated this information to other members of his firm. Although neither the chief executive officer nor the analyst were respondents in the proceeding, the Commission specifically said: "We would like to make it absolutely clear that such conduct is both illegal and improper, and that if, in proceedings commenced against an officer of an issuer or an analyst, such conduct was proved, we would regard it most seriously." Regarding the communication of material information that has not been generally disclosed by an analyst to other members of their firm, the Commission said, "it…may be seen by some analysts as being in the "ordinary" course of business, but in our view it is not in the "necessary" course of business."
	• In appropriate circumstances, disclosures to controlling shareholders should be considered in the "necessary course of business." In many cases, strategic sensitive information must be shared with a controlling shareholder and this should be permitted with the appropriate safeguards referred to in paragraph 3.4 of the Policy.	We agree with the point made by the commenter and amended the Policy to reflect that communications with controlling shareholders may, in certain circumstances, fall within the "necessary course of business" exception, subject to the guidance in sections 3.3(4) and 3.4 of the Policy.
	• One commenter expressed concern at the way the Policy associated the media	We recognize the importance of the media's public disclosure function and the role it can play in keeping the marketplace well informed. The Policy does not suggest that issuers stop communicating with the

Issue and Commenter	Public Comment	CSA Response
	with analysts, institutional investors, and other market professionals, as entities to whom disclosure of material undisclosed information would not be considered in the "necessary course of business." The commenter felt that, by associating the media with these other market professionals, the Policy ignores the important role the media plays in communicating information to the marketplace. The reach of the news media can, in some respects, be broader than other methods of dissemination that satisfy the "generally disclosed" requirement, particularly in terms of the average retail investor.	media. The Policy emphasizes that provincial securities legislation prohibits issuers from selectively disclosing material information that has not been generally disclosed, except when it is in the necessary course of business. Selectively communicating material information to the media that has not been generally disclosed is not likely to be in the "necessary course of business." Also, while the media can play an important role in disseminating information to the marketplace, it is not a proxy for satisfaction of an issuer's general disclosure obligations. We have amended the Policy to say that it does not prevent issuers from speaking to the media. However, if issuers do communicate with the media, they should be mindful of selectively disclosing material information that has not been generally disclosed (see subsection 3.3(8) of the Policy).
3.4 Necessary Course of Business Disclosures Disclosures by a company to a lender or in connection with a private placement, merger or acquisition are typically made in the "necessary course of business." AIMR-Canadian Advocacy Council CIRI (7/25/01) Simon Romano OBA John Kaiser, Canspec Research TSX TSX Venture	• Disclosure of material nonpublic information by an issuer to a private placee should not be considered disclosure "in the necessary course of business." Allowing selective disclosure to private placees would undermine the fair treatment of other investors who are not privy to this information.	Six commenters commented on this issue and the views expressed were mixed. Two commenters supported the CSA's statement that disclosure of material information to private placees might generally be considered in the necessary course of business. One commenter was more neutral but took this position provided that the material information should be disclosed at the earliest opportunity. The CSA agrees with this proviso. Two of the commenters were concerned that the ability to disclose material information to private placees would give the placees an informational advantage. However, the CSA has carefully weighed this concern against the competing interests and determined that the approach taken in the Policy is appropriate. Specifically, the CSA considered whether there would be harm done to the integrity of the marketplace by disclosing material information to private placees. As recipients of material information that has not been generally disclosed, private placees would be caught by the prohibitions against tipping or trading, subject to the availability of any exemptions (for example, section 175 of the Regulation to the Ontario Act or comparable provisions of other provincial securities legislation). Consequently, they would be constrained by the legislation in the use they could make of such information. Further, the CSA recognizes that it is important to facilitate these kinds of transactions and that such communications may be necessary in order to effect the private placement. Provincial securities legislation already contemplates that selective communication of material information that has not been generally disclosed may be in the necessary course of business to effect take-over bids, certain business combinations, and significant acquisitions. Finally, we note that an outright prohibition of this disclosure could put issuers offside their obligations with respect to the content of Offering Memoranda.

Issue and Commenter	Public Comment	CSA Response
McCarthy Tétrault	• Section 76 of the Ontario Act does not support the interpretation that informing private placees is "in the necessary course of business." Section 76(2) deals with disclosures in the context of "relationships not involving securities transactions." Section 76(3) deals with disclosures in connection with certain securities transactions. Since private placements are not mentioned in section 76(3), they were not meant to be considered as "in the necessary course of business."	The CSA does not agree with this interpretation, which effectively reads into the subsections limitations not apparent on their face. Subsection 76(2) is a general prohibition. Subsection 76(3) specifically addresses particular types of transactions and emphasizes that selective disclosure in the context of these transactions is only permissible if it is "given in the necessary course of business to effect the take-over bid, business combination or acquisition." There is nothing to suggest that subsection 76(3) was intended as an exhaustive list of "necessary course of business" communications.
	• The defence in section 76(4) is solely a defence to the statutory civil liability provisions in section 134 and not a defence to the prohibition itself.	Subsection 76(4) is not solely a defence to statutory civil liability under the Ontario Act. Subsection 76(4) specifically references all of the prohibitions in sections 76(1), (2) and (3).
	• The scope of the parties and circumstances under which communications will be considered in the necessary course of business should be expanded. Issuers should be able to sound out significant shareholders on their receptiveness to major proposals. They should also be able to get written commitments from parties receiving material information to keep the information confidential until it has been generally disclosed.	As noted in response to a similar comment above, we amended the Policy to reflect that communications with controlling shareholders may, in certain circumstances, fall within the "necessary course of business" exception. Nothing in the Policy should be construed to prevent issuers from using confidentiality agreements. The CSA understands that this is a fairly common practice. However, there still needs to be a determination that the disclosure in the first instance was in the "necessary course of business." While obtaining a confidentiality agreement is a good practice to follow where possible, it is not a statutorily recognized defence to a selective disclosure. It is, therefore, not a proxy for determining that such a defence is also available.
	• Private placees should be able to receive material nonpublic information in the necessary course of business. Receipt of this information may be essential to raise financing.	See the responses above.

Issue and Commenter	Public Comment	CSA Response
	• Concern expressed about communications to private placees being considered in the necessary course of business, especially as this would involve communication of material nonpublic information to potential investors. There may be situations where it is in the necessary course of business to disclose material nonpublic information to private placees but in the normal course, material nonpublic information disclosed to private placees should be generally disclosed at the earliest opportunity.	We agree with the comment and have amended the Policy to provide that even though there may be situations where it is in the "necessary course of business" to communicate material information to private placees that has not been generally disclosed, this information should be generally disclosed at the earliest opportunity (see subsection 3.3(4) of the Policy). See the responses above.
	• It is patently unfair to consider communication to private placees in the necessary course of business. Participating in a private placement is already a privilege and it would be unfair to give a placee an extra informational advantage over the marketplace.	See the responses above.
	• Opposes disclosure of material information to shareholders or potential shareholders, which would give an investment advantage to placees over others, especially in a junior market. This is offside TSX Venture Policy 3.3.	See the responses above.
	• The Policy should acknowledge that use of a confidentiality agreement would generally be regarded as a sufficient safeguard for the purposes of maintaining the confidentiality of material information disclosed in the "necessary course of business."	The CSA recognizes that for disclosures that are in the "necessary course of business," a confidentiality agreement could be relied on to safeguard the confidentiality of the information disclosed. However, the CSA cautions, as it does more fully in response to comments made with respect to paragraph 5.3 of the Policy, that there is no exception to the tipping provisions for disclosures made pursuant to a confidentiality agreement.
3.5 Generally Disclosed The tipping provisions prohibit a company from	• Reporting issuers should be required to make their timely disclosure through each of a widely circulated news release, SEDAR and the issuers' Web site. This way, investors without print or	Most of the commenters who expressed a view on this matter believe the Policy should acknowledge a news release as the only means of ensuring that material information is generally disclosed. In the absence of any definition of the term "generally disclosed" in securities legislation, the CSA begins with the principles expressed in the Policy at paragraph 3.5(2) that, pursuant to insider trading case law, material information is considered to be "generally disclosed" if:

Issue and Commenter	Public Comment	CSA Response
disclosing material nonpublic information to anyone before the company generally discloses the information. Shareholder Association for Research and Education CIRI (7/25/01) Simon Romano TSX TSX Venture McCarthy Tétrault	Internet access will not be discriminated against and investors will have confidence that all of an issuer's disclosure will be available in one place.	(a) The information has been disseminated in a manner calculated to effectively reach the marketplace; and (b) Public investors have been given a reasonable amount of time to analyze the information. We have decided not to amend the Policy to provide that news release disclosure is the only means of satisfying the "generally disclosed" requirement. We want to preserve flexibility for issuers in determining the most appropriate means of public dissemination. We also believe that the case law supports such a flexible approach. However, we acknowledge the strong views of the commenters on this issue and agree that disclosure through a widely circulated news release remains the safest and surest means of satisfying the "generally disclosed" requirement. We continue to recommend a disclosure model where material information is first disclosed in its entirety through a news release, to be followed by an open and accessible conference call (for which proper notice has been given) to discuss it. We have amended the Policy to make this recommended model a separate "best practice" (it had previously formed part of the guidance on analyst conference calls and industry conferences at section 6.5). In our discussion of the "generally disclosed" requirement, we have included a cross-reference to this recommended model, emphasizing the need for effective dissemination.
	• A news release should be the only acceptable means of generally disclosing material information. The policy says that "one or a combination of" news releases, press conferences or conference calls is acceptable, suggesting that a conference call by itself is sufficient. However those unable to access the call will be disadvantaged. They will not have access to the full text of the disclosure, since the notification of the call requires only a general description of the matter to be discussed. The guidance on the notification for a call is fine but nothing material should be discussed in the call that has not been generally disclosed in a news release.	See the response above. We have also amended subsection 3.5(4)(b) of the Policy to clarify that a replay and/or transcript of the conference call should also be made available to the public.
	• The policy should expressly provide that the time parameters for "generally disclosed" found in the case law may be excessive, given modern communications technology.	We have amended the Policy to acknowledge that the case law is dated in this respect and that the time parameters set out in the case law may not be appropriate today (see footnote 21 of the Policy).

Issue and Commenter	Public Comment	CSA Response
	• Only a full-text news service with broad dissemination should satisfy the "generally disclosed" requirement. This is consistent with the TSX's own timely disclosure guidelines. Open-access conference calls should be supplements only to dissemination by full-text news release in satisfying the "generally disclosed" requirement.	See the response above.
	• It is inconsistent, on the one hand, to say that an open conference call accessible by the Internet satisfies the "generally disclosed" requirement while, on the other, saying that a posting to an issuer's Web site does not.	We do not believe the Policy is inconsistent in this regard. The case law says that, for information to be considered "generally disclosed," it must be "disseminated in a manner calculated to effectively reach the marketplace." Effective dissemination implies the act of "disseminating" information. We feel this distinction is apparent between open and accessible conference calls and simple postings to a company's Web site. For material information disclosed through a conference call to be considered "generally disclosed," the call itself must be held in an open manner and be preceded by a broadly circulated news release containing particulars of the call and the matters to be discussed. The notice requirement for the call helps to push the information to the marketplace whereas there is no such active dissemination to a Web site posting.
	• Provision that the "generally disclosed" requirement may be satisfied by either a news release or an open announcement is inconsistent with the TSX Venture requirement that dissemination must be by electronic news disseminator, whether or not a conference/call is held. Dissemination should be by news release, supplemented if necessary by accessible conference/call. The Policy's statement that a web posting alone is not sufficient dissemination does not mention the fact that the Internet does not "push" the information out to the recipient; rather the recipient must go look for it. This is the key element to dissemination. The CSA approach to the use of the Internet is inconsistent. The provision that a web posting alone is insufficient disclosure but that a	We deal with this comment above. We have amended the Policy to explain and reflect the distinction (see subsection 3.5(6) of the Policy).

Issue and Commenter	Public Comment	CSA Response
	conference/call accessible through the Internet is sufficient is inconsistent.	
	• The Policy should be rephrased to say that the notice announcing a conference call should contain a description of what is expected to be discussed during the call, not what will be discussed. Often, the Q&A portion of a call will lead into new areas of discussion. It would be problematic if the notice were seen to restrict what was to be discussed in the call.	The function of the notice is to indicate what is to be discussed in the call, so investors and analysts can determine if they want to access it. If there is no notice of what will be discussed during the call, analysts and investors have no basis on which to determine whether or not to access the call. Similarly, if a call leads into discussion of matters for which no notice was given, there is the risk that some analysts and investors will not have accessed the call but might have otherwise done so had they known what would be discussed. This compromises the open nature of the call itself.
	• Posting information to a company's Web site should be considered "generally disclosed." Technology can alert interested parties as to when information was posted to an issuer's Web site.	The CSA has not ruled out the possibility that at some point, a posting to an issuer's Web site could satisfy the "generally disclosed" requirement. The Policy says that the CSA will revisit this guidance as technology and practices evolve. Further, the Policy recognizes that a company's Web site is an important tool in making corporate information available and encourages issuers to make use of their Web sites accordingly. This is consistent with the position adopted by the SEC in Regulation FD.
3.6 Unintentional Disclosure McCarthy Tétrault	• There is no provision in the Policy for a safe harbour for the unintentional disclosure of material information, as there is with Regulation FD. There should be a comparable degree of protection for issuers under the Policy	Paragraph 3.6 of the Policy makes it plain that there is no safe harbour in provincial securities legislation for the unintentional disclosure of material information that is not generally disclosed. The CSA cannot create such a safe harbour by means of a policy statement. However, paragraph 3.6 does give clear guidance as to what issuers should do when faced with a situation where material information has been inadvertently selectively disclosed. Paragraph 3.7 of the Policy says that the CSA will consider as mitigating factors whether any selective disclosure was intentional and what steps were taken to disseminate material information that had been unintentionally disclosed.
Part V – Risks Associated with Certain Disclosures TSX Venture	• References to material undisclosed and material nonpublic information should be clarified, since, according to exchange policies, all material information must be generally disclosed.	According to provincial securities legislation, material changes and other information prescribed by law must be disclosed. As a result, there will be situations where a person or company in a special relationship with a reporting issuer may be in possession of material information that has not been generally disclosed. However, provincial securities legislation prohibits anyone in this situation from trading in the securities of the reporting issuer until the information has been generally disclosed.
5.1 Private Briefings with Analysts, Institutional Investors and other Market Professionals CIRI (7/25/01)	• This paragraph should be reworked (and paragraph 5.2 eliminated) to reemphasize that private meetings can be held, so long as no material nonpublic information is disclosed. A suggested text for the paragraph is included on page 7 of the comment letter.	We have compared the commenter's suggested text with Part V of the Policy, and paragraph 5.1 in particular, and believe that all the content proposed by the commenter is already reflected in that part. Therefore, no change to the Policy is needed.

Issue and Commenter	Public Comment	CSA Response
5.2 Draft Analyst Reports CIRI (7/25/01)	• This paragraph should be clearer and broader to cover the risks of reviewing the entire analyst draft report and earnings model, not just the earnings projection. It should emphasize the risk in selectively disclosing material **non-financial** information.	Paragraph 6.8 of the Policy, which addresses the reviewing of draft analyst reports, specifically addresses the concerns identified. The purpose of paragraph 5.2 of the Policy is to highlight those particular practices that pose a high degree of risk. This is why the review of earnings projections is emphasized. We have amended the Policy to cross-reference paragraphs 5.2 and 6.8 and have included a reference in paragraph 6.8 addressing risks of disclosing material non-financial information.
5.3 Confidentiality Agreements with Analysts McCarthy Tétrault Scotia Capital	• The Policy fails to address the dilemma faced by a corporation where analysts' estimates are wildly off the mark. Do issuers have a duty to correct materially misleading forward-looking information being fed to investors by the analyst community? If so, there should be a safe harbour to protect issuers from liability if their cautions subsequently turn out to be off the mark.	We acknowledge the dilemma faced by issuers in this situation. We have amended the Policy to indicate that one way companies can try to bring analysts' estimates in line with company expectations is to ensure the timeliness and quality of their own disclosure (see subsection 5.2(3) of the Policy). Companies take on a high degree of risk when they confirm or steer analysts' estimates through selective guidance. We are not aware of any duty on a company to correct misleading forward-looking information prepared and disseminated by an analyst.
	• Permitting meetings between issuers and analysts pursuant to a confidentiality agreement would allow for free and open communications between the two and allow the analyst to assemble and analyze information the average investor could not otherwise interpret. The investing public would benefit by having more information, thoroughly analyzed and available immediately following an announcement by the issuer.	The comment does not address the concern that meetings with select analysts pursuant to a confidentiality agreement still provides certain analysts with a head start in analyzing the information. While this positions the analyst to release their report immediately following the announcement, the report itself may be available only to a particular firm's clients and not to the marketplace as a whole. Consequently, the benefit of having an analyst expedite the process of interpreting the information may not necessarily accrue to investors in the marketplace generally, on an equally accessible basis.
	• A limited exception to the tipping provisions should be provided for the selective disclosure to analysts of material information that has not been generally disclosed, pursuant to a confidentiality agreement.	The Policy cannot create an exception to the requirements in provincial securities legislation, which do not provide for the use of confidentiality agreements. However, we have amended sections 3.4 and 5.3 of the Policy to recognize that using a confidentiality agreement when disclosing material information can be a good practice.

Issue and Commenter	Public Comment	CSA Response
5.5 Earnings Guidance Some companies have begun to voluntarily disclose in press releases or on their Web sites their own "financial outlooks." CIRI (7/25/01) McCarthy Tétrault	• It is not clear why the policy differentiates between MD&A that includes forward-looking information and "voluntary or optional forward-looking disclosure." A proper outlook section of annual MD&A should address key performance benchmarks based on current trends, just as voluntary forward-looking disclosure would. Differentiating between MD&A and voluntary disclosure could create confusion.	The requirement for and the content of MD&A is prescribed in securities legislation and rules. As clearly outlined in footnote 38, the difference between MD&A and voluntarily provided forward-looking information lies in the nature of the forecasts being made. Prescribed MD&A is based on presently known trends, whereas other forward-looking information involves estimates of future results.
	• The US approach has been to create a safe harbour with respect to forward-looking information, provided it is accompanied by suitable cautionary language. There is no indication of how the CSA will approach this.	The safe harbour in the US is a result of the proliferation of class action litigation there. There has not been, to date, a similar issue in Canada. However, paragraph 5.5(3) of the Policy recommends the use of similar cautionary language when disclosing forward-looking information. Finally, the CSA has recommended the inclusion of a safe harbour as part of its proposal for legislative amendments to introduce statutory civil liability for investors in the secondary market (see footnote 39 of the Policy).
5.6 Application of National Policy Statement 48 TSX Venture McCarthy Tétrault	• Paragraphs 5.5 and 5.6 do not account for the restrictions on the dissemination of FOFI in the course of a distribution, contained in section 4.4 of NP 48. The Policy should clarify either that paragraphs 5.5 and 5.6 must be read with the restrictions in section 4.4 of NP 48 in mind or that NP 48 does not apply in these situations.	We acknowledge the points made by the commenters and recognise the interplay between the Policy and NP 48. The guidance in NP 48 continues to apply except to the extent indicated in the Policy. A separate CSA committee is currently reviewing NP 48.
	• The CSA should reconcile those elements of the Policy which encourage forward-looking information with the regulatory burdens created by NP 48. There are situations where voluntarily provided forward-looking information would trigger the provisions of NP 48.	See the response above.

Issue and Commenter	Public Comment	CSA Response
5.7 Duty to Update Once a company discloses forward-looking information, the timely disclosure requirements might require the company to "update" the information by issuing a news release and filing a material change report. Ogilvy Renault CIRI (7/25/01) OBA	• This interpretation of the timely disclosure requirements goes beyond what a plain reading of the statute requires. The legislation requires the timely disclosure of changes in the business, operations or capital of the issuer. There is no obligation to disclose predictive information like earnings guidance and the legislation does not create a continuous duty to update such information in response to subsequent developments. The *Re Royal Trustco Limited* decision is distinguishable on its facts from the CSA's interpretation.	We received comments from three commenters on this issue. Each commenter said that the "duty to update" purportedly created by the Policy exceeded the current requirements in provincial securities legislation. Accordingly, we have amended the Policy to remove the suggestion that an issuer's obligation to disclosure "material changes" might require it to update any forward-looking information it discloses. However, we have amended the Policy to recommend that, as a matter of "good practice," companies should update earnings estimates. We also emphasize that whatever a company's practice is, the company should explain its update policy to investors when making a forward-looking statement (see section 6.9 of the Policy). We have included in a footnote to section 6.9 the decision of the Ontario Securities Commission in *Re Royal Trustco Limited* regarding the duty to update and the fact that some provinces have provisions in their securities legislation that prohibit a person, while engaging in investor relations activities or with the intention of effecting a trade in a security, from making a statement that they know, or ought reasonably to know, is a misrepresentation.
	• The Policy does not provide guidance as to when the duty to update guidance would be triggered. The timing of issuers' decisions to update could be judged in hindsight, which is inappropriate.	See the response above.
	• A statutory duty to update would prevent an issuer from disclaiming responsibility for updating financial guidance, which could be an important condition of the "notional agreement" by which the issuer shares the information with the marketplace.	See the response above.
	• A statutory duty to update would also result in increased exposure to liability for failure to make timely disclosure. It could discourage issuers from making statements about future earnings, thereby weakening the quality of information in the marketplace.	See the response above.

Issue and Commenter	Public Comment	CSA Response
	• Recognizing a statutory duty to update is also more onerous than the U.S. position, where the courts have recognized a duty to correct misleading information but not a duty to update financial information that subsequently becomes inaccurate.	The existence of a "duty to update" in the US is the subject of ongoing debate. The SEC has stated that Regulation FD does not create such a duty where it does not otherwise exist at law.
	• Financial guidance should not be subject to the same timely disclosure obligations as material changes.	See the responses above.
	• Current legislation does not provide for a duty to update voluntary disclosure of predictive information.	See the responses above.
	• Disclaiming responsibility for updating voluntarily disclosed predictive information is part of the "notional agreement" by which an issuer discloses such information.	See the responses above.
	• Such a duty to update would result in the second-guessing of an issuer's decision when to update guidance, when such decision is a fluid, evolutionary one.	See the responses above.
	• A duty to update would increase the risk of an issuer's liability for forward-looking information, since there is no safe-harbour provision.	See the responses above.
	• A duty to update goes beyond the current statutory requirements for timely disclosure.	See the responses above.
	• An extension of the duty to update to previously issued forward-looking information is inconsistent with the objective of promoting disclosure of this information, as it would increase an issuer's exposure to allegations of misrepresentation in the original disclosure and	See the responses above.

Issue and Commenter	Public Comment	CSA Response
	therefore act as a disincentive.	
	• Support expressed for the approach in the CIRI Model Disclosure Policy, which recommends an explanation that forward-looking information is a snapshot of an issuer and that any responsibility for updating the information is disclaimed.	See the responses above.
6.2 Establishing a Corporate Disclosure Policy CIRI (7/25/01)	• The commenter supports the recommendation that issuers adopt a corporate disclosure policy but disagrees with the suggestion that directors, officers and employees be trained in its application. It is impractical for large organizations with many employees to train them in the application of the policy. NP 51-201 should instead emphasize that issuers adopt a well-worded and clearly understood policy, communicate it to directors, officers and employees and obtain a written commitment from **appropriate** individuals within these groups to adhere to it.	We have amended paragraph 6.2 to clarify that those directors, officers and employees who are, or may be, directly involved in making disclosure decisions should be trained in the application of the disclosure policy. We agree that issuers should adopt a well-worded and clearly understood policy and communicate it to directors, officers and employees. We leave it to individual issuers to decide whether they want to obtain written commitments from appropriate individuals to adhere to it.
6.3 Overseeing and Coordinating Disclosure Establish a committee of company personnel or assign a senior officer to be responsible for "monitoring the effectiveness and compliance with [the] disclosure policy. CIRI (7/25/01)	• Monitoring the effectiveness and compliance with the disclosure policy could, practically, be difficult to achieve. Can the CSA recommend any procedures that can determine effectiveness and compliance with the policy in a reasonably structured and reliable way?	Companies should monitor their day-to-day disclosure decisions to determine the effectiveness of and compliance with their disclosure policy.

Issue and Commenter	Public Comment	CSA Response
6.4 Authorizing Company Spokesperson Limit the number of people who are authorized to speak on behalf of the issuer. CIRI (7/25/01)	• The commenter strongly disagrees with the comment in footnote 45 that, in some circumstances, a company's designated spokesperson will not be informed of developing mergers and acquisition until necessary, to avoid leakage of information. So long as an issuer has adopted a policy of not commenting on market rumours, the spokesperson can rely on this in responding to rumours. But the spokesperson needs to be able to evaluate the rumour. The suggestion is inconsistent with the guidance that the spokesperson be a member of senior management. The suggestion is also inconsistent with the TSX guidelines, which say that the responsible person should be kept up to date on all material developments.	The CSA is not advocating for or against the practice but simply recognizing that it may, in fact, be the case in some situations.
6.5 Analyst Conference Calls and Industry Conferences Hold analyst conference calls and industry conferences in an open manner allowing any interested party to listen either by telephone and/or through a Web cast. CIRI (7/25/01)	• Provide additional guidance on a "reasonable period of time" for replaying conferences or calls. The commenter suggests a replay be available for a minimum of 30 days afterwards.	The disclosure model recommended in the Policy says that issuers should make replays of Web casts and conference calls available for public access for a reasonable length of time following the original Web cast or calls. We believe issuers should have the flexibility to determine what length of time is reasonable in their circumstances. This is consistent with the approach taken by the SEC and the Australian Securities & Investments Commission to this issue.

Issue and Commenter	Public Comment	CSA Response
6.7 Quiet Periods Observe a "quiet period" between the end of the quarter and the release of a quarterly earnings announce-ment. Canada Life Howson Tattersall Investment Counsel CIRI (8/22/01)	• Stopping **all** communications during the quiet period is impractical and undesirable. Road shows, "one on one" meetings, conferences and speaking engagements are not within the issuer's control and can occur during the quiet period.	We understand that issuers' adoption of quiet periods is a fairly widespread practice to avoid not just the potential for selective disclosure but the perception of selective disclosure as well. However, we understand the concerns expressed by those commenters who indicated that stopping all communications during the quiet period would not benefit the marketplace either. We agree that the draft Policy was too broadly cast in this regard. We have amended it to emphasize that the focus of the quiet period should be on communicating with analysts and investors regarding quarterly earnings and other financial information during the time when this information is being prepared but has not yet been generally disclosed. An issuer's quiet period need not restrict or inhibit its normal course communications with analysts and investors. Issuers can maintain contact with analysts and investors during the quiet period, provided that any communication is limited to discussing publicly available or non-material information (see section 6.10 of the Policy).
	• The proposed duration of the quiet period could amount to 40% of the year with no investor relations activity. The duration of the quiet period is not as important as observing good disclosure practices at all times.	The CIRI Model Disclosure Policy recommends that issuers adopt a quiet period beginning on the first day of the month following the end of the quarter and ending with the issuance of a news release disclosing the quarterly results. We have adopted this recommendation.
	• Restricting communications with analysts, institutional investors and other market professionals would be unfair if an issuer could communicate with retail investors and the media during the quiet period.	We agree with this comment. Communications with investors should also be caught by the quiet period.
	• Guidance on quiet periods should be dropped in favour of a simple statement that management should not disclose material nonpublic information during private meetings at any time of year.	See the responses above.
	• The recommended quiet period amounts to a total of approximately 4 months per year during which management could turn away requests for information. This would not be conducive to an efficient market.	See the responses above.

Issue and Commenter	Public Comment	CSA Response
	• A quiet period of this overall length would create logistical difficulties with scheduling investor relations presentations and hamper the ability of small-cap issuers to generate a profile in the investment community.	See the responses above.
	• Based on the timing and duration of the quiet periods proposed in the Policy, issuers could conceivably go for between 50% to 100% of the quarter without communicating with those seeking information. With many companies on the same reporting schedule, scheduling investor meetings could be problematic.	The timing and duration of the quiet periods proposed in the Policy is based on the recommendation in CIRI's Model Disclosure Policy.
	• Any self-imposed restrictions on communication by issuers should not unduly limit their normal course communications with investors. A quiet period should not prevent issuers from speaking to analysts or investors on matters not related to financial results.	We agree with the comment. The Policy has been amended to say that companies need not restrict their normal course communications with investors and that is appropriate to maintain contact with analysts and investors during the quiet period, provided that any communication is limited to factual, publicly available, or non-material matters (see section 6.10 of the Policy).
6.8 Insider Trading Policies and Blackout Periods Your insider trading policy should prohibit purchases and sales at any time by insiders who are in possession of material nonpublic information. CIRI (7/25/01) Simon Romano McCarthy Tétrault	• No director, officer or other insider, including senior employees, should trade in the issuer's securities without clearing the proposed trade with a designated officer.	We have amended the Policy to include senior employees along with insiders and officers as those whose trading should be subject to approval (see section 6.11 of the Policy).
	• Any prohibition on trading should be limited to those with access to material nonpublic information. Blackout periods are restrictive and could result in losses for shareholders in volatile markets.	We have amended the Policy to say that company policies should permit employees to apply for approval to trade the company's securities during the "blackout period" (see section 6.11 of the Policy).

Issue and Commenter	Public Comment	CSA Response
	• A "release valve" should be provided for based on prior approval of trades.	Provincial securities legislation provides, in some cases, for exemptions from the prohibition against insider trading for purchases or sale of securities pursuant to automatic plans entered into before the person knew of material information. See, for example, section 175(2)(b) of the Regulation made under the Ontario Act.
	• The Policy could usefully address the impact of blackout periods on share purchase plans and share option plans. The SEC's Rule 10b5-1 provides for a safe harbour for purchases made pursuant to a share purchase plan entered into prior to becoming aware of material nonpublic information.	See above response.
6.9 Electronic Communications CIRI (7/25/01) John Kaiser, Canspec Research	• Provide guidance on what is a reasonable period of time for archived information to remain available. The commenter recommends a minimum retention period of 2 years for archived information on an issuer's Web site.	We believe that issuers should consider archiving their corporate disclosure on their Web site for a reasonable period of time. We believe that issuers should have the flexibility to determine what length of time is reasonable in their circumstances. We note that the TSX's *Electronic Communications Disclosure Guidelines* suggest that a company's disclosure policy should establish minimum retention periods for information posted to the company's Web site. These retention periods may vary depending on the kind of information posted. We think this approach is sensible and have amended the Policy to reflect it (see section 6.12(1) of the Policy).
	• The policy should encourage the "passive publication" of detailed, non-material information on an issuer's Web site. This would encourage disclosure to analysts without fear that non-material information could become material when plugged into an analyst's framework.	The Policy acknowledges, in subsection 5.1(4), that a company is not prohibited from disclosing non-material information to analysts, even if that information forms part of the analyst's "mosaic" which, taken together, is material information about the company that has not been generally disclosed. Subsection 6.12(2) of the Policy also encourages companies to use current technology to improve investor access to company information.
6.10 Chat Rooms, Bulletin Boards and e-mails CIRI (7/25/01)	• Issuers should get a written commitment from employees to an internal written disclosure policy prohibiting the discussion of corporate information in these forums.	We believe issuers should have the flexibility to decide whether a written commitment from employees is necessary. We note that the issuer's corporate disclosure policy, which contains this prohibition, should be widely circulated to employees.
	• The commenter strongly disagrees with the suggestion that employees notify a designated official of any discussion they find on the Internet. This is impractical in large organizations with many employees and impliedly sanctions employees accessing these sites.	We believe this is a sound practice and do not agree that it is impractical in large organizations.

Issue and Commenter	Public Comment	CSA Response
	Monitoring services are available for this function.	
OSC Staff Survey CIRI (7/25/01)	• The statistics from the OSC Staff Survey are now dated and possibly misleading. These statistics should be either updated or eliminated.	We acknowledge that the statistics from the OSC Staff Survey may now be out of date and that a current survey might yield different results. The OSC's Continuous Disclosure Team intends to publish a report of the results of its various continuous disclosure reviews, which will assess the range of corporate disclosure practices among the issuers reviewed.
	• The CIRI Corporate Disclosure Survey 2001 suggests that the incidence of selective disclosure is not as prevalent as the CSA implies.	We have included the results from the CIRI Corporate Disclosure Survey 2001 in the Notice accompanying publication of the Policy.
"company's securities" CIRI (7/25/01)	• In situations where confidentiality must be maintained during the period before a material change is disclosed, references to activity involving a "company's securities" should be changed to "the company's securities or the securities of any other related issuer." This reflects the fact that many transactions may directly or indirectly involve the securities of other issuers. (e.g. Part 2.3(2))	We have amended the Policy to include a footnote to section 3.1(2) noting that, for the purposes of the prohibition against illegal insider trading, a "security of the reporting issuer" is deemed to include a security, the market price of which varies materially with the market price of the securities of the issuer (see subsection 76(6)(b) of the Ontario Securities Act).
"advisors" CIRI (7/25/01)	• References to "advisors", as including lenders, legal counsel, auditors, financial advisors and underwriters should be broadened to "financial and other professional advisors, including suppliers who have access to material information." (e.g. Part 3.3(2))	We note that a supplier is not an "adviser." However, we have amended subsection 3.3(2)(c) of the Policy to include "lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the company."

5.1.4 National Policy 51-201 Disclosure Standards

NATIONAL POLICY 51-201 DISCLOSURE STANDARDS

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NATIONAL POLICY 51-201 DISCLOSURE STANDARDS

Part I - Introduction

1.1 Purpose

(1) It is fundamental that everyone investing in securities have equal access to information that may affect their investment decisions. The Canadian Securities Administrators ("the CSA" or "We") are concerned about the selective disclosure of material corporate information by companies to analysts, institutional investors, investment dealers and other market professionals. Selective disclosure occurs when a company discloses material nonpublic information to one or more individuals or companies and not broadly to the investing public. Selective disclosure can create opportunities for insider trading and also undermines retail investors' confidence in the marketplace as a level playing field.

(2) This policy provides guidance on "best disclosure" practices in a difficult area involving competing business pressures and legislative requirements. Our recommendations are not intended to be prescriptive. We encourage companies to adopt the suggested measures, but they should be implemented flexibly and sensibly to fit the situation of individual companies.

(3) The timely disclosure requirements and prohibitions against selective disclosure are substantially similar everywhere in Canada, but there are differences among the provinces and territories, so companies should carefully review the legislation which is applicable to them for the details.

Part II - Timely Disclosure

2.1 Timely Disclosure

(1) Companies are required by law to immediately disclose a "material change"[1] in their business. For changes that a company initiates, the change occurs once the decision has been made to implement it. This may happen even before a company's directors approve it, if the company thinks it is probable they will do so. A company discloses a material change by issuing and filing a press release describing the change. A company must also file a material change report as soon as practicable, and no later than 10 days after the change occurs. This policy statement does not alter in any way the timely disclosure obligations of companies.

(2) Announcements of material changes should be factual and balanced. Unfavourable news must be disclosed just as promptly and completely as favourable news. Companies that disclose positive news but withhold negative news could find their disclosure practices subject to scrutiny by securities regulators. A company's press release should contain enough detail to enable the media and investors to understand the substance and importance of the change it is disclosing. Avoid including unnecessary details, exaggerated reports or promotional commentary.

2.2 Confidentiality

(1) Securities legislation permits a company to delay disclosure of a material change and to keep it confidential temporarily where immediate release of the information would be unduly detrimental to the company's interests.[2] For example, immediate disclosure might interfere with a company's pursuit of a specific objective or strategy, with ongoing negotiations, or with its ability to complete a transaction. If the harm to a company's business from disclosing outweighs the general benefit to the market of immediate disclosure, withholding disclosure is justified. In such cases a company may withhold public disclosure, but it must make a confidential filing with the securities commission.[3] Certain

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1 Securities legislation defines the term material change as "a change in the business, operations or capital of the issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer and includes a decision to implement such a change made by the board of directors of the issuer or by senior management of the issuer who believe that confirmation of the decision by the board of directors is probable". The Québec Securities Act does not define the term "material change" and provides that "where a material change occurs that is likely to have a significant influence on the value or the market price of the securities of a reporting issuer and is not generally known, the reporting issuer or shall immediately prepare and distribute a press release disclosing the substance of the change". See also *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557, where the Supreme Court held that a change in assay and drilling results was a material change in the company's assets.

2 Confidentiality is also permitted in situations where the material change consists of a decision to implement a change made by the company's senior management, who believe that confirmation of the decision by the company's board of directors is probable.

3 While the Québec Securities Act does not require a confidential filing, it does relieve a company from the obligation to disclose a material change if senior management reasonably believes that (i) disclosure would be seriously prejudicial to it; and (ii) no one has purchased or sold, or will purchase and sell its securities based on the undisclosed information. A company must issue and file a press release once the reasons for not disclosing no longer exist.

jurisdictions also require companies to renew the confidential filing every 10 days should they want to continue to keep the information confidential.

(2) We discourage companies from delaying disclosure for a lengthy period of time as it becomes less likely that confidentiality can be maintained beyond the short term.

2.3 Maintaining Confidentiality

(1) Where disclosure of a material change is delayed, a company must maintain complete confidentiality. During the period before a material change is disclosed, market activity in the company's securities should be carefully monitored. Any unusual market activity may mean that news of the matter has been leaked and that certain persons are taking advantage of it. If the confidential material change, or rumours about it, have leaked or appear to be impacting the share price, a company should take immediate steps to ensure that a full public announcement is made. This would include contacting the relevant exchange and asking that trading be halted pending the issuance of a news release.[4]

(2) Where a material change is being kept confidential, the company is under a duty to make sure that persons with knowledge of the material change have not made use of such information in purchasing or selling its securities. Such information should not be disclosed to any person or company, except in the necessary course of business.

Part III - Overview of the Statutory Prohibitions Against Selective Disclosure

3.1 Tipping and Insider Trading

(1) Securities legislation prohibits a reporting issuer and any person or company in a ***special relationship*** with a reporting issuer from informing, other than in the ***necessary course of business***[5], anyone of a ***"material fact"***[6] or a ***"material change"*** (or ***"privileged information"*** in the case of Québec)[7] before that material information[8] has been ***generally disclosed***.[9] This prohibited activity is commonly known as "tipping".

(2) Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer[10] with knowledge of a material fact or material change about the issuer that has not been generally disclosed.[11] This prohibited activity is commonly known as "insider trading".

(3) Securities legislation prohibits any person or company who is proposing:

- to make a take-over bid;
- to become a party to a reorganization, amalgamation, merger, arrangement or similar business combination; or
- to acquire a substantial portion of a company's property

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4 See The Toronto Stock Exchange Statement on Timely Disclosure and Related Guidelines and the TSX Venture Exchange Policy 3.3 Timely Disclosure.

5 The Alberta and British Columbia Securities Acts use the phrase "is necessary in the course of business". The Québec Securities Act uses the phrase in the "course of business".

6 Securities legislation defines a "material fact" as follows: "material fact, where used in relation to securities issued or proposed to be issued means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities".

7 "Privileged information" is defined under the Québec Securities Act as "any information that has not been disclosed to the public and that could affect the decision of a reasonable investor".

8 Material facts and material changes are collectively referred to as "material information." When used in the Policy, material information means both "material facts" and "material changes."

9 The Québec Securities Act uses the term "generally known".

10 For the purposes of the prohibition against illegal insider trading, a "security of the reporting issuer" is deemed to include a security, the market price of which varies materially with the market price of the securities of the issuer (see subsection 76(6)(b) of the Ontario Securities Act).

11 Section 187 of the Québec Securities Act provides that "no insider of a reporting issuer having privileged information relating to securities of the issuer may trade in such securities except in the following cases: (i) he is justified in believing that the information is generally known or known to the other party; (ii) he avails himself of an automatic dividend reinvestment plan, automatic subscription plan or any other automatic plan established by a reporting issuer, according to conditions set down in writing, before he learned the information". Section 189 further expands the number of persons who are subject to the prohibition in section 187.

from informing anyone of material information that has not been generally disclosed. An exception to this disclosure prohibition is provided where the material information is given in the "necessary course of business" to effect the take-over bid, business combination or acquisition.

(4) It is important to remember that the tipping and insider trading provisions apply to both material facts and material changes. A company's timely disclosure obligations generally only apply to material changes. This means that a company does not have to disclose all material facts on a continuous basis. However, if a company chooses to selectively disclose a material fact, other than in the necessary course of business, this would be in breach of securities legislation.

3.2 Persons Subject to Tipping Provisions

(1) The tipping provisions generally apply to anyone in a "special relationship" with a reporting issuer.[12] Persons in a special relationship include, but are not limited to:

(a) insiders as defined under securities legislation;

(b) directors, officers and employees;

(c) persons engaging in professional or business activities for or on behalf of the company; and

(d) anyone (a "tippee") who learns of material information from someone that the tippee knows or should know is a person in a special relationship with the company.

(2) The "special relationship" definition is broad. The tipping prohibition is not limited to communications made by senior management, investor relations professionals and others who regularly communicate with analysts, institutional investors and market professionals. The tipping prohibition applies, for example, to unauthorized disclosures by non-management employees.

(3) There is a potentially infinite chain of tippees who are caught by the prohibitions against tipping and insider trading. Because tippees are themselves considered to be in a special relationship with a reporting issuer, material information may be third or fourth hand and still be subject to the prohibitions.

(4) Because the "special relationship" definition is so broad, it is important that companies establish corporate disclosure policies and clearly define who within the company has responsibility for corporate communications.

3.3 Necessary Course of Business

(1) The "tipping" provision allows a company to make a selective disclosure if doing so is in the "necessary course of business". The question of whether a particular disclosure is being made in the necessary course of business is a mixed question of law and fact that must be determined in each case and in light of the policy reasons for the tipping provisions. Tipping is prohibited so that everyone in the market has equal access to, and opportunity to act upon, material information. Insider trading and tipping prohibitions are designed to ensure that anyone who has access to material undisclosed information does not trade or assist others in trading to the disadvantage of investors generally.

(2) Different interpretations are being applied, in practice, to the phrase "necessary course of business".[13] As a result, we believe interpretive guidance in this regard is necessary. The "necessary course of business" exception exists so as not to unduly interfere with a company's ordinary business activities. For example, the "necessary course of business" exception would generally cover communications with:

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12 The tipping prohibition in Québec applies to insiders and persons listed in section 189 of the Québec Securities Act. Québec securities legislation extends the prohibition to communications by persons having privileged information that, to their knowledge, was disclosed by an insider, affiliate, associate or by any other person having acquired privileged information in the course of his relations with the reporting issuer and by persons having acquired privileged information that these persons know to be such.

13 See *Re Royal Trustco Ltd. et al. and Ontario Securities Commission* (1983), 42 O.R. (2d) 147 (Div. Ct.) affirming (1981), 2 O.S.C.B. 322C. In Royal Trustco, it was alleged that two officers had revealed to a major shareholder, other than in the "necessary course of business" certain material facts in relation to the affairs of Royal Trustco that had not been generally disclosed including: (i) that approximately 60% of the shares of Royal Trustco were owned by persons or companies who the officers knew or had reason to believe would not tender pursuant to a bid; and (ii) that Royal Trustco management was considering recommending to the board that the dividends payable on the Royal Trustco shares be increased. The Court held that the information disclosed fell within the category of material facts and that such material facts had been made available to such shareholder not "in the necessary course of business" from Royal Trustco's perspective.

(a) vendors, suppliers, or strategic partners on issues such as research and development, sales and marketing, and supply contracts;

(b) employees, officers, and board members;

(c) lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the company;

(d) parties to negotiations;

(e) labour unions and industry associations;

(f) government agencies and non-governmental regulators; and

(g) credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available).

(3) Securities legislation prohibits any person or company that is proposing to make a take-over bid, become a party to a reorganization, amalgamation, merger, arrangement or similar business combination or acquire a substantial portion of a company's property from informing anyone of material information that has not been generally disclosed. An exception to this prohibition is provided where the material information is given in the "necessary course of business" to effect the take-over bid, business combination or acquisition.

(4) Disclosures by a company in connection with a private placement may be in the "necessary course of business" for companies to raise financing. The ability to raise financing is important. We recognize that select communications between the parties to a private placement of material information may be necessary to effect the private placement.[14] Communications to controlling shareholders may also, in certain circumstances, be considered in the "necessary course of business."[15] Nevertheless, we believe that in these situations, material information that is provided to private placees and controlling shareholders should be generally disclosed at the earliest opportunity.

(5) The "necessary course of business" exception would not generally permit a company to make a selective disclosure of material corporate information to an analyst, institutional investor or other market professional.[16]

(6) There may be situations where an analyst will be "brought over the wall" to act as an advisor in a specific transaction involving a reporting issuer they would normally issue research about. In these situations, the analyst becomes a "person in a special relationship" with the reporting issuer and is subject to the prohibitions against tipping and insider trading. This means that the analyst is prohibited from further informing anyone of material undisclosed information they learn in this advisory capacity, including issuing any research recommendations or reports.[17]

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14 Securities legislation provides an exemption from the insider trading and selective disclosure prohibition where the person or company who trades with material undisclosed information or tips it proves that they reasonably believed that the other party to the trade or the tippee had knowledge of the information. Under the Québec Securities Act, the person or company must be justified in believing that the information is known to the other party.

15 For example, a company may need to share sensitive strategic information with a controlling shareholder when preparing consolidated financial statements.

16 See *In the Matter of Gary George* (1999), 22 OSCB 717, where the Ontario Securities Commission addressed in obiter the issue of a selective disclosure made by an issuer's chief executive officer to an analyst and the subsequent disclosure by the analyst to other members of his firm. We agree with the principles expressed by the Ontario Securities Commission:

> It would appear that some corporate officers see the maintenance of good relations with analysts as being more important than ensuring equality of material information among shareholders. The fact that it was thought that [the analyst] was about to come out with a report as to [the issuer] which would overvalue its shares would in no way justify [the President] giving the information to [the analyst] rather than publicly disseminating it. If the information was material enough to cause [the analyst] to change his projections, it should have been publicly disseminated. In general, we view one-on-one discussions between an officer of a reporting issuer and an analyst as being fraught with difficulties.

Also see *In the Matter of Air Canada*, where employees of the company disclosed information about third quarter earnings per share results and a revised forecast for the next quarter to 13 analysts who covered the company but not to the marketplace generally. In the Excerpt from the Settlement Hearing Containing the Oral Reasons for Decision, the Ontario Securities Commission said:

> Communication by a corporation with analysts is not covered under some exception; so what is disclosed to analysts, if it is material and will significantly affect the market price, or reasonably may be expected to significantly affect the market price of the shares of the issuer, should not be selectively disclosed.

17 Parties to a transaction in which an analyst is "brought over the wall" should be mindful that bringing an analyst over the wall can be a risky practice and may in itself be a signal to others of a significant development involving a reporting issuer.

(7) We draw a distinction between disclosures to credit rating agencies, which would generally be regarded as being in the "necessary course of business," and disclosures to analysts, which would not be. This distinction is based on differences in the nature of the business they are engaged in and in how they use the information. The credit ratings generated by rating agencies are either confidential (disclosed only to the company seeking the rating) or directed at a wide public audience. Generally, the objective of the rating process is a widely available publication of the rating.[18] The reports generated by analysts are targeted, first and foremost, to an analyst's firm's clients. Also, rating agencies are not in the business of trading in the securities they rate. Sell-side analysts are typically employed by investment dealers that are in the business of buying and selling, underwriting, and advising with respect to securities. Further, securities legislation requires specified ratings from approved rating agencies in certain circumstances.[19] Consequently, ratings form part of the statutory framework of provincial securities legislation in a way that analysts' reports do not.

(8) When companies communicate with the media, they should be mindful not to selectively disclose material information that has not been generally disclosed. The "necessary course of business" exception would not generally permit a company to make a selective disclosure of material undisclosed information to the media. However, we are not suggesting that companies should stop speaking to the media. We recognize that the media can play an important role in informing and educating the marketplace.

3.4 Necessary Course of Business Disclosures and Confidentiality

(1) If a company discloses material information under the "necessary course of business" exception, it should make sure those receiving the information understand that they cannot pass the information onto anyone else (other than in the necessary course of business), or trade on the information, until it has been generally disclosed.

(2) We understand that companies sometimes disclose material information pursuant to a confidentiality agreement with the recipient, so that the recipient is prevented from further informing anyone of the material information. Obtaining a confidentiality agreement in these circumstances can be a good practice and may help to safeguard the confidentiality of the information. However, there is no exception to the prohibition against "tipping" for disclosures made pursuant to a confidentiality agreement. The only exception is for disclosures made in the "necessary course of business." Consequently, there must still be a determination, prior to disclosure supported by a confidentiality agreement, that such disclosure is in the "necessary course of business."

3.5 Generally Disclosed

(1) The tipping prohibition does not require a company to release all material information to the marketplace.[20] Instead, it prohibits a company from disclosing nonpublic material information to anyone (other than in the "necessary course of business") before the company generally discloses the information to the marketplace.

(2) Securities legislation does not define the term "generally disclosed". Insider trading court decisions state that information has been generally disclosed if:

(a) the information has been disseminated in a manner calculated to effectively reach the marketplace; and

(b) public investors have been given a reasonable amount of time to analyze the information.[21]

(3) Except for "material changes," which must be disclosed by news release, securities legislation does not generally require a particular method of disclosure to satisfy the "generally disclosed" requirement. In determining whether material information has been generally disclosed, we will consider all of the relevant facts and circumstances, including the company's traditional practices for publicly disclosing information and how broadly investors and the

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18 This is consistent with the reasoning of the SEC in excluding ratings organizations from Regulation FD. As the SEC indicated in paragraph II.B.1.a., of the implementing release, "[r]atings organizations...have a mission of public disclosure; the objective and result of the ratings process is a widely available publication of the rating when it is completed."

19 For example, under National Instrument 44-101 - Short Form Prospectus Distributions, alternative eligibility requirements allow companies without the requisite public float to issue "approved rating" non-convertible debt, preferred shares or cash-settled derivatives under a short form prospectus.

20 See, however, section 2.1 regarding an issuer's timely disclosure obligations.

21 *Green v. Charterhouse Group Can. Ltd.* (1976), 12 O.R. (2d) 280. *In the Matter of Harold P. Connor et al.* (1976) Volume II OSCB 149. Existing case law does not establish a firm rule as to what would be a reasonable amount of time for investors to be given to analyze information. The time period will depend on a number of factors including the circumstances in which the event arises, the nature and complexity of the information, the nature of the market for the company's securities, and the manner used to release the information. We recognize that the case law is dated in this respect and that, if the courts were to revisit these decisions today, they may not find the time parameters set out in the decisions appropriate for modern technology.

investment community follow the company. We recognize that the effectiveness of disclosure methods varies between companies. Whatever disclosure method is used to release information, we encourage consistency in a company's disclosure practices.[22]

(4) Companies may satisfy the "generally disclosed" requirement by using one or a combination of the following disclosure methods:

(a) News releases distributed through a widely circulated news or wire service.[23]

(b) Announcements made through press conferences or conference calls that interested members of the public may attend or listen to either in person, by telephone, or by other electronic transmission (including the Internet). A company needs to provide the public with appropriate notice of the conference or call by news release.[24] The notice should include the date and time of the conference or call, a general description of what is to be discussed, and the means of accessing the conference or call.[25] The notice should also indicate for how long the company will make a transcript or replay of the call available over its Web site.

(5) We recognize that many companies prefer news release disclosure as the safest means of satisfying the "generally disclosed" requirement. In section 6.6 of the Policy, we recommend as a "best practice" a disclosure model centred around news release disclosure of material information, followed by an open and accessible conference call to discuss the information contained in the news release. However, we believe that alternative methods may also be appropriate. We believe it is important to preserve for companies the flexibility to develop a disclosure model that suits their circumstances and disseminates material information in the manner best calculated to effectively reach the marketplace.

(6) Posting information to a company's Web site will not, by itself, be likely to satisfy the "generally disclosed" requirement. Investors' access to the Internet is not yet sufficiently widespread such that a Web site posting alone would be a means of dissemination "calculated to effectively reach the marketplace." Further, effective dissemination involves the "pushing out" of information into the marketplace. Notwithstanding the ability of some issuers' Web sites to alert interested parties to new postings, Web sites by and large do not push information out into the marketplace. Instead, investors would be required to seek out this information from a company's Web site. Active and effective dissemination of information is central to satisfying the "generally disclosed" requirement.

(7) We support the use of technology in the disclosure process and believe that companies' Web sites can be an important and useful tool in improving communications to the marketplace. As technology evolves and as more investors gain access to the Internet, it may be that postings to certain companies' Web sites alone could satisfy the "generally disclosed" requirement. At such time, we will revisit this policy statement and reconsider the guidance provided on this issue. In the meantime, we strongly encourage companies to utilize their Web sites to improve investor access to corporate information.[26]

3.6 Unintentional Disclosure

Securities legislation does not provide a safe harbour which allows companies to correct an unintentional selective disclosure of material information. If a company makes an unintentional selective disclosure it should take immediate steps to ensure that a full public announcement is made. This includes contacting the relevant stock exchange and requesting that trading be halted pending the issuance of a news release. Pending the public release of the material information, the company should also tell those parties who have knowledge of the information that the information is material and that it has not been generally disclosed.

3.7 Administrative Proceedings

(1) We may consider any number of mitigating factors in a selective disclosure enforcement proceeding including:

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22 A sudden change from the usual method of generally disclosing material information may attract regulatory attention in certain circumstances; for example, a last minute webcast of poor quarterly results without advance notice when positive quarterly results are generally released in advance of a subsequently scheduled discussion of the results.

23 We encourage companies to file their news releases on SEDAR. Filing a news release on SEDAR alone will not constitute "general disclosure".

24 This is based on guidance provided by the U.S. Securities and Exchange Commission (the "SEC") in the adopting release to Regulation FD.

25 This might include a Web site link to any software that is necessary to access the webcast.

26 See also The Toronto Stock Exchange's Electronic Communications Disclosure Guidelines.

(a) whether and to what extent a company has implemented, maintained and followed reasonable policies and procedures to prevent contraventions of the tipping provisions;

(b) whether any selective disclosure was unintentional; and

(c) what steps were taken to disseminate information that had been unintentionally disclosed (including how quickly the information was disclosed).

If a company's disclosure record shows a pattern of "unintentional selective disclosures", it will be harder to show that a particular selective disclosure was truly unintentional.

(2) Nothing in this policy statement limits our discretion to request information relating to a possible selective disclosure violation or to take enforcement proceedings within our jurisdiction where there has been a breach of the tipping provisions.

Part IV - Materiality

4.1 Materiality Standard

(1) The definitions of "material fact" and "material change" under securities legislation are based on a market impact test. The definition of "privileged information" contained in the "tipping" provision of the securities legislation of Québec is based on a reasonable investor test. Despite these differences, the two materiality standards are likely to converge, for practical purposes, in most cases.

(2) The definition of a "material fact" includes a two part materiality test. A fact is material when it (i) significantly affects the market price or value of a security; or (ii) would reasonably be expected to have a significant effect on the market price or value of a security.[27]

4.2 Materiality Determinations

(1) In making materiality judgements, it is necessary to take into account a number of factors that cannot be captured in a simple bright-line standard or test. These include the nature of the information itself, the volatility of the company's securities and prevailing market conditions. The materiality of a particular event or piece of information may vary between companies according to their size, the nature of their operations and many other factors. An event that is "significant" or "major" for a smaller company may not be material to a larger company. Companies should avoid taking an overly technical approach to determining materiality.[28] Under volatile market conditions, apparently insignificant variances between earnings projections and actual results can have a significant impact on share price once released. For example, information regarding a company's ability to meet consensus earnings[29] published by securities analysts should not be selectively disclosed before general public release.

(2) We encourage companies to monitor the market's reaction to information that is publicly disclosed. Ongoing monitoring and assessment of market reaction to different disclosure will be helpful when making materiality judgements in the future. As a guiding principle, if there is any doubt about whether particular information is material, we encourage companies to err on the side of materiality and release information publicly.[30]

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27 Section 13 of the Québec Securities Act provides that a prospectus must disclose all material facts likely to affect the value of the market price of the securities to be distributed.

28 See also *Re Royal Trustco Ltd. et al. and Ontario Securities Commission* (1983), 42 O.R. (2d) 147 (Div. Ct.), affirming (1981), 2 OSCB 322C, where the Ontario Securities Commission issued a denial of exemption order against two senior officers of Royal Trustco who disclosed to officers of a Canadian chartered bank that certain shareholders of Royal Trustco did not intend to tender their Royal Trustco shares to a hostile take-over bid by Campeau Corporation. The Ontario Securities Commission held that the disclosure constituted illegal "tipping". On appeal the Divisional Court stated that the term "fact" should not be read "super-critically" and that "information" that shareholders of Royal Trustco did not intend to tender to a hostile take-over bid by Campeau Corporation "was sufficiently factual or a sufficient alteration of circumstances to be a material "change" to fall within the [tipping provision]."

29 The range of earnings estimates issued by analysts following a company.

30 See also Canadian Investor Relations Institute, *"Model Disclosure Policy"*, (February 2001) where CIRI noted in its explanatory notes that "Determining the materiality of information is clearly an area where judgement and experience are of great value. If it is a borderline decision, the information should probably be considered material and released using a broad means of dissemination. Similarly, if several company officials have to deliberate extensively over whether information is material, they should err on the side of materiality and release it publicly".

4.3 Examples of Potentially Material Information

The following are examples of the types of events or information which may be material. This list is not exhaustive and is not a substitute for companies exercising their own judgement in making materiality determinations.

Changes in Corporate Structure

- changes in share ownership that may affect control of the company
- major reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

Changes in Capital Structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in a company's dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

Changes in Financial Results

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the company's assets
- any material change in the company's accounting policy

Changes in Business and Operations

- any development that affects the company's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- significant discoveries by resource companies
- changes to the board of directors or executive management, including the departure of the company's CEO, CFO, COO or president (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the company's securities or their movement from one quotation system or exchange to another

Acquisitions and Dispositions

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in Credit Arrangements

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements

4.4 External Political, Economic and Social Developments

Companies are not generally required to interpret the impact of external political, economic and social developments on their affairs. However, if an external development will have or has had a direct effect on the business and affairs of a company that is both material and uncharacteristic of the effect generally experienced by other companies engaged in the same business or industry, the company is urged to explain, where practical, the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, such companies should make an announcement.

4.5 Exchange Policies

(1) The Toronto Stock Exchange Inc. (the "TSX") and the TSX Venture Exchange Inc. ("TSX Venture") each have adopted timely disclosure policy statements which include many examples of the types of events or information which may be material. Companies should also refer to the guidance provided in these policies when trying to assess the materiality of a particular fact, change or piece of information.

(2) The TSX and TSX Venture policies require the timely disclosure of "material information". Material information includes both material facts and material changes relating to the business and affairs of a company. The timely disclosure obligations in the exchanges' policies exceed those found in securities legislation. It is not uncommon, or inappropriate, for exchanges to impose requirements on their listed companies which go beyond those imposed by securities legislation.[31] We expect listed companies to comply with the requirements of the exchange they are listed on. Companies who do not comply with an exchange's requirements could find themselves subject to an administrative proceeding before a provincial securities regulator.[32]

Part V - Risks Associated with Certain Disclosures

5.1 Private Briefings with Analysts, Institutional Investors and other Market Professionals

(1) The role that analysts play in seeking out information, analyzing and interpreting it and making recommendations can contribute to a more efficient marketplace. Companies should be sensitive though to the risks involved in private meetings with analysts. We are not suggesting that companies should stop having private briefings with analysts or that these private meetings are somehow illegal. Companies should have a firm policy of providing only non-material information and publicly disclosed information to analysts.

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31 For example, securities legislation provides that a recognized stock exchange may impose additional requirements within its jurisdiction.

32 See *In the Matter of Air Canada*, *supra*, note 16. In this case, the parties to the settlement agreed that by disclosing earnings information to 13 analysts and not generally disclosing the information, the company failed to comply with the provisions of the TSX Company Manual and thereby acted contrary to the public interest. In the Excerpt from the Settlement Hearing Containing the Oral Reasons for Decision, the Ontario Securities Commission said, "[w]e feel that it will help foster confidence in the financial markets to know that the law requires, and that good corporations will comply with the requirement for, full disclosure of all material information on a timely basis as required by ... the Toronto Stock Exchange's listing agreement and listing requirements."

(2) Companies should not disclose significant data, and in particular financial information such as sales and profit figures, to analysts, institutional investors and other market professionals selectively rather than to the market as a whole. Earnings forecasts are in the same category. Even within these constraints there is plenty of scope to hold a useful dialogue with analysts and other interested parties about a company's prospects, business environment, management philosophy and long term strategy.

(3) Another way to avoid selective disclosure is to include, in the company's regular periodic disclosures, details about topics of interest to analysts. For example, companies should expand the scope of their interim management's discussion and analysis disclosure ("MD&A"). More comprehensive MD&A can have practical benefits including: greater analyst following; more accurate forecasts with fewer revisions; a narrower range between analysts' forecasts; and increased investor interest.

(4) A company cannot make material information immaterial simply by breaking the information into seemingly non-material pieces. At the same time, a company is not prohibited from disclosing non-material information to analysts, even if these pieces help the analyst complete a "mosaic" of information that, taken together, is material undisclosed information about the company.[33]

5.2 Analyst Reports

(1) It is not unusual for analysts to ask corporate officers to review earnings estimates that they are preparing. A company takes on a high degree of risk of violating securities legislation if it selectively confirms that an analyst's estimate is "on target" or that an analyst's estimate is "too high" or "too low", whether directly or indirectly through implied "guidance".[34]

(2) Even when confirming information previously made public, a company needs to consider whether the selective confirmation itself communicates information above and beyond the initial forecast and whether the additional information is material. This will depend in large part on how much time has passed between the original statement and the company's confirmation, as well as the timing of the two statements relative to the end of the company's fiscal period. For example, a selective confirmation of expected earnings near the end of a quarter is likely to represent guidance (as it may well be based on how the company actually performed). Materiality of a confirmation may also depend on intervening events.[35]

(3) One way companies can try to ensure that analysts' estimates are in line with their own expectations is through the regular and timely public dissemination of qualitative and quantitative information. The better the marketplace is informed, the less likely it is that analysts' estimates will deviate significantly from a company's own expectations.

(4) A company that redistributes an analyst's report to people outside the company risks being seen as endorsing that report. Companies should avoid redistributing analysts' reports to their employees or to people outside the company.[36] If a company elects to post to its Web site or otherwise publish the names of analysts who cover the company and/or their recommendations, the names and/or recommendations of all analysts who cover the company should be similarly posted or published.

5.3 Confidentiality Agreements with Analysts

While we recognize that relying on a confidentiality agreement to safeguard the continued confidentiality of material information can be a prudent practice, there is no exception to the tipping prohibition for disclosures made to an analyst under a confidentiality agreement.[37] If a company discloses material undisclosed information to an analyst, it has violated the prohibition, with or without a confidentiality agreement (unless the disclosure is made in the necessary course of business). Analysts who get an advance private briefing have an advantage. They have more time to prepare and can therefore brief their firm members and clients sooner than those who did not have access to the information.

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33 See also SEC's adopting release to Regulation FD.

34 This position follows the position adopted by the SEC in the adopting release to Regulation FD and the position taken by the Australian Securities & Investments Commission in its guidance note "Better Disclosure for Investors" (http://www.asic.gov.au).

35 The guidance with respect to the materiality of confirming information previously made public is based on SEC Staff interpretive guidance on Regulation FD.

36 Companies should also avoid redistributing third party newsletters or tip sheets that contain earnings-related information.

37 By comparison, Regulation FD allows an issuer to make a disclosure of material nonpublic information to an analyst if the analyst enters into a confidentiality agreement with the issuer.

5.4 Analysts as "Tippees"

(1) Analysts, institutional investors, investment dealers and other market professionals who receive material undisclosed information from a company are "tippees". It is against the law for a tippee to trade or further inform anyone about such information, other than in the necessary course of business.

(2) We recommend that analysts, institutional investors and other market professionals adopt internal review procedures to help them identify situations where they may have received nonpublic material information and set up guidelines for dealing with such situations.

5.5 Earnings Guidance

(1) Some companies have begun to voluntarily disclose in news releases and on their Web sites their own "financial outlooks". These financial outlooks typically contain certain forecast information such as expected revenues, net income, earnings per share and R&D spending.[38] Companies should ensure that they have a reasonable basis for making such statements and include with their forward-looking statements appropriate statements of risks and cautionary language.

(2) Forward-looking statements may be misleading when they are unreasonably optimistic or aggressive, lack objectivity or are not adequately explained. The risk that such statements may be misleading is often particularly high for companies that have a limited operating history or limited sources of corroboration for the assumptions used.

(3) We strongly recommend that any voluntary forward-looking statement (whether written or oral) also contain:

(a) a statement that the information is forward-looking;

(b) the factors that could cause actual results to differ materially from the forward-looking statement; and

(c) a description of the factors or assumptions that were used in making the forward-looking statement.[39]

Full and clear disclosure of these matters greatly reduces the risk that reasonably-based forward-looking statements will be misleading. Disclosure might include a range of reasonably possible outcomes, a sensitivity analysis, or other qualitative information that helps to explain the related risks.

(4) This disclosure should go beyond mere boilerplate. A company's warnings should be substantive and tailored to the specific future estimates or opinions that are being forecast. For example, predictions about earnings growth might be qualified by a discussion of the effect of a loss of a key customer. Companies should also identify and quantify the risks. For example, if a company's projected earnings growth is based on a new product introduction which requires governmental approval, the company should explain some of the obstacles to getting such approval and the consequences of not getting the approval. A statement that such approval is beyond the company's control would not be enough.

5.6 Application of National Policy Statement 48[40]

We do not intend for National Policy Statement 48 - Future Oriented Financial Information ("NP 48") to discourage the voluntary disclosure of forward-looking information of the kind described above. In particular, when a company includes forward-looking information in a news release, it does not need an auditor's report. However, we believe that NP 48 contains guidance relating to comparison with actual results, and updating, that may assist companies in improving the quality and clarity of voluntary forward-looking information. NP 48, along with related parts of the CICA Handbook, also has useful information about

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38 This type of voluntary disclosure should be distinguished from MD&A which is required disclosure under securities legislation. Both MD&A and voluntary forward-looking information may involve some prediction or projection. The difference between the two is the nature of the prediction required. MD&A requires a discussion of currently known trends, events, commitments and uncertainties that are reasonably expected to have a material impact on your business, financial condition or results of operation in the future, such as: a reduction in your product prices; erosion in your market share; or the likely non-renewal of a material contract. MD&A does not require that your company provide a detailed forecast of future revenues, income or loss, or other information. Voluntary or optional forward-looking disclosure instead involves making an estimation of future revenues, income or loss, or other information.

39 The recommended disclosures are based on the proposed "safe harbour" provision contained in the CSA's draft legislative proposal to introduce statutory civil liability for investors in the secondary market (see CSA Notice 53-302 - Proposal for a Statutory Civil Remedy for Investors in the Secondary Market and Response to the Proposed Change to the Definitions of "Material Fact" and "Material Change").

40 NP 48 is under consideration and is being reformulated. See proposed rule 52-101 Future Oriented Financial Information (July 18, 1997).

cautionary language, descriptions of assumptions and other matters.

5.7 Selective Disclosure Violations Can Occur in a Variety of Settings

Selective disclosure most often occurs in one-on-one discussions (like analyst meetings) and in industry conferences and other types of private meetings and break-out sessions. But it can occur elsewhere. For example, a company should not disclose material nonpublic information at its annual shareholders meeting unless all interested members of the public may attend the meeting and the company has given adequate public notice of the meeting (including a description of what will be discussed at the meeting). Alternatively, a company can issue a news release at or before the time of the meeting.

Part VI - Best Disclosure Practices

6.1 General

(1) There are some practical measures that companies can adopt to help ensure good disclosure practices. The consistent application of "best practices" in the disclosure of material information will enhance a company's credibility with analysts and investors, contribute to the fairness and efficiency of the capital markets and investor confidence in those markets, and minimize the risk of non-compliance with securities legislation.

(2) The measures recommended in this policy statement are not intended to be prescriptive. We recognize that many large listed companies have specialist investor relations staff and devote considerable resources to disclosure, while in smaller companies this is often just one of the many roles of senior officers. We encourage companies to adopt the measures suggested in this policy statement, but they should be implemented flexibly and sensibly to fit the situation of each individual company.

6.2 Establishing a Corporate Disclosure Policy

(1) Establish a written corporate disclosure policy. A disclosure policy gives you a process for disclosure and promotes an understanding of legal requirements among your directors, officers and employees. The process of creating it is itself a benefit, because it forces a critical examination of your current disclosure practices.

(2) You should design a policy that is practical to implement. Your policy should be reviewed and approved by your board of directors and widely distributed to your officers and employees. Directors, officers and those employees who are, or may be, involved in making disclosure decisions should also be trained so that they understand and can apply the disclosure policy. Your policy should be periodically reviewed and updated, as necessary, and responsibility for these functions (i.e., review and update of the policy and education of appropriate employees and company officials) should be clearly assigned within your company.

(3) The focus of your disclosure policy should be on promoting consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market. Every disclosure policy should generally include the following:

(a) how to decide what information is material;

(b) policy on reviewing analyst reports;

(c) how to release earnings announcements and conduct related analyst calls and meetings;

(d) how to conduct meetings with investors and the media;

(e) what to say or not to say at industry conferences;

(f) how to use electronic media and the corporate Web site;

(g) policy on the use of forecasts and other forward-looking information (including a policy regarding issuing updates);

(h) procedures for reviewing briefings and discussions with analysts, institutional investors and other market professionals;

(i) how to deal with unintentional selective disclosures;

(j) how to respond to market rumours;

(k) policy on trading restrictions; and

(l) policy on “quiet periods".

6.3 Overseeing and Coordinating Disclosure

Establish a committee of company personnel or assign a senior officer to be responsible for:

(a) developing and implementing your disclosure policy;

(b) monitoring the effectiveness of and compliance with your disclosure policy;

(c) educating your directors, officers and certain employees about disclosure issues and your disclosure policy;

(d) reviewing and authorizing disclosure (including electronic, written and oral disclosure) in advance of its public release; and

(e) monitoring your Web site.

6.4 Board and Audit Committee Review of Certain Disclosure

(1) Have your board of directors or audit committee review the following disclosures in advance of their public release by the company:

- earnings guidance; and
- news releases containing financial information based on a company’s financial statements prior to the release of such statements.[41]

You should also indicate at the time such information is publicly released whether your board or audit committee has reviewed the disclosure. Having your board or audit committee review such disclosure in advance of its public release acts as a good discipline on management and helps to increase the quality, credibility and objectivity of such disclosures. This review process also helps to force a critical examination of all issues related to the disclosure and reduces the risk of having to make subsequent adjustments or amendments to the information it contains.

(2) Where feasible, issue your earnings news release[42] concurrently with the filing of your quarterly or annual financial statements. This will help to ensure that a complete financial picture is available to analysts and investors at the time the earnings release is provided. Coordinating the release of a company's earnings information with the filing of its quarterly or annual financial statements will also facilitate review of these disclosures by the board or audit committee of the company.[43]

6.5 Authorizing Company Spokespersons

Limit the number of people who are authorized to speak on behalf of your company to analysts, the media and investors. Ideally, your spokesperson should be a member(s) of senior management. Spokespersons should be knowledgeable about your disclosure record and aware of analysts’ reports relating to your company. Everyone in your company should know who the company spokespersons are and refer all inquiries from analysts, investors and the media to them. Having a limited number of company spokespersons helps to reduce the risk of:

(a) unauthorized disclosures;

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41 Some provinces require that annual financial statements be reviewed by a company’s audit committee (if the company has an audit committee) before board approval. A board of directors must also review interim financial statements before they are filed and distributed. In the case of interim financial statements, boards are permitted to delegate this review function to the audit committee (see for example, OSC Rule 52-501 Financial Statements). Where such a requirement exists at law, we believe that extracting information from financial statements that have not been reviewed by the board or audit committee and releasing that information to the marketplace in a news release is inconsistent with the prior review requirement.

42 Companies often issue news releases announcing corporate earnings which highlight major items and may include *pro forma* results.

43 Certain jurisdictions impose a requirement to concurrently deliver to shareholders financial statements that are filed. This may militate against the early filing of annual financial statements to avoid the cost of mailing them twice, once at the time of early filing and subsequently as part of the company's annual report. The CSA is considering eliminating this concurrent delivery obligation in the context of harmonizing continuous disclosure requirements across the country.

(b) inconsistent statements by different people in the company; and

(c) statements that are inconsistent with the public disclosure record of the company.[44]

6.6 Recommended Disclosure Model

(1) You should consider using the following disclosure model when making a planned disclosure of material corporate information, such as a scheduled earnings release:

(a) issue a news release containing the information (for example, your quarterly financial results) through a widely circulated news or wire service;

(b) provide advance public notice by news release of the date and time of a conference call to discuss the information, the subject matter of the call and the means for accessing it;

(c) hold the conference call in an open manner, permitting investors and others to listen either by telephone or through Internet webcasting; and

(d) provide dial-in and/or web replay or make transcripts of the call available for a reasonable period of time after the analyst conference call.[45]

(2) The combination of news release disclosure of the material information and an open and accessible conference call to subsequently discuss the information should help to ensure that the information is disseminated in a manner calculated to effectively reach the marketplace and minimize the risk of an inadvertent selective disclosure during the follow-up call.

6.7 Analyst Conference Calls and Industry Conferences

(1) Hold analyst conference calls and industry conferences in an open manner, allowing any interested party to listen either by telephone and/or through a webcast. This helps to reduce the risk of selective disclosure.

(2) Company officials should meet before an analyst conference call, private analyst meeting or industry conference. Where practical, statements and responses to anticipated questions should be scripted in advance and reviewed by the appropriate people within your company. Scripting will help to identify any material corporate information that may need to be publicly disclosed through a news release.

(3) Keep detailed records and/or transcripts of any conference call, meeting or industry conference. These should be reviewed to determine whether any unintentional selective disclosure has occurred. If so, you should take immediate steps to ensure that a full public announcement is made, including contacting the relevant stock exchange and asking that trading be halted pending the issuance of a news release.

6.8 Analyst Reports

Establish a policy for reviewing analyst reports. As noted in section 5.2 of the Policy, there is a serious risk of violating the tipping prohibition if you express comfort with or provide guidance on an analyst's report, earnings model or earnings estimates. There is also a risk of selectively disclosing material non-financial information in the course of reviewing an analyst's report. If your policy allows for the review of analyst reports, your review should be limited to identifying publicly disclosed factual information that may affect an analyst's model or to pointing out inaccuracies or omissions with reference to publicly available information about your company.

6.9 Updating Forward-Looking Information

When making voluntary forward-looking statements, clearly indicate what your practice is for updating those statements. We believe that updating forward-looking information in light of subsequent developments is a good practice that can enhance a company's credibility with analysts and investors. Whatever your practice is, you should disclose it at the time you make any forward-looking statement and adhere to it consistently.[46]

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44 In some circumstances a company's designated spokesperson will not be informed of developing mergers and acquisitions until necessary, to avoid leakage of the information.

45 This model disclosure policy was recommended by the SEC in the adopting release to Regulation FD.

46 See *Re Royal Trustco Limited, Kenneth Allan White, and John Merton Scholes* (1981) 2 OSCB 322C, where the Ontario Securities Commission considered whether the directors of a reporting issuer had an obligation to update information previously disclosed in a

6.10 Quiet Periods

Observe a quarterly quiet period, during which no earnings guidance or comments with respect to the current quarter's operations or expected results will be provided to analysts, investors or other market professionals. The quiet period should run between the end of the quarter and the release of a quarterly earnings announcement although, in practice, quiet periods vary by company.[47] Companies need not stop all communications with analysts or investors during the quiet period. However, communications should be limited to responding to inquiries concerning publicly available or non-material information.

6.11 Insider Trading Policies and Blackout Periods

Adopt an insider trading policy that provides for a senior officer to approve and monitor the trading activity of all your insiders, officers, and senior employees. Your insider trading policy should prohibit purchases and sales at any time by insiders and employees who are in possession of material nonpublic information. Your policy should also provide for trading "blackout periods" when trading by insiders, officers and employees may typically not take place (for example a blackout period which surrounds regularly scheduled earnings announcements). However, insiders, officers and employees should have the opportunity to apply to the company's trading officer for approval to trade the company's securities during the blackout period. A company's blackout period may mirror the quiet period described above.

6.12 Electronic Communications

(1) Establish a team responsible for creating and maintaining the company Web site. The Web site should be up to date and accurate. You should date all material information when it is posted or modified. You should also move outdated information to an archive. Archiving allows the public to continue accessing information that may have historical or other value even though it is no longer current. You should establish minimum retention periods for information that is posted to and archived on your Web site. Retention periods may vary depending on the kind of information posted.[48] You should also explain how your Web site is set up and maintained. You should remember that posting material information on your Web site is not acceptable as the sole means of satisfying legal requirements to "generally disclose" information.

(2) Use current technology to improve investor access to your information. You should concurrently post to your Web site, if you have one, all documents that you file on SEDAR. You should also post on the investor relations part of your Web site all supplemental information that you give to analysts, institutional investors and other market professionals. This would include data books, fact sheets, slides of investor presentations and other materials distributed at analyst or industry presentations.[49] When you make a presentation at an industry sponsored conference try to have your presentation and "question and answer" session webcast.

6.13 Chat Rooms, Bulletin Boards and e-mails

Do not participate in, host or link to chat rooms or bulletin boards. Your disclosure policy should prohibit your employees from discussing corporate matters in these forums. This will help to protect your company from the liability that could arise from the well-intentioned, but sporadic, efforts of employees to correct rumours or defend the company. You should consider requiring employees to report to a designated company official any discussion pertaining to your company which they find on the Internet. If your Web site allows viewers to send you e-mail messages, remember the risk of selective disclosure when responding.

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directors' circular in response to a take-over bid. The Ontario Securities Commission stated as follows: "The Commission is of the view that there is in Ontario today a duty to update information previously communicated when that information in the light of subsequent events and absent further explanation, becomes misleading."

Also, some provinces have provisions in their securities legislation that prohibit a person, while engaging in investor relations activities or with the intention of effecting a trade in a security, from making a statement that they know, or ought reasonably to know, is a misrepresentation. This prohibition could impliedly extend to a previously issued statement which the market continues to rely upon but has subsequently become misleading and has not been amended or withdrawn.

47 Some companies adopt a quiet period beginning at the start of the third month of the quarter, and ending upon issuance of the earnings release. Other companies wait until two weeks before the end of the quarter or even the first day of the month following the end of the quarter to start the quiet period.

48 See the TSX's Electronic Communications Disclosure Guidelines.

49 This recommendation is based on the recommendations contained in The Toronto Stock Exchange Committee on Corporate Disclosure's final report issued in March 1997 and in the TSX's Electronic Communications Disclosure Guidelines. See also the guidance note "Better Disclosure for Investors" issued by the Australian Securities & Investments Commission (http://www.asic.gov.au).

6.14 Handling Rumours:

Adopt a “no comment” policy with respect to market rumours and make sure that the policy is applied consistently.[50] Otherwise, an inconsistent response may be interpreted as “tipping”. You may be required by your exchange to make a clarifying statement where trading in your company’s securities appears to be heavily influenced by rumours. If material information has been leaked and appears to be affecting trading activity in your company’s securities, you should take immediate steps to ensure that a full public announcement is made. This includes contacting your exchange and asking that trading be halted pending the issuance of a news release.[51]

[50] A “no comment” policy means that you respond with a statement to the effect that "it is our policy not to comment on market rumours or speculation”.

[51] If the rumour relates to a material change in the company’s affairs that has, in fact, occurred, you have a legal obligation to make timely disclosure of the change.

Chapter 6

Request for Comments

6.1.1 IOSCO Report - Collective Investment Schemes as Shareholders: Responsibilities and Disclosure

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS
IOSCO

TECHNICAL COMMITTEE:
STANDING COMMITTEE 5 INVESTMENT MANAGEMENT

COLLECTIVE INVESTMENT SCHEMES AS SHAREHOLDERS:
RESPONSIBILITIES AND DISCLOSURE

The purpose of this paper: furthering the discussion

1. Collective investment schemes (CIS or mutual funds) are substantial participants in global and national securities market places. Consequently, the role of CIS as institutional investors active in those markets is significant. With increased corporate ownership by CIS, the manner in which CIS deal with the voting and other shareholder rights attached to the securities of those corporations becomes an important issue—for market places, for CIS investors and for CIS regulators.

2. In recent years, CIS industry participants and CIS regulators have considered the implications of CIS participation, as shareholders, in the governance of corporations and the relative importance and value of disclosure to CIS investors of that participation.

3. At the XXIVth Annual Conference of IOSCO held in May 1999, IOSCO members addressed issues relating to CIS and corporate governance. Participants discussed, among other things:[1]

   - The available research on the impact CIS operators have on corporate operations when they vote—or refrain from voting—CIS portfolio securities.
   - The assumption that most CIS investors invest for the long-term and therefore CIS hold portfolio securities on a largely passive basis without influencing the short-term prices of those securities.
   - The potential for increased costs to CIS when CIS operators vote portfolio securities or otherwise seek to influence corporate actions.
   - The alternatives to CIS participation in corporate governance, including CIS selling portfolio securities.

4. In a paper published in May 2000, members of the Technical Committee described how CIS make decisions to exercise shareholder rights in each of their jurisdictions.[2] The infrastructure paper summarizes the responses:[3]

   > CIS rights as shareholders are exercised by the CIS's Board of Directors or the Management Company in the best interests of CIS investors. Although they can, in some cases, be delegated, the delegatee must exercise those rights in the best interests of CIS investors. Generally, there is no requirement to disclose the criteria followed for the exercise of CIS's shareholder rights.

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1 Panel 6 "*Sound Management in Collective Investment Schemes"* at the XXIVth Annual Conference of IOSCO held in Lisbon on May 28, 1999. Greg Tanzer of the Australian Securities and Investments Commission and chair of the Technical Committee's Standing Committee on Investment Management presented the paper *"The Role of Collective Investment Schemes as an Institutional Investor in the Management of Listed & Other Public Companies*".

2 *"Summary of Responses to the Questionnaire on Principles and Best Practice Standards on Infrastructure for Decision Making for CIS Operators"* Report of the Technical Committee of the International Organization of Securities Commissions. May 2000 (the "infrastructure paper").

3 *Id*. at page 3.

5. Given the potential significance of CIS involvement in corporate governance, the Technical Committee would like to elaborate on the summary it provided in the infrastructure paper. The Technical Committee poses three questions in this paper:

   (i) Is a CIS required to exercise voting and other shareholder rights or otherwise become involved in the governance of corporations in its portfolio?

   (ii) Who can make decisions about voting and other shareholder rights attached to CIS portfolio securities and how should these decisions be made?

   (iii) Should a CIS provide information to CIS investors about how its rights as a shareholder will be exercised?

   The Technical Committee canvasses the current industry and regulatory responses to these questions and concludes with its views on appropriate regulatory responses.

   Finally, the Technical Committee asks for industry comment on the answers it suggests and the issues discussed in this paper. **Interested parties are requested to comment by 30 September 2002 in the manner described at the end of this paper.**

Institutional investors' participation in corporate governance

6. The role of pension plans and investment managers as institutional investors in the governance of the corporations whose securities they hold has been well reviewed.

   The United States Department of Labor maintains that a plan sponsor's fiduciary duty in managing plan assets includes a duty to vote proxies in the interests of plan beneficiaries and a positive duty to actually vote on issues that may affect the value of the plan's investments. Pension plans are also urged to develop written voting guidelines. The Department of Labor also advocates that pension plan sponsors undertake activities designed to monitor or influence corporate management where warranted to enhance the value of the plan's investments.[4]

   The March 2001 Myners Report reviewed institutional investment in the United Kingdom.[5] That report recommended that pension funds in the UK adopt the principles of the U.S. Department of Labor into their mandates and that the government work to enshrine these principles into UK law: [6]

   > The review does not believe that the Department of Labor principle means compulsory voting in all cases; nor is it the review's intention that managers should invariably exercise votes on all their shares, however unthinkingly. But voting is one of the central means by which shareholders can influence the companies in which they have holdings, and the review believes that a culture in which *informed* voting was more universal is very much to be desired.

   The authors recognize that "effective intervention, when appropriate, is in the best financial interests of beneficiaries" and recommend that "[fund] managers should routinely consider the possibility of intervening in investee companies as one of the means of adding value for their clients".[7]

   Investment managers managing assets for institutional investors generally acknowledge the increased significance of the role of investment managers in corporate governance. In a recent topical study on corporate governance, the Association for Investment Management and Research (AIMR) asserts: [8]

   > Actively exercising [voting] rights through corporate governance may be an effective way of enhancing portfolio value. Not exercising these rights ignores a valuable ownership right that could be managed for the benefit of the portfolio and, in certain accounts, may constitute a dereliction of legal and fiduciary responsibilities to clients.

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4 Department of Labor Pensions and Welfare Benefits Administration. Interpretative Bulletin 94-2, July 29, 1994.

5 HM Treasury *"Institutional Investment in the United Kingdom: A Review"* Paul Myners, 6 March 2001.

6 *Id.* at page 93.

7 *Id.* at pages 92 and 93.

8 *"Standards of Practice Handbook - the Code of Ethics and The Standards of Professional Conduct with commentary and interpretation"* 8th edition. Association for Investment Management and Research. See Topical Study: Corporate Governance at page 161.

AIMR identifies issues that may arise for investment managers in proxy voting and outlines approaches to deal with the issues. Guidance is also given on recommended contents of a written proxy policy.

7. Many pension plans have published written proxy voting guidelines, including the California Public Employees' Retirement System (CalPERS), the largest public retirement system in the United States.[9] In Canada, the Ontario Municipal Employees Retirement System (OMERS), which is one of the largest pension plans in Canada, has also released its proxy voting guidelines.[10]

8. Pension plans generally seek to influence the governance of investee companies where such activity will add value to plan assets. It is accepted within the pension industry that good governance is linked to the long-term investment returns necessary for plan beneficiaries. Pension plan sponsors believe the voting rights attached to securities held by the plan are valuable assets belonging to the plan and, therefore, must be exercised in the best interests of plan beneficiaries. As fiduciaries, plan sponsors must exercise their ownership rights in order to optimize the long-term value of their investments. CalPERS takes this approach one step further when it states: [11]

> CalPERS is not simply a passive holder of stock. We are a "shareowner", and take seriously the responsibility that comes with company ownership.... The twin duties of loyalty and care prohibit CalPERS fiduciaries from placing non-financial considerations over risk/return considerations in the evaluation of investment decisions, including proxy voting. However, actions taken by CalPERS as a shareholder can be instrumental in encouraging action as a responsible corporate citizen by the companies in which the Fund invests. Moreover, through its Economically Targeted Investment (ETI) policy, the Board has recognized that the interests of CalPERS' beneficiaries can be served by considering - in addition to maximizing investment returns to the Fund - collateral benefits to the national, regional and state economies.

CIS and corporate governance

CIS industry guidelines:

9. In recent years, CIS industry associations in a number of countries have recognized the important role of CIS and CIS operators as institutional investors and have prepared guidelines for their members.[12] Appendix A to this paper describes the guidelines prepared by the trade associations in Australia, Sweden, the United Kingdom, Italy, Switzerland and France.

The CIS industry guidelines generally do not dictate whether a CIS or a CIS operator should always exercise voting or other shareholder rights. Rather the guidelines reinforce the need for CIS operators to act exclusively in the best interests of the CIS in deciding how and when to exercise the rights associated with CIS portfolio securities. CIS operators are encouraged to consider whether and how they can or should influence the governance of corporations the CIS invest in for the best interests of the CIS. CIS operators are also encouraged to establish written policies, particularly to deal with situations in which the CIS operators may have conflicts of interest. Disclosure to CIS investors is also a feature of the trade association guidelines, with annual disclosure of voting practices often recommended.

The pension industry's focus on influencing corporate governance as one way to ensure protection of the long-term value of pension plan assets may not be as relevant to the CIS industry where CIS investors are not all long-term investors. However, the CIS industry generally echoes the pension industry's emphasis on the requirement for CIS operators to act only in the best interests of the CIS in making decisions whether, and how, to exercise the rights the CIS has as a shareholder of the corporations in its portfolio. The CIS industry also emphasizes disclosure in

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9 "*Global Proxy Voting Principles*" California Public Employees' Retirement System dated March 19, 2001 available at the CalPERS Internet website www.calpers-governance.org.

10 *"OMERS Proxy Voting Guidelines*" Ontario Municipal Employees Retirement System available at the OMERS Internet website www.omers.com.

11 *Supra* note 9.

12 The Investment and Financial Services Association Ltd. (Australia) "*Corporate Governance - A Guide for Investment Managers and Corporations"* July 1999 and "*Shareholder Activism Among Fund Managers: Policy and Practice"* March 2001. Fondbolagens Forening (The Swedish Mutual Fund Association) issued guidelines on corporate governance on February 13, 2002. See also the Swedish Association's report *"Mutual Funds and Corporate Governance"* May 22, 2001. Association of Unit Trusts and Investment Funds (UK) *"Code of Good Practice: Institutional Investors and Corporate Governance"* January 2001. Assogestioni (the Italian Asset Management Association) *"The Independent Protocol for Asset Management Companies"* January 2001. Swiss Funds Association SFA *"Code of conduct for the Swiss fund industry"* 30 August 2000. Association Française de la Gestion Financière (AFG-ASFFI, the French professional association) "*UCITS Professional Ethics*" as modified on June 24, 1999 and "*Mandated Individualised Portfolio Management Professional Ethics*" April 3, 1997. See also AFG-ASFFI's *"Recommendations on Corporate Governance"* adopted June 9, 1998 and amended in 2001.

recognition of the principle that CIS investors can better understand their investment with information about voting and other practices relating to corporate governance.

Emerging CIS practices:

10. In North America, there are CIS that take their responsibilities vis a vis shareholder rights beyond CIS industry association guidelines. These CIS have stated investment objectives and strategies to follow socially responsible investing principles and establish and publicize their guidelines for exercising shareholder rights.[13] These CIS also disclose to investors how they intend to exercise voting rights and take other corporate action relating to the companies whose securities they hold. Domini Social Investments was the first fund group in the United States to provide this information at their Internet website and the Ethical Funds were the first in Canada to publish their voting and social activism guidelines and their actual voting practices. These fund companies acknowledge their fiduciary obligations to consider every proxy vote and vote only in the best interests of investors, taking into account financial considerations and social objectives of those investors and the funds. These fund companies also advocate for the right of investors to know how their mutual fund influences corporate governance to allow investors to monitor whether this activity is consistent with their own financial and social objectives.

11. At least one other major North American fund company publicizes a summary of its voting practices. The Vanguard Group's Proxy Voting Policies are a short summary designed to provide information to investors, without the detail provided by the socially responsible mutual funds.[14] Vanguard notes its fiduciary obligations and states that in determining how to vote proxies for the corporations whose securities are held by the funds, its primary consideration will be to maximize shareholder value. Vanguard also gives a brief description of its policies regarding election of directors, corporate social and policy issues, issues of corporate structure and shareholder rights and executive and director compensation.

12. Shareholder activist groups in the United States have lobbied for disclosure of mutual funds' voting practices. Recently, three such groups filed rule-making petitions with the U.S. Securities and Exchange Commission (SEC) asking the SEC to require a mutual fund to tell investors more information about the fund's portfolio and how the fund intends to vote those securities. These shareholder groups assert that this information is necessary to ensure investors are better able to make informed investment decisions and purchase mutual funds whose investment philosophy is aligned with their own.

CIS regulators focus on general responsibilities of CIS operators

General CIS regulation:

13. Specific regulatory pronouncements on CIS voting and other governance practices and disclosure to CIS investors are not common, although CIS regulators may review, and sometimes approve, industry developed codes or guidelines.

    Under most regulatory regimes, a CIS operator manages the assets of a CIS, subject to a general duty to manage the assets of the CIS in the best interests of the CIS, honestly and in good faith. At the present time, most CIS regulators do not prescribe any specific requirements for best practices or disclosure to investors concerning voting or other practices relating to governance of CIS portfolio holdings.

14. CIS regulation in many countries requires disclosure of CIS portfolio holdings and imposes limits on the amounts a CIS can invest in any one company. These requirements are designed to ensure transparency and informed decision making by investors, diversification of fund assets and limits on the control that a fund organization can have on any one corporation. Regulatory techniques include:

    - requirements for regular disclosure of individual holdings of CIS (at least annually and semi annually sent with the financial statements of the CIS)
    - prospectus disclosure of the top holdings of a CIS
    - limits on CIS investing more than a stated percentage in a particular company

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[13] See, for example, the following Internet websites www.domini.com (Domini Social Investments LLC), www.ethicalfunds.com (Ethical Funds Inc.), www.paxfund.com (Pax World Funds) and www.calvert.com (Calvert Asset Management Company).

[14] The Vanguard Group *"A Summary of The Vanguard Group's Corporate Proxy Voting Policies"* available at the Internet site of The Vanguard Group www.vanguard.com.

- prohibitions on CIS investing with a view to exercising control or management over a particular company and
- limits on the maximum amount that can be invested by a group of related CIS in any one company.

The last two regulatory restrictions noted above are related to the risk that a fund complex could exercise undue influence in a particular corporation's affairs. However, CIS regulators that prescribe such restrictions generally do not consider that they limit how a CIS operator can vote or otherwise exercise the rights associated with the securities held by the CIS.[15]

CIS regulation governing CIS voting and other practices:

15. Some regulators or legislators have chosen to provide guidance to CIS on voting practices and exercising other shareholder rights.

United States:
The SEC has proposed a rule that would require registered investment advisers (fund managers are registered investment advisers) to disclose their proxy voting practices in a publicly available registration form (the substance of which must be provided to clients).[16] The SEC notes that an adviser's clients should be fully informed about who is responsible for voting and how clients' interests in such voting are protected. The SEC is considering comments on this proposed rule, many of which are from industry commentators concerned about the level of disclosure that an adviser would have to include in the registration form and who suggest that such policies should merely be made available to clients on request or simply that proxies should be voted in accordance with applicable law. The SEC has not made a final decision on this proposal.

In a letter dated February 12, 2002, Mr. Harvey L. Pitt, the Chairman of the SEC confirmed the SEC's long-standing views that an investment adviser (including a fund manager) must exercise its responsibility to vote shares of its clients in a manner consistent with securities legislation and its fiduciary duties to act in the best interests of its clients.[17]

Germany:
German CIS legislation requires investment managers to act exclusively in the best interests of investors and specifically notes the exercise of voting rights in this context. As a rule, an investment company must itself exercise the voting rights attached to shares. The investment company may empower a third person to exercise the voting rights only for an isolated instance. In this case it must give instructions for the exercise of voting rights. According to a recent government bill, mandating a third person to act for an unlimited period of time is allowed if the third person acts independently. The German Banking Supervisor is empowered to enact guidelines in this context.

France:
The French Commission des Opérations de Bourse (COB) regulates CIS involvement in corporate governance. CIS operators must be in a position to freely exercise the rights attached to the shares held by CIS. These rights include the right to attend shareholder meetings, to exercise voting rights, to participate on shareholder rights defence associations and to start legal proceedings. These rights must be exercised in the sole interest of CIS investors and CIS operators are required to account for their exercise of voting rights in the annual reports of the CIS.

Italy:
The general principles of Italian CIS legislation provide that asset management companies must exercise, in the interests of unitholders, the voting rights attached to the CIS portfolio securities. The stated general principle is not supported by specific rules imposing fund managers to attend meetings and exercise their shareholder franchise, or to

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15 A Canadian government committee that reviewed Canadian mutual fund regulation in the late 1960's had this to say about the "no control or management" restriction that was then, as now, imposed on Canadian CIS; "It is desirable for mutual funds to act as responsible shareholders, but it is not desirable for them to take control of public companies... we think that serious harm could result if a mutual fund were to assume control over a public company, with all that implies in terms of disruption of the normal routine of a company, only to sell it as a result of a changed investment policy, perhaps dictated by factors completely unrelated to the company concerned." The Canadian committee agreed that mutual funds were not prohibited by this regulatory restriction to exercise their rights as shareholders in the corporations whose securities they hold. Indeed, the Canadian committee urged Canadian mutual funds "to take more seriously their roles as shareholders. Responsibly exercised, the authority conferred by their shareholdings could enable them to make a significant contribution to corporate management".*"Report of the Canadian Committee on Mutual Funds and Investment Contracts*" A Provincial and Federal Study, Queen's Printer, Ottawa, 1969 at page 438.

16 See "*Proposed Rule: Electronic Filing by Investment Advisers; Proposed Amendments to Form ADV under the Investment Advisers Act of 1940"* Securities and Exchange Commission, Release No. IA-1862 April 5, 2000 [Part 2A Item 16 Proxy Voting Policies] and *"Summary of Comments on Electronic Filing by Investment Advisers; Proposed Amendments to Form ADV under the Investment Advisers Act of 1940"* Securities and Exchange Commission, July 27, 2000.

17 "*Proxy Voting is a Fiduciary Duty, SEC Chief Says in Letter to Group*" Wall Street Journal. March 21, 2002.

disclose to investors voting practices. However the Commissione Nazionale per le Societa e la Borsa (the CONSOB) has welcomed the trade association guidelines developed for members of Assogestioni and has asked to be informed on an annual basis of investment companies voting policies. In order to enforce corporate governance good practice, the CONSOB is considering setting rules for CIS operators that would:

- make binding voting instructions given to appointees of asset management companies
- require CIS operators to give information to unitholders on voting practices and
- allow the exercise of votes by proxy only in exceptional circumstances.

Japan:
Japanese CIS legislation requires CIS operators to exercise voting rights, on behalf of CIS investors, as well as other shareholder rights attached to the shares held by CIS. CIS operators are required to fulfil duties of loyalty and care and accordingly must exercise voting rights in the best interest of CIS investors.

The Japanese CIS regulators have published for comment a draft inspection manual for CIS operators and investment advisors. This inspection manual is expected to be finalized in May 2002 and will set out the minimum standard expected of CIS operators in exercising voting rights on behalf of CIS investors. This standard is intended to ensure CIS operators act in accordance with their duties at law.

CIS participation in corporate governance raises regulatory issues

16. Among other factors, the extent of CIS investment in national and global markets means that it may not necessarily be in the best interests of a CIS for a CIS operator to sell securities held by the CIS when the CIS operator is dissatisfied with the company's performance. CIS trade associations have recognized the importance of CIS operators considering how they can influence the governance of corporations, through the exercise of shareholder rights, in the best interests of the CIS. The Technical Committee acknowledge that CIS operators may take an active stance vis a vis their funds' portfolio holdings, including exercising voting rights, particularly on contentious matters. CIS operators' options are not limited to disposing of non-performing securities.

17. Two principles are important for the Technical Committee:

- shareholder rights attaching to CIS portfolio securities belong to the CIS—these rights should be considered by CIS operators and any exercise of those rights must be carried out in the best interests of the CIS and
- public disclosure of CIS practices relating to corporate governance both encourages proper exercise of rights and allows CIS investors to make informed investment decisions.

18. CIS operators must be aware of their obligations to the CIS and the potential for conflicts of interest when they exercise shareholder rights or otherwise become involved in corporate governance on behalf of a CIS. In a 1999 speech, the late SEC Commissioner Paul R. Carey noted potential pressures on fund managers in making these decisions: [18]

> Fund advisers could have an economic interest to vote the fund's shares to please company management, even if such a vote might not be in the best interests of the fund. This could be because a fund adviser might manage - or hope to manage - the retirement plan of a company whose stock is owned by the fund. If the fund adviser wants the pension business of XYZ Company, or it wants to continue to manage XYZ's pension business, it might think twice before voting against the recommendation of XYZ's management - even if voting against the recommendation could increase the value of the fund's investment. Clearly, this result is contrary to a fund adviser's fiduciary duty to the fund and its shareholders.

Glorianne Stromberg (a former Commissioner of the Ontario Securities Commission) describes her concerns about fund managers participating in corporate governance as follows: [19]

> Individuals who have chosen to pool their investments in a collective investment vehicle have given up one of the fundamental rights that flow from the ownership of securities - namely, the right to vote

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[18] Speech by SEC Commissioner: Remarks to the Investment Company Institute Procedures Conference. Paul R. Carey, Commissioner, U.S. Securities & Exchange Commission. December 9, 1999.

[19] "*Investment Funds in Canada and Consumer Protection - Strategies for the Millennium"* A Review by Glorianne Stromberg prepared for the Office of Consumer Affairs, Industry Canada, October 1998 at page 131.

> such securities. By pooling their investments, individuals have unwittingly conveyed their voting power and by doing so have placed enormous power in the hands of professional money managers, some of whom are not independent of other financial and commercial interests.

The Myners Report emphasizes that "where managers are failing to take an activist stance because of their wider business interests, they would be illegitimately subordinating the interests of their clients to other aims. Management firms have a responsibility to ensure that the reality as well as the appearance of effective Chinese walls is established, protecting their clients' interests in improving the performance of companies they own, from their wider business interests".[20]

How should CIS regulators respond to the regulatory issues?

19. The Technical Committee asks three questions at the beginning of this paper and suggests responses to those questions in this part of the paper.

20. Is a CIS required to exercise voting and other shareholder rights or otherwise become involved in the governance of corporations in its portfolio?

Answer:

CIS operators are subject to general responsibilities and obligations at law governing their actions in managing CIS. The Technical Committee believes that a CIS operator should consider these responsibilities in deciding whether or not it will exercise voting and other shareholder rights attached to CIS portfolio securities. In making these decisions, CIS operators should be aware that the shareholder rights associated with securities held by a CIS, including voting rights, are important rights that belong to the CIS and should be considered and exercised in its best interests alone. A CIS operator may conclude that it will not vote or take other action as a shareholder, if it believes this decision is in the best interests of the CIS investors.

21. Who can make decisions about voting and other shareholder rights attached to CIS portfolio securities and how should these decisions be made?

Answer:

The Technical Committee's infrastructure paper notes that a CIS board of directors or operator generally makes these decisions.[21] Where a CIS operator is performing this function, it is subject to standards of care and obligations at law that govern its actions in participating in corporate governance on behalf of a CIS. Any actions taken must be taken in the best interests of the CIS and not in the self-interest of the CIS operator. Similarly these obligations would extend to the entity to whom the CIS operator has delegated the function of voting securities or taking other corporate actions for the CIS.

CIS regulators may consider giving guidance to CIS operators on how to deal with conflicts of interest that may arise in exercising shareholder rights. For example, CIS regulators may prohibit a CIS operator from exercising rights in a conflict situation or may require decision making by individuals or entities independent from the CIS operator in such situations.

The Technical Committee notes that all of the industry guidelines referred to earlier in this paper recommend that CIS operators develop written policies and procedures for their governance activities regarding CIS portfolio companies. Among other things, these policies would establish how a CIS operator will decide whether to vote securities the CIS holds and if it decides to vote, how it will vote and how it will handle potential conflicts of interest in the decision making process. The Technical Committee views these policies as important in permitting public understanding of CIS practices in voting or otherwise participating in corporate governance. Established policies and procedures encourage CIS operators to act in the best interests of investors and allow for monitoring by the public and CIS regulators of adherence to that principle.

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20 *Supra* note 5 at page 91.

21 *Supra* note 2.

22. Should a CIS provide information to CIS investors about how its rights as a shareholder will be exercised?

Answer:

CIS investors should have information about the voting and other corporate governance related policies of CIS operators. For example, CIS prospectuses and annual reports could reference the availability of these policies and summarize their contents. Information also should be provided to CIS investors on how a CIS operator generally exercised these rights over a financial year, for example in CIS annual reports. Significant deviations from the policies would be explained.

The primary goal of disclosure should be to ensure that CIS investors understand generally how a CIS operator will exercise shareholder rights. CIS investors should also have access to additional information, such as the CIS operators' voting and other policies and procedures and summaries of actual voting practices.

Information about the voting or other governance practices of CIS operators concerning the portfolio securities of a CIS could be made publicly available, either on request or electronically. This information may be particularly relevant where the CIS operator is subject to perceived conflicts of interest in its decision making. Similarly, information on voting practices may be important for markets where a group of related mutual funds are large holders of public companies (subject to individual CIS limits).

In specific cases, it may be desirable for a CIS operator to disclose how it voted a particular block of securities held by either one CIS or a group of related CIS (this depends on the size of the block and the importance of the vote and/or the existence of potential conflicts of interest).

Disclosure of voting practices need not be overly complicated or detailed. Electronic media (including a CIS operator's Internet website) or other forms of investor communication (such as newsletters) can be used to disseminate information on voting guidelines and actual practices.

Comments

23. The Technical Committee welcomes comments on the issues outlined in this paper. Information about CIS corporate governance and disclosure policies and practices would be particularly useful. Thoughts on whether the questions and answers outlined above are well-founded questions and answers by CIS regulators in today's global markets are encouraged. The Technical Committee sees these issues as important ones — and looks forward to a continued dialogue.

24. **All interested parties are requested to comment by 30 September 2002.** Comments in English are invited by post, fax or e-mail, addressed as follows:

General Secretariat
International Organization of Securities Commissions (IOSCO)
Plaza de Carlos Trías Bertrán, 7
Planta 3ª
28020 Madrid
España
Telephone: +34 (91) 417 55 49
Facsimile: +34 (91) 555 93 68
E-mail: terry@oicv.iosco.org

Members of the Technical Committee may also ask for comments from members of the CIS trade association in their country. Written comments received will be sent to the IOSCO General Secretariat.

Appendix A
CIS Industry Guidelines[22]

Australia

The Investment and Financial Services Association Ltd. (IFSA) represents the Australian wholesale and retail investment management, superannuation and life insurance industries. Its two reports on the role of institutional investors and corporate governance stress that:

- Effective governance depends heavily on the willingness of the owners of a company to behave like owners and to exercise their rights of ownership, to express their views to boards of directors and to organize and exercise their shareholder franchise if they do not receive a satisfactory response.

- The relative size of their shareholdings gives investment managers both a particular responsibility and a capacity to exercise that beneficial shareholder influence and franchise.

In its March 2001 report, IFSA notes that:[23]

> Fund managers have an overriding responsibility to their unitholders and clients to manage their investments in accordance with stated investment objectives... The significant increase in funds under management, in particular superannuation funds, has highlighted the importance of ensuring that shareholder interests in funds invested in equities on behalf of investors and superannuation beneficiaries are appropriately exercised.

IFSA points out that in Australia, there is no obligation under applicable law for fund managers or trustees to attend meetings or vote on resolutions. However, it recommends that IFSA members as a matter of good practice should:

- encourage direct contact with companies, including communication with senior management and board members about performance, corporate governance and other matters affecting shareholders' interest

- vote on all material issues at all Australian company meetings where they have the voting authority and responsibility to do so

- have a written policy on the exercise of proxy votes

- report on voting activities to clients who have delegated the responsibility for exercising proxy votes to the fund manager.

IFSA concludes from its recent survey of practices of fund managers in Australia, that the fund industry in Australia is actively involved, through proxy voting or other direct action, on behalf of their investors. IFSA also concludes that Australian fund managers are strongly in compliance with its guidelines noted above. It comments that there is no need in Australia for regulatory intervention to require fund managers to vote proxies. Compulsory voting will not achieve any "significant regulatory benefit" and may lead to a "tick-a-box" approach for fund managers who are not currently voting.[24]

Sweden

The Swedish Mutual Fund Association asked Swedish investors for their opinions on CIS and corporate governance. The managing director of the Association concluded in a letter accompanying the Swedish guidelines that: [25]

> More than two thirds of the Swedish unit holders are satisfied with the fund company safeguarding their interests in the day-to-day management. Over 50 percent of the unit holders think it is important that the fund company takes an active part in corporate governance issues and it is now important that the Swedish mutual fund companies strive to meet the demand of reliable and transparent information, as one third of the savers requests.

The Swedish Association confirms that the CIS operator has a responsibility for making decisions on corporate governance with a view to generating the best possible return. CIS operators must act only in the best interests of investors and may do so either

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22 *Supra* note 12.

23 The Investment and Financial Services Association Ltd. *"Shareholder Activism Among Fund Managers: Policy and Practice" Supra* note 12 at page 7.

24 *Id.* at page 12 and 14.

25 The Swedish Mutual Funds Association *"Mutual Funds and Corporate Governance" supra* note 12. See letter of Pia Nilsson/Managing Director dated 2001-05-22 at page 2.

by taking active steps to bring about changes in a particular corporation or by selling the shares it holds. The decision as to what to do must be left to the CIS and the CIS operator.

In its guidelines of February 2002, the Swedish Association recommends that CIS operators, among other things, establish and publicize policies on corporate governance containing principles for exercising voting rights and for electing members of the board. CIS operators should disclose to investors their standpoints in certain corporate issues and the reasons for their positions.

The United Kingdom
The UK Association of Unit Trusts and Investment Funds emphasizes in its Code of Good Practice that fund managers should become involved in governance matters and should also report to their investors on their policy on voting and other governance issues. Guidance is given on various topics, including the extent of disclosure to investors on governance issues.

Italy
The Italian Asset Management Association (Assogestioni) emphasizes and reinforces the general rule requiring CIS operators to act exclusively in the interests of investors in deciding how best to exercise the rights attached to the CIS portfolio securities. The guidelines (rules that should be included in the by-laws of Italian asset management companies (SGR) are designed also to emphasize the role that independent directors can play in protecting fund investors, for instance, by monitoring how executive directors deal with voting and other shareholder rights. The guidelines address such matters as:

- the responsibility of independent directors to ensure correct application of the principles and procedures for the exercise of shareholders' rights attached to CIS portfolio securities;

- the prohibition against CIS operators (SGR) exercising voting rights attached to CIS portfolio securities that are issued by companies that directly or indirectly control the SGR;

- the prohibition against SGRs delegating the exercise of voting rights to other group companies or officers thereof unless such companies are also SGRs. If delegation is permitted, the person to whom the proxy is given must be given explicit instructions on how the votes are to be cast, in the best interests of unitholders.

- a requirement for SGRs to formalize and keep appropriate records showing the decision-making process followed in exercising the voting and other rights attached to financial instruments under management and the reasons for the decisions where the vote concerns a company belonging to the same group as the SGR. The positions adopted in a shareholders' meeting shall be reported, in relation to their importance, to investors in the CIS annual report or in some other appropriate manner previously established.

Switzerland
The Swiss Funds Association (SFA) emphasizes the obligation of CIS operators to exercise shareholder rights pertaining to the investments of the CIS "independently and exclusively in the interests of investors".[26] CIS operators are required to be in a position to provide investors with information on their exercise of these rights. Delegation of the exercise of such rights is permitted to custodian banks or other third parties, except where exercising the right "could have lasting impact on the interests of the investors".[27] In such cases, the CIS operator is to exercise the rights itself or give explicit directions to its delegatee.

France:
The French professional association AFG-ASFFI consider it very important for asset management portfolio firms to develop voting guidelines, including voting criteria on resolutions. AFG-ASFFI also strongly encourages CIS operators to exercise voting rights and account for this exercise in CIS annual reports.

26 Swiss Funds Association (SFA) *"Code of Conduct for the Swiss fund industry" Supra* note 12 at page 38.

27 *Id.*

6.1.2 IOSCO Report - Performance Presentation Standards for Collective Investment Schemes

PERFORMANCE PRESENTATION STANDARDS
FOR
COLLECTIVE INVESTMENT SCHEMES

REPORT OF STANDING COMMITTEE 5
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

INTRODUCTION

This report ("Report") presents an examination of the standards among the jurisdictions of the members of the Technical Committee Standing Committee on Investment Management ("SC5") for the presentation of the performance of collective investment schemes ("CIS") in advertisements and other marketing materials ("advertisements").[1] This Report also presents general principles for the presentation of CIS performance information that SC5 developed based upon its examination of the CIS performance presentation standards ("PPS").[2]

Background. In 1999-2000, the IOSCO Emerging Markets Committee ("EMC") asked its Working Group on Investment Management ("WG5") to examine the PPS in WG5 member jurisdictions. Based on this work, the EMC publicly released in December 2000, a report entitled Performance Presentation Standards for Collective Investment Schemes ("EMC Report"). The IOSCO Technical Committee mandated its SC5 to continue work in this area by comparing the PPS among SC5 and WG5 members, as well as among SC5 members themselves.

In May 2001, SC5 prepared and circulated to its members a questionnaire that was based on the questionnaire that WG5 had circulated to its members in connection with the EMC Report.[3] Both questionnaires focused on, among other things: whether PPS exist, who sets them and whether they are mandatory; periods for presenting the performance information; disclosure of fees and expenses; and whether fees and expenses are reflected in the performance presentations. In its questionnaire, SC5 asked for additional information concerning advertisements. SC5 compared the PPS among SC5 and WG5 members based upon the responses to the questionnaires and other information about CIS performance presentations that was provided by SC5 members. As a result of the comparison, and further discussions among SC5 members, SC5 identified general principles for the presentation of CIS performance information.

Summary. This Report serves as a companion report to the EMC Report. The Report also addresses the role of the CIS regulator with respect to CIS performance presentations, and identifies some general principles for the presentation of CIS performance information. The Report has four sections: (1) the introduction; (2) a comparison of the responses of SC5 and WG5 jurisdictions to the questionnaires and a presentation of the additional information obtained from SC5 jurisdictions; (3) the formulation of general principles for the presentation of CIS performance information in advertisements; and (4) the conclusion and discussion of the way forward for CIS regulators in addressing CIS performance presentations. The appendix to the Report presents in tabular form the results of the SC5 questionnaire.

SC5 also requests industry comment on the issues discussed in the Report. Interested parties are requested to comment by September 30, 2002, in the manner described at the end of this Report.

RESPONSES TO THE QUESTIONNAIRES

The SC5 questionnaire contained many of the same questions posed by the WG5 questionnaire. It also contained additional questions concerning additional restrictions on the contents of advertisements and where investors can obtain information on CIS.

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1 As used in this Report, "advertisements" refers to CIS advertisements that contain CIS performance information, unless otherwise noted. In addition, "performance" refers to the actual performance of a CIS, and thus does not refer to projections of the future performance of a CIS.

2 This Report is based on responses to the SC5 May 2001 questionnaire by all 18 of the SC5 jurisdictions that were members of SC5 at that time: Australia, Brazil, Canada, France, Germany, Hong Kong, Italy, Japan, Jersey, Luxembourg, Mexico, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

3 Unlike the WG5 questionnaire, the SC5 questionnaire did not include questions about the Global Investment Performance Standards that have been formulated by the Association for Investment Management and Research.

Comparison of SC5 and WG5 Responses

The significant differences and similarities in the responses to the SC5 and WG5 questionnaires are described below.[4]

- PPS exist in most SC5 jurisdictions (67%) and in most WG5 jurisdictions (59%). PPS can be mandated by law or established by rules or guidelines of the government securities regulator ("Regulator"), a self-regulatory organization ("SRO"), a professional association or other group. PPS must be followed in all advertisements in more SC5 jurisdictions (50%) than in responding WG5 jurisdictions (24%).

- It is more common for a Regulator to establish PPS in responding WG5 jurisdictions (53%) than in SC5 jurisdictions (33%). It is more common for an SRO to establish PPS in SC5 jurisdictions (22%) than in responding WG5 jurisdictions (12%). In four SC5 jurisdictions, the Regulator and an SRO together mandate PPS. None of the responding WG5 jurisdictions has this arrangement.

- A standardized period (or periods) for performance presentations in advertisements is mandated in a majority of SC5 jurisdictions (78%) and responding WG5 jurisdictions (59%).

    - In the SC5 and responding WG5 jurisdictions that mandate a standardized period of performance, an annual period for performance presentation is most commonly required.

    - In some SC5 and responding WG5 jurisdictions that mandate a standardized period of performance, presentation of additional periods of performance, such as for three-, five- or ten-year periods, is required.

    - In most SC5 and responding WG5 jurisdictions that mandate a standardized period or periods for presenting performance, CIS that have existed for a shorter period of time than the jurisdiction's minimum standardized performance period must present their performance for the entire period of their existence in more SC5 jurisdictions (33%) than in responding WG5 jurisdictions (18%).

- CIS volatility information is not required to be included in advertisements in most SC5 jurisdictions (67%) and responding WG5 (94%) jurisdictions. This may be due to the difficulty in formulating a measure of volatility that is readily understood by the average investor. In a number of SC5 jurisdictions (Australia, Canada, Hong Kong, Netherlands, Switzerland, United States), and some responding WG5 jurisdictions, however, performance presentations must include CIS performance information over different specified time periods. These presentations may provide some measure of CIS volatility.

- Performance benchmarks are required to be included in advertisements in a minority of SC5 jurisdictions (28%) and responding WG5 jurisdictions (24%). In the SC5 and responding WG5 jurisdictions that require the use of performance benchmarks, they are more commonly set by the CIS than approved by a Regulator.

- CIS performance presentations must clearly disclose entry fees, as well as any performance and management fees, in all SC5 jurisdictions and all responding WG5 jurisdictions (except one). Changes in these fees must be disclosed to CIS shareholders in most SC5 and responding WG5 jurisdictions.

- The use of firm composites (*i.e.*, aggregated performance information of more than one CIS or other account that is managed by a single CIS operator) in advertisements is not regulated in the vast majority of SC5 and responding WG5 jurisdictions.[5]

- Disclaimers are required to be included in advertisements in the vast majority of SC5 and responding WG5 jurisdictions. All SC5 jurisdictions require a disclaimer to the effect that "past results do not necessarily predict future results." 82% of responding WG5 jurisdictions require some kind of disclaimer about performance, 71% of which require a disclaimer that is substantially similar to the one stated above.

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4 All SC5 members responded to the SC5 questionnaire. In contrast, only about 25% of WG5 members responded to the EMC-WG5 questionnaire ("responding WG5 jurisdictions"). The drafters of the EMC WG5 Report indicated that, in preparing the report, they assumed that a majority of WG5 members that did not respond to the WG5 questionnaire "simply did not have markets sufficiently developed to justify putting in place specialized regulatory standards addressing [PPS] for CIS."

5 At least one SC5 jurisdiction (Italy) prohibits the use of CIS portfolio composites. In Italy, performance must be presented on a CIS portfolio basis only.

Additional Information Obtained from SC5 Jurisdictions

The following information was obtained from SC5 responses to questions that were not part of the EMC-WG5 questionnaire:

- Almost all SC5 jurisdictions prohibit the use of misleading or fraudulent statements or omissions in advertisements, including advertisements that do not contain CIS performance information.

- In some SC5 jurisdictions that mandate a standardized period or periods of performance, CIS also may include other non-standardized performance information in advertisements.[6]

- In every SC5 jurisdiction, a bank may provide investors with information about which CIS to invest in. Only 72% of SC5 jurisdictions permit a CIS to provide such information.

- Some SC5 jurisdictions (Australia, Brazil, Italy, Japan, Spain, United States) require delivery of a prospectus: (a) before an investor makes a purchase, (b) at the time an investor makes a purchase, or (c) before an investor completes a purchase of a CIS.[7] Some jurisdictions only require that a prospectus be offered or be made available upon request. Some jurisdictions (Spain) also require delivery of the most recent financial reports before an investor makes a purchase of a CIS. Other jurisdictions (Mexico) require that contracts with investors stipulate the means through which prospectuses and modifications to those prospectuses will be available to investors as well as the means by which receipt of such documents will be demonstrated.

- Advertisements on the internet are permitted in all SC5 jurisdictions, although three SC5 jurisdictions do not allow advertisements to be made on television.

- In SC5 jurisdictions, the CIS operator is most commonly held responsible for the accuracy of the contents of advertisements.

Additionally, in six SC5 jurisdictions (Australia, Canada, Italy, Portugal, Sweden and the United States), PPS include standardized methods to calculate CIS performance (*i.e.*, a formula). The formulas do not, however, make the same assumptions about the treatment of:

Front-end Sales Loads. PPS in Australia, Portugal and Canada do not require the deduction of any front-end sales loads from the gross amount invested.[8] PPS in the United States require the deduction of the maximum sales load that could be applicable from the gross amount invested. PPS in Italy also require front-end sales loads to be deducted.

Deferred Sales Loads and Redemption Fees. PPS in Canada assume a complete redemption at the end of the performance period, but do not require deduction of redemption fees or deferred sales loads. PPS in Australia and Portugal exclude redemption fees from the computation. PPS in the United States assume a complete redemption at the end of the period and require the deduction of all such non-recurring fees. PPS in Italy require the deduction of deferred sales loads and redemption fees.

Ongoing Fees and Expenses. PPS in the United States, Canada, Italy and Portugal require all ongoing fees and expenses be taken into account and accrued daily. In addition, PPS in the United States and Canada require the deduction of any recurring fee that is charged to all of the shareholder accounts of a CIS.

Reinvestment of Dividends and Distributions. All of the standardized formulas take the reinvestment of dividends and distributions into account, but appear to do so in varied ways. PPS in Canada and the United States assume that all dividends and distributions are reinvested on the reinvestment date. PPS in Portugal assume the reinvestment of income as well as dividends and distributions on the date when the CIS's net asset value is reduced due to the distribution. PPS in Sweden assume that dividends are reinvested at the price prevailing on the date of the dividend.

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6 In the United States and Canada, for example, CIS may supplement the standardized performance information with any other historical measure of CIS performance if such measure reflects all elements of return, is set out in no greater prominence than the standardized performance and identifies the length of and last day of the period for which the performance is measured.

7 The United Kingdom requires delivery of a Key Features Document before investors complete a purchase, containing information about the aims, risks, commitments and charges for the product. Canada requires delivery of a simplified prospectus within two days of a purchase. Investors may withdraw from the purchase if they exercise this right within two days after they receive the prospectus.

Australia currently requires delivery of a prospectus when an offer of investment is made. Under reforms now underway, the same delivery requirement will apply to a new prospectus-like document called a Product Disclosure Statement.

8 PPS in Canada require disclosure that the performance returns do not take into account sales charges that may be paid by investors and therefore reduce the returns for the investors. Although there are no specific statutory requirements, Australia would be likely to regard performance figures as misleading unless the effect of excluding front-end fees from the calculation is disclosed.

THE FORMULATION OF GENERAL PRINCIPLES FOR THE REGULATION OF CIS PERFORMANCE PRESENTATIONS

Why do investors regard past performance of CIS as important?

In SC5 jurisdictions, many CIS use past performance as a primary marketing tool.[9] Some CIS advertise aggressively to compete for investors, and some CIS and CIS operators have substantially increased their advertising expenditures in recent years, especially when their performance has been strong.[10] Many advertisements include and prominently feature CIS performance information.

Anecdotal evidence suggests that some investors choose to invest in a CIS primarily based on the CIS's past performance, and without necessarily reviewing the CIS's prospectus or other information that is available about the CIS. CIS investors may believe that the past performance of a CIS is indicative of the future performance of the CIS, and reflects the ability of the CIS's operator to meet their investment goals.

Why is the regulation of the presentation of CIS performance important?

The regulation of the presentation of CIS performance information in advertisements is important for a number of reasons. As noted above, some CIS use past performance as a primary marketing tool, and CIS performance advertising appears to have increased in recent years. In addition, some investors appear to consider past performance to be a very important, if not the most important, factor when choosing to invest in CIS. Investors may be misled by CIS performance information in advertisements if it is calculated inaccurately or if it is presented in a manner that does not otherwise accurately reflect the performance of the CIS for the period or periods presented. Investors also may be misled if they cannot meaningfully compare the performance claims of CIS.

Investors may be misled by CIS performance information that focuses on the periods during which the CIS produced its best returns, and that excludes periods during which the CIS did not perform as well. In addition, CIS investors may be misled by performance information that inaccurately suggests that the performance of the CIS was better than the performance of "the market," relevant performance benchmarks or of other CIS in general. Investors also may be misled by CIS performance presentations that inaccurately suggest that they reflect the current or future performance of the CIS, rather than their historical performance. Further, investors may be misled by CIS performance information that is calculated without deducting the fees and expenses that are associated with an investment in a CIS, or that is not accompanied by prominent disclosure that such fees and expenses are charged by the CIS and will reduce the actual performance of the CIS and the returns to the investors. Finally, if CIS performance information is not presented in a standardized manner, CIS investors may not be able to make meaningful comparisons of the performance claims of different CIS, and thus may be less able to make fully informed investment decisions.

The Role of the Regulator

General. The Regulator should seek to ensure that CIS performance presentations do not mislead investors. The Regulator may do so by taking steps to ensure that CIS performance presentations are accurate, presented fairly, complete and understandable (*e.g.*, performance is accurately calculated and accompanied by any disclosure that is necessary to ensure that the presentations are not misleading).

Regulators in SC5 jurisdictions follow different approaches in attempting to ensure that investors are not misled by CIS performance information. Almost all SC5 jurisdictions generally prohibit the use of misleading or fraudulent statements or omissions in advertisements, including advertisements that do not contain CIS performance information. Some SC5 jurisdictions also rely on PPS to specifically regulate the use of CIS performance information.

The Regulator also should seek to ensure that investors can make meaningful comparisons of CIS performance information. Some SC5 jurisdictions facilitate the ability of CIS investors to make meaningful comparisons of the performance of different CIS

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9 In SC5 jurisdictions, investors may obtain performance and other information about CIS from numerous institutions (including banks, broker-dealers, and the CIS itself). Most SC5 jurisdictions permit (but do not necessarily require) CIS and/or market intermediaries to make CIS performance information available to investors through, among other things, direct mail, in-person meetings, internet, television, newspapers, magazines and radio (although not all SC5 jurisdictions allow advertisements in all of these media). Some SC5 jurisdictions require CIS performance information to be disclosed to investors, by requiring its inclusion in the CIS's prospectus or simplified prospectus (Australia, Canada, Portugal, Sweden, Italy, United States) and/or annual CIS financial statements (Spain, Sweden, United States).

10 CIS in the United States reportedly spent 22% more on advertising in 2000 (a year in which many CIS achieved strong performance) than in 1999. Robert D. Hershey, Jr., *Ad Spending Grows for Funds*, The New York Times, April 22, 2001, at Section 3. In contrast, in 2001 (a year in which far fewer CIS achieved strong performance), CIS in the United States reportedly spent 25% less on advertising than in 2000. Colin Dodds, *Fund Ad Spending Plunged 25% in 2001*, www.ignites.com, February 20, 2002.

by requiring the use of standardized performance calculation formulas, standardized time periods, and performance benchmarks.

PPS. PPS are rules or guidelines for the calculation and presentation of CIS performance information. PPS may address the following areas, among others: (1) standardized formulas for calculating performance; (2) the treatment of fees and expenses in calculating CIS performance; (3) standardized time periods for presenting performance information (including a minimum period for presenting the information); (4) the use of performance benchmarks to compare CIS performance; and (5) the use of disclaimers. As described briefly below, each of these PPS may protect CIS investors from being misled by CIS performance information in different ways. Many of the PPS also promote CIS investors' ability to compare meaningfully the performance of different CIS.

Standardized Formulas. Standardized formulas for the calculation of CIS performance information promote investors' ability to compare CIS performance presentations and may prevent misleading performance claims by CIS. In the absence of such formulas, CIS can advertise different types of performance data that are calculated in different ways, which can make it difficult for investors to compare performance claims among CIS. Some calculation methods may distort a CIS's performance. In addition, in the absence of standardized formulas, CIS performance information may mislead investors even if that information is accompanied by explanatory disclosures about the calculation methods used by the CIS.

Standardized formulas require all CIS to make the same assumptions when calculating their performance, rather than permitting CIS to make assumptions that may inflate their performance (*e.g.*, some formulas require the deduction of front-end sales loads from the gross amount invested, so that CIS cannot "inflate" performance by not taking into account these sales charges).[11] Standardized formulas also may prescribe the method of performance calculation that is most appropriate for certain types of CIS. For example, CIS that invest primarily in equities may be required to present their total returns, while CIS that invest primarily in fixed-income securities may be required to present both their total returns[12] and their yields.[13]

Fees and Expenses. Fees and expenses associated with an investment in a CIS may have a significant impact on the actual returns that are experienced by CIS investors. The PPS in many jurisdictions address whether CIS performance calculations must reflect the impact of fees and expenses, regardless of whether those PPS also require the use of standardized formulas for calculating CIS performance. Such PPS promote comparability among CIS and help to prevent CIS from advertising inflated CIS performance.

Standardized Time Periods. PPS may specify the use of standardized time periods for presenting performance information. Such PPS require all CIS to use the same time periods when presenting their performance information (*e.g.*, 1-, 5- and 10-year performance as of the most recently completed calendar quarter). Such PPS also may prevent a CIS from advertising its performance in the best possible light, *i.e.*, by focusing exclusively on a period during which the CIS achieved its best performance without disclosing, for instance, a more recent period in which the CIS performed poorly. Standardized time periods also promote comparability among CIS. PPS that require or recommend the use of standardized time periods also help to demonstrate to investors the volatility of a CIS over time, as well as the relative volatility of different CIS over time.

Use of Performance Benchmarks. PPS that require a CIS to compare its performance to that of a relevant performance benchmark enable investors to more readily compare the CIS's performance to that of the overall market (or a relevant portion of the market).[14] That comparison may assist investors in determining whether a CIS's performance is generally more attributable to a rise or fall in the overall market (or a relevant portion of the market), or to the investment acumen, or lack thereof, of the CIS operator.

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11 Only six SC5 jurisdictions have standardized formulas for calculating performance.

12 A CIS's total return generally is the sum of all of its earnings plus any changes in the value of assets, reduced by all expenses accrued during a measuring period.

13 A CIS's yield generally is a historical figure typically computed by dividing net investment income per share during a recent short period of time by a public offering price and annualizing the result. A CIS's yield typically does not measure changes in the value of principal.

Yield presentations by CIS may create the misleading impression that investors can expect to receive this rate of return from the CIS in the future; their use also may lead investors to confuse the "yields" of a CIS, which reflect historical returns, with yields of fixed-income securities, which reflect a promised rate of return by the issuer of the securities. In addition, fixed-income CIS may be more suited to advertisements of yield than equity CIS because fixed-income CIS tend to distribute, in the form of dividends, the income received on their portfolio securities evenly throughout a given period. In contrast, equity CIS tend to distribute, in the form of dividends, the dividend income that they receive on their portfolio securities around calendar quarters (including year end). Equity CIS that advertise an annualized yield based on income received in a period that included a dividend distribution date would typically include yield figures that could be unrepresentatively high.

14 Performance benchmarks can be useful, but they should be CIS neutral (*i.e.*, not administered by an organization that is an affiliated person of the CIS, its operator or principal underwriter, unless the index is widely recognized and used), particularly if CIS are permitted to choose the performance benchmarks to which their performance is compared.

Use of Disclaimers. Disclaimers can be effective tools for communicating information to investors and may help prevent investors from being misled by CIS performance information. PPS that require CIS performance presentations to include disclaimers may readily provide CIS investors with information to assess the risks generally associated with an investment in a CIS or specific risks associated with different types of CIS. Disclaimers that are prominently displayed, rather than placed in footnotes or small type font, are more effective in informing investors of the risks associated with investing in CIS. Almost all SC5 members require CIS performance presentations to include a disclaimer to the effect that past performance is not indicative of future results. This type of disclaimer helps to ensure that investors realize that CIS performance claims represent historic data, and do not constitute guarantees or projections of future performance.

Enforcement of PPS. Some SC5 jurisdictions impose mandatory PPS; others support voluntary PPS that are developed by SROs or other groups. In general, mandatory PPS may be more effective in ensuring that CIS performance presentations are not misleading if they can be enforced by the Regulator. Voluntary PPS also may be effective if competition and other pressures in the market place effectively force CIS to comply with the voluntary standards.[15]

To promote compliance with PPS, the Regulator may employ various means. For instance, the Regulator (or SRO) may review the contents of specific advertisements prior to their use to ensure that they contain no false or misleading statements and otherwise comply with PPS. In one SC5 jurisdiction (Spain), a special industry group undertakes to prevent the use of misleading statements or omissions in advertisements, and is empowered to revise or stop any new or ongoing advertising campaign.

Regulators also may be able to inspect any CIS to determine whether the CIS has calculated correctly and actually achieved the performance that it advertises. For instance, in at least one SC5 jurisdiction (United States), CIS are required to maintain records supporting their performance claims, and the Regulator's staff reviews this information during their inspections of CIS. Regulators also may rely on investor complaints about advertisements, and Regulators may review advertisements that appear in various media to determine whether the advertisements comply with PPS or are fraudulent or misleading. Generally, in SC5 jurisdictions, the CIS operator is most likely to be held responsible for the accuracy of the contents of advertisements.

General Principles for the Regulation of the Presentation of CIS Performance Information.

Although SC5 jurisdictions do not take a uniform approach in regulating the presentation of CIS performance information, certain common principles exist. They are listed below:

- CIS performance presentations raise investor protection concerns when CIS performance is calculated inaccurately or presented in a misleading manner.
- Regulators can take different approaches to ensure that investors are not misled by CIS performance presentations. For example:
    - Regulators may enforce a general prohibition against the use of advertisements that contain false or misleading statements about CIS performance.
    - Regulators may adopt or endorse PPS for the calculation and presentation of CIS performance information.
- PPS can help to protect CIS investors from being misled by CIS performance information.
- PPS also can facilitate the ability of CIS investors to compare the performance information of different CIS.
- The Regulator, SRO, a professional organization, or other group can establish PPS.
- PPS can be mandatory or voluntary. Mandatory PPS that are enforceable may be more effective than voluntary PPS, although voluntary PPS may be effective if competitive or other pressures effectively force CIS to comply with the voluntary PPS.
- PPS may vary depending on the type of CIS concerned.
- The need for comprehensive PPS may vary from jurisdiction to jurisdiction, depending on the maturity of the CIS industry in the particular jurisdiction, the current CIS advertising practices and the history of abuses, if any.

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15 Even in jurisdictions in which PPS are voluntary, competitive pressures may compel a CIS to represent to investors in performance presentations that it complies with the PPS. In the event that such representations are false, the Regulator may be able to stop the CIS from continuing to make such representations by enforcing prohibitions against the use of false statements in CIS performance presentations.

CONCLUSION AND DISCUSSION OF THE WAY FORWARD FOR CIS REGULATORS

The presentation of CIS performance information raises important investor protection issues for Regulators. SC5 jurisdictions regulate CIS performance presentations in several ways, and the applicable standards for the presentation of CIS performance vary among SC5 jurisdictions. This Report highlights some of the differences and similarities of current regulation in this area.

Jurisdictions that do not require compliance with PPS may wish to evaluate and consider the effectiveness of voluntary PPS. All jurisdictions also may wish to consider whether existing PPS, whether mandatory or voluntary, are sufficiently comprehensive to address the investor protection concerns presented by current CIS performance presentation practices.

The Technical Committee welcomes comments on the issues presented in this Report. Information about whether standards for the presentation of CIS performance in SC5 jurisdictions are complete and effective would be particularly helpful. Observations on whether the general principles outlined above are correct and sufficient are also encouraged.

All interested parties are requested to comment by September 30, 2002. Comments in English are invited by post, fax or e-mail, addressed as follows:

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Members of the Standing Committee may also ask for comments from members of the CIS trade association in their country. Written comments received will be sent to the IOSCO General Secretariat.

In addition, the Standing Committee intends to engage in further work on developing best practice standards for the presentation of CIS performance information in advertisements. The Standing Committee views these issues as important ones and looks forward to a continued dialogue with the CIS industry and other interested persons.

APPENDIX

PRESENTATION OF THE RESULTS OF THE TECHNICAL COMMITTEE SC5 SURVEY[1]

Part A - Questions that were part of the EMC-WG5 Questionnaire:

Question 1 - Does your jurisdiction have standards for the presentation of performance information in CIS advertisements?

In this question, we assumed that the "yes" responses apply to advertisements that contain performance. The question does not address whether performance information is required to be included in advertisements.

The jurisdictions that answered "other" to this question stated the following:

- Certain advertisements must be submitted for approval by the regulator.

Country	No	Yes			
		Recommended	Some Advert.	All Advert.	Other
Australia		X			
Brazil				X	
Canada				X	
France			X		
Germany		X			
Hong Kong				X	
Italy				X	
Japan		X			
Jersey			X		
Luxembourg					X
Mexico	X				
Netherlands				X	
Portugal				X	
Spain			X[2]		
Sweden		X			
Switzerland				X	
UK				X	
US				X	
TOTAL	1	4	3	9	1
%	6%	22%	17%	50%	6%

[1] Please note that due to decimal rounding, some responses may total more than 100%.

[2] The CIS industry issues standards that are mandatory for members, and the vast majority of CIS management companies are members.

Question 2 - Are changes being considered in this area?

Of the jurisdictions that answered that changes were being considered, Germany indicated that non-mandatory standards may be made mandatory. Mexico indicated that changes in legislation have made it possible for a regulator to create regulations on CIS advertisements, with specific rules relating to the presentation of performance information. The United States indicated that its regulations currently provide that CIS performance advertisements may contain only certain limited information (i.e., the substance of the information must be included in the CIS's statutory prospectus), and that changes are being considered to permit such advertisements to contain additional information.

Country	No	Yes
Australia		X
Brazil	X	
Canada	X	
France	X	
Germany		X
Hong Kong		X
Italy		X
Japan	X	
Jersey		X
Luxembourg	X	
Mexico		X
Netherlands	X	
Portugal	X	
Spain	X	
Sweden	X	
Switzerland	X	
UK		X
US		X
TOTAL	10	8
%	56%	44%

***Question 3 - Are Performance Standards set by**:*

The jurisdictions that checked "other" indicated that:

- In France, a professional association issues guidelines that are approved by the government securities regulator ("Regulator").
- In Germany, an association of the German investment industry sets standards.
- In The Netherlands, the central bank regulates PPS.

Country	Reg	SRO	Not set	Other
Australia	X	X		
Brazil	X	X		
Canada	X			
France	X			X
Germany				X
Hong Kong	X			
Italy	X			
Japan		X		
Jersey	X			
Luxembourg			X	
Mexico			X	
Netherlands				X
Portugal	X			
Spain	X	X		
Sweden		X		
Switzerland		X		
UK		X		
US	X	X		
TOTAL	10	8	2	3
%	56%	44%	11%	17%

Question 4.1 - CIS operators would prefer to use the period containing the CIS's best performance in their marketing materials. Does your jurisdiction require a standardized period of performance for presentation in CIS advertisements?

Country	No	Yes			
		Prospectus	All that Contain advert.	Certain advert.	Min. Period
Australia		X			5 yr.[3]
Brazil			X		3 yr
Canada		X	X		1 yr[4]
France			X		
Germany	X				
Hong Kong				X	6 mo.[5]
Italy		X	X		1 yr
Japan			X		3 yr
Jersey	X				
Luxembourg	X				
Mexico	X				
Netherlands			X		3 yr[6]
Portugal		X	X		1 yr
Spain				X	5 yr
Sweden			X		1 yr
Switzerland			X		1 yr
UK			X		5 yr
US		X	X		1 yr[7]
TOTAL	4	5	11	2	
%	22%	28%	61%	11%	

[3] There is no set minimum period, but typically figures over 5 years are included if the fund has been in operation that long.

[4] A CIS may present performance only in standard one, three, five and ten year (or since inception if younger than 10 years) periods. A CIS may include other performance so long as the "standard" performance numbers are displayed as prominently as the other performance.

[5] CIS that have been in existence for one year or more may only show less than one year's performance if: (a) only one less than one-year's figure is quoted; (b) it is of at least three months' duration; (c) it is accompanied by the most recent one-year or three-year figures; and (d) it is presented in the same format and no more prominently than the longer term figure. In addition, performance data in print media advertisements must be no more than two months old. All data should be updated if more recent data are significantly different.

[6] A minimum of 3 years, or since inception if younger than 3 years.

[7] A CIS generally may present standardized performance only in quotations of average annual total return for one, five, and ten year periods. If the CIS's registration statement has been in effect less than one, five, or ten years, the time period during which the registration statement has been in effect is substituted. Supplemental performance information is permitted if such performance reflects all elements of return, is set out in no greater prominence than the standardized quotations of total return, and identifies the length of and last day of the period for which the performance is measured.

Question 4.2 - Performance must also be presented (check all that apply/multiple answers allowed):

Please note that this question was answered only by those 14 members who answered "yes" to question 4.1. This represents 78% of the sample.

Country	Periodicity					Format		
	Monthly	Quarterly	Semiann.	Ann.	Other	Benchmark	Graph	Table
Australia								
Brazil	X					X		
Canada				X		X[8]	X	X
France								
Germany								
Hong Kong								
Italy				X		X	X	X
Japan					X			
Jersey								
Luxembourg								
Mexico								
Netherlands				X				
Portugal				X				
Spain		X						X
Sweden			X					
Switzerland			X	X		X		
UK								
US			X[9]	X		X	X	X
TOTAL	1	1	3	6	1	5	3	4
% (of all juris.)	6%	6%	18%	33%	6%	28%	18%	23%
% (of 14 juris. that responded)	7%	7%	21%	43%	6%	36%	21%	28%

[8] Benchmark, graphs and tables required only in prospectus.

[9] Performance information is required to be presented in semi-annual reports to CIS shareholders, but is not required to be compared to a benchmark, or presented through graphs or tables in this context. In their prospectuses, which must be updated annually, CIS are also required to present performance information compared to a benchmark and through graphs and tables.

Question 4.3 - If a CIS exists for a shorter period of time than that described in question 4.1:

Please note that this question was answered only by those members who answered "yes" to question 4.1. Nine of the SC5 jurisdictions addressed this question (64% of the 14 jurisdictions that answered "yes" to question 4.1 and 50% of the total sample).

Country	Not addressed	Not allowed	Disclaimer	Cover Entire Period
Australia	X			
Brazil		X		
Canada		X		
France	X			
Germany				
Hong Kong				
Italy				X
Japan				X
Jersey				
Luxembourg				
Mexico				
NetherLands				X
Portugal			X	
Spain		X		
Sweden	X			
SwitzerLand				X
UK				X
US				X
TOTAL	3	3	1	6
% (of all juris.)	17%	17%	6%	33%
% (of 9 juris. that responded)	33%	33%	11%	67%

Question 4.4 - Often, when a CIS begins its operations with a small amount of assets, it is capable of achieving outstanding results that may not continue when the CIS actually begins marketing operations. How is this issue addressed in your jurisdiction?

Please note that this question was answered only by those members who answered "yes" to question 4.1. Ten of the SC5 jurisdictions addressed this question (71% of the 14 that answered "yes" to question 4.1 and 55% of the total sample).

Country	Not addressed	Minimum period	Disclaimer
Australia	X		
Brazil		6 mo.	
Canada		1 yr.	
France	X		
Germany			
Hong Kong		6 mo.	
Italy		6 mo.	
Japan		6 mo.	X
Jersey			
Luxembourg			
Mexico			
Netherlands	X		X[10]
Portugal		6 mo.	
Spain		1 yr.[11]	
Sweden	X[12]		
Switzerland		1 yr.	
UK			X
US	X		
TOTAL	5	8	3
% (of all juris.)	28%	44%	17%
% (of 10 juris. that responded)	50%	80%	30%

[10] In the Netherlands, in any advertisement stating expectations about the future or referring to past performance, the following sentences must be included: "The value of your investments may fluctuate. Past performance provides no guarantee for the future."

[11] The Spanish CIS industry code of conduct requires a minimum operational period of 1 year prior to usage of performance data in marketing materials.

[12] Advertising is allowed so long as the "period of operation or the opening day is clearly stated in the advertising materials."

Question 5 - What are the disclosure requirements in your jurisdiction for CIS volatility?

Volatility is a significant criteria that some investors use to determine whether to invest in a CIS. A CIS's volatility is a measure of how widely its value may vary over time.

Country	Not addressed	Stan. Dev. Required for		Other than stan. Deviation
		Same period as 4.1	Other period	
Australia				X
Brazil	X			
Canada				X
France	X			
Germany	X			
Hong Kong	X			
Italy				X
Japan	X			
Jersey	X			
Luxembourg	X			
Mexico	X			
Netherlands	X			
Portugal		X[13]		
Spain		X		
Sweden	X			
Switzerland	X			
UK	X			
US				X
TOTAL	12	2	0	4
%	67%	11%	0%	22%

[13] Only for a simplified prospectus.

Question 6 - Some CIS use benchmarks in order for shareholders to compare their CIS's relative performance to that of other CIS. Benchmarking is (multiple answers allowed):

Benchmarking is the use of the performance of a market index as a base of reference to compare the performance of the CIS. Five jurisdictions indicated that a change in the benchmark must be disclosed in a manner other than newspaper or letter:

- Canada and the Netherlands indicated that if a CIS changes its benchmark, it must explain why it changed the benchmark;
- Italy stated that changes in the benchmark must be disclosed in the prospectus;
- The United States stated that the old and new benchmarks must both be used during the year that the benchmark is changed.
- Australia stated that the change must be disclosed with the performance disclosure.

Country	Not Addressed	Rec.	Mandatory		Must be used in			Changes in disclosure		
			Reg. Appr'd	Set by CIS	Prospect.	All Ad.	Certain advert.	News-paper	letter	other
Australia		X								X
Brazil				X		X			X	
Canada				X	X					X
France										
Germany	X									
Hong Kong									X	
Italy				X	X	X				X
Japan	X									
Jersey	X									
Luxembourg				X	X			X	X	
Mexico	X									
Netherlands										X
Portugal		X								
Spain	X									
Sweden	X									
Switzerland		X								
UK	X									
US				X	X					X
TOTAL	7	3	0	5	4	2	0	1	3	5
%	39%	17%	0%	28%	22%	11%	0%	6%	17%	28%

Question 7 - Disclosure of shareholder fees (multiple answers allowed):

Country	Disclose		Changes in disc. through			Performance must exclude[14]			
	Entry fee	Mgmt/Perf fee	Newspaper	Letter	other	Mgmt fee	Perf fee	Income/ other tax	Other tax
Australia	X	X			X	X[15]	X	X	X
Brazil	X	X		X		X	X		
Canada	X	X			X	X	X	X	X
France	X	X		X	X	X	X		
Germany	X	X			X				
Hong Kong	X	X		X					
Italy	X	X		X	X	X	X	X[16]	X
Japan	X	X	X	X					
Jersey	X	X		X					
Luxembourg	X	X	X	X					
Mexico	X	X				X[17]	X	X	X
Netherlands	X	X	X	X				X	
Portugal	X	X		X					
Spain	X	X		X	X	X	X	X[18]	X
Sweden	X	X		X					
Switzerland	X	X	X		X	X	X		
UK	X	X			X	X		X	X
US	X	X			X	X		X	
TOTAL	18	18	4	11	9	10	8	8	6
%	100%	100%	22%	61%	50%	56%	44%	44%	33%

14 In other words, the performance must be presented net of the identified fees and expenses.

15 Disclosure excluding management fees, performance fees, income and other taxes, and other taxes is voluntary in Australia.

16 Performance usually must be disclosed with taxes deducted. If that is not possible, a disclaimer must be included in the advertisement

17 Although the levying of performance fees is not regulated in Mexico, disclosed performance must reflect the deduction of fees and taxes.

18 Performance must be disclosed excluding those income and other taxes paid by the CIS.

Question 8 - Firm composites (advertising material where more than one CIS is presented) are:

A CIS operator may manage more than one CIS. An operator may want to collectively present, through a composite, the performance of all of the CIS and other accounts that it manages that have the best performance. If an operator excludes poorly performing accounts from the composite, investors will not be able to evaluate the overall performance of the CIS operator.

The jurisdictions that answered "other" to this question stated the following:

- In Italy, performance presentation of CIS portfolio composites is not allowed. Ranking of performance is allowed only if the ranking contains only CIS portfolios classified within the same fund category, and risk adjusted returns (i.e., Sharpe ratio) are disclosed.

- In Japan, CIS performance must not be included in firm composites.

- In the United States, CIS operator composites are not specifically addressed in the federal securities laws -- although the general prohibition against misleading statements or omissions would apply -- but the Association for Investment Management and Research has issued industry best practice standards.

Country	Not add.	Regulated				
		Min. period	Active	Term.	Consis.	Other
Australia	X					
Brazil		3 yr.	X			
Canada	X					
France	X					
Germany	X					
Hong Kong	X					
Italy		1 yr.	X			X
Japan						X
Jersey	X					
Luxembourg					X	
Mexico	X					
Netherlands	X					
Portugal	X					
Spain	X					
Sweden	X					
Switzerland	X					
UK	X					
US						X
TOTAL	13		2	0	1	3
%	72%		11%	0%	6%	17%

Question 9 - Does your jurisdiction require that advertisements contain certain disclaimers?

Disclaimers generally are messages in advertisements and other documents that warn investors about risks or clarify factors that may affect investors' decisions to invest. Some form of disclaimer is required in all of the jurisdictions surveyed.

"Other" disclaimers include: "CIS Investments are neither guaranteed by the operator nor are covered by either insurance policies or by the Credit Guarantee Fund;" "Mutual funds are not guaranteed nor covered by government deposit insurance;" "Read the prospectus;" "Investment involves risk, and the offering document should be read for further details;" "Authorisation by the Securities and Futures Commission does not imply official approval or recommendation;" and "The value of your investments may fluctuate."

Country	No	Yes			
		Past result	Neg. results	Leveraged	Other
Australia		X			
Brazil		X	X	X	X
Canada		X		X	X
France		X	X		X
Germany		X			
Hong Kong		X			X
Italy		X			X
Japan		X	X		
Jersey		X	X		X
Luxembourg		X			
Mexico		X[19]			
Netherlands		X			X
Portugal		X	X		X
Spain		X	X		
Sweden		X	X		X
Switzerland		X		X	X
UK		X	X		X
US		X	X		X
TOTAL	0	18	9	3	12
%	0%	100%	50%	17%	67%

[19] In Mexico, this disclaimer is not mandatory, but the Regulator has the authority to demand its inclusion if necessary to avoid misleading or fraudulent information.

Part B - Additional Questions that were not part of the EMC-WG5 Questionnaire:

Question 1 - In your jurisdiction, are restrictions (other than standards for the presentation of performance that are discussed in response to Question A.1) placed on the contents of CIS advertisements? If so, please describe. (For instance, the U.S. federal securities laws make it unlawful for a CIS advertisement to contain materially misleading statements or omissions).

Australia - It is unlawful for a CIS advertisement to contain materially misleading statements or omissions.

Brazil - Advertisements cannot be in disagreement with the contents of the prospectus, the by-laws or the semi-annual reports. The regulator can require the operator to reprint the ads with corrections deemed necessary to avoid misleading investors and with a statement that they are being published by regulator demand.

Canada - Sales communication cannot be misleading or untrue.

France - Information must not be misleading for investors; it must be exact, precise and true so that investors are well and completely informed to make decisions about investment.

Germany - Misleading advertisements and performance presentations are forbidden.

Hong Kong - It is a violation to induce another person to make an investment through a fraudulent or reckless misrepresentation.

Italy - CIS advertisements must be clear and fair and may not contain misleading statements or omissions.

Japan - It is unlawful for a CIS advertisement to contain false or materially misleading statements.

Jersey - No other restrictions, although legislation is planned.

Luxembourg - Certain principles on “fair competition” cover the commercial and financial sector and make certain practices, such as misleading information, unlawful.

Mexico - Even though there are no specific standards, all information delivered to the public should comply with minimum standards of veracity, transparency and objectivity and should not contain misleading or fraudulent statements or contrasting different financial products or services.

The Netherlands - The advertisement shall be truthful in its content and shall not be misleading and the information in the ad shall not differ in any material respect from the information furnished in reports. The advertisement shall state where the public can obtain the prospectus.

Portugal - The information must be complete, clear, objective, true, and timely.

Spain - The regulator is empowered to monitor and, in the case of illicit publicity, adopt measures to stop or rectify the campaign and to bring enforcement actions.

Sweden - Advertising materials must contain information about where to obtain the prospectus. The Marketing Act states that advertisements must be formulated in accordance with “good marketing practice,” and violations can be unlawful. Guidelines extending the general clause in the Marketing Act state that information should be relevant, not misleading nor fraudulent, nor containing subjective opinions (e.g., safe, secure, best) that cannot be verified nor discreditable statements about competitors.

Switzerland - It is unlawful for a CIS advertisement to contain materially misleading statements or omissions. The law contains penalties for persons who make inappropriate, misleading, or fraudulent statements in an advertisement.

United Kingdom. - Misleading statements in CIS advertisements are prohibited.

United States - It is unlawful for a CIS advertisement to contain false or materially misleading statements or omissions.

Question 2.1 - When a retail investor is interested in a CIS, which institution(s) may that person approach for information about which CIS to invest in? Please identify which type of institution(s) retail investors commonly use.

Many channels, including banks, broker-dealers, the CIS itself, insurance companies, and financial planners or advisers, are permitted to provide information on CIS investing.

Country	Bank	B-D	CIS	Ins. Co.	Other
Australia	X	X	X		X
Brazil	X	X			
Canada	X[20]	X	X	X	X
France	X		X		X
Germany	X			X	X
Hong Kong	X	X	X	X	X
Italy	X		X		X
Japan	X	X	X	X	X
Jersey	X	X	X	X	X
Luxembourg	X				
Mexico	X	X		X	X
Netherlands	X	X	X	X	
Portugal	X	X			
Spain	X	X	X		X
Sweden	X	X	X	X	
Switzerland	X		X	X	X
UK	X	X	X	X	
US	X	X	X	X	X
TOTAL	18	13	13	11	12
%	100%	72%	72%	61%	67%

[20] In Canada, banks, broker-dealers, CIS operators and insurance companies may provide information to CIS investors, so long as the entity is operating a registered dealer firm with registered salespersons as part of its organization.

Question 2.2 - What types of documents and information are those institutions required to provide to such an investor? Are they required to provide information containing CIS performance information? If so, would that performance information be subject to the restrictions addressed in response to Question A.1?

Australia - Prospectus and application form that is attached to the prospectus must be given to an investor when an offer of investment is made to the investor. Under the FSRA reforms, the same requirement will apply with respect to a prospectus-like document called a Product Disclosure Statement (which will replace the current prospectus). Prospectuses (and the Product Disclosure Statement) are required to have information about the fund's performance where the information might reasonably be expected to have a material influence on the decision of a reasonable retail investor to acquire the investment.

Brazil - Prospectus and by-laws. Not required to provide information containing CIS performance information. Prospectuses are required to be delivered whenever an investor makes a purchase. The operator must keep a signed receipt.

Canada - Prospectus is required to be delivered either before the purchase or within two days of the trade date. This requirement is coupled with legislation that allows investors to rescind their purchase if they exercise their right of rescission within two days after the receipt of the prospectus. At the point of sale, investors receive a simplified prospectus and may also ask for audited financial statements and semi-annual unaudited financial statements. They may also ask for an "annual information form" which contains additional details about the fund and its operator. Any performance information given in any document, including financial statements, must be calculated and presented using the general rules for performance information disclosure.

France - Prospectus and annual or semi-annual reports. For open-end companies, for unit investment trusts.

Germany - Sales prospectus and annual and semi-annual reports.

Hong Kong - Prospectus and application form; financial reports and accounts. The prospectus should be made available and offered to investors. They are not required to provide information containing CIS performance. However, if they choose to do so, any such materials must be approved by the Regulator and comply with the advertising guidelines and restrictions.

Italy - Prospectus, which must be delivered to investors.

Japan - Prospectus and performance report.

Jersey - Prospectus and audited financial report and accounts; they are not required to provide CIS performance information. All persons must be offered, free of charge, a copy of the prospectus before completing the sale. If the shares are sold through means other than a face-to-face conversation or by telephone, a copy of the prospectus will be provided only if the purchaser asks for it.

Luxembourg - The prospectus is required to be offered to subscribers before the conclusion of the contract. Not required to provide information containing CIS performance information.

Mexico - Prospectus along with any modifications thereto, which should be made available to investors for analysis, consultation and approval through the means stipulated in the contract.

Netherlands - Prospectus on request, obtainable free of charge. Can also deliver other information, but such information is considered an advertisement and is subject to usual restrictions on advertisements. In 2002, CIS will be required to provide a simplified prospectus prior to sale.

Portugal - Simplified prospectus, which provides information about annual performance (return and risk) over the last five years should be delivered. The performance information required in the simplified prospectus is subject to the restrictions addressed in response to Question A.1. If the CIS has not been in operation five years, the prospectus, which should be made available on request, provides performance information since inception.

Spain - Prospectus (including rules of incorporation), last quarterly report and last audited annual account (which must include information about CIS performance during the year) must be delivered to investors before their first acquisition of a CIS. Any performance information contained in these documents must comply with restrictions addressed in response to Question A.1.

Sweden - Annual and semi-annual reports. The prospectus must be offered to investors and, upon request, delivered. The annual report and prospectus must contain information on performance for the last three years, and the semi-annual report for the accounting period. Any performance presentation is subject to restrictions in Question A.1.

Switzerland - Annual and semi-annual reports. The prospectus must be offered to investors. The performance information is subject to the restrictions addressed in response to Question A.1.

United Kingdom - The CIS operator normally provides leaflets, brochures, etc. about a fund. Prospectuses must be offered and made available to investors, but they are not required to be delivered to investors. Performance information is not required to be delivered to investors. Where sales are advised or by direct offer, a Key Features Document ("KFD") must be given to investors before they conclude their purchase. A KFD must include information about the aims, risks, commitments and charges for the product. A firm is not required to provide performance information in a KFD but may do so if it wishes.

United States - If an institution offers securities for sale, it must provide a prospectus. A prospectus generally must contain CIS performance information that is subject to the restrictions addressed in Question A.1.

Question 2.3 - Do CIS in your jurisdiction advertise their performance using any of the following mediums (multiple answers allowed)?

CIS may advertise performance through a number of mediums, including newspaper and magazines, television, direct mail, internet, billboards, and radio.

Country	Newspaper	TV	Mail	Internet	Other
Australia	X	X	X	X	
Brazil	X	X	X	X	
Canada	X	X	X	X	X
France	X		X	X	X
Germany	X	X	X	X	X
Hong Kong	X	X	X	X	X
Italy	X	X	X	X	X
Japan	X	X	X	X	X
Jersey	X		X	X	
Luxembourg	X	X	X	X	
Mexico	X	X	X	X	
Netherlands	X	X	X	X	
Portugal	X		X	X	X
Spain	X	X	X	X	X
Sweden	X	X	X	X	X
Switzerland	X	X	X	X	X
UK	X	X	X	X	X
US	X	X	X	X	X
TOTAL	18	15	18	18	12
%	100%	83%	100%	100%	67%

Question 3 - Who is responsible for the accuracy of the contents of a CIS advertisement?

Australia - The directors of the offeror and any expert who has given an opinion and consented to the use of that opinion.

Brazil - The director registered at the regulator for that particular CIS.

Canada - The entity putting out the advertisement; usually the fund company or a dealer.

France - The management company and the depositary are jointly liable.

Germany - The CIS operator.

Hong Kong - The promoter of the ad (usually the management company or the distributor).

Italy - Usually the chief executive director and the senior manager of the CIS marketing department.

Japan - The executive director of the CIS operator or the securities company that makes the advertisement.

Jersey - The manager of the fund.

Luxembourg - Generally the CIS operator.

Mexico - The CIS operators and any other institution involved in the distribution of CIS shares.

Netherlands - Management of the investment institution.

Portugal - Management company and custodian.

Spain - The advertiser (only entities authorized to distribute the CIS) as well as the CIS manager.

Sweden - The management of the fund company, ultimately the board.

Switzerland - For funds domiciled in Switzerland, both the fund management company and the custodian bank. For foreign funds, which may be marketed or distributed professionally in or from Switzerland, the so-called “representative agent.”

United Kingdom - Firm approving the advertisement.

United States - Depending on the facts and circumstances, the CIS, CIS operator, directors of the CIS, distributor, and/or underwriter of the relevant security could be liable for inaccuracies in an advertisement.

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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
01-Jun-2002	4 Purchasers	ABC American -Value Fund - Units	600,000.00	80,753.00
01-Jun-2002	4 Purchasers	ABC Fully-Managed Fund - Units	1,062,689.00	118,463.00
01-Jun-2002	15 Purchasers	ABC Fundamental - Value Fund - Units	2,825,170.00	173,040.00
15-May-2002	3 Purchasers	Acuity Pooled High Income Fund - Trust Units	590,000.00	39,961.00
16-Apr-2002	3 Purchasers	Aloak Corp. - Common Shares	14,000.00	240,000.00
30-Apr-2002	3 Purchasers	Armistice Resources Ltd. - Units	125,000.00	1,250,000.00
14-Jun-2002 to 21-Jun-2002	4 Purchasers	Arrow Ascendant Arbitrage Fund - Trust Units	187,000.00	18,327.00
31-May-2002 to 07-Jun-2002	12 Purchasers	Arrow Ascendant Arbitrage Fund - Units	373,314.50	48,748.00
14-Jun-2002 to 21-Jun-2002	3 Purchasers	Arrow Global Multi-Strategy Fund - Trust Units	294,610.29	29,441.00
21-Jun-2002	James and Sylvia McGovern	Arrow Global Multi-Strategy II Fund - Trust Units	219,546.21	2,193.00
14-Jun-2002	Pik-A-Fresh Foods	Arrow WF Asia Fund - Trust Units	34,375.00	2,778,901.00
15-Feb-2002	Ascendant Capital Inc.	Ascendant Limited Partnership - Limited Partnership Units	50,000.00	51.00
01-Jun-2002	Michael Byron	Aurora Platinum Corp. - Stock Option	0.00	25,000.00
08-May-2002	EDS Canada Inc.	Bank of Ireland Asset Management Limited - Units	6,811,742.00	610,618.00

08-May-2002	EDS Canada Inc.	Bank of Ireland Asset Management Limited - Units	12,341,984.00	1,106,360.00
01-Mar-2002	The Estate of Geoffrey H. Wood Foundation	Bank of Ireland Asset Management Limited - Units	2,986,000.00	270,778.00
06-Dec-2002	13 Purchasers	Blue Mountain Resources Ltd. - Special Warrants	7,385,001.00	2,461,667.00
26-Apr-2002	1068869 Ontario Inc.	BPI American Opportunities Fund - Units	33,178.48	275.00
26-Apr-2002	Laurel Gardiner	BPI Global Opportunites III RSP Fund - Units	25,000.00	249.00
14-Jun-2002	Jim Brown	Canadian Stevia Corporation - Common Shares	30,000.00	40,000.00
27-Jun-2002	54 Purchasers	Canadian Superior Energy Inc. - Common Shares	11,905,480.62	4,034,600.00
26-Apr-2002	Eva Boey	CI Multi-Manager Opportunites Fund - Units	50,000.00	500,000.00
20-Jun-2002	Mount Street Consultants Ltd and A.Mckenzie	Connacher Oil and Gas Limited - Common Shares	44,500.00	12,000.00
16-May-2002	Bank of Montreal	Continental Home Healthcare Ltd. - Warrants	0.00	4,000,000.00
18-Jun-2002	Canyon Resources Corporation	Corner Bay Silver Inc. - Common Shares	3,442,500.00	850,000.00
24-Jun-2002	Altamira Mgmt. Ltd. Laketon Invesmtment Mgmt.	CTI Molecular Imaging Inc. - Common Shares	141,563.10	17,000.00
18-Jun-2002	2 Purchasers	Cumberland Resources Ltd. - Flow-Through Shares	3,377,250.00	1,185,000.00
18-Jun-2002	10 Purchasers	Cumberland Resources Ltd. - Units	1,689,220.00	649,700.00
13-Jun-2002	Edgestone capital Fund Nominee Inc.	Datawire Communication Networks Inc. - Convertible Debentures	1,535,900.00	1.00
11-Jun-2002	Boysen A Gormley	Dexit Inc. - Common Shares	150,000.00	100,000.00
31-May-2002	US Global Investors Precious Minerals Fund	Diamonds North Resources Ltd. - Special Warrants	500,000.00	1,000,000.00
21-Jun-2002	Insurance Corporation of British Columbia	DR Residential Mortgage Trust - Notes	15,000,000.00	15,000,000.00
18-Jun-2002	13 Purchasers	Duncan Park Holdings Corporation - Convertible Debentures	400,000.00	400,000.00
12-Jun-2001	Canada Pension Plan Investment Board	EdgeStone Capital venture C0-Investment Fund-B, L.P. - Limited Partnership Units	30,000,000.00	30,000,000.00

12-Jun-2001	Canada Pension Plan Investment Board and EdgeStone Partners;Inc.	EdgeStone Capital Venture Co-Investment Fund-A,GP, L.P. - Limited Partnership Units	80.00	80.00
23-Jan-2002	48 Purchasers	EDS Holdings Inc. - Common Shares	14,325,514.00	8,595,308.00
24-Jun-2002	3 Purchasers	Encore Acquisition Company - Notes	1,540,800.00	1,000,000.00
24-Jun-2002	Sprott Securities Inc.	Enerchem International Inc. - Common Shares	9,081,250.00	1,816,250.00
21-Jun-2002	Dundee Securities Corp. Sprott Securities Inc.	European Goldfield Ltd. - Warrants	149,850.00	33,300.00
17-Jun-2002	22 Purchasers	Fortune Minerals Limited - Common Shares	1,062,020.00	3,002,290.00
21-Jun-2002	4 Purchasers	Foxpoint Resources Ltd. - Common Shares	2,350,000.00	1,000,000.00
31-May-2002	Echelon General Insurance Co.	Gladiator Limited Partnership - Limited Partnership Interest	500,000.00	500,000.00
06-Oct-2002	6 Purchasers	iPerformance Fund Inc. - Common Shares	355,000.00	355,000.00
06-Jul-2002	T.A.L. Investment Counsel Ltd., Royal Bank of Canada	IESI Corporation - Notes	3,066,000.00	2.00
21-Jun-2002	The Manufacturers Life Insurance Company	Jefferson Partners Technology Fund L.P. - Limited Partnership Interest	130,042.00	1.00
06-Dec-2002	15 Purchasers	Journey Unlimited Omni Brand Corporation - Common Shares	499,242.00	1,664,140.00
06-Dec-2001	1	Journey Unlimited Omni Brand Corporation - Option	50,000.00	100,000.00
06-Dec-2001	1	Journey Unlimited Omni Brand Corporation - Warrants	721,500.00	962,000.00
07-Jun-2002	Alla Levine	KBSH Private - Money Market - Units	550,000.00	55,000.00
06-Jun-2002	N/A	Klondike Gold Corp. - Units	50,000.00	333,334.00
26-Apr-2002	13 Purchasers	Landmark Global Opportunities Fund - Units	789,280.06	6,976.00
26-Apr-2002	Krista Hiddema	Landmark Global Opportunities RSP Fund - Units	103,798.20	989.00
21-Jun-2002	Amber International (Bahamas Ltd.)	Magnifoam Technology International Inc. - Common Shares	2,523,960.00	738,000.00
28-Jun-2002	Forestal Terranova S.A.	Masonite International Corporation - Common Shares	13,760,324.11	1.00

12-Jun-2002	David M. Macdonald	McCoy Bors. Inc. - Common Shares	0.00	10,000.00
24-Jun-2002	11 Purchasers	MCK Mining Corp. - Common Shares	515,000.00	1,512,500.00
21-Jun-2002	Theresa E. Baub	Milagro Energy Inc. - Common Shares	300,000.00	400,000.00
21-Jun-2002	Rocco Cappuccitti, Jamie Varghese	Milagro Energy Inc. - Common Shares	24,750.00	33,000.00
12-Jun-2002	16 Purchasers	Morgain Minerals Inc. - Units	382,500.00	2,000,000.00
20-Jun-2002	5 Purchasers	Navigator Exploration Corp. - Units	1,300,000.00	3,250,000.00
20-Jun-2002	7 Purchasers	Nevsun Resources Ltd. - Units	2,020,000.00	1,010,000.00
17-Jun-2002	Ontario Municipal Employees	Norvest Mezzanine Fund Limited Partnership - Units	5,000,000.00	20.00
19-Jun-2002	MDS Capital Corp. Canada Pension Plan Investment Board	OEFC Private Equity Holoco Inc. - Shares	10,331,120.00	1,033,112.00
19-Jun-2002	4 Purchasers	One Spectrum Court - Common Shares	6,930,000.00	2,309,970.00
19-Jun-2002	3 Purchasers	One Spectrum Court - Common Shares	507,738.00	161,700.00
06-Jun-2002	De Novo Capital	Pacer International Inc. - Common Shares	46,080.00	2,000.00
27-Jun-2002	Robert Salna	Pele Mountain Resources Inc. - Units	500,000.00	2,272,726.00
26-Jun-2002	9 Purchasers	Perigee Pooled Funds - Units	10,245,421.43	1,099,346.00
30-May-2002	Cisco Systems Capital Corporation	Phonetime Inc. - Warrants	1,683,000.00	4,000,000.00
24-Apr-2002	21 Purchasers	Place Edouard Limited Partnership - Limited Partnership Units	1,300,000.00	26.00
25-Jun-2002	Stark Trading , Shepard Investment International Ltd.	Royal Laser Technology Corp. - Warrants	490,000.00	100,000.00
20-Jun-2002	1455672 Ontario Inc.	RPA North America Inc. - Common Shares	1,000,000.00	565,761.00
20-Jun-2002	1455672 Ontario Inc.	RPA North America Inc. - Common Shares	4,000,001.00	2,263,044.00
17-Jun-2002	Patrick .J. Dowling , Dylan T. Mckenzie	Skypoint Telecom Annex Fund - Limited Partnership Units	30,946.00	20.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	52,500.00	75,000.00

14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc.. - Common Shares	691,168.10	987,383.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	65,787.40	65,787.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	23,787.40	33,982.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	175,000.00	250,000.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc.. - Common	651,000.00	930,000.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	157,500.00	225,000.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	11,212.60	16,018.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	190,831.90	272,617.00
14-Jun-2002	OPG Ventures Inc.	SmartSynch, Inc. - Common Shares	11,212.60	16,018.00
14-Jun-200	OPG Ventures Inc	SmartSynch, Inc. - Common Shares	70,000.00	100,000.00
28-Jun-2002	VentureLink Financial Services	Stone & Co. Limited - Warrants	2,800,000.00	3,716,077.00
20-Jun-2002	14 purchasers	Tengtu International Corp. - Units	US$3,623,786.00	2,366,332.00
20-Jun-2002	Jane E. Walker	Texalta Petroleum Ltd. - Shares	10,000.00	62,500.00
20-Jun-2002	3 Purchasers	The KBSH Goodwood Canadian Long/Short Fund - Units	164,342.86	16,845.00
19-Jun-2002	SWIFT Trust	Torus (IG) II-C Ltd - Notes	10,000,000.00	10,000,000.00
19-Jun-2002	SWIFT Trust	Torus (IG) II-C Ltd - Notes	US$3,200,000.00	3,200,000.00
26-Apr-2002	Bruce Hall	Trident Global Opportunities Fund - Units	100,252.52	932.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,169.53	933.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,169.53	933.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	7,201.07	350.00

14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	57,608.58	2,800.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	8,804.29	1,200.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	20,000.00	200.00
14-Jun-2002	Waard Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,269.53	934.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,169.53	19,170.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	144,021.46	7,000.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	14,402.15	700.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	21,603.22	1,050.00
14-Jun-2002	Ward Funeral HOme Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	21,603.22	1,050.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	8,804.29	1,200.00

14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	20,000.00	200.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	144,021.46	7,000.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	28,804.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	14,402.15	700.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	14,402.15	700.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	14,402.15	700.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	8,804.29	1,200.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	57,608.58	57,609.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,269.53	1.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	7,201.07	350.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	57,608.58	57,609.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	28,804.29	1,400.00
14-Jun-2002	Ward Funeral Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	19,169.53	933.00

14-Jun-2002	Ward Funerl Home Limited	Ward-Damiani Funeral Home Limited - Preferred Shares	220,108.00	60.00
06-Nov-2002	John A Plaxton	Wmode Inc. - Preferred Shares	50,000.00	33,334.00
25-Jun-2002	3 Purchasers	Zequra Technologies, Inc. - Convertible Debentures	175,000.00	175,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
10-Jun-2002 to 20-Jun-2002	792523 Ontario Limited	Canmine Resources Corporation - Common Shares	87,105.00	185,000.00

REPORTS MADE UNDER SUBSECTION 2.7(1) OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES WITH RESPECT TO AN ISSUER THAT HAS CEASED TO BE A PRIVATE COMPANY OR PRIVATE ISSUER - FORM 45-102F1

Issuer	Date the Company Ceased to be a Private Company or Private Issuer
NovaDaq Technologies Inc.	3/20/02
Rock Creek Resources Ltd.	5/14/02

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
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	307,800.00
Taronga Holdings Limited	Extendicare Inc. - Shares	42,900.00
Kingfield Investments Limited	Extendicare Inc. - Shares	42,900.00
Kingfield Holdings Limited	Extendicare Inc. - Shares	63,900.00
Windarra Minerals Ltd.	Mishibishu Gold Corporation - Common Shares	10,000,000.00
The Catherine and Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	126,800.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Brascan Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 4th, 2002
Mutual Reliance Review System Receipt dated July 4th, 2002
Offering Price and Description:
$73,500,000 - 2,940,000 Class A Preference Shares, Series II @ $25.00 per Class A Preference Share, Series II
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #463640

Issuer Name:
CAE Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 3rd, 2002
Mutual Reliance Review System Receipt dated July 4th, 2002
Offering Price and Description:
Cdn$ * - 27,000,000 Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Credit Suisse First Boston Canada Inc.
Goldman Sachs Canada Inc.
RBC Dominion Securities Inc.
Societe General Securities Inc.
Dundee Securities Corporation
Raymond James Ltd.
Promoter(s):
-
Project #463511

Issuer Name:
Column Canada Issuer Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated July 4th, 2002
Mutual Reliance Review System Receipt dated July 5th, 2002
Offering Price and Description:
$292,242,000 (Approximate)
Commercial Mortgage Pass-Through Certificates, Series 2002-CCLI
Underwriter(s) or Distributor(s):
Credit Suisse First Boston Canada Inc.
TD Securities Inc.
Promoter(s):
Column Canada Financial Corp.
Project #463838

Issuer Name:
EPCOR Utilities Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated July 4th, 2002
Mutual Reliance Review System Receipt dated July 4th, 2002
Offering Price and Description:
$800,000,000 - Medium Term Notes Debentures (unsecured)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #463781

Issuer Name:
Forest Gate Resources Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated June 28th, 2002
Mutual Reliance Review System Receipt dated July 3rd, 2002
Offering Price and Description:
$1,080,000 to $1,500,000 - 7,200,000 to 10,000,000 Units @ $0.15 per Unit
Underwriter(s) or Distributor(s):
Georgia Pacific Securities Corporation
Promoter(s):
Michael C. Judson
Project #463483

Issuer Name:
Golden Star Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated July 1st, 2002
Mutual Reliance Review System Receipt dated July 2nd, 2002
Offering Price and Description:
$Cdn $ * - 14,000,000 Units @ $ * per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #459431

MAXXUM Money Market Fund
Mackenzie Universal Canadian Resource Fund
Mackenzie Universal Precious Metals Fund
Mackenzie Universal Select Managers Canada Fund
Mackenzie Universal Select Managers Far East Capital Class
Mackenzie Universal World Emerging Growth Capital Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 2nd, 2002
Mutual Reliance Review System Receipt dated July 5th, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #463679

Issuer Name:
Phillips, Hager & North Community Values Global Equity Fund
Phillips, Hager & North Community Values Canadian Equity Fund
Phillips, Hager & North Community Values Bond Fund
Phillips, Hager & North Community Values Balanced Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Simplified Prospectus dated July 4th, 2002
Mutual Reliance Review System Receipt dated July 4th, 2002
Offering Price and Description:
Series A and O Units
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #463837

Issuer Name:
Wireless Matrix Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 4th, 2002
Mutual Reliance Review System Receipt dated July 4th, 2002
Offering Price and Description:
$ * - * Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Loewen, Ondaatje, McCutcheon Limited
Research Capital Corporation
Promoter(s):
-
Project #463734

Issuer Name:
Desjardins Balanced Fund
Desjardins Equity Fund
Desjardins Growth Fund
Desjardins Select American Fund
Desjardins Select Balanced Fund
Principal Regulator - Quebec
Type and Date:
Amendment #1 dated June 26th, 2002 to Simplified Prospectus and Annual Information Form
dated January 21st, 2002
Mutual Reliance Review System Receipt dated 8th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Desjardins Trust Investment Services Inc.
Promoter(s):
-
Project #408943

Issuer Name:
THE GOODWOOD CAPITAL FUND
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 25th, 2002 to Annual Information Form dated January 11th, 2002
Mutual Reliance Review System Receipt dated 9th day of July, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Goodwood Inc.
Promoter(s):
-
Project #407522

Issuer Name:
Intermap Technologies Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 5th, 2002
Mutual Reliance Review System Receipt dated 8th day of July, 2002
Offering Price and Description:
2,50 0,000 Common Shares and 1,250,000 Warrants Issuable Upon Exercise of 2,500,000 Special Warrants @$4.00 per Special Warrant
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
Octagon Capital Corporation
Salman Partners Inc.
Promoter(s):
-
Project #448981

Issuer Name:
Terraquest Energy Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 3rd, 2002
Mutual Reliance Review System Receipt dated 4th day of July, 2002
Offering Price and Description:
$2,565,000.00 - 5,130,000 Common Shares issuable on exercise of outstanding Special Warrants @$0.50 per Special Warrant
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Peters & Co. Limited
Promoter(s):
-
Project #456907

Issuer Name:
UEX Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated June 28th, 2002
Mutual Reliance Review System Receipt dated 2nd day of July, 2002
Offering Price and Description:
$4,000,000 (Minimum) to $5,550,000 (Maximum) Up to 20,000,000 UEX Common Shares (including up to 11,000,000
UEX Flow-Through Common Shares) @ $0.25 per UEX Common Share (Non Flow-Through) and $0.30 per UEX Flow-Through Common Share.
Underwriter(s) or Distributor(s):
Promoter(s):
Project #429922

Issuer Name:
Power Financial Corporation
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated July 5th, 2002
Mutual Reliance Review System Receipt dated 5th day of July, 2002
Offering Price and Description:
$150,000,000.00 - Shares (5.90% Non-Cumulative First Preferred Shares, Series F) @ $25.00 per Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #462613

Issuer Name:
Burgundy Balanced Income Fund
Burgundy Canadian Equity Fund
Burgundy Large Cap Canadian Equity Fund
Burgundy American Equity Fund
Burgundy Partners Equity RSP Fund
Burgundy Foundation Trust Fund
Burgundy Bond Fund
Burgundy Partners' RSP Fund
Burgundy Money Market Fund
Burgundy Partners' Fund
Burgundy Pension Trust Fund
Burgundy U.S. Money Market Fund
Burgundy European Equity Fund
Burgundy European Foundation Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 8th, 2002
Mutual Reliance Review System Receipt dated 9th day of July, 2002
Offering Price and Description:
(Mutual Fund Units)
Underwriter(s) or Distributor(s):
Burgundy Asset Management Ltd.
Promoter(s):
Burgundy Asset Management Ltd.
Project #454586

Issuer Name:
Middlefield Growth Class
Middlefield Equity Index Plus Class
Middlefield U.S. Equity Class
Middlefield Income Plus Class
Middlefield Resource Class
Middlefield Canadian Balanced Class
Middlefield Global Technology Class
Middlefield Alternative Energy Class
(Classes of Middlefield Mutual Funds Limited)
Middlefield Enhanced Yield Fund
Middlefield Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 14th, 2002
Mutual Reliance Review System Receipt dated 5th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Middlefield Securities Limited
Promoter(s):
Midddlefield Fund Management Limited
Project #446857

Issuer Name:
Ontario Teachers' Group Dividend Fund
Ontario Teachers' Group Investment Fund - Growth Section
Ontario Teachers' Group Investment Fund - Balanced Section
Ontario Teachers' Group Investment Fund - Diversified Section
Ontario Teachers' Group Investment Fund - Mortgage Income Section
Ontario Teachers' Group Investment Fund - Fixed Value Section
Ontario Teachers' Group Global Value Fund
Type and Date:
Final Simplified Prospectus and Annual Information Form dated June 21st, 2002
Receipt dated 4th day of July, 2002
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
Ontario Teachers Group Inc.
Promoter(s):
-
Project #451416

Issuer Name:
Phillips, Hager & North Small Float Fund
Phillips, Hager & North Balanced Pension Trust
Phillips, Hager & North Global Equity Pension Trust
Phillips, Hager & North Overseas Equity Pension Trust
Phillips, Hager & North Canadian Equity Plus Pension Trust
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 8th, 2002
Mutual Reliance Review System Receipt dated 9th day July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #445018

Issuer Name:
Phillips, Hager & North U.S. Dividend Income Fund
Phillips, Hager & North Global Equity Fund
Phillips, Hager & North Overseas Equity Fund
Phillips, Hager & North Total Return Bond Fund
Phillips, Hager & North High Yield Bond Fund
Phillips, Hager & North Global Equity RSP Fund
Phillips, Hager & North U.S. Equity Fund
Phillips, Hager & North Short Term Bond & Mortgage Fund
Phillips, Hager & North Canadian Growth Fund
Phillips, Hager & North Dividend Income Fund
Phillips, Hager & North Canadian Money Market Fund
Phillips, Hager & North Canadian Equity Fund
Phillips, Hager & North Bond Fund
Phillips, Hager & North Balanced Fund
Phillips, Hager & North $U.S. Money Market Fund
Phillips, Hager & North U.S. Growth Fund
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 8th, 2002
Mutual Reliance Review System Receipt dated 9th day of July, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #445005

Issuer Name:
Phillips, Hager & North Vintage Fund
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 8th, 2002
Mutual Reliance Review System Receipt dated July 9, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #445033

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Nordea Investment Management North America, Inc. Attention: Juan Ignacio Ducali 47 Madison Avenue New York NY 10022 USA	International Adviser Investment Counsel & Portfolio Manager	Jul 04/02
New Registration	Douglas Capital Inc. Attention: John Charles Douglas 81 Queen Anne Road Etobicoke ON M8X 1T3	Limited Market Dealer	Jul 05/02
New Registration	Bieber Securities Inc. Attention: Guy Norman Bieber 400 St. Mary Avenue Suite 801 Winnipeg MB R3C 4K5	Investment Dealer Equities Options	Jul 05/02
New Registration	Delmar Investment Inc. Attention: Douglas Scott Feagan 38 Grandview Road Ottawa ON K2H 8B3	Limited Market Dealer	Jul 08/02
Change in Category (Categories)	Lancet Asset Management Inc. Attention: Gordon Robert Higgins 1870 Alta Vista Drive Ottawa ON K1G 6R7	From: Investment Counsel & Portfolio Manager To: Limited Market Dealer Investment Counsel & Portfolio Manager	Jul 04/02
Suspension of Registration	Fund Equity Plus Inc. Attention: Sandy Pahwa 28 Concourse Gate Suite 203 Nepean ON K2E 7T7	Mutual Fund Dealer	Jul 02/02
Change of Name	Kingsdale Capital Markets Inc. Attention: Panagiotis Notidis Scotia Plaza, 40 King Street West Suite 3600 Toronto ON M5H 3Y2	From: Patica Securities Inc. To: Kingsdale Capital Markets Inc.	Jul 03/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA – Proposed Regulation Amendment to Inter-Dealer Bond Brokerage Systems

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED REGULATION AMENDMENT TO
INTER-DEALER BOND BROKERAGE SYSTEMS

I Overview

The customers of Inter-Dealer Brokers are subject to levies and fees of the IDA and the Canadian Investor Protection Fund. In addition, Inter-Dealer Bond Brokers are restricted to operating in the wholesale markets. However, with Alternative Trading Systems scheduled to become IDA members, Alternative Trading Systems will be able to operate in both the retail and the wholesale markets and their customers will not be subject to the levies and fees of the IDA and the Canadian Investor Protection Fund. Consequently, the levies and fees place Inter-Dealer Bond Brokerage Systems at a competitive disadvantage in the wholesale markets.

Therefore, the proposed amendment serves to level the playing field in the wholesale markets for the Inter-Dealer Bond Brokerage Systems and the Alternative Trading Systems by removing the levies and fees of customers of Inter-Dealer Bond Brokerage Systems.

A Current Rule(s)

Regulations 2100.6, 2100.7 and 2100.8 serve two purposes.

Firstly, Regulation 2100.6 describes the requirements of the agreement that customers, referred to as "Outside Canada Firms", must satisfy when dealing with Inter-Dealer Bond Brokers.

Secondly, Regulations 2100.7 and 2100.8 protects the rights of Inter-Dealer Bond Brokerage Systems by requiring them to participate in any proposed rule amendment to Regulation 2100.

B The Issue(s)

As mentioned previously, the issue is as follows:

1. Regulation 2100.6 is hindering fair competition to the disadvantage of Inter-Dealer Bond Brokerage Systems.

C Objective

The objective of the proposed rule amendment is to allow Inter-Dealer Bond Brokerage Systems to compete on a level playing field in the wholesale markets by promoting fair and transparent competition.

D Proposed Rule Amendment– Executive Summary

The proposed amendment to Regulation 2100.6 is in response to Alternative Trading Systems becoming members of the Investment Dealers Association and having an unfair competitive advantage over Inter-Dealer Bond Brokerage Systems in the wholesale markets. The unfair competitive advantage is caused when the Outside Canada Firms are subject to fees as set out in the Outside Canada Firm Agreement reflecting what the Outside Canada Firm would have paid to the Canadian Investor Protection Fund and the Association if it had been within the jurisdiction of the fund.

The proposal amends Regulation 2100.6 by removing the requirement in the Outside Canada Firm Agreement that fees be charged or levied on Outside Canada Firms.

With respect to Regulation 2100.8, the consultative process was conducted with the Inter-Dealer Bond Broker Committee (the Committee) before the proposed changes to the Outside Canada Firm Agreement (Regulation 2100.6) were made. The Committee approved the changes to remove the Annual Capital Fee and the Annual Revenue Fee for Outside Canada Firms.

E Effect of Proposed Rule Amendment

Market Structure

The effect of this proposed amendment on the Canadian market structure is believed not to be material.

Competitive Environment

It is felt that the effect of having a level playing field in the wholesale markets by removing the competitive disadvantage caused by Regulation 2100.6 would foster a fair, transparent and competitive environment for Inter-Dealer Bond Brokerage Systems and Alternative Trading Systems dealing in the wholesale markets.

Outside Canada Firm Agreement

The Outside Canada Firm Agreement's concepts and purpose have been preserved with the exception of the removal of the annual fees levied on the Outside Canada Firms.

II Detailed Analysis

A Current Rules and Relevant History

Regulation 2100.6 stipulates that:

"2100.6. **Agreements.** The parties to an agreement referred to in Regulation 2100.5 shall include the Association and the particular firm referred to in paragraph (b) or (c) of Regulation 2100.5 (referred to as the "Outside Canada Firm"), and, in the case of firms referred to in paragraph (b) of Regulation 2100.5, the parties shall also include the affiliated firm of the Outside Canada Firm that is a Member. The agreement shall:

(a) State that the Outside Canada Firm will be dealing with or through the inter-dealer bond broker, specifying that such activities will be physically carried on from jurisdictions in which the Outside Canada Firm is a member of one of the self-regulatory organizations referred to in, or designated in accordance with, Regulation 2100.5(c)(ii), or from other jurisdictions where the Vice-President, Financial Compliance is satisfied that the trading activities are within the reach of one or more of those self-regulatory organizations;

(b) where the Outside Canada Firm is a firm described in paragraph (b) of Regulation 2100.5 and therefore is affiliated with a firm that is a Member:

(i) confirm that the calculation of contributions to be made by the Member firm to the Canadian Investor Protection Fund and of levies and fees to be paid by it to the Association, will include all trades in domestic debt securities made with Canadian counterparties by the Outside Canada Firm and its affiliates; insofar as the Member firm makes contributions based on trading other than its own trading, it may treat those contributions as being made on its own behalf or on behalf of the Outside Canada Firm;

(ii) obligate the Outside Canada Firm to provide the Member firm with information as to its trading activities in domestic debt securities so as to facilitate the payments referred to in (i) and so as to enable the Member to provide the Association with regular reporting concerning such trading on an aggregated basis in accordance with Association requirements;

(iii) commit the Outside Canada Firm also to provide (subject to appropriate confidentiality provisions in accordance with Canadian practice) additional information as required by the Association in connection with a specific inquiry concerning trading in domestic debt securities;

(c) where the Outside Canada Firm is a firm described in paragraph (c) of Regulation 2100.5 and therefore has no affiliate that is a Member, the agreement shall:

(i) obligate the Outside Canada Firm to pay to the Association an amount annually that reflects the fees and levies of the Association together with an amount reflecting what the Outside Canada Firm would have paid to the Canadian Investor Protection Fund had it been within the jurisdiction of that fund, all determined by reference to trades in domestic debt securities made with Canadian counterparties by the Outside Canada Firm and its affiliates;

(ii) obligate the Outside Canada Firm to provide the information referred to in Regulation 2100.6(b)(ii) and (iii),

but the reference in (b)(i) and (c)(i), insofar as they require payments directly or indirectly to the Canadian Investor Protection Fund that would not have been required in the absence of this Regulation 2100, shall not be effective if:

(i) the levy or assessment is in the form of a special or capital levy, or

(ii) the levy or assessment is retroactive in that it relates to a fiscal period prior to the assessment period to which a levy or assessment made at the particular time would relate if made in accordance with usual practice for current assessments,

but this exclusion shall not affect the validity of any levy or assessment imposed on a Member in accordance with applicable rules other than this Regulation 2100. The agreement entered into in accordance with this section shall also contain specific provisions necessary and appropriate to adapt the requirements set out above to the particular circumstances of the Outside Canada Firm."

B Comparison with Similar Provisions

The Association is not aware of any other jurisdiction in the world where customers of an inter-dealer bond brokerage system or investment dealer or broker are required to pay levies or fees directly to a self-regulatory organization.

C Proposed Rule Amendment– Detailed Analysis

The proposed rule amendment, attached as Attachment #1, Enclosure #1, would replace Regulation 2100.6. As described previously, the amendment to the above mentioned regulation affects the Outside Canada Firm Agreement by removing the annual fees levied on Outside Canada Firms.

D Purpose(s) of Proposal (public interest objective)

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals with respect to Inter-Dealer Brokerage Systems. The purpose of this proposal is:

- To standardize industry practices where necessary or desirable for investor protection;

As a result, the proposed amendments are considered to be in the public interest.

III Commentary

It is believed that the above proposed amendment will level the playing field and foster a fair, transparent and competitive environment for Inter-Dealer Brokerage Systems and Alternative Trading Systems operating in the wholesale markets.

A Filing in Another Jurisdiction

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B Effectiveness

This proposed amendment would level the playing field, promote fair competition as well as make the capital market more transparent to regulators and Members.

C Process

This proposed amendment has been reviewed and recommended for approval by Staff.

IV Sources

IDA Regulation 2100
By-Law 36
National Instrument 21-101
National Instrument 23-101
SEC-REL 34-40760 12/08/98–Regulation Of Exchanges And Alternative Trading Systems

V OSC Requirement to Publish for Comment

The IDA is required to publish for comment the accompanying rule amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed rule amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Answerd Ramcharan, Information Analyst, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Capital Markets, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Answerd Ramcharan
Information Analyst, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-5850

INVESTMENT DEALERS ASSOCIATION OF CANADA

AUTHORIZED CUSTOMERS OF INTER-DEALER BOND BROKERAGES

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 2100.6 is hereby repealed and replaced as follows:

"2100.6. **Agreements.** The parties to an agreement referred to in Regulation 2100.5 shall include the Association and the particular firm referred to in paragraph (b) or (c) of Regulation 2100.5 (referred to as the "Outside Canada Firm"), and, in the case of firms referred to in paragraph (b) of Regulation 2100.5, the parties shall also include the affiliated firm of the Outside Canada Firm that is a Member. The agreement shall:

(a) State that the Outside Canada Firm will be dealing with or through the inter-dealer bond broker, specifying that such activities will be physically carried on from jurisdictions in which the Outside Canada Firm is a member of one of the self-regulatory organizations referred to in, or designated in accordance with, Regulation 2100.5(c)(ii), or from other jurisdictions where the Vice-President, Financial Compliance is satisfied that the trading activities are within the reach of one or more of those self-regulatory organizations;

(b) obligate the Outside Canada Firm to provide the Member firm with information as to its trading activities in domestic debt securities to enable the Member to provide the Association with regular reporting concerning such trading on an aggregated basis in accordance with Association requirements;

(c) commit the Outside Canada Firm also to provide (subject to appropriate confidentiality provisions in accordance with Canadian practice) additional information as required by the Association in connection with a specific inquiry concerning trading in domestic debt securities;

The agreement entered into in accordance with this section shall also contain specific provisions necessary and appropriate to adapt the requirements set out above to the particular circumstances of the Outside Canada Firm."

PASSED AND ENACTED BY THE Board of Directors this 17th day of June 2002, to be effective on a date to be determined by Association staff.

13.1.2 IDA Settlement Proceeding - BMO Nesbitt Burns Inc.

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: SETTLEMENT PROCEEDING

IN THE MATTER OF BMO NESBITT BURNS INC.

JULY 8, 2002 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a proceeding date has been set before a panel of the Ontario District Council of the Association in respect of matters for which BMO Nesbitt Burns Inc. may be disciplined by the Association.

The proceeding is to consider a Settlement Agreement entered into between Staff of the Enforcement Department and BMO Nesbitt Burns Inc.

The proceeding is scheduled to commence at 9:30 a.m. on Tuesday July 23, 2002 at 155 University Avenue, Suite 302, Toronto, Ontario. The proceeding is open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed on BMO Nesbitt Burns Inc., the Association will issue an Association Bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed, and a summary of the facts. Copies of the Association Bulletin and Settlement Agreement will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's role is to foster fair, efficient and competitive capital markets by encouraging participation in the savings and investment process and by ensuring the integrity of the marketplace. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

Aleksander Popovic
Vice President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeffrey Kehoe
Director of Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

13.1.3 IDA Proposed Amendments to By-law 11

INVESTMENT DEALERS ASSOCIATION OF CANADA

PROPOSED AMENDMENTS TO BY-LAW 11

I OVERVIEW

A -- Current Rules

The current By-law 11 does not set out any rules related to the appointment of retired industry members to the District Council.

B – Issue

Provision should be made in the IDA By-laws for appointment of retired industry members to reflect the current practice.

C – Objective

The objective of the amendment to By-law 11 is to ensure that the By-law reflects current practice related to the appointment of retired industry members to the District Council.

D – Effect of Proposed Rules

The proposed rules will have the effect of clarifying the appointment of industry members to the District Council.

II -- DETAILED ANALYSIS

A -- Present Rules, Relevant History and Proposed Policy

By Law 11 sets out the process with regard to the appointment of legally trained individuals to the District Council but does not provide for similar rules related to the appointment of industry members. In practice, two of the three panel members presiding over a hearing are retired industry members. By-law 11 must be amended to reflect the current reality and fill the gap in By-law 11.

III -- COMMENTARY

A -- Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B – Effectiveness

The amendments to By-law 11 will ensure greater effectiveness of the By-laws.

C -- Process

The By-law 11 amendments set out herein were approved by the IDA Board of Directors June 2002.

IV – SOURCES

By-law 11

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments to By-law 11 would be in the public interest. Comments are sought on the proposed amendments to By-law 11. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Association Secretary, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Belle Kaura
Enforcement Policy Counsel
Enforcement Division
Investment Dealers Association of Canada
(416) 943-5878
bkaura@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

PROPOSED HOUSEKEEPING AMENDMENTS TO BY-LAW 11

THE BOARD OF DIRECTORS of the Investment Dealers Association hereby makes the following amendments to the By-laws, Regulations, forms and Policies of the Association:

1. By-law 11 is amended by adding the following paragraph immediately following 11.1A:

   11.1B Each District Council may, at its first meeting after the Annual Meeting, appoint a roster of retired industry members who shall be eligible only to vote at, meetings which are hearings, held by the District Council pursuant to By-law 20. Only persons who are resident in the District, who have retired in good standing as a partner, director, officer or employee of a Member and who were qualified to be appointed to District Council prior to retirement, shall be eligible for selection as retired industry members. The number of retired industry members appointed to the roster shall be at the discretion of the District Council, and individuals may be added to or deleted from such roster from time to time in accordance with the requirements of the District Council.

PASSED AND ENACTED BY THE Board of Directors this 17th day of June 2002, to be effective on a date to be determined by Association staff.

13.1.4 IDA Proposed Amendments to Policy 8

INVESTMENT DEALERS ASSOCIATION OF CANADA

PROPOSED PUBLIC INTEREST AMENDMENTS TO POLICY 8

I OVERVIEW

A – Overview of Policy 8

The objectives of Policy 8 are to:

i) provide for comprehensive reporting;

ii) better enable the designated self regulatory organizations ("SRO") to take a proactive response to industry trends;

iii) standardize industry reporting practices;

iv) better identify areas of possible compliance weakness for review by Sales Compliance and/or Financial Compliance and areas where Enforcement Action is necessary;

v) identify patterns and trends that will allow for the identification of pervasive industry trends, problems at Member Firms, and misconduct of registrants;

vi) better monitor industry problems;

vii) enhance investor protection;

viii) facilitate the oversight function of the designated SROs; and

ix) promote higher standards of business conduct and ethics.

Policy 8 is divided into four broad sections: Introduction and Definitions; Reporting Requirements; Internal Investigations and Settlement Agreements.

Section I. A sets out what must be reported by registrants to their Member Firms. The registrant must report to the Member Firm, within two business days, whenever:

i) there is a change to the information contained in the Uniform Application for Registration/Approval;

ii) he/she has reason to believe that he/she has breached any securities law or the rules of any regulatory or self- regulatory organization, professional licensing or registration body;

iii) he/she is the subject of a written customer complaint;

iv) he/she is aware of a customer complaint against another registrant that deals with the list of serious matters set out at A.1(d).

Section I. B sets out what must be reported by the Member to the designated SRO. The Member Firm must report to its designated SRO:

i) any changes to information contained in the Uniform Application for Registration/Approval of a registrant;

ii) any criminal matters involving the Member or a registrant;

iii) any proceeding or disciplinary action against the Member or a registrant alleging the contravention of any law concerning securities or exchange contracts;

iv) any proceeding or disciplinary action against the Member or a registrant alleging the contravention of the rules of any regulatory or self-regulatory organization, professional licensing or registration body;

v) any denials of a registration/license of the Member or a registrant;

vi) any written customer complaints, except service complaints, against the Member or a registrant;

vii) any securities-related civil claims and arbitration notices against the Member or a registrant;

viii) any resolution of customer complaints, securities-related civil claims and arbitration notices against the Member or a registrant;

ix) any internal disciplinary action taken by the Member Firm against a registrant where there is a customer complaint, internal investigation, or a securities-related civil claim or arbitration notice;

x) any internal disciplinary action taken by the Member Firm against a registrant that involves suspension, termination, demotion or the imposition of trading restrictions;

xi) any internal disciplinary action taken by the Member Firm against a registrant that involves the withholding of commissions or fines in excess of $5,000 for a single matter or $15,000 cumulatively for one year, or a fine has been imposed or commission withheld three or more times in one year.

Section I. B(2) sets out a record keeping requirement.

Section I. B(3) allows the IDA to impose a prescribed administrative fee for non-compliance with Policy 8.

Section II sets out the instances in which an internal investigation must be conducted by a Member Firm. Internal investigations must be conducted by a Member Firm where it appears that either the Firm or a registrant has violated the provision of any law, or any rule of any regulatory or self-regulatory organization, relating to the list of serious matters as set out at Section II. 1. Section II. 2 sets out record keeping requirements for internal investigations.

Section III sets out the rule that registrants cannot enter into a settlement agreement without the consent of the Member.

ComSet (Complaints and Settlement Database) is the web-based database system through which Member Firms will be required to report certain Policy 8 matters.

ComSet is a tool that will be used by the IDA in its risk-based approach to Compliance and Enforcement. It will assist the IDA in fulfilling its oversight function by improving its ability to identify areas for compliance review, areas where enforcement action is appropriate, industry problems, and regional issues.

B – Current Rules

The original Policy 8 was approved by the IDA Board October 18, 2000 and published in the OSC Bulletin November 10, 2000.

Amendments to Policy 8 were approved by the IDA Board June 17, 2001 and published in the OSC Bulletin July 27, 2001.

Further amendments to Policy 8, resulting from comments of the Securities Commissions, were approved by the IDA Board October 17, 2001 and published in the OSC Bulletin November 9, 2001.

A significant restructuring and overhaul of Policy 8 was approved by the IDA Board January 16, 2002 and published in the OSC Bulletin February 15, 2002.

C – Issue

The proposed amendments, outlined in this Board Paper, result from the comments received from the Securities Commissions with respect to the January 16, 2002 Policy 8 and the further review of Policy 8 precipitated by the comments.

D – Objective

The objective of the amendments to Policy 8 is to provide for clear and effective reporting requirements which will in turn assist Members in complying with Policy 8.

E– Effect of Proposed Rules

The proposed rules will have the effect of clarifying the reporting obligations of Members and registrants.

II DETAILED ANALYSIS

A – Present Rules, Relevant History and Proposed Policy

Change to definition of "civil claim"

The definition of "civil claim" has been amended to remove the wording "in any jurisdiction, inside or outside of Canada" to eliminate any redundancy with I.B.1(e).

Inclusion of definition of "exchange contracts"

The term "exchange contracts" has been added to the definition section so as to ensure that Members are aware that "exchange contracts" include commodity futures contracts and commodity futures options and also to be consistent with the BC Securities Act and the terms used in Form 33-109F4 Registration Information for an individual and its schedule, Schedule A, which are information requirements proposed for the National Registration Database.

Inclusion of definition of "legislation or law"

The term "legislation or law" has been added to the definition section so as to ensure that Members are aware that the term is meant to include any rules, policies, regulations, rulings or directives of any securities commission and to ensure that the body of Policy 8 is not unduly lengthy and complex.

Inclusion Of Definition Of Misrepresentation

The definition of "misrepresentation" has been included in Policy 8 due to a number of inquiries from Member Firms as to whether the reference to "misrepresentation" has the meaning given to the term in the Ontario Securities Act. The definition in the Ontario Securities Act is not appropriate given the inclusion of the materiality concept within the definition. A definition similar to the Ontario Securities Act has been adopted with the exclusion of the materiality concept.

Inclusion of the Definition of Registrant

The definition of "registrant" has been added so as to simplify the body of Policy 8.

Replacement of the term "securities law", the term "regulations and rules" at I.A1(b) and I.B.1(c) and the definition of "securities-related"and "service complaints" with more detailed terms

The terminology found at Policy 8 provisions I.A.1(b), I.B.1(c), II.1 and in the definitions of "securities-related" and "service complaints" that refers to "securities law", "regulations and rules" of regulators, or "IDA rules or standards" has been changed so as to correspond more closely with existing language at IDA By-laws 19.1.1(i) and 19.1.1(ii) and to provide a clearer and more detailed description of applicable law and rules.

Inclusion Of Provision For Actions Taken By A Regulatory Body At I.B.1(c)

It is proposed that I.B.1(c) of Policy 8 be amended to provide for a reporting requirement where proceedings are brought by a Securities Commission or regulator to Court.

Policy 8 currently requires reporting of disciplinary actions taken by any regulatory organization, securities-related civil claims and criminal offences.

I.B.1(c) of Policy 8 can be interpreted to include proceedings before a court by virtue of the language "whenever the Member or a partner, director, officer or registered or approved person is the subject of a denial, suspension or cancellation of registration or a license, or disciplinary action under any securities law.." However, as not all proceedings before a court fall within the term "disciplinary action" it is believed that the provision should be clarified so as to eliminate any possibility of uncertainty.

Removal Of The Words "Securities And Financial Services" At I.A.1(b)

I.A.1(b) Policy 8 requires registrants to report to Member Firms where they have reason to believe that they are or may have been in contravention of any provision of any securities or financial services regulatory or self-regulatory organization.

I.B.1(c) Policy 8 requires Members to report to the IDA any actions by any regulatory or self-regulatory organization.

The two provisions should be consistent. Information concerning any actions taken by any regulatory or self-regulatory organization should be reported. Thus, the reporting of contraventions of "securities or financial services regulatory or self-regulatory organizations" by registrants has been changed to require reporting of contraventions of any regulator or self-regulatory organization. This change will serve to ensure that Members are provided with information from registrants so as to be able to meet their reporting requirements under I.B.1(c) Policy 8.

Removal of "is aware" from I.A.1(a) and (c)

Certain minor changes to the wording of Policy 8 have been made changed so as to ensure consistency and clarity of Policy 8. The words "is aware" have been removed from I.A. 1(a) and (c) and I.B.1(b).

Inclusion Of "Current" At I.B.1.(b) and "Current and Former" At I.B.1(c)

The word "current" does not appear in I.B.1(b) as the matters required to be reported pursuant to this provision pertaining to "current" individuals is captured by way of I.A.1(a) and I.B.1(a). I.A.1(a) requires individuals to report changes to the Uniform Application for Registration to Members. I.B.1(a) requires Members to report to the designated SRO changes to the Uniform Application for Registration. A criminal offence would have to be reported

by current registrants as a change to the Uniform Application for Registration pursuant to these two provisions.

However, it is believed that I.B.1(b) should be a standalone provision such that it is unequivocally clear that Members must report criminal offences dealing with both current and former registrants.

For similar reasons and to ensure consistency, the words "current and former" have been added to I.B.1(c).

Standalone provisions will allow the IDA to outline more clearly to Members which provisions are to be reported through ComSet and which are to be reported through the Registrations Department.

Inclusion Of of a Defining Period of Time for Which Events Related to Current and Former Registrants Must be Reported at I.B.1(b),(c),(e) and (f)

The words "while in the employ of, or concerning matters that occurred while in the employ, of the Member" have been added to I.B.1(b),(c),(e) and (f). This change was made to provide for a reasonable and definable time period for the reporting obligations of Members.

For example, Members are required to report situations where a registrant is charged with a criminal offence while in the employ of the Member or where the criminal offence pertains to matters that occurred while in the employ of the Member. This same type of logic applies for all reportable events outlined at I.B.1(b),(c),(e) and (f).

The change was not made to I.B.1(d) as all customer complaints received by a Member are reportable, regardless of when they are received or whether they deal with matters that arose while the individual was employed with the Member.

III COMMENTARY

A – Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

Policy 8 has not yet been implemented.

B – Effectiveness

The amendments to Policy 8 will ensure greater effectiveness of the Policy.

C – Process

The Policy 8 amendments set out herein were approved by the IDA Board of Directors June 2002.

IV SOURCES

NYSE Rule 351
NASD Rule 3070
NASD Rules of Fair Practice – Section 50

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments to Policy 8 would be in the public interest. Comments are sought on the proposed amendments to Policy 8. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Association Secretary, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Belle Kaura
Enforcement Policy Counsel
Enforcement Division
Investment Dealers Association of Canada
(416) 943-5878
bkaura@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

PROPOSED AMENDMENTS TO POLICY 8

THE BOARD OF DIRECTORS of the Investment Dealers Association hereby makes the following amendments to the By-laws, Regulations, forms and Policies of the Association:

1. The definition of "civil claim" is amended by deleting the following words immediately following the word "tribunal":

   "in any jurisdiction, inside or outside of Canada".

2. The definition of "exchange contracts" is added to the definition section as follows:

   " "exchange contracts" include, but are not limited to, commodity futures contracts and commodity futures options."

3. The definition of "misrepresentation" is added to the definition section as follows:

   " "misrepresentation" means:

   i) an untrue statement of fact; or

   ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. "

4. The definition of "legislation or law" is added to the definition section as follows:

   " "legislation or law" includes, but is not limited to, any rules, policies, regulations, rulings or directives of any securities commission."

5. The definition of "registrant" is added to the definition section as follows:

   " "registrant" means any partner, director, officer or registered or approved person of a Member."

6. Sub clause (i) of the definition of "securities-related" is amended by deleting the following words:

   "(including commodities futures contracts and commodity futures options)".

7. Sub clause (iii) of the definition of "securities-related" is repealed and replaced by the following:

   "(iii) any matter that is the subject of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada. or"

8. Sub clause (iv) of the definition of "securities-related" is added as follows:

   "(iv) any matter that is the subject of by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada."

9. The definition of "service complaints" is amended by replacing the words "IDA rules or standards" with the following:

   "i) any legislation or law concerning trading in securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

   ii) by-laws, rules, regulations, rulings, or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada."

10. I.A.1 is amended by replacing the words "partner, director, officer or registered or approved person of a Member" with the following word:

    "registrant".

11. I.A.1(a) is amended by replacing the words "becomes aware of" with the following words:

    "there is".

12. I.A.1(b) is repealed and replaced by the following:

    "(b) he or she has reason to believe that he or she is or may have been in contravention of:

    i) any provision of any legislation or law concerning securities or exchange contracts in any jurisdiction, inside or outside of Canada; or

    ii) any by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside Canada."

13. I.A.1(c) is amended by adding the following words immediately prior to the words "is the subject of":

    "he or she".

14. I.A.1(c) is amended by adding the following words immediately prior to the words "is aware of":

    "he or she"; and by:

replacing the words "partner, director, officer, or registered or approved person of the Member" with the following words:

"any other registrants".

15. I.B.1(a) is amended by replacing the words "partner, director, officer, or registered or approved person of the Member" with the following words:

"any other registrants".

16. I.B.1(b) is amended by deleting the following words immediately following the words "whenever the Member":

"itself or the Member becomes aware that"; and by

replacing the words partner, director, officer, or registered or approved person of the Member" with the following words:

"registrant"; and by:

deleting the following word immediately preceding the words "no contest to":

"pleads"; and by:

deleting the following words immediately following the words "criminal offence":

"while in the employ of"; and by:

adding the following words immediately following the words "outside of Canada":

"while in the employ of the Member, or concerning matters that occurred while in the employ of the Member".

17. I.B.1 (c) is repealed and replaced by the following:

" (c) whenever the Member , or a current or former registrant, is:

(i) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;

(ii) named as a defendant or respondent in, or is the subject of, any disciplinary action or proceeding alleging contravention of the by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member; or

(iii) denied registration or a license by any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction inside, or outside of Canada, while in the employ of the Member."

18. I.B.1(d) is amended by replacing the words "partner, director, officer or registered or approved person" with the following word:

"registrant".

19. I.B.1(e) is amended by adding the following word immediately following the word notices:

"filed"; and by:

adding the following words immediately following the words "outside of Canada":

", while in the employ of the Member, or concerning matters that occurred while in the employ of the Member."

20. I.B.1(f) is repealed and replaced by the following:

"all resolutions of any matters reportable pursuant to I.B.1(b),(c),(d) and (e) of this Policy, including, judgements, awards, private settlements and arbitrations, in any jurisdiction, inside or outside of Canada."

21. I.B.1(g) is amended by replacing the words "partner, director, officer, or registered or approved person" with the following word:

"registrant".

22. I.B.g (i) is amended by deleting the following word immediately following the word "Policy":

"or".

23. I.B.1 g (ii) is amended by deleting the following word immediately following the word "Policy":

"or".

24. I.B.1(g) (iii) is amended by deleting the following word immediately following the word “restrictions”:

“or”.

25. I.B.1(g)(iv) is amended by deleting the following word immediately preceding the word “involves”:

“that”;

26. I.B.1(g)(v) is amended by deleting the following word immediately preceding the word “involves”:

“that”.

27. II. 1 is amended by replacing the following words “partner, director, officer or registered or approved person of the Member” with the following word:

“registrant”; and by:

replacing the words “regulation or rule of any regulatory or self regulatory organization f any jurisdiction inside or outside of Canada” with the following words:

“or law, or has violated any by-laws, rules, regulations, rulings or policies of any regulatory or self-regulatory organization ”; and by

adding the following words immediately following the words “unauthorized trading”:

“, in any jurisdiction, inside or outside of Canada”.

28. III.1 is amended by replacing the words “partner, director, officer, or registered or approved person of a Member” with the following word:

“registrant”.

29. III.2 is amended by replacing the words “partners, directors, officers, or registered or approved persons of a Member” with the following words:

“any registrant”; and by:

replacing the word “their” immediately preceding the word duties, with the following words:

“his/her”; and by:

replacing the words “partner, director, officer or registered or approved person” with the following word:

“registrant”.

PASSED AND ENACTED BY THE Board of Directors this 17th day of June 2002, to be effective on a date to be determined by Association staff.

POLICY NO. 8

REPORTING AND RECORDKEEPING REQUIREMENTS

Introduction

This Policy establishes minimum requirements concerning information that registrants are required to report to Members and information that Members are required to report to the designated self-regulatory organization (“SRO”).

Members and registrants should also refer to the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval), which also sets out information that Members and registrants must report to their designated SRO.

Definitions

For the purposes of this Policy:

“**business days**” means a day other than Saturday, Sunday or any officially recognized Federal or Provincial statutory holiday.

“civil claim” includes civil claims pending before a court or ~~other~~ tribunal ~~in any province, territory, state or country~~.

“**compensation**” means the payment of a sum of money, securities, reversal of a securities transaction, inclusion of a securities transaction (whether either transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to offset or counterbalance an act of misconduct. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be “compensation” for the purposes of Policy 8.

"**designated SRO**" means the self-regulatory organization that has been assigned the prime audit jurisdiction for the Member under the Canadian Investor Protection Fund Agreement~~;~~.

“**exchange contracts”** include, but are not limited, to commodity futures contracts and commodity futures options.

“legislation or law” includes, but is not limited to, any rules, policies, regulations, rulings or directives of any securities commission.

“**misrepresentation**” means:

i) an untrue statement of fact; or

ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

“**registrant**” means any partner, director, officer or registered or approved person of a Member.

"**securities - related**" means:

(i) any matter related to securities or exchange contracts ~~(including commodities futures contracts and commodity futures options~~ ; or

(ii) any matter related to the handling of client accounts or dealings with clients; or

(iii) any matter that is the subject of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

(iv) any matter that is the subject of by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada. ~~rules or standards, or any other securities law,~~

"**service complaints**" means any complaint by a client which is founded on customer service issues and is not the subject of:

i) any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

ii) by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada. ~~IDA rules or standards.~~

I. REPORTING REQUIREMENTS

A. Reporting Requirements to Member

1. Each registrant ~~partner, director, officer or registered or approved person of a Member~~ shall report to the Member, within two business days, whenever: ~~he or she:~~

   (a) there is ~~becomes aware of~~ any change to the information contained in his or her Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval);

   (b) he or she has reason to believe that he or she is or may have been in contravention of:

      i) any provision of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada ~~securities law, regulations~~; or

      ii) any by-laws, regulations, rules, rulings or policies of any ~~rules of any securities or financial services~~ regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada.

   (c) he or she is the subject of any customer complaint in writing; or

   (d) he or she is aware of a customer complaint, whether in writing or any other form, with respect to any other registrant ~~partner, director, officer, or registered or approved person of the Member~~ involving allegations of theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading.

2. Each Member shall designate a person or department with whom the reports and records required by Part I Section A shall be filed.

B. Reporting Requirements to Designated SRO

1. Each Member shall report to its designated SRO, in such detail and frequency as prescribed by the SRO:

   (a) whenever there is any change to the information contained in the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval) of any registrant ~~partner, director, officer or registered or approved person of the Member~~;

   (b) whenever the Member, ~~itself the Member becomes aware that~~ or any current or former registrant ~~partner, director, officer or registered or approved person of the Member~~ is charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member; ~~, in any jurisdiction inside or outside of Canada;~~

   (c) whenever the Member, or a current or former registrant, is: ~~partner, director, officer or registered or approved person is:~~

      ~~the subject of a denial, supsension or cancellation of registration or a license~~

(i) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of ~~or disciplinary action under~~ any legislation or law concerning securities or exchange contracts, of any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;

(ii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of the by-laws, regulations, rules, rulings or policies of any ~~any securities law, regulations or rules of any~~ regulatory or self-regulatory organization, professional licensing or registration body~~,~~ in any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member; or

(iii) denied registration or a license by any regulatory or self-regulatory organization, professional licensing or registration body, in any jurisdiction, inside or outside of Canada, while in the employ of the Member.

~~(d)~~(d) all customer complaints in writing, except service complaints, against the Member or any current or former registrant; ~~partner, director, officer or registered or approved person~~

~~(e)~~(e) all securities-related civil claims and arbitration notices filed, against the Member, or against any current or former registrant ~~partner, director, officer or registered or approved person~~, in any jurisdiction inside or outside Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;~~;~~

(f) ~~all judgements, awards, private settlements, arbitrations or other resolutions of any securities-related claim or complaint against the Member, or against any current or former partner, director, officer or registered or approved person,~~ all resolutions of any matters reportable pursuant to I.B.1(b),(c),(d) and (e) of this Policy, including, judgements, awards, private settlements and arbitrations, in any jurisdiction, inside or outside of Canada;

~~(g)~~(g) whenever a registrant ~~partner, director, officer or registered or approved person of the Member~~ is the subject of any internal disciplinary action where:

(i) ~~(h)~~ there is a customer complaint in writing pursuant to Part I B. 1(d) of this Policy; ~~or~~

(ii) there is a securities-related civil claim or arbitration notice pursuant to Part I B.1(e) of this Policy; ~~or~~

(iii) there is an internal investigation pursuant to Part I B. 1(h) and Part II of this Policy; ~~or~~

(iv) member initiated disciplinary action ~~that~~ involves suspension, termination, demotion or the imposition of trading restrictions; ~~or~~

(v) member initiated disciplinary action, arising from any source other than (i)–(iii), ~~that~~ involves the withholding of commissions or imposition of fines in excess of $5,000 for a single matter, $15,000 cumulatively for a one calendar year period or where commission has been withheld or fines imposed three or more times during one calendar year period.

~~(h)~~(h) whenever an internal investigation, pursuant to Part II of this Policy, is commenced and the results of such internal investigation when completed.

2. Documentation associated with each item required to be reported under Part I Section B shall be maintained and available to the designated SRO, upon request, for a minimum of 2 years from the resolution of the matter.

3. Where the designated SRO is the IDA, it shall have the power to impose a prescribed administrative fee for failure to comply with any of the reporting requirements set out in this policy. The IDA may also impose any other penalties pursuant to By-law 20.

II. INTERNAL INVESTIGATIONS

1. The Member shall conduct an internal investigation where it appears that the Member, or any current or former registrant ~~partner, director, officer or registered or approved person of the Member~~, while in the employ of the Member, has violated any provision of any legislation or law, or has violated any by-laws, rules, regulations, rulings or policies of any regulatory or self-regulatory organization relating to , ~~regulation or rule of any regulatory or self-regulatory organization of any jurisdiction inside or outside of Canada relating to~~ theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, in any jurisdiction, inside or outside of Canada~~.g~~.

2. Records of investigations under Part II Section 1 shall be:

   (a) in sufficient detail to show the cause, steps taken and result of each investigation; and

   (b) maintained and available to the designated SRO upon request for a minimum of two years from the completion of the investigation.

III. SETTLEMENT AGREEMENTS

1. No registrant ~~partner, director, officer or registered or approved person of a Member~~ shall, without prior written consent of the Member, enter into any settlement with a customer, whether the settlement is in the form of monetary payment, delivery of securities, reduction of commissions or any other form, and whether the settlement is the result of a customer complaint or a finding by the individual or Member. Such prior written consent and the terms and conditions of such shall be kept on record by the Member.

2. Part III Section 1 shall not apply to any registrant ~~partners, directors, officers or registered or approved persons of a Member~~ authorized by the Member to negotiate or enter into settlement agreements in the normal course of his/her ~~their~~ duties with respect to settlement agreements that do not arise out of activities involving the registrant~~.partner, director, officer or registered or approved person~~

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