The Ontario Securities Commission

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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

SEPTEMBER 6, 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
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H. Lorne Morphy, Q.C.	C	HLM
Robert L. Shirriff, Q.C.	C	RLS

SCHEDULED OSC HEARINGS

September 10, 11, 12 & 19, 2002 5:00 p.m. to 8:30 p.m.	**Lydia Diamond Explorations of Canada, Jurgen von Anhalt, Emilia von Anhalt** s. 127
September 15, 2002 10:30 to 4:30 p.m.	M. Britton in attendance for Staff Panel: PMM / HLM / MTM
September 11, 2002 10:00 a.m.	**Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock** s. 127 Panel: PMM
September 13, 2002 10:00 a.m.	**Terry Dodsley** s. 127 K. Manarin in attendance for Staff Panel: HLM / RLS
September 19, 2002 10:00 a.m.	**Phoenix Research And Trading Corporation, Ronald Mock And Stephen Duthie** s. 127 in attendance for Staff Panel: HIW
October 4, 2002 9:30 a.m.	**Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol** s. 127 in attendance for Staff Panel: HIW

October 21 - 25, 2002	**Malcolm Robert Bruce Kyle & Derivative Services Inc.**
10:00 a.m.	s. 8(4) and 21.7
	J. Superina in attendance for Staff
	Panel: HLM / RLS
October 28 to November 8, 2002	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.**
10:00 a.m.	s. 127
	Y. Chisholm in attendance for Staff
November 11 to December 6, 2002	**Brian Costello**
	s. 127
10:00 a.m.	
	H. Corbett in attendance for Staff
	Panel: PMM / KDA / MTM
November 18 to December 4, 2002	**Michael Goselin, Irvine Dyck, Donald Mccrory and Roger Chiasson**
10:00 a.m.	
	s. 127
	T. Pratt in attendance for Staff
	Panel: HLM / HPH
November 19 to 29, 2002 9:30 a.m. - 4:30 p.m.	**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths McBurney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)**
	s.127
	K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff.
	Panel: HIW / DB / RWD

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

1.1.2 Amendments to IDA By-law 8 - Resignations and Amalgamations – Notice of Commission Approval

AMENDMENT TO IDA BY-LAW 8
RESIGNATIONS, AMALGAMATIONS, ETC.

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved amendments to IDA By-law 8 – Resignations, Amalgamations, etc. In addition, the Saskatchewan Securities Commission approved, the Alberta Securities Commission did not disapprove and the British Columbia Securities Commission did not object to these amendments. The purpose of the amendments is to clarify the process of resignations or amalgamations and the process for payment of annual fees upon resignation. A copy of these amendments is published in Chapter 13 of this Bulletin.

1.1.3 OSC Compliance Team, Capital Markets Branch 2002 Annual Report

2002 ANNUAL REPORT
COMPLIANCE TEAM,
CAPITAL MARKETS BRANCH, OSC

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2002 ANNUAL REPORT
COMPLIANCE TEAM,
CAPITAL MARKETS BRANCH, OSC

Introduction

The Compliance team of the Capital Markets branch of the Ontario Securities Commission has prepared this report to provide guidance to investment counsel and portfolio managers (ICPMs) and fund managers in complying with Ontario securities laws.

The report on our activities from April 1, 2001 to March 31, 2002 is divided into four parts.

The first part provides a description of the team's mandate – which is to ensure investor protection and to foster investor confidence in the capital markets by pro-actively ensuring that market participants comply with Ontario securities laws.

The second part deals with recent team initiatives. While a major focus of the Compliance team is to conduct field reviews, Compliance staff is also involved in a number of other initiatives. Given the nature of the work, Compliance staff builds expertise in the operations of many market participants and is able to contribute to policy and other projects related to our market participants business.

The third and fourth parts deal with common deficiencies identified during our recent field reviews of ICPMs and fund managers. We also include best practice guidelines to assist market participants in improving their existing procedures, establishing procedures where they are lacking, and to give general guidance that can help in improving the overall compliance environment.

I. Mandate of the Compliance team

The mandate of the Compliance team is to ensure investor protection and to foster investor confidence in the capital markets by pro-actively ensuring that market participants comply with Ontario securities laws. Compliance aims to achieve this mandate by:

- establishing effective outreach programs to provide guidance to our market participants
- establishing and executing review procedures for the examination of market participants in order to detect and deter non-compliance

It has been our experience that market participants want to comply with securities legislation. When there is a lack of compliance, it is often because they are unaware of certain regulatory requirements or have difficulty interpreting or implementing the requirements. To provide guidance to market participants, Compliance staff participates in speaking engagements, has initiated the ICPM roundtable meetings and publishes material. This annual report, along with the CSA Staff Report – National Compliance Review of Advising Firms (2001) which was published in August, can be used as a tool to help ICPMs and fund managers to assess the effectiveness of the current compliance regimes in place.

The Compliance team focuses on the following type of examinations:

- routine examinations
- sweeps
- national compliance review

A routine examination is performed using standard examination procedures developed to assess the business functions and operations of a market participant. Market participant is very broadly defined in subsection 1(1) of the *Securities Act* (Ontario) and for the purposes of this report refers to ICPMs and fund managers.

A sweep is a review of market participants with respect to a specific issue or concern. A sample of market participants is selected and a focused, issue-oriented review is conducted. An example of a sweep of this type is our review in the 2002/2003 fiscal period of mutual fund dealers that had taken insufficient steps to become members of the MFDA by July 2, 2002. This type of review can also be used as a research tool for gathering information on various issues of concern to the Commission.

Compliance also participates, on an annual basis, in a national compliance review that involves the co-ordinated review of a market participant or issue by the Canadian Securities Administrators (CSA). The main purpose of the review is to get a national perspective on a market participant or issue of concern and to promote information sharing and cross training amongst jurisdictions.

II. Compliance initiatives

In the past fiscal year, the major initiatives that Compliance has been involved in include the following:

- risk assessment project
- Rule 31-507 – Mandatory SRO rule for securities dealers
- Rule 31-506 – Mandatory SRO rule for mutual fund dealers
- ICPM roundtable meetings

Risk assessment project

In fiscal 2001, Compliance initiated a project to develop a risk-based selection model for routine examinations. The objective of this initiative is to ensure that staffing resources are focussed on high-risk market participants and the high-risk areas of their operations. The frequency of routine examinations will be based on the level of risk posed to the investing public by the market participant.

The model looks at the detailed operations of each market participant and based on the factors that are present at the market participant, a risk "score" is calculated. The model then uses the risk "scores" to risk rank the market participant. The risk ranking dictates the frequency of compliance field reviews.

Development of the model was completed in September 2001. After completion of the model, phase 1 of project implementation was commenced. The first phase consisted of developing and mailing out a very detailed questionnaire to 20 market participants. The responses from the 20 market participants were reviewed in detail and were used to further test the model.

Phase 2 of implementation of the model is currently ongoing. Detailed questionnaires were mailed to the remaining population of ICPMs and fund managers, totaling approximately 375. Responses to the questionnaire were due in May 2002. Compliance staff is currently analyzing the responses and assigning risk "scores" to market participants. It is expected that phase 2 will be completed by December 2002.

Once phase 2 of the risk assessment model is completed and all the risk rankings have been determined, OSC staff will meet with senior management to discuss those areas of their operations which have been identified as being higher risk. Sharing this information with senior management will ensure that they have the necessary information to put the required risk management processes in place. It is our goal to work with them to ensure that they understand the risk factors that are present in their compliance environments. This will enable them to develop appropriate action plans to address the high risk areas and improve overall compliance. For those that have been categorized as lower risk, the risk ranking information will be provided to them at the completion of their scheduled compliance review.

Full implementation of the risk-based model will begin in April 2003.

Rule 31- 507 – Mandatory SRO rule for securities dealers

Rule 31-507 – SRO Membership – Securities Dealers and Brokers, requires that after March 1, 2001 a market participant registered in the category of securities dealer or broker must become a member of a self-regulatory organization (SRO) recognized by the Commission by its registration renewal date.

Staff reviewed all market participants that were affected by the Rule to determine if they had taken the appropriate steps to comply. Staff identified 30 market participants that had not yet become members of a SRO and had not taken the appropriate steps to do so.

Compliance staff assessed the fact situation at each of those identified in order to determine whether a field review was necessary. Staff visited ten securities dealers.

Based on staff's overall assessment of the registrant's operations, recommendations were made to staff legal counsel with regards to providing relief, on a limited basis, from the Rule. Where limited relief from the Rule was given, terms and conditions were imposed on the registration of the market participant. Compliance was very involved in monitoring the terms and conditions to ensure they were met.

Rule 31 – 506 – Mandatory SRO rule for mutual fund dealers

Pursuant to Rule 31-507 – SRO Membership – Mutual Fund Dealers, all mutual fund dealers were required to become members of the Mutual Fund Dealers Association (MFDA) by July 2, 2002. There were 210 mutual fund dealers affected by this rule. Compliance staff worked with the MFDA to monitor the membership process and were involved in analyzing and resolving issues that arose as a result of this rule. Compliance staff dealt with the issues surrounding this rule in a similar fashion as was done with Rule 31-507. Compliance staff assessed the fact situation at those dealers where problems existed with their membership applications due to capital issues, insurance issues or issues with their current business structure and determined whether a site visit was warranted.

Where a site visit was conducted, staff reviewed the books and records of the dealer and assessed the status of the membership application. Based on staff's assessment, recommendations were made to staff legal counsel on how to deal with the registrant until it became a member of the MFDA. Where limited relief from the Rule was given, terms and conditions were imposed. Compliance staff closely monitored those dealers where terms and conditions were imposed to ensure that they were met.

ICPM roundtable meetings

A new initiative that Compliance began in fiscal 2002, is the ICPM roundtable meeting. The objective of the roundtable meeting is to meet on a regular basis with a group of our market participants and discuss issues, share ideas, obtain feedback and improve communication.

The first and second roundtable meetings occurred in January 2002 and May 2002. Both meetings were successful. Future roundtable meetings will occur on a regular basis with market participants being invited on a random basis. If you are interested in attending a future roundtable meeting, please contact one of the authors of this report listed at the end of the report.

III. Common ICPM deficiencies

This part of the report discusses the common deficiencies identified by staff during compliance examinations conducted from April 1, 2001 to March 31, 2002 of ICPMs and fund managers. A necessary element of a market participants' business is a compliance program that effectively addresses the inherent risks in the business of advising and helps the firm meet its compliance obligations. An effective compliance program increases the firm's

compliance with regulatory requirements. This report is meant to provide guidance and help ICPMs review their compliance programs, supervisory and internal control procedures and to establish a stronger compliance environment.

This report focuses on the ten deficiencies most commonly noted at ICPMs. The top seven most common deficiencies for fund managers are discussed later in this report. The top ten deficiencies for ICPMs are:[1]

1. Statement of policies
2. Policy for fairness in allocation of investment opportunities
3. Policy and procedures manual
4. Related registrant disclosure
5. Know your client and suitability information
6. Capital calculations
7. Personal trading
8. Maintenance of books and records
9. Statements of portfolio
10. Timely reconciliation of client portfolios

While we have also noted deficiencies with respect to compliance with Rule 31-502 – Proficiency Requirements for Registrants, specifically with the proficiency requirements for advisers, these deficiencies have not been discussed in this report. The Commission is currently reviewing aspects of the rule and will issue guidance once the review is completed. The noted deficiencies are followed by best practices guidelines recommended for adoption by ICPMs to improve their adherence to their compliance requirements.

1. *Statement of policies*

ICPMs who provide advice with respect to their own securities or securities of certain issuers who are connected or related to them are required to disclose these relationships. Every registrant is required to include this disclosure in a statement of policies which is to be filed with the Commission, as well as distributed to each client.

During our reviews, staff observed some the following deficiencies:

- The ICPM had not prepared a statement of policies
- The ICPM had not filed the most current statement of policies with the Commission and/or did not provide all clients with a copy
- The ICPM had not updated its statement of policies to include all related issuers
- The ICPM did not list its own pooled funds as related issuers
- The ICPM did not describe the nature of its relationship with related and connected issuers
- The ICPM distributed a statement of policies to clients that differed from the one filed with the Commission

Best practices

- A current statement of policies should be prepared and filed with the Commission
- If a significant change occurs, a revised statement of policies must be filed with the Commission and distributed to all clients
- A copy of the statement of policies should be provided to all clients
- The statement of policies should include a complete listing of related issuers along with a concise description of the nature of the relationship with each of the related issuers
- The statement should include the disclosure required in clause 223(1)(d) of the Regulation

2. *Policy for fairness in allocation of investment opportunities*

ICPMs are required to prepare a written fairness policy dealing with the allocation of investment opportunities among clients. The policy must be filed with the Commission as well as distributed to all clients. The policy should specify the method used by the ICPM to allocate securities purchased in block trades and/or initial public offerings (IPOs) to client accounts, including their in-house pools. The policy should also include the method used by the ICPM to allocate price and commissions on these trades among client accounts.

During our reviews, staff observed the following:

- The ICPM had not prepared a fairness policy

[1] While this report focuses on those deficiencies most commonly noted, Compliance staff also identified issues in numerous other areas at ICPMs. Deficiencies were also identified in the following areas: misleading marketing materials, cross transactions, disclosure issues, proxy voting, management fee calculation errors, dealing with clients in other jurisdictions, late filing of audited annual financial statements, expired insurance, trust account issues, subordinated loan issues, trade name issues, power of attorney issues, monitoring of subadvisers, advertising of registration, soft dollar issues, conflicts of interest, best price and execution, non-compliance with clients' investment restrictions and guidelines, and registration issues.

- The ICPM did not provide clients with a copy of the fairness policy
- The ICPM did not file a copy of the fairness policy with the Commission
- The fairness policy did not include a methodology for allocating block trades or IPOs
- The ICPM did not follow the allocation practices set out in its fairness policy
- The fairness policy contained wording that was very generic and was not tailored to the ICPM's business
- The allocation of shares to client accounts was done on a "best judgement" basis instead of being done using a more independent method such as, pro-rata basis

Best practices

Each ICPM should tailor its fairness policy to address all relevant areas of its business. At a minimum, it should state:

- How price and commissions are allocated among client accounts when trades are blocked
- How block trades are allocated among client accounts when there is only a partial fill
- The process for determining which clients will participate in "hot issues" and IPOs
- The process for the allocation of prices and commissions for block trades that are filled in different lots and/or at different prices

3. *Policy and procedures manual*

ICPMs are required to establish and enforce written policies and procedures that will enable them to serve their clients adequately. ICPMs should prepare a policies and procedures manual (the Manual). They should ensure that the Manual is in sufficient detail, is updated on a periodic basis, and is made available to all relevant staff.

During our reviews, staff observed the following:

- The Manual contained out-dated references to rules and regulations of the Act
- The Manual did not contain procedures covering all major areas of the business
- The Manual was not sufficiently detailed
- The Manual was not made available to all staff

Best practices

Each ICPM should establish and enforce a written Manual that is sufficiently detailed, up to date, and which covers all relevant areas of its business. The following list of topics should be considered for inclusion in a standard Manual:

- Portfolio management, including monitoring of sub-advisers if applicable
- Trading and brokerage
- Conflicts of interest
- Personal trading
- Insider and early warning reporting
- Client complaints
- Referral arrangements
- Proxy voting
- Marketing
- Calculation of performance data
- Construction of composites

4. *Related registrant disclosure*

A principal shareholder, officer, partner or director of an ICPM that is also a principal shareholder, officer, partner or director of another registrant is required to disclose to the Commission the details of the relationship and the business reasons for its existence. The ICPM is also required to adopt policies and procedures to minimize the potential for conflicts of interest resulting from the relationship. As well, the ICPM is required to disclose to clients, in writing, the details of the relationship as well as the policies and procedures adopted to minimize the potential for conflict of interest resulting from the relationship.

During our reviews, staff observed the following:

- The ICPM did not disclose to clients or the Commission that it is a principal shareholder of another registrant
- The ICPM did not disclose to clients or the Commission a related registrant, by virtue of common ownership
- The ICPM did not disclose to clients or the Commission a related registrant that is a fully-owned subsidiary

Best practices

- Disclose, in writing, to clients and the Commission the relationship with other registrants

- Determine areas that may be susceptible to potential conflicts of interest and adopt policies to minimize the potential for conflicts of interest

5. *Know your client and suitability information*

ICPMs are required to collect and maintain current "know your client" (KYC) information that would allow the ICPM to ascertain general investment needs of its clients, as well as the suitability of a proposed transaction. ICPMs should collect client information such as investment objectives, risk tolerance, investment restrictions, investment time frame, annual income, and net worth.

During our reviews, staff observed the following:

- KYC information was not collected for all clients
- KYC information that had been collected was not complete
- KYC information had not been updated periodically or since the opening of the account
- KYC information was not formally documented
- KYC forms were not signed by clients
- A standard KYC form was not used to collect and document KYC information and suitability information

Best practices

- Complete KYC information must be collected for all clients
- KYC information should be periodically updated
- Clients must sign the KYC information form
- If possible, maintain KYC information in an electronic format which can be used to generate exception reports
- Maintain a pending file when a KYC form is incomplete
- The pending file should be cleared on a timely basis and prior to any trade execution

6. *Capital calculations*

ICPMs are required to prepare a monthly calculation of minimum free capital and capital required (capital calculation) within a reasonable period of time after each month end. The capital calculation is to be prepared based on monthly financial statements prepared in accordance with generally accepted accounting principles (GAAP). All registrants are required to inform the Commission immediately should they be become capital deficient. Registrants are required to rectify the capital deficiency within 48 hours.

During our reviews, staff observed the following:

- Capital calculations were not prepared or were not prepared on a timely basis
- Capital calculations were not prepared in accordance with GAAP
- Monthly accruals for expenses such as rent payable, utilities payable, and other monthly operating expenses were not recorded
- Management fee revenue was not properly recorded
- The insurance deductible on the financial institution bond was not included in the calculation or an incorrect amount was included
- There was no evidence that a review of the calculation was performed by someone other than the preparer
- The ICPM did not inform the Commission of a capital deficiency
- Intercompany or related party loans were treated as subordinated for purposes of the capital calculations even though the Commission was not notified of the subordination of such loans

Best practices

- The ICPM's capital position should be calculated on a monthly basis within 2 weeks of month end and should be based on financial statements prepared in accordance with GAAP
- Copies of the calculations should be maintained for purposes of an audit trail
- A person other than the preparer should review the calculations to ensure they are accurate
- Evidence of the review should be documented
- The Commission should be informed immediately should the ICPM's capital position become deficient

7. *Personal trading*

ICPMs are required to establish and enforce written procedures for dealing with clients that conform to prudent business practice. The establishment and enforcement of a detailed policy on the personal trading of responsible persons is a prudent business practice. It will ensure that conflicts of interest and abusive practices are avoided. A responsible person is defined in subsection 118(1) of the Act.

During our reviews, staff observed the following:

- There was no policy in place to monitor personal trading by responsible persons
- A personal trading policy was in place but was not being enforced by the ICPM
- The compliance officer's personal trades were not pre-approved by an independent person
- Employees' trade confirmations and statements of accounts were missing from some employees' files
- Pre-approval forms were not always matched against employees' statements to ensure all personal trades were pre-approved
- A log of all instances of non-compliance and their resolution was not maintained

Best practices

- Designate a compliance officer who is responsible for reviewing and maintaining personal trading records
- Distribute clear personal trading restrictions and reporting obligations to all responsible persons
- Personal trading procedures should include blackout periods, the requirement for pre-approval of all personal trades and a review of portfolio statements
- Require all responsible persons, on an annual basis, to acknowledge in writing that they understand and will abide by the firm's personal trading policies
- Maintain a record of personal trade approvals as documentary evidence that personal trading is being monitored
- Employees should direct their brokers to send statements of their accounts directly to their employer
- On a monthly or quarterly basis, review employee statements and reconcile all trades to the approvals granted

8. *Maintenance of books and records*

All registrants are required to maintain books and records necessary to properly record their business transactions and financial affairs.

During our reviews, staff observed the following:

- Trade instructions were provided verbally from the portfolio manager to the trader/executing broker with no record of the instruction kept
- The ICPM could not locate certain client management agreements
- The ICPM did not maintain a trade blotter or the blotter maintained was incomplete
- The ICPM did not maintain copies of each trade order or instruction
- Trade orders were not time-stamped
- A complaints log recording the nature of complaints and their resolution was not maintained
- A log of failed trades and trading errors was not maintained
- There was no documentation in client files regarding a client's directed brokerage arrangement

Best practices

A list of books and records that ICPMs are required to maintain is contained in subsection 113(3) of the Regulation. ICPMs should also retain any other books and records necessary to properly record their business transactions and financial affairs.

9. *Statements of portfolio*

ICPMs are required to send a statement of account to each client at least once every three months unless directed otherwise by the client.

During our reviews, staff observed the following:

- Portfolio statements were not provided to clients at least on a quarterly basis and there was no record of clients requesting that they not receive one
- The registrant did not prepare a client statement of account and relied on the custodian to inform clients of their security holdings

Best practices

- Unless otherwise directed by clients, ICPMs must prepare and send statements of account to each client at least every three months

10. *Timely reconciliation of client portfolios*

ICPMs are required to establish and enforce written procedures for dealing with clients that conform to prudent business practice. The preparation of timely reconciliations of client security positions between the records of the ICPM and the records of the custodian is a prudent business practice.

During our reviews, staff observed the following:

- The ICPM did not prepare a complete reconciliation of security positions between the custodian's statement and its own internal reports
- Reconciling items were not cleared on a timely basis or appropriate follow-up was not done
- The reconciliation was not reviewed and approved by someone other than the preparer

Best practices

- Client security positions should be reconciled to the custodian's statement on at least a monthly basis
- Reconciliations should be reviewed by someone other than the preparer
- All reconciling items should be investigated and cleared on a timely basis and the resolution documented

IV. Common fund manager deficiencies

This part of the report focuses on the seven most common fund manager deficiencies noted which are:

1. Treatment of NAV errors
2. Written policies and procedures
3. Distribution of interest earned
4. Overdraft charges and deductions of fees/other charges from trust accounts
5. Commingling of cash in the trust account
6. Trust account and security position reconciliations
7. National Instrument 81-102 reports[2]

Commission staff is considering what guidance should be provided with respect to National Instrument 81-105 – Mutual Fund Sales Practices and, therefore, deficiencies relating to this instrument have not been highlighted in this report. The noted deficiencies are followed by best practices guidelines recommended for adoption by fund managers to improve their adherence to their compliance requirements.

1. *Treatment of NAV errors*

Fund managers are required to exercise the powers and discharge the duties of their office in good faith and in the best interests of the mutual fund. Also, they are required to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

Staff noted that many fund managers have implemented the recommendations set out in the IFIC Bulletin, Correcting Portfolio NAV Errors (IFIC Bulletin). The IFIC Bulletin defines a materiality threshold of either 50 basis points of the applicable fund's net asset value (NAV) or $50 for individual account loss. The fund manager's policy is, therefore, to not reimburse any loss below these levels of materiality.

During our reviews, staff observed the following:

- The fund manager implemented the recommendations contained in the IFIC Bulletin and applied them to each NAV error irrespective of the consequences to individual unitholders

Best practices

- Fund managers should treat each NAV error separately and determine what impact the error will have on investors before deciding whether the error is material or not
- The circumstances surrounding the error should be investigated and documented
- The impact of errors should be assessed on a case by case basis and a determination should be made whether an adjustment to client accounts is necessary
- Approval, at the appropriate level, should be required for the action to be taken for all errors that occur

2. *Written policies and procedures*

Fund managers are required to exercise the powers and discharge the duties of their office in good faith and in the best interests of the mutual fund. Also, they are required to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. In our view, it is a prudent business practice and in the best interest of the mutual fund to ensure a written Manual is prepared and kept current by a fund manager.

During our reviews, staff observed the following:

- Staff noted several cases where the Manual maintained by a fund manager did not adequately outline relevant regulatory requirements or detail procedures to ensure compliance with these requirements

[2] While this report focuses on those deficiencies most commonly noted, Compliance also identified issues in numerous other areas at fund managers. Deficiencies were also identified in the following areas: advertising of registration, pricing of securities, review and approval of NAV calculations, inadequate segregation of duties, monitoring of outsourced functions, timely settlement of trades, and monitoring of investment concentration limits.

Best practices

- Fund managers should prepare written policies and procedures covering all relevant regulatory requirements. These procedures should include, but are not limited to, the following:

  Trust accounting

  - Procedures to address the requirements of trust accounts
  - Procedures to ensure there is no commingling of trust account assets
  - Procedures outlining the requirements for interest distribution
  - Procedures over the preparation and review of trust account reconciliations

  Fund accounting

  - Procedures over the preparation, review and maintenance of reconciliations of cash and security positions
  - Procedures over timely and accurate recording of expenses of the funds
  - Procedures to rectify NAV calculation and/or publication errors
  - Procedures over fair-valuation of securities

  Unitholder accounting

  - Procedures for appropriate handling/storage of documentation
  - Procedures to deal with cancelled orders and trading errors
  - Procedures to ensure segregation of duties between the processing of orders, maintenance of unitholder records, and the receipt and processing of monies
  - Procedures to ensure unitholder authorization of orders
  - Procedures to ensure that unitholder transactions are entered completely, accurately, and on a timely basis

Alternatively, should the fund manager outsource one or more areas of their business to a third party service provider, policies and procedures should be documented and enforced to ensure that appropriate monitoring of the service provider is performed

3. *Distribution of interest earned*

Principal distributors are required to allocate interest earned on cash held in trust accounts to unitholders or to the mutual funds on a monthly basis if the amount of interest owing is $10 or more. If the amount of interest earned is less than $10, interest must be allocated at least annually.

During our reviews, staff observed the following:

- Trust accounts were non-interest bearing
- Interest was not allocated on a timely basis

Best practices

- Fund managers should develop and enforce a methodology for allocating interest to unitholders or mutual funds on either a monthly or annual basis as required

4. *Overdraft charges and deduction of fees/other charges from trust accounts*

Ontario securities law requires principal distributors to ensure that any charges against the trust account are not paid or reimbursed from the trust account.

During our reviews, staff observed the following:

- The trust account incurred bank service charges that were not reimbursed by the fund manager
- The trust accounts went into an overdraft position during the review period

Best practices

- The fund manager should ensure that bank service charges are not paid out of the trust account
- Trust accounts should be monitored to ensure that overdraft positions do not occur
- The trust accounts should be operated in accordance with National Instrument 81-102 - Mutual Funds (NI 81-102).

5. *Commingling of cash in the trust account*

Principal distributors are prohibited from commingling cash received for the purposes of purchasing or redeeming mutual funds from cash received for any other purpose. This includes cash received for the purpose of purchasing guaranteed investment certificates (GICs) or purchasing or redeeming segregated funds. Principal distributors are also prohibited from using cash in the trust account to finance their own operations in any way.

During our reviews, staff observed the following:

- The fund manager processed administrative expenses through the trust account
- The fund manager commingled mutual funds monies with GICs or segregated funds monies

Best practices

- Cash received for the purpose of purchasing or redeeming mutual funds should be kept segregated in a separate account

6. *Trust account and security position reconciliation*

Fund managers are required to exercise the powers and discharge the duties of their office in good faith and in the best interests of the mutual fund. Also, they are required to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The timely preparation and review of trust account reconciliations and security position reconciliations between the fund manager's fund accounting system and the custodian's statements is a prudent business practice and in the best interests of the mutual fund.

During our reviews, staff observed the following:

- Reconciling items were not cleared on a timely basis
- Reconciliations did not contain evidence that reconciling items were investigated by staff at the fund manager
- Reconciliations were not reviewed and approved by a person independent of the preparer
- Trust account reconciliations were not prepared
- Security position reconciliations between the fund manager's records and the custodian's records were not prepared

Best practices

- Fund managers should prepare trust account reconciliations and security position reconciliations within a reasonable time after each month end
- Reconciliations should be reviewed and approved by someone other than the preparer
- All reconciling items should be investigated and cleared on a timely basis

7. *National Instrument 81-102 compliance reports*

The principal distributor of a mutual fund is required to complete and file with the Commission a report describing compliance by the mutual fund during the financial year with the applicable requirements of NI 81-102. The auditor of the mutual fund is also required to submit an audit opinion on the report to the Commission. The report must be filed with the Commission within 140 days after the financial year-end of the mutual fund.

During our reviews, staff observed the following:

- The NI 81-102 Compliance Report was not prepared or filed by the fund manager
- The audit opinion on the NI 81-102 Compliance Report was not prepared or filed by the mutual fund's audit firm
- The NI 81-102 Compliance Report was not in the correct format or still claimed compliance with National Policy 39
- The NI 81-102 Compliance Report claimed full compliance with the applicable requirements of the legislation even though staff at the Commission found examples of deficiencies throughout the financial year in question

Best practices

- A report on Compliance with NI 81-102 should be prepared and filed with the Commission within 140 days of the financial year end of the mutual fund
- The mutual fund's auditor should prepare an audit opinion on the NI 81-102 Compliance report and file it with the Commission within 140 days of the financial year end of the mutual fund
- The reports should be in the format detailed in Appendix B of NI 81-102
- The NI 81-102 Compliance Report should list all instances where the mutual fund was not in compliance with the applicable requirements of the legislation during the financial year

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1.3 News Releases

1.3.1 OSC Chair Issues Open Letter to Market Participants

FOR IMMEDIATE RELEASE
September 3, 2002

OSC CHAIR ISSUES OPEN LETTER TO MARKET PARTICIPANTS

TORONTO – The Chair of the Ontario Securities Commission today issued an open letter to market participants which outlines the OSC's approach for addressing issues raised by recent changes to U.S. securities legislation and exchange listing requirements.

David Brown calls for a balanced response to the Sarbanes-Oxley Act that "provides protection to investors without unduly compromising the efficiency of our capital markets."

"We believe that Canadian market issues demand made-in-Canada solutions," Mr. Brown states, noting that in some cases – such as the Canadian requirement for immediate disclosure of material changes – Canadian regulations are more robust than new requirements introduced in the U.S.

"In other cases, we may find that differences in market structure make a measure inappropriate in Canada, or demand a different tool to address a specific policy goal," he adds.

However, Mr. Brown noted the importance of harmonizing Canadian securities laws with the U.S. regime in order to promote domestic and foreign investor confidence, attract capital to Canadian markets and preserve access to U.S. markets for Canadian public companies.

"Our approach to reviewing these initiatives is based on the assumption that it makes regulatory sense to harmonize with the U.S. initiatives unless there are cogent reasons for not doing so," he states.

The OSC also made public letters sent by Mr. Brown to the Canadian Institute of Chartered Accountants and the Law Society of Upper Canada which seek their views on the impact of the Sarbanes-Oxley Act on the accounting and legal professions. The two letters are similar to recent letters sent by Mr. Brown to the TSX and the ten largest securities dealers in Canada seeking their advice and views on crafting a Canadian response to U.S. developments.

The open letter to market participants and the four stakeholder letters are available at **www.osc.gov.on.ca**.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Francisco Gold Corp. - 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 AND ONTARIO

AND

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

AND

IN THE MATTER OF
FRANCISCO GOLD CORP.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Makers") in Alberta and Ontario (the "Jurisdictions") has received an application from Francisco Gold Corp. ("Francisco") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Francisco be deemed to have ceased to be a reporting issuer under the Legislation;

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

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

   3.1 Francisco is a company incorporated under the laws of the Province of British Columbia on May 14, 1980 under the name Londinium Resources Inc.;

   3.2 on January 28, 1994, Londinium Resources Inc. changed its name to Francisco Gold Corp.;

   3.3 Francisco's head office is located in Vancouver, British Columbia;

   3.4 Francisco is a reporting issuer in the Jurisdictions and became a reporting issuer in Alberta on July 21, 1997 by the issuance of a receipt for a prospectus;

   3.5 Francisco is not in default of any of the requirements of the Legislation;

   3.6 the authorized capital of Francisco consists of 100,000,000 common shares without par value (the "Common Shares") of which there are currently 16,673,425 Common Shares outstanding;

   3.7 on July 12, 2002 Francisco completed a plan of Arrangement (the "Arrangement");

   3.8 under the Arrangement, Glamis Gold Ltd. ("Glamis")

      3.8.1 acquired all of Francisco's outstanding Common Shares in exchange for common shares of Glamis; and

      3.8.2 became the sole security holder of Francisco;

   3.9 other than the outstanding Common Shares held by Glamis, Francisco has no securities, including debt securities, outstanding;

   3.10 the Common Shares were delisted from the TSX Venture Exchange Inc. at the close of business on July 16, 2002 and no securities of Francisco are listed or quoted on any exchange or market; and

   3.11 Francisco does not intend to seek public financing by way of an offering of its securities;

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

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

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

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

August 26, 2002.

"Patricia M. Johnston"

2.1.2 QSA USA Equity Fund - MRRS Decision

Headnote

Section 83 of the Securities Act (Ontario) – issuer deemed to have ceased to be a reporting issuer under the Act. No securityholders in Ontario.

Statutes Cited

Securities Act R.S.O. 1990, c. S.5, as am., ss. 1(1) and 83.

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

AND

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

AND

IN THE MATTER OF
QSA USA EQUITY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from the QSA USA Equity Fund (the "Fund") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Fund be deemed to have ceased to be a reporting issuer under the provisions of 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 Acker Finley Asset Management Inc. ("AFAM"), as trustee to the Fund, has represented to the Decision Makers that:

1. The Fund is an unincorporated open-end mutual fund trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated as of May 25, 2000, as amended by a supplemental declaration dated as of May 23, 2001.

2. The Fund filed concurrently a simplified prospectus and an annual information form (the "Simplified Prospectus") dated May 26, 2000 in each of the Jurisdictions. On May 30, 2000 final receipts were issued for the Simplified Prospectus

and the Fund became a reporting issuer in each of the Jurisdictions on that date.

3. The Fund is not in default of any of the requirements of the Legislation.

4. The authorized unit capital of the Fund consists of an unlimited number of one series of units designated as "Units" of the Fund. As of the date hereof, the Fund has not issued any Units and consequently does not have any securityholders in any of the Jurisdictions.

5. The Fund has no securities, including debt securities, outstanding.

6. The Fund does not intend to seek public financing by way of an offering of its securities.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Fund is deemed to have ceased to be a reporting issuer under the provisions of the Legislation in the Jurisdictions.

August 27, 2002.

"Paul A. Dempsey"

2.1.3 United Overseas Bank Limited - MRRS Decision

Headnote

Mutual Reliance Review System - underwriter and advisor registration relief for Schedule III Bank - prospectus and registration relief for trades where Schedule III Bank purchasing as principal and first trade relief for Schedule III Bank, subject to certain conditions - prospectus and registration relief for trades of bonds, debentures and other evidences of indebtedness of or guaranteed by Schedule III Bank provided trades with specified purchasers - prospectus and registration relief for evidences of deposits by Schedule III Bank to specified purchasers.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am. ss. 25(1)(a)&(c), 34(a), 35(1)(3)(i), 35(2)1(c), 53(i), 72(1)(a)(i), 73(1)(a), 74(1), 147.

Ontario Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am. ss. 151, 206, 218, Schedule 1 s. 28.

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

AND

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

AND

IN THE MATTER OF
UNITED OVERSEAS BANK LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut Territory and Yukon Territory (the "Jurisdictions") has received an application (the "Application") from United Overseas Bank Limited ("UOB") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that UOB is exempt from various registration, prospectus and filing requirements of the Legislation in connection with the banking activities to be carried on by UOB in Canada;

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

AND WHEREAS it has been represented by UOB to the Decision Makers 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. In November, 2001, UOB made an application (the "*Bank Act* Application") to the office of the Superintendent of Financial Institutions Canada ("OSFI") for 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*.

5. Upon approval of the *Bank Act* application, UOB will establish and commence business as a foreign bank branch under the *Bank Act*. UOB expects to receive all OSFI approvals by June 30, 2002.

6. UOB will be primarily involved in wholesale deposit-taking as well as taking deposits to facilitate the lending of money, dealing in foreign exchange or dealing in securities, other than debt obligations of UOB, consumer, commercial and corporate lending and treasury functions;

7. UOB intends to provide deposit-taking, consumer, commercial and corporate lending and treasury functions primarily to the following investors:

   (a) Her Majesty in right of Canada or in right of a province or a 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 counselling, 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 UOB to the entity, namely,

(i) lending money,

(ii) dealing in foreign exchange, or

(iii) dealing in securities, other than debt obligations of UOB.

(i) any 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".

8. The only advising activities which UOB intends to undertake will be incidental to its primary business and it will not advertise itself as an adviser or allow itself to be advertised as an adviser in the Jurisdictions;

9. Under the current Legislation, banks chartered under Schedules I and II of the *Bank Act* have numerous exemptions from various aspects of the Legislation. Since UOB's foreign bank branch will not be chartered under Schedule I or II of the *Bank Act*, the existing exemptions relating to the registration, prospectus and filing requirements will not be available to it;

10. 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 the Jurisdictions 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 the Jurisdictions;

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that upon the establishment by UOB of a branch designated on Schedule III to the *Bank Act* and in connection with the banking business to be carried on by UOB in the Jurisdictions by such branch:

1. UOB is exempt from the requirement under the Legislation, where applicable, to be registered as an underwriter with respect to trading in the same types of securities that an entity listed on Schedule I or II to the *Bank Act* may act as an underwriter in respect of without being required to be registered under the Legislation as an underwriter;

2. UOB is exempt from the requirement under the Legislation to be registered as an adviser where the performance of the service as an adviser is solely incidental to its primary banking business;

3. A trade of a security to UOB, where UOB purchases the security as principal, shall be exempt from the registration and prospectus requirements of the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation") provided that:

(i) the forms that would have been filed and the fees that would have been paid under the Applicable Legislation if the trade had been made, on an exempt basis, to an entity listed on Schedule I or II to the *Bank Act* purchasing as principal are filed and paid in respect of the trade to UOB;

(ii) except in Quebec, the first trade in a security acquired by UOB pursuant to this Decision is deemed a distribution or primary distribution to the public under the Applicable Legislation unless the conditions in subsections 2 or 3, as applicable, of section 2.5 of Multilateral Instrument 45-102 - Resale of Securities are satisfied; and

(iii) in Quebec, the first trade in a security acquired by UOB pursuant to this Decision will be a distribution unless,

(a) at the time UOB acquired the security: (i) the issuer of the security is a reporting issuer in Quebec; (ii) the issuer is not a Capital Pool Company as defined in Policy 2.4 of The Canadian Venture Exchange Inc.; (iii) the issuer has a class of securities listed on an acceptable exchange, has not been advised that it does not meet the requirements to maintain that listing and is not designated inactive, or the issuer has a class of securities that has an approved rating from an approved rating organization; for purposes of this Decision, the acceptable exchanges include the Toronto Stock Exchange, tier 1 and 2 of The Canadian Venture Exchange Inc., the American Stock Exchange, Nasdaq National Market, Nasdaq SmallCap Market, the New York Stock Exchange and the London Stock Exchange Limited; and (iv) the issuer has filed an annual information required under section 159 of the Regulation made under the Securities Act (Quebec), as amended from time to time, (the "Quebec Act") within the time period contemplated by that section, or, if not required to file an annual information, has filed a prospectus that contains the most recent financial statements;

(b) the issuer has been a reporting issuer in Quebec for 4 months immediately preceding the trade;

(c) UOB has held the securities for at least 4 months;

(d) no extraordinary commission or other consideration is paid;

(e) no effort is made to prepare the market or to create a demand for the securities;

(f) if UOB is an insider of the issuer, UOB has no reasonable grounds to believe that the issuer is in default under the Quebec Act; and

(g) UOB files a report within 10 days of the trade prepared and executed in accordance with the requirements of the Quebec Act that would apply to a trade made in reliance on section 43 or 51 of the Quebec Act.

4. Provided UOB only trades the types of securities referred to in this paragraph with Authorized Customers, trades of bonds, debentures or other evidences of indebtedness of or guaranteed by UOB shall be exempt from the registration and prospectus requirements of the Legislation.

5. Evidences of deposit issued by UOB to Authorized Customers shall be exempt from the registration and prospectus requirements of the Legislation.

July 5, 2002.

"Brenda Leong"

2.1.4 Serono S.A. - MRRS Decision

Headnote

MRRS - Relief from the registration requirements and prospectus requirements for issuance of securities by foreign issuer to Canadian employees and former employees pursuant to an employee ADS purchase plan - Issuer with *de minimis* Canadian presence.

Applicable Ontario Statutory Provisions

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

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

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

AND

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

AND

IN THE MATTER OF
SERONO S.A.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (a "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador **(**the "Jurisdictions") has received an application from Serono S.A. ("Serono" or the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that certain trades in bearer shares ("Shares") of Serono represented by American Depositary Shares (such Shares represented by American Depositary Shares being referred to herein as "ADSs") to be made in connection with, or as a consequence of, an employee ADS purchase plan (the "Plan") of Serono, shall not be subject to the requirement contained in the Legislation to be registered to trade in a security (the "Registration Requirement") or the requirement to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") (collectively, the "Registration and Prospectus Requirements");

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

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

1. Serono is a multinational developer and marketer of prescription pharmaceuticals with operations around the world, including in Canada. The head office of Serono is in Geneva, Switzerland.

2. Serono Canada Inc. ("Serono Canada") is a wholly owned subsidiary of Serono.

3. Serono is incorporated under the laws of Switzerland**,** is not a reporting issuer under the Legislation and has no present intention of becoming a reporting issuer under the Legislation.

4. As of May 31, 2002, approximately 11,673,235 Shares were issued and outstanding, of which 831,257 were held in the form of ADSs.

5. The Shares are listed and traded on the SWX Swiss Exchange ("SWX").

6. The Shares trade in the United States of America (the "U.S.A.") in the form of ADSs that are issued by The Bank of New York (the "Agent"), on the basis of forty ADSs for each Share, pursuant to an agreement with Serono. The ADSs are traded on the New York Stock Exchange ("NYSE") in the U.S.A.

7. Serono is registered with the Securities and Exchange Commission (the "SEC") in the U.S.A. under the Securities Exchange Act of 1934 and is not exempt from the reporting requirements thereunder pursuant to Rule 12g3-2 thereunder.

8. The Plan has been established to provide participating North American employees ("Employees") of Serono and affiliated entities with a convenient means of purchasing ADSs annually, financed by payroll deductions, and to thereby permit them to share in the growth and financial success of Serono.

9. Participation in the Plan is voluntary and Employees will not be induced to participate in the Plan or to acquire ADSs pursuant to the Plan by expectation of employment of continued employment.

10. Under the Plan, the Agent acts as the depositary and custodian on behalf of and for the benefit of the Employees. The Agent is a corporation incorporated pursuant to the laws of the U.S.A.

and is licensed in the State of New York as a banking corporation but is not registered as a dealer or adviser under the Legislation. Any sales of ADSs under the Plan are made through the Agent's brokerage subsidiary, BNY ESI & Co., Inc., which is duly registered under applicable securities legislation in the United States.

11. Under the Plan, Employees make payroll deductions ("Payroll Deductions") in the course of a particular year in an amount specified by the Employee up to a maximum of 15% of the Employee's pay. The Payroll Deductions are accumulated over that year by the Employee's Serono employer until the issue date (the "Issue Date"), namely December 31st of that year. An Employee can request a refund of Payroll Deductions and termination of his or her participation in the Plan at any time up until 10 business days before the Issue Date.

12. As of the Issue Date, the market value ("Market Value") of the Shares underlying the ADSs is calculated based on the lower of: (i) the average closing price of the Shares on the SWX during the ten business days preceding the Issue Date or (ii) the average closing price of the Shares on the SWX during the ten business days preceding January 1st of the same calendar year. Alternatively, if so decided by the board of directors of Serono or a duly appointed committee of directors, the Market Value of the Shares underlying the ADSs will be calculated as forty times the lower of: (i) the average closing price of the ADSs on the NYSE during the ten business days preceding the Issue Date or (ii) the average closing price of the ADSs on the NYSE during the ten business days preceding January 1st of the same calendar year. The number of underlying Shares to which the Employee is entitled (the "Entitlement") is the sum of the Employee's Payroll Deductions divided by 85% of the Market Value.

13. The number of Shares corresponding to the total contributions of the Employees are then issued by Serono to the Agent. The Agent subsequently issues and allocates ADSs to each Employee according to his or her Entitlement. Such ADSs are held by the Agent as custodian. Employees can sell some or all of their ADSs at any time on the NYSE through the Agent or through their own broker.

14. Dividends on the ADSs will be automatically reinvested in additional ADSs. The Company will use dividends paid in cash on such Shares to purchase, at a time determined by the Company, in its discretion, additional ADSs on the NYSE. Such ADSs will be deposited with the Agent who will allocate them to Employees proportionately according to their ownership of the ADSs representing the underlying Shares on the record date for the dividend.

15. If a Employee holds his or her ADSs for at least one year from the Issue Date, the Employee will, at no extra cost, receive an additional ADS for every three ADSs held for at least one year (hereinafter referred to as "Matching"). Such additional ADSs will be paid for by the Employee's Serono employer. Matching will occur only once for a particular ADS. The ADSs allocated pursuant to the Matching program will be purchased on the NYSE by Serono and promptly deposited with the Agent. The Agent will then allocate the appropriate number of ADSs to each Employee.

16. Administrative costs relating to the issuance or purchase of Shares, allocation of ADSs and account maintenance in connection with the Plan will be paid for by the Serono employer of the Employee. The sales commission for one sale of ADSs per year will also be paid for by the Serono employer of the Employee while any additional sales commissions will be paid for by the Employee.

17. An Employee's participation in the Plan automatically terminates upon termination of the employment of the Employee. The Employee is entitled to a refund of accumulated Payroll Deductions or, where the Employee leaves within three months before the end of the year and is classified as a "Good Leaver" under the Plan, may request to have such Payroll Deductions used to subscribe for ADSs on the Issue Date for that calendar year. A "Good Leaver" is generally an Employee who leaves because of retirement, injury, disability or death. However, the board of directors of Serono has the discretion to deny the "Good Leaver" status to the foregoing categories of terminated Employees or to grant "Good Leaver" status to other Employees who leave within three months before the end of the year.

18. As of May 31, 2002, the following employees of Serono Canada were eligible to participate in the Plan:

    (a) 45 employees resident in Ontario;

    (b) 3 employees resident in British Columbia;

    (c) 1 employee resident in Manitoba;

    (d) 7 employees resident in Quebec;

    (e) 1 employee resident in Nova Scotia; and

    Serono Canada expects to have employees in each province of Canada, including Alberta and Saskatchewan, from time to time.

19. An employee resident in Canada ("Canadian Employee")who chooses to participate in the Plan

and acquire ADSs under the Plan will, before he or she acquires such ADSs, be provided with a description of the Plan and the ADSs and the most recent Form 20F of Serono, and the Canadian Employee, while he or she holds such ADSs, be provided with all disclosure material prepared by Serono which it is required to file with the SEC, according to securities legislation of the U.S.A., including annual reports and proxy materials, at the same time and in the same manner as the documents are provided to employees participating in the Plan that are resident in the U.S.A.

20. An exemption from the Registration and Prospectus Requirements is not available in all the Jurisdictions in connection with the distribution of Shares evidenced by ADSs by Serono and Serono Canada through the Agent to a Canadian Employee or to a former Canadian Employee who is a Good Leaver under the Plan or in connection with the resale of ADSs that are held by the Agent on behalf of a Canadian Employee or a former Canadian Employee under the Plan.

21. As the Shares underlying the ADSs are bearer shares, Serono does not have a record of registered holders. However, all the outstanding ADSs represent only 7.1% of the Shares. Serono believes that residents of Canada would probably prefer to hold ADSs which trade on the NYSE rather than bearer shares which trade on the SWX. Accordingly, Serono believes that it is unlikely that more than 10 percent of its outstanding Shares are held by residents of Canada or that more than 10 percent of holders of its Shares are resident of Canada.

22. Because there is currently no market for the Shares or ADSs in Canada, and none is expected to develop, it is anticipated that any sale of ADSs that were acquired by a Canadian Employee under the Plan will be effected through the facilities of the NYSE in the U.S.A.

23. Canadian Employees are not able to rely on the exemption from the Registration Requirement provided in the Legislation of each of the Jurisdictions for trades made solely through a registered dealer in order to sell ADSs or Shares acquired by the Canadian Employee under the Plan if the sale is made on behalf of the Canadian Employee by the Agent or another market intermediary duly registered in the jurisdiction where the trade is executed and the Agent or other market intermediary is not registered as a "dealer" under the Legislation.

AND WHEREAS 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;

IT IS THE DECISION of the Decision Makers, pursuant to the Legislation, that:

A. the Registration and Prospectus Requirements of the Legislation shall not apply to trades in ADSs made by Serono and Serono Canada through the Agent to Canadian Employees and former Canadian Employees who are Good Leavers under the Plan provided that, except in Quebec, the first trade in ADSs acquired pursuant to this Decision will be a distribution or primary distribution to the public unless the conditions in subsection (1) of section 2.14 of Multilateral Instrument 45-102 are satisfied and provided that, in Quebec, the alienation of ADSs acquired pursuant to this Decision is deemed to be distribution unless the alienation is executed between Canadian Employees or former Canadian Employees who are Good Leavers or is executed outside of Quebec; and

B. the Registration Requirements of the Legislation shall not apply to the first trade in any ADSs or Shares that were represented by ADSs that were acquired under the Plan by a person who was, at the time of acquisition of the ADSs, a Canadian Employee or a former Canadian Employee who was a Good Leaver (a "Vendor"), or by another person or company that is the legal representative of a Vendor, where the first trade is:

   (i) made through the Agent and its brokerage subsidiary; or

   (ii) made through a person or company that is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the jurisdiction where the trade is executed.

August 30, 2002.

"R. W. Davis" "H. Lorne Morphy"

2.1.5 EnSource Energy Services 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 AND ONTARIO

AND

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

AND

IN THE MATTER OF
ENSOURCE ENERGY SERVICES INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the Canadian securities regulatory authority or regulator (the Decision Maker) in each of the provinces of Alberta and Ontario (the Jurisdictions) has received an application from EnSource Energy Services Inc. (EnSource) for a decision pursuant to the securities legislation of each of the Jurisdictions (the Legislation) that EnSource cease to be a reporting issuer;

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

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

   3.1 EnSource (formerly Enhanced Energy Services Ltd.) was incorporated under the *Business Corporations Act* (Alberta) on March 19, 1996;

   3.2 EnSource's registered office is in Calgary, Alberta;

   3.3 the authorized share capital of EnSource consists of an unlimited number of common shares (Common Shares), and an unlimited number of preferred shares. As at June 11, 2002, there were 27,558,321 Common Shares issued and outstanding and no preferred shares or debt obligations;

   3.4 the Common Shares were delisted from trading on The Toronto Stock Exchange on July 23, 2002. The Common Shares are not listed for trading on any other stock exchange;

   3.5 EnSource is not in default of any of its obligations as a reporting issuer under the Legislation;

   3.6 Enerflex made an offer dated June 12, 2002 to acquire all of the Common Shares (the Offer) on the basis of 0.26 of a common share of Enerflex for each Common Share. The Offer expired on July 18, 2002 and Enerflex took up and paid for a total of 26,300,001 Common Shares;

   3.7 on July 23, 2002, Enerflex became the sole shareholder of EnSource following the compulsory acquisition of all of the remaining Common Shares of EnSource which had not been acquired by Enerflex pursuant to the Offer;

   3.8 EnSource has fewer than fifteen security holders as shown on its books;

   3.9 EnSource does not intend to seek public financing by way of an offering of securities;

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

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

6. **THE DECISION** of the Decision Makers pursuant to the Legislation is that EnSource is deemed to have ceased to be a reporting issuer.

August 22, 2002.

"Patricia M. Johnston"

2.1.6 Credit Union Central of British Columbia - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the proxy solicitation requirements, insider reporting requirements and insider profile, issuer profile and issuer event filing requirements in NI 55-102 for a central credit union whose shares can only be held by limited classes of persons, are not freely transferable, and cannot be voted by proxy.

Ontario Statutory Provisions

Securities Act, R.S.O. 1990, ss. 85, 88(2), 107, 121(2)(a)(ii).

Applicable Instrument

National Instrument 55-102 System for Electronic Disclosuer by Insiders (SEDI) – ss. 2.1, 2.2, 2.3, 2.4, 6.1.

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
CREDIT UNION CENTRAL OF BRITISH COLUMBIA

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions") has received an application from Credit Union Central of British Columbia ("CUCBC") for a decision under the securities legislation of the Jurisdictions and National Instrument 55-102 *System for Electronic Disclosure by Insiders* (together, the "Legislation") that the requirements contained in the Legislation for CUCBC to solicit proxies and to file issuer profile supplements and issuer event reports, and for insiders of CUCBC to file insider profiles and insider reports, shall not apply to CUCBC or its insiders;

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

AND WHEREAS in 1996, the British Columbia Securities Commission issued an order (the "Previous Order") exempting CUCBC from, among other things, the proxy solicitation requirements of the *Securities Act* (British Columbia) (the "Act") and exempting its insiders from the insider reporting requirements with respect to insider reporting under the Act;

AND WHEREAS CUCBC has represented to the Decision Makers that:

1. CUCBC is a central credit union incorporated under the former *Credit Unions Act* (British Columbia) and is currently governed by the *Credit Union Incorporation Act*, R.S.B.C. 1996, c.82 (the "CUIA") having its principal and head office in Vancouver, British Columbia;

2. CUCBC became a reporting issuer in each of the Jurisdictions by filing a prospectus in each of the Jurisdictions and is not in default of any requirement of the Legislation;

3. the share capital of CUCBC is comprised of Class A, B and C shares ("Shares"), all of which are equity shares for the purposes of the CUIA;

4. Class A shares may only be issued to credit unions, other than central credit unions, incorporated under the CUIA or a former *Credit Unions Act*;

5. Class B shares may only be issued to co-operative associations incorporated under the *Cooperative Association Act*, R.S.B.C. 1996, c.71 (as amended or replaced) or corporations incorporated under the legislation of British Columbia or any other province which, in the opinion of CUCBC's directors, conduct their operations on a co-operative basis and are designated as co-operative associations by the directors for the purposes of membership in CUCBC;

6. Class C shares may only be issued to incorporated organizations other than Class A or B members whose membership have been approved in accordance with CUCBC's rules and practices; the group of Class C shareholders consist of:

   (a) organizations that have some relationship with the credit union system, namely as providers and recipients of services to and from CUCBC, its member credit unions or their subsidiaries, which services are supportive to the operation of the credit union system, and

   (b) organizations with which CUCBC is familiar but which in order for CUCBC to have dealings with, must become members pursuant to CUCBC's governing legislation;

7. the Shares are only transferable among members holding the same class and with the consent of CUCBC's directors (the "Transfer Restrictions");

8. the Class B and C shares contain limited voting rights;

9. a holder of Shares retains membership in CUCBC so long as the membership of that holder is not terminated in accordance with the rules of CUCBC;

10. if a person ceases to be a member of CUCBC, that person may still continue to hold its Shares, but under CUCBC's rules and the provisions of the CUIA that person becomes an auxiliary member of CUCBC (an "Auxiliary Member"); currently, CUCBC does not have any Auxiliary Members;

11. section 70(2) of the CUIA provides that a member of a credit union, as defined under the CUIA (which definition does not include auxiliary members), may vote by proxy only if:

    (a) the member is voting as a holder of shares in a class of equity shares that are not membership shares,

    (b) the rules of the credit union allow auxiliary members to vote by proxy as holders of shares in the class referred to in paragraph (a), and

    (c) the vote is on a matter on which, under the rules referred to in paragraph (b), members holding shares in the class referred to in paragraph (a) are permitted to vote by proxy; as an Auxiliary Member is not entitled to vote and members are not entitled to vote by proxy under CUCBC's rules, members of CUCBC are not entitled to vote by proxy under section 70(2) of the CUIA;

12. CUCBC will deliver to its shareholders copies of material change reports filed under the Legislation; and

13. the Annual Filing of Reporting Issuer, filed with the Decision Maker of each Jurisdiction, will include all of that information prescribed by B.C. Form 54-901F and Ontario Form 40, except for Item IX Report on Executive Compensation and Item X Performance Graph;

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 is that:

1. the insider reporting requirements of the Legislation shall not apply to insiders of CUCBC so long as the Shares are subject to the Transfer Restrictions;

2. the requirements to file an issuer profile supplement and issuer event reports under the Legislation shall not apply to CUCBC so long as the Shares are subject to the Transfer Restrictions; and

3. the proxy solicitation requirements under the Legislation shall not apply to CUCBC so long as the rules of CUCBC are not amended so as to permit Auxiliary Members and members to vote by proxy.

THE FURTHER DECISION of the Decision Maker in British Columbia is that the Previous Order is revoked.

August 14, 2002.

"Brenda Leong"

2.1.7 Canadian First Financial Group Inc. - MRRS Decision

Headnote

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

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

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, ONTARIO,
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
CANADIAN FIRST FINANCIAL GROUP INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (collectively, the Jurisdictions) has received an application from Canadian First Financial Group Inc. (the Filer) for:

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

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

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

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

1. The Filer is a corporation amalgamated under the OBCA and is a reporting issuer or its equivalent in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador and is not in default of its reporting issuer obligations under the Legislation.

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

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

4. The authorized capital of the Filer consists of an unlimited number of common shares (the Shares), and unlimited number of special shares and an unlimited number of series 1 special shares. As of August 6, 2002, 8,527,329 Shares are issued and outstanding.

5. On June 18, 2002, Dundee Wealth Management Inc. (DWMI) made an offer, as varied and extended by a notice of variation and extension dated July 19, 2002 (the Offer) to acquire all of the issued and outstanding Shares of the Filer for a purchase price of $1.26 per Share. The Offer expired on July 29, 2002, and approximately 98% of the outstanding Shares were tendered into the Offer. On July 31, 2002, DWMI took up all of the Shares tendered under the Offer and on August 2, 2002, DWMI paid for all of those Shares.

6. DWMI is a company incorporated under the OBCA. DWMI is a reporting issuer or its equivalent in each province of Canada (where that concept exists).

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

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

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

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

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

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

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

August 30, 2002.

"John Hughes"

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

August 30, 2002.

"Paul M. Moore Q. C." "Robert L. Shirriff"

2.2 Orders

2.2.1 ITL Capital Corporation - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since July16, 1984 and in Alberta since November 26, 1999 - issuer listed and posted for trading on the TSX Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

Statutes Cited

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

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

AND

IN THE MATTER OF
ITL CAPITAL CORPORATION

ORDER
(Subsection 83.1(1))

UPON the application of ITL Capital Corporation (the "Company") for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purposes of Ontario securities law;

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

AND UPON the Company representing to the Commission as follows:

1. The Company was incorporated under the *Company Act* (British Columbia) on May 30, 1980.

2. The head office of the Company is located at Suite 1950 - 777 Dunsmuir Street, Vancouver, British Columbia V7Y 1K4. The address for the registered and records office of the company is Suite 1750 - 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

3. The authorized capital of the Company consists of 100,000,000 common shares of which 24,758,115 common shares are issued and outstanding as at August 1, 2002.

4. The Company has a significant connection to Ontario as 5,362,650 common shares of the Company or approximately 22% of the total issued common shares of the Company registered to residents of Ontario, whose last address on the Company's register of shareholders was in Ontario, as at August 26, 2002.

5. The Company is a reporting issuer under the *Securities Act* (British Columbia) (the "BC Act") since July 16, 1984 and became a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") on November 26, 1999 as a result of the merger of the Vancouver Stock Exchange and the Alberta Stock Exchange to form the Canadian Venture Exchange, now known as the TSX Venture Exchange ("TSXV"). The Company is not in default of any requirements of the BC Act and Alberta Act.

6. The Company is not a reporting issuer in Ontario, and is not a reporting issuer, or equivalent, in any other jurisdiction, except British Columbia and Alberta.

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

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

9. The common shares of the Company are listed on the TSXV under the symbol ICL, and the Company is in compliance with all requirements of the TSXV.

10. The Company has not been subject to any penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and has not entered into any settlement agreement with any Canadian securities regulatory authority.

11. Neither the Company nor any of its officers, directors nor, to the knowledge of the Company, its officers and directors, 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 a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

12. Neither the Company nor any of its officers, directors, nor to the knowledge of the Company, its officers and directors, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely

to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

13. None of the officers or directors of the Company, nor to the knowledge of the Company, its officers and directors, any of its controlling shareholders, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

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

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

August 28, 2002.

“Margo Paul”

2.3 Rulings

2.3.1 EdgeStone Capital Mezzanine Fund II, L.P. et al. - ss. 74(1)

Headnote

Subsection 74(1) – trades by non-redeemable investment funds would be exempt from registration and prospectus exemptions if all investors in funds were "accredited investors" within the meaning of Rule 45-501 – investors in fund accredited investors except for five employees – employees acquired fund units using employee exemptions in Rule 45-503 – any future trade in securities of funds to be made by persons or companies that are accredited investors – trades by funds in securities of portfolio companies exempt from registration and prospectus requirements.

Statute Cited

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

Rules Cited

Commission Rule 45-501 Exempt Distributions (2001), 24 OSCB 5549.
Commission Rule 45-503 Trades to Employees, Executives and Consultants (1998) 22 OSCB 117.

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

AND

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

RULING
(Subsection 74(1))

UPON the application (the "Application") of EdgeStone Capital Mezzanine Fund II, L.P. (the "Mezzanine Fund"), EdgeStone Capital Venture Fund, L.P. (the "Venture Fund"), EdgeStone Capital Equity Fund II-A, L.P. ("Equity Fund II-A") and EdgeStone Capital Equity Fund II-B, L.P. ("Equity Fund II-B") (hereinafter Equity Fund II-A and Equity Fund II-B collectively referred to as "Equity Fund II" and each of the Mezzanine Fund, the Venture Fund and Equity Fund II collectively referred to as the "Funds") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act, that the acquisition by each of the Funds of investments in subordinate debt instruments (in the case of the Mezzanine Fund) and equity and equity related securities of private entities (in the case of the Venture Fund and Equity Fund II) not be subject to sections 25 and 53 of the Act;

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

AND UPON each of the Funds having represented to the Commission that:

Mezzanine Fund

1. The Mezzanine Fund is a limited partnership formed on December 19, 2000 by the filing of a declaration under the *Limited Partnerships Act* (Ontario) and pursuant to an amended and restated limited partnership agreement dated October 31, 2001 (the "Mezzanine Fund Partnership Agreement").

2. EdgeStone Capital Mezzanine II Partners, Inc., a corporation existing under the laws of Canada, is the general partner of the Mezzanine Fund (the "Mezzanine Fund General Partner").

3. The Mezzanine Fund is not a reporting issuer in the Province of Ontario or in any other Canadian jurisdiction and has no intention of becoming a reporting issuer in the future.

4. The principal place of business of the Mezzanine Fund and the registered office of the Mezzanine Fund General Partner are in Toronto, Ontario.

5. The investment objectives of the Mezzanine Fund are to invest primarily in subordinated debt instruments of mid-market private and public Canadian companies.

6. Pursuant to the terms of the Mezzanine Fund Partnership Agreement, the Mezzanine Fund is authorized to issue units ("Mezzanine Fund Units") which are non-redeemable and subject to restrictions on transfer contained in the Mezzanine Fund Partnership Agreement.

7. Mezzanine Fund Units were offered under a confidential offering memorandum dated December 2000.

8. Other than the Employees (defined below), each of the limited partners of the Mezzanine Fund is an "accredited investor" within the meaning of Ontario Securities Commission Rule 45-501 *Exempt Distributions* ("OSC Rule 45-501").

Venture Fund

9. The Venture Fund is a limited partnership formed on December 15, 2000 by the filing of a declaration under the *Limited Partnerships Act* (Ontario) and pursuant to an amended and restated limited partnership agreement dated October 31, 2001 (the "Venture Fund Partnership Agreement").

10. EdgeStone Capital Venture Partners, Inc., a corporation existing under the laws of Canada, is the general partner of the Venture Fund (the "Venture Fund General Partner").

11. The Venture Fund is not a reporting issuer in the Province of Ontario or in any other Canadian jurisdiction and has no intention of becoming a reporting issuer in the future.

12. The principal place of business of the Venture Fund and the registered office of the Venture Fund General Partner are in Toronto, Ontario.

13. The investment objectives of the Venture Fund are to invest primarily in equity and equity related securities of early stage technology companies carrying on business in any of the communications sector, the information technology sector, the applied technology sector, the network infrastructure sector, the wireless technology sector or the internet-based sector.

14. Pursuant to the terms of the Venture Fund Partnership Agreement, the Venture Fund is authorized to issue units ("Venture Fund Units") which are non-redeemable and subject to restrictions on transfer contained in the Venture Fund Partnership Agreement.

15. Venture Fund Units were offered under a confidential offering memorandum dated December 2000.

16. Other than the Employees (defined below), each of the limited partners of the Venture Fund is an "accredited investor" within the meaning of OSC Rule 45-501.

Equity Fund II

17. Equity Fund II comprises two limited partnerships: Equity Fund II-A and Equity Fund II-B. Equity Fund II-A is a limited partnership formed on June 20, 2002 by the filing of a declaration under the *Limited Partnerships Act* (Ontario) and pursuant to a limited partnership agreement dated June 20, 2002 (the "Equity Fund II-A Partnership Agreement"). Equity Fund II-B is a limited partnership formed on January 9, 2002 by the filing of a declaration under the *Limited Partnerships Act* (Ontario) and pursuant to an amended and restated limited partnership agreement dated June 20, 2002 (the "Equity Fund II-B Partnership Agreement").

18. EdgeStone Capital Equity Fund II-A GP, L.P., a limited partnership existing under the laws of Ontario, is the general partner of Equity Fund II-A (the "Equity Fund II-A General Partner"). EdgeStone Capital Equity Fund II-B GP, Inc., a corporation existing under the laws of Canada, is the general partner of Equity Fund II-B (the "Equity Fund II-B General Partner").

19. Neither of Equity Fund II-A nor Equity Fund II-B is a reporting issuer in the Province of Ontario or in any other Canadian jurisdiction and neither has any intention of becoming a reporting issuer in the future.

20. The principal place of business of Equity Fund II and the registered office of the Equity Fund II-A General Partner and the Equity Fund II-B General Partner (collectively, the "Equity Fund II General Partner") are in Toronto, Ontario.

21. The investment objectives of Equity Fund II are to invest primarily in equity and equity related securities of mid-market North American companies (with Equity Fund II-A focusing primarily on Canadian-based companies and Equity Fund II-B focusing primarily on North American companies generally).

22. Pursuant to the terms of the Equity Fund II-A Partnership Agreement and the Equity Fund II-B Partnership Agreement (collectively, the "Equity Fund II Partnership Agreements"), each of Equity Fund II-A and Equity Fund II-B is authorized to issue units (collectively, "Equity Fund II Units") which are non-redeemable and subject to restrictions on transfer contained in the Equity Fund II Partnership Agreements.

23. Equity Fund II Units are currently being offered for sale under a confidential offering memorandum dated July 2000. An initial closing of Units of Equity Fund II-B occurred on January 9, 2002 and a subsequent closing of Units of Equity Fund II-A and Equity Fund II-B occurred on June 20, 2002.

24. Other than the Employees (defined below), each of the limited partners of Equity Fund II is an "accredited investor" within the meaning of OSC Rule 45-501.

25. Andrew Claerhout, Romeo Leemrijse, Zaheed Poptia, Stephanie Craig and Mike Forzley (collectively, the "Employees") are employees of an affiliate of each of the Mezzanine Fund General Partner, the Venture Fund General Partner and the Equity II General Partner. The Employees hold limited partnership units in each of the Funds but are not "accredited investors" as defined in OSC Rule 45-501. Each of the Employees acquired their limited partnership units under an exemption in Ontario Securities Commission Rule 45-503 *Trades to Employees, Executives and Consultants* ("OSC Rule 45-503").

26. Since the Funds intend to invest in securities of issuers that are generally not listed or traded on a public market, the investment activities by the Funds will be limited to acquiring securities on a

private placement basis for which an exemption from sections 25 and 53 of the Act is available.

27. The only exemption from Sections 25 and 53 of the Act available to the Funds for purposes of their investment acquisitions is the accredited investor exemption in section 2.3 of OSC Rule 45-501. However, because the Employees are not "accredited investors", the Funds will not qualify as "accredited investors" under OSC Rule 45-501. As a result, the Funds will be unable to invest in equity and equity related securities or, in the case of the Mezzanine Fund, in subordinated debt instruments, on an exempt basis or to fulfil their respective purposes.

28. Any future trade in securities of the Funds will be made by persons or companies that are "accredited investors" under OSC Rule 45-501 at the time such trade is made.

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 trades to the Funds in securities of portfolio companies will not be subject to sections 25 and 53 of the Act, provided that the first trade in such securities shall be a distribution.

August 30, 2002.

"Howard I. Wetston" "Robert W. Korthals"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 Mark Bonham and Bonham & Co. Inc.

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

AND

IN THE MATTER OF
MARK BONHAM AND BONHAM & CO. INC.

Hearing:	August 20, 2002	
Panel:	Paul M. Moore, Q.C.	- Vice-Chair
	Kerry D. Adams, FCA	(Panel Chair)
	Harold P. Hands	- Commissioner
		- Commissioner
Appearances:	Melissa Kennedy Alexandra Clark Stephanie Collins	- For the Staff of the Ontario Securities Commission
	R. Nairn Waterman John Contini	- For Mark Bonham and Bonham & Co. Inc.

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 Bonham and Bonham & Co. Inc. 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 the order attached.

• • • •

Vice-Chair Moore:

We approve the proposed settlement as being appropriate in the public interest.

Facts

[1] The facts in this case are set out in the settlement agreement, dated July 25, 2002. By way of background, I should point out that this matter was initially launched against three respondents: Mark Bonham, SVC O'Donnell Funds Management Inc. and Bonham & Co. Inc. In July, 2000, SVC changed its name to StrategicNova Funds Management Inc. In October, 2000, StrategicNova entered into a settlement agreement with staff of the Commission. That settlement agreement was approved by the Commission in an order dated November 6, 2000. The contentions and allegations against the two remaining respondents were continued in the present case.

[2] In the settlement agreement before us today, Bonham admits that he failed to act in good faith and in the best interests of certain mutual funds, and failed to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, contrary to section 116(1) of the *Securities Act*.

[3] Bonham & Co. admits that it failed to properly supervise Bonham's activities, contrary to section 3.1 of OSC Rule 31-505.

[4] As I mentioned, we have determined that it is appropriate in the public interest for the Commission to approve the settlement agreement and to make the proposed order for the reasons that I will now give.

Reasons

Manual Pricing

[5] This issue of manual pricing of securities held in a mutual fund is an issue of first impression before this Commission as well as before other Canadian securities regulators. There are, therefore, no other decisions or orders which would be of assistance in assessing the proposed sanctions in similar cases. We accept staff's submission that sanctions contained in the settlement agreement are in keeping with the purposes of the *Act*, set out in section 1.1, and the principles which the Commission must have regard to in pursuing those purposes, set out in section 2.1.

[6] While manual pricing of securities may be appropriate in limited circumstances, the manual pricing of securities without proper supervision or documentation or a consistent and proper methodology poses risks to the investing public.

Reduction of the Risk that the Conduct will be Repeated

[7] Significant steps have been taken to eliminate the risk that the conduct complained of will be repeated. The respondents no longer have any involvement with StrategicNova and its affairs. StrategicNova has submitted to a full review of its valuation practices and procedures and has made full restitution of the effects of any overvaluation to the unit holders of the funds. Investors have thus been fully compensated for any losses. The respondents have also undertaken not to be involved either directly or indirectly in the pricing or valuation of a mutual fund for a period of three years. If, during this period, the respondents are involved in initiating a mutual fund, the material terms of the settlement agreement must be disclosed in any disclosure document provided to investors. Further, if at the end of this three-year period, the respondents are ever involved in the pricing or valuation of a mutual fund at any time in the future, they agree to be supervised by another registrant with regard to such pricing.

[8] Taken together, these undertakings will help to protect the investing public both during the duration of the present sanctions and well into the future.

The Proposed Sanctions

[9] In the present settlement agreement, it is proposed that, for a period of three years: first, the respondents surrender their registrations as investment counsel and portfolio managers; second, Mark Bonham not be permitted to act as an officer or director of a registrant; and third, Mark Bonham not be permitted to trade in securities except in his personal accounts. It is also proposed that both respondents be reprimanded by the Commission.

[10] These sanctions reflect the Commission's censure of the respondent's failure to implement and supervise proper valuation procedures and send a message to other participants in the mutual fund industry.

Voluntary Payment and Commission Costs

[11] The respondents have agreed to make a voluntary payment to the Commission in the amount of $50,000, and have agreed that these funds will be used for purposes that will benefit Ontario investors.

[12] It is also proposed that the respondents be ordered to pay the sum of $150,000 to the Commission in respect of the costs of its investigation and hearing of this matter. When we approve the settlement agreement, those costs will be paid. This order regarding costs helps to ensure that these costs do not have to be borne by the Commission or subsidized by other market participants through fees.

Implications for the Mutual Fund Industry

[13] We accept as appropriate for determining a breach of the *Act*, and for measuring the level of restitution that was made in this case, as reflected in the settlement agreement, a materiality threshold that uses a 0.5% of assets benchmark. This is a benchmark applied by members of the International Organization of Securities Commissions for the purposes of measuring errors that require adjustments to be made. We understand that the investment funds industry has had guidelines in this regard, at least since the year 2000, and, generally, the market has looked to a threshold of 0.5%.

[14] The settlement agreement and the agreed facts that it contains highlight the need to apply a specific and consistent methodology when pricing securities held in a mutual fund, as well as the need to maintain adequate records with respect to the determination of such prices.

[15] There is another benefit to this settlement agreement. By making these admissions and agreeing to settle the case, the respondents have avoided the necessity of the Commission conducting a lengthy hearing in respect of their conduct. The Commission accepts that the sanctions proposed are commensurate with the seriousness of the respondents' misconduct.

Reprimand

[16] Mr. Bonham, you are hereby reprimanded.

Conclusion

[17] We would like to thank both counsel. We found the materials to be clear, comprehensive and well-presented. This is an excellent settlement agreement. The sanctions truly were well-crafted and are appropriate. The settlement agreement is fair to both the public and to the respondents. We would also like to thank both counsel for the presentations they made. They were clear, lucid and very helpful.

August 20, 2002.

"Paul M. Moore" "Kerry D. Adams" "Harold P. Hands"

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
High American Gold Inc.	26 Aug 02	06 Sep 02		
Internet Shopping Catalog Inc.	26 Aug 02	06 Aug 02		
Kicking Horse Resources Ltd.	29 Aug 02	09 Sep 02		
M.L. Cass Petroleum Corporation	27 Aug 02	06 Sep 02		
Mondev Senior Living Inc.	28 Aug 02	09 Sep 02		
Teddy Bear Valley Mines, Limited	22 Aug 02	03 Sep 02		05 Sep 02
The Loewen Group Inc.	30 Aug 02	11 Sep 02		
UltraVision Corporation	30 Aug 02	11 Sep 02		
Zaurak Capital Corporation	27 Aug 02	06 Sep 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
Asset Management Software Systems Corp.	23 Jul 02	02 Aug 02	02 Aug 02		

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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
22-Jul-2002	3 Purchasers	Alamos Minerals Ltd. - Units	525,000.00	1,312,500.00
31-Jul-2002	5 Purchasers	Arrow Enso Global Fund - Trust Units	4,311,350.08	556,114.00
02-Aug-2002	Anthony Iantorno;Ralph Angelone	Arrow Epic Capital Fund - Trust Units	65,000.00	3,739.00
09-Aug-2002	T.W. Averbrook Insurance Agencies;Theodore Averbrook	Arrow Global Multi-Strategy II Fund - Trust Units	35,564.18	385.00
02-Aug-2002	Donna & Hillel Kagan;Peter Lo	Arrow Goodwood Fund - Trust Units	80,000.00	8,471.00
02-Aug-2002	10 Purchasers	Bema Gold Corporation - Common Shares	2,549,090.00	1,108,300.00
14-Jun-2002	Terry and Linda Mcbride	BPI Global Opportunites III Fund - Units	30,297.65	335.00
14-Jun-2002	Terry and Linda McBride	BPI Global Opportunites III Fund - Units	35,712.27	395.00
01-Aug-2002	Barbara Langer Macdougall	Canadian Zinc Corporation - Flow-Through Shares	13,800.00	60,000.00
06-Aug-2002	4 Purchasers	CHVP Founders Exchange Fund, L. P. - Shares	17,822.50	3,250,000.00
07-Jun-2002	Dennis Brooks	CI Multi-Manager Opportunites Fund - Units	25,001.76	255.00
08-Aug-2002	1067941 Ontario Limited	Deer Creek Energy Limited - Common Shares	4,008,300.00	4,310,000.00
05-Aug-2002	Huy Truong	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	Arthur Bennett	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00

05-Aug-2002	C.G. Cleaning Service Ltd.	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	1374157 Ontario Inc.	Discovery Biotech Inc. - Common Shares	6,000.00	6,000.00
05-Aug-2002	Adam Munia & Joanna Munia	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Ross Kosowicz	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
05-Aug-2002	Dennis O'Hare	Discovery Biotech Inc. - Common Shares	12,000.00	4,000.00
05-Aug-2002	Jim Shamaoun	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
05-Aug-2002	George Schrijver	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
05-Aug-2002	Peter Myatt	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Holly Lovett	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	Subhash Parmar	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
05-Aug-2002	Fulbert Yao	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Anthony Colledge & Ann Colledge	Discovery Biotech Inc. - Common Shares	12,000.00	4,000.00
05-Aug-2002	Joseph P. Valeriote	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	Winston Bestwick	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	David D'Agostino	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	The JMD Trust	Discovery Biotech Inc. - Common Shares	15,000.00	5,000.00
05-Aug-2002	Jeremy Lacombe	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Pro Tech Corrosion Control Inc.	Discovery Biotech Inc. - Common Shares	4,500.00	1,500.00
05-Aug-2002	Andrew J. Robinson	Discovery Biotech Inc. - Common Shares	10,500.00	3,500.00
05-Aug-2002	Howard Huy Greenhouses	Discovery Biotech Inc. - Common Shares	9,000.00	3,000.00
05-Aug-2002	Roy M. Pearn	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00

05-Aug-2002	Mario Molinaro	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Tom Rocca	Discovery Biotech Inc. - Common Shares	6,000.00	2,000.00
05-Aug-2002	David Chapin	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	Ursula Romaniw	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Edmund Healy	Discovery Biotech Inc. - Common Shares	1,500.00	500.00
05-Aug-2002	Harry & Constance Gillespie	Discovery Biotech Inc. - Common Shares	7,500.00	2,500.00
05-Aug-2002	Carlo Lappano	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Mary Pugh	Discovery Biotech Inc. - Common Shares	1,500.00	5,000.00
05-Aug-2002	John Enright	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	John Riverin	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Nicola Yates	Discovery Biotech Inc. - Common Shares	3,000.00	1,000.00
05-Aug-2002	Paul Vig	Discovery Biotech Inc. - Units	6,000.00	2,000.00
09-Aug-2002	Royal Trust Corporation of Canada	Evoke Software Corporation - Preferred Shares	9,577.15	1,236,678.00
08-Aug-2002	3 Purchasers	Heritage Explorations Ltd. - Flow-Through Shares	1,200,000.75	399,999.00
01-Aug-2002	Ontario Teachers Pension Plan	III Relative Value/Macro Fund Ltd. - Shares	39,312,039.00	1.00
08-Jul-2002	Bonnie Feeney	InfaCare Pharmaceutical Corporation - Shares	45,624.00	20,000.00
08-Aug-2002	Manitoba Clinic Holding Company Ltd.	KBSH - Global Equity Fund - Units	336,864.00	19,317.00
08-Aug-2002	Manitoba Clinic Holding Company Ltd.	KBSH - Global Equity Fund - Units	177,612.00	10,185.00
08-Aug-2002	Rudderham Chernin	KBSH Private - Balanced Fund - Units	300,000.00	31,539.00
02-Aug-2002	4115978 Alberta Ltd.	KBSH Private - Money Market - Units	369,000.87	36,900,087.00
06-Aug-2002	Manitoba Clinic Holding	KBSH Private - Money Market - Units	673,727.77	67,373.00

06-Aug-2002	Manitoba Clinic Holding Company Ltd.	KBSH Private - Money Market - Units	355,224.11	35,522.00
01-Aug-2002	Canada Pension Plan Investment Board	Kensington Co-Investment Fund-B, L.P. - Limited Partnership Units	15,000,000.00	1,500.00
31-Jul-2002	7 Purchasers	Kingwest Avenue Portfolio - Units	808,500.00	44,138.00
01-Aug-2002	The Canada Life Assurance	Lancer Offshore, Inc. - Shares Company	2,533,827.24	1.00
07-Jun-2002	Peter Brent	Landmark Global Opportunities Fund - Units	40,366.55	361.60
07-Jun-2002	11 Purchasers	Landmark Global Opportunities Fund - Units	1,103,661.52	9,886.00
07-Jun-2002	6 Purchasers	Landmark Global Opportunities Fund - Units	494,884.65	4,433.00
14-Jun-2002	9 Purchasers	Landmark Global Opportunities Fund - Units	775,810.05	6,955.00
14-Jun-2002	8 Purchasers	Landmark Global Opportunities Fund - Units	427,315.61	3,831.00
28-Jun-2002	Jack Schoenmakers	Landmark Global Opportunities Fund - Units	145,000.00	1,281.00
28-Jun-2002	Tabebe International	Landmark Global Opportunities Fund - Units	151,630.00	1,355.00
28-Jun-2002	Molly Spinak-Kwechansky, 1273034 Ontario Inc.	Landmark Global Opportunities Fund - Units	77,254.90	690.00
28-Jun-2002	4 Purchasers	Landmark Global Opportunities Fund - Units	568,697.11	5,082.00
28-Jun-2002	4 Purchasers	Landmark Global Opportunities Fund - Units	82,969.71	799.00
07-Jun-2002	Alex Brown;Barbara Hanson	Landmark Global Opportunities RSP Fund - Units	53,332.59	515.00
07-Jun-2002	4 Purchasers	Landmark Global Opportunities RSP Fund - Units	231,122.50	2,230.00
09-Aug-2002	66 Purchasers	Mitel Networks Corporation - Debentures	4,185,000.00	66.00
07-Aug-2002	3 Purchasers	Northfield Inc. - Common Shares	96,000.00	960,000.00
08-Aug-2002	38 Purchasers	Oiltec Resources Ltd. - Common Shares	4,420,180.00	2,210,000.00
16-Aug-2002	Offering Memorandum	Polaris Minerals Corporation - Common Shares	0.00	0.00
08-Aug-2002	7 Purchasers	Polaris Minerals Corporation - Common Shares	505,400.00	505,400.00

01-Aug-2002	11 Purchasers	The Carlu Corporation - Common Shares	2,850,000.00	114.00
07-Jun-2002	Marcia Ouslis;Kean Riekenbrauck	Trident Global Opportunities Fund - Units	140,855.59	1,312.00
14-Jun-2002	Patricia R Milne	Trident Global Opportunities Fund - Units	36,000.00	333.00
06-Aug-2002	Lester R. Gagnon	Vigil Health Management Incorporated - Debentures	25,000.00	1.00
26-Jul-2002	10 Purchasers	Watch Resources Ltd. - Units	1,565,124.75	1,486,833.00
12-Aug-2002	7 Purchasers	Wolfden Resources Inc. - Special Warrants	1,548,800.22	2,006,677.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
12-Jul-2002	James D. Fraser	Stirling International Asset Management, Inc. - Units	844,093.55	9,030.07

NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3

Seller	Security	Number of Securities
MacKay Shields LLC	Algoma Steel Inc. - Common Shares	4,260,876.00
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	307,800.00
Larry Melnick	Champion Natural Health.com Inc. - Shares	119,765.00
Viceroy Resource Corporation	Channel Resources Ltd. - Common Shares	7,076,850.00
F.D.L. & Associes Ltee	Cossette Communication Group Inc. - Shares	50,000.00
Estill Holdings Limited	EMJ Data Systems Ltd. - Common Shares	344,500.00
Edward Polak	Events International Holding Corporation - Common Shares	1,000,000.00
Kingfield Holdings Limited	Extendicare Inc. - Shares	42,900.00
Sprott Asset Management Inc.	High River Gold Mines Ltd. - Common Shares	1,785,400.00
Sprott Asset Mangement Inc.	High River Gold Mines Ltd. - Common Shares	1,785,300.00
Conrad M. Black	Hollinger Inc. - Preferred Shares	1,611,039.00
James M. Brady	Hornby Bay Exploration Limited - Common Shares	1,200,000.00
Windarra Minerals Ltd.	Mishibishu Gold Corporation - Common Shares	4,000,000.00
Albeem B.V.	Norwall Group Inc. - Shares	2,662,995.00
Bayside Financial Corp.	Parkland Income Fund - Units	419,100.00

Donald A. Simon	Senator Mineral Inc. - Shares	250,000.00
Andrew J. Malion	Spectra Inc. - Common Shares	550,000.00
Michael R. Faye	Spectra Inc. - Common Shares	250,000.00
The Catherine & Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	126,800.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Lorus Therapeutics Inc.
Type and Date:
Preliminary Short Form Shelf Prospectus dated August 28th, 2002
Receipt dated August 29th, 2002
Offering Price and Description:
Cdn$20,000,000 - * Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #476377

Issuer Name:
Universe2U Inc.
Type and Date:
Preliminary Prospectus dated August 27th, 2002
Receipt dated August 29th, 2002
Offering Price and Description:
1,459,724 Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #476019

Issuer Name:
Vinccler Oil and Gas Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated August 26th , 2002
Mutual Reliance Review System Receipt dated August 28th, 2002
Offering Price and Description:
US$ * - * Common Shares per US$ * per Common Share
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
Canaccord Capital Corporation
Promoter(s):
Juan Fransico Clerico
William Gumma
Project #475450

Issuer Name:
Harmony Overseas Equity Pool
Harmony U.S. Equity Pool
Principal Regulator - Ontario
Type and Date:
Amendment #3 dated August 22nd, 2002 to Simplified Prospectus and Annual Information Form
dated December 27th, 2001
Mutual Reliance Review System Receipt dated 3rd day of September, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
-
Project #404692

Issuer Name:
TD Global Biotechnology Fund
(Advisor Series and F-Series Units)
Principal Regulator - Ontario
Type and Date:
Amendment #4 dated August 16th, 2002 to Simplified Prospectus and
Annual Information Form dated November 2nd, 2001
Mutual Reliance Review System Receipt dated 29th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
Promoter(s):
-
Project #390460

Issuer Name:
Venstone One Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Prospectus dated August 27th, 2002
Mutual Reliance Review System Receipt dated 28th day of August, 2002
Offering Price and Description:
$2,000,000 to $1,250,000 - 5,000,000 to 8,000,000 Units @$0.25 per Unit
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
H. Rolf Paterson
Project #411624

Issuer Name:
Horizons Mondiale Hedge Fund
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated September 3rd, 2002
Mutual Reliance Review System Receipt dated 3rd day of September, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #467289

Issuer Name:
VHQ Entertainment Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated August 26th, 2002
Mutual Reliance Review System Receipt dated 26th day of August, 2002
Offering Price and Description:
Maximum Offering: $5,000,000 (6,250,000 Units)
Minimum Offering: $2,000.000 (2,500,000 Units)
Each Units consits of 1 Common Share and 1 common Share purchase warrant which are not separable until after a date to be determined by the Agents (the "Record and distribution Date") which will not be later than 90 days from the date of closing of the Offering.
Underwriter(s) or Distributor(s):
Promoter(s):
Project #458115

Issuer Name:
Acclaim Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 30th, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #474579

Issuer Name:
Atlas Cold Storage Income Trust (formerly ACS Freezers Income Trust)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 29th, 2002
Mutual Reliance Review System Receipt dated 29th day of August, 2002
Offering Price and Description:
$75,012,000 - 6,580,000 Trust Units @ $11.40 per Trust Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities
Promoter(s):
-
Project #473821

Issuer Name:
CCS Income Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 28th, 2002
Mutual Reliance Review System Receipt dated 29th day of August, 2002
Offering Price and Description:
$40,000,003.00 - 2,469,136 Trust Units@$16.20 per Unit
Underwriter(s) or Distributor(s):
Raymond James ltd.
TD Securities Inc.
Lightyear Capital Inc.
Promoter(s):
CCS Inc.
David P. Werklund
Project #473835

Issuer Name:
CryoCath Technologies Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated August 29th, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
$18,004,000.00 - 2,572,000 Units, each Unit consisting of one Common Share and one-half of a Common Share Purchase Warrant @$7.00 per Unit
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Dlouhy Merchant Group Inc.
First Associates Investments Inc.
Sprott Securities Inc.
Promoter(s):
-
Project #474493

Issuer Name:
Enbridge Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 28th, 2002
Mutual Reliance Review System Receipt dated 28th day of August, 2002
Offering Price and Description:
$231,500,000.00 - 5,000,000 Common Shares @$46.30 per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
UBS Bunting Warburg Inc.
Raymond James Ltd.
FirstEnergy Capital Corp.
Salman Partners Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #473077

Issuer Name:
Clarica Asia and Pacific Rim Equity Fund (No-load class and DSC class A units)
Clarica Growth Fund (No-load class and DSC class A units)
Clarica US Growth Equity Fund (No-load class and DSC class A units)
Clarica US Small Cap Fund (No-load class and DSC class A units)
Clarica Canadian Growth Equity Fund (No-load class and DSC class A units)
Clarica European Equity Fund (No-load class and DSC class A units)
Clarica Income Fund (No-load class and DSC class A units)
Clarica Global Bond Fund (No-load class and DSC class A units)
Clarica Short Term Bond Fund (No-load class and DSC class A units)
Clarica Summit Growth and Income Fund (No-load class and DSC class A units)
Clarica Summit Foreign Equity Fund (No-load class and DSC class A units)
Clarica Summit Canadian Equity Fund (No-load class and DSC class A units)
Clarica Summit Dividend Growth Fund (No-load class and DSC class A units)
Clarica Alpine Growth Equity Fund (No-load class and DSC class A units)
Clarica Alpine Canadian Resources Fund (No-load class and DSC class A units)
Clarica Alpine Asian Fund (No-load class and DSC class A units)
Clarica Premier Mortgage Fund (No-load class and DSC class A units)
Clarica Premier International Fund (No-load class and DSC class A units)
Clarica Canadian Small/Mid Cap Fund (No-load class and DSC class A units)
Clarica Premier Emerging Markets Fund (No-load class and DSC class A units)
Clarica Canadian Diversified Fund (No-load class and DSC class A units)
Clarica Premier Bond Fund (No-load class and DSC class A units)
Clarica Canadian Blue Chip Fund (No-load class and DSC class A units)
Clarica Premier American Fund (No-load class and DSC class A units)
Clarica Money Market Fund
Clarica Equifund
Clarica Diversifund 40
Clarica Bond Fund
Clarica Amerifund
Clarica High Yield Bond Fund
Clarica Global Science & Technology Fund
Clarica Global Large Cap Value Fund
Clarica Conservative Balanced Fund
Clarica Canadian Large Cap Value Fund
Clarica Balanced Fund
Clarica RSP U.S. Technology Index Fund
Clarica RSP U.S. Equity Index Fund
Clarica RSP Japanese Index Fund
Clarica RSP International Index Fund
Clarica RSP European Index Fund
Clarica RSP Canadian Equity Index Fund
Clarica Bond Index Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 28th, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Clarica Investco Inc.
Promoter(s):
Clarica Diversico Ltd.
Project #465930

Issuer Name:
Elliott & Page Money Fund
(Advisor Class, Class I and Class D Units)
Elliott & Page Active Bond Fund
Elliott & Page Monthly High Income Fund
Elliott & Page Growth & Income Fund
Elliott & Page Value Equity Fund
Elliott & Page Canadian Equity Fund
Elliott & Page Generation Wave Fund
Elliott & Page Growth Opportunities Fund
Elliott & Page American Growth Fund
Elliott & Page U.S. Mid-Cap Fund
Elliott & Page International Equity Fund
Elliott & Page Total Equity Fund
Elliott & Page Global MultiStyle Fund
Elliott & Page Global Sector Fund
Elliott & Page Asian Growth Fund
(Advisor Class, Class F and Class I Units)
Elliott & Page Balanced Fund
Elliott & Page Blue Chip Fund
Elliott & Page Sector Rotation Fund
Elliott & Page RSP American Growth Fund
Elliott & Page RSP U.S. Mid-Cap Fund
Elliott & Page RSP Total Equity Fund
E&P Manulife Balanced Asset Allocation Portfolio
E&P Manulife Maximum Growth Asset Allocation Portfolio
E&P Manulife Tax-Managed Growth Portfolio
(Advisor Class and Class F Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 28th, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Elliott and Page Limited
Promoter(s):
-
Project #466747

Issuer Name:
Janus American Equity Fund
Janus Global Equity Fund
Janus RSP American Equity Fund
Janus RSP Global Equity Fund
(Series A Units)
Mackenzie Maxxum Canadian Balanced Fund
Mackenzie Maxxum Canadian Equity Growth Fund
Mackenzie Maxxum Dividend Fund
(Series A, F, I and O Units)
Mackenzie Ivy European Fund
Mackenzie Short-Term Bond Fund
Mackenzie Universal American Growth Fund
(Series A, F, I, M and O Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 23rd, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Quadrus Investment Services Inc.
Promoter(s):
-
Project #468009

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:
Final Simplified Prospectus and Annual Information Form dated August 27th, 2002
Mutual Reliance Review System Receipt dated 28th day of August, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
Phillips, Hager & North Investment Management Ltd.
Promoter(s):
Phillips, Hager & North Investment Management Ltd.
Project #463837

Issuer Name:
Sceptre Balanced Growth Fund
Sceptre Bond Fund
Sceptre Income Trusts Fund
Sceptre Canadian Equity Fund
Sceptre Equity Growth Fund
Sceptre Global Equity Fund
Sceptre U.S. Equity Fund
Sceptre Money Market Fund
(Class A Units and Class O Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 23rd, 2002
Mutual Reliance Review System Receipt dated 30th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sceptre Investment Counsel Limited
Promoter(s):
Sceptre Investment Counsel Limited
Project #469626

Issuer Name:
Synergy Canadian Growth Class
Synergy Canadian Momentum Class
Synergy Canadian Small Cap Class
Synergy Canadian Value Class
Synergy Canadian Style Management Class
(Series A, F and I Securities)
Synergy Canadian Short-Term Income Class
(Series A and F Securities)
(Classes of Synergy Canadian Fund Inc.)
Synergy Global Growth Class
Synergy Global Momentum Class
Synergy Global Value Class
Synergy American Growth Class
Synergy European Momentum Class
Synergy Global Short-Term Income Class
(Series A and F Securities)
Synergy Global Style Management Class
(Series A, F and I Securities)
(Classes of Synergy Global Fund Inc.)
Synergy Extreme Canadian Equity Fund
Synergy Extreme Global Equity Fund
Synergy Canadian Income Fund
Synergy Global Growth RSP Fund
Synergy Global Momentum RSP Fund
Synergy Global Value RSP Fund
Synergy Global Style Management RSP Fund
Synergy American Growth RSP Fund
Synergy European Momentum RSP Fund
Synergy Extreme Global Equity RSP Fund
(Series A and F Securities)
Synergy Tactical Asset Allocation Fund
(Series A, F and I Securities)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 22nd, 2002
Mutual Reliance Review System Receipt dated 29th day of August, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Synergy Asset Management Inc.
Promoter(s):
Synergy Asset Management Inc.
Project #467424

Issuer Name:
NWQ U.S. Large Cap Value Fund
Acadian Core International Equity Fund
Analytic Core U.S. Equity Fund
Integra Canadian Value Growth Fund
Integra U.S. Small Cap Equity Fund
Integra U.S. Value Growth Fund
Integra Short Term Investment Fund
Integra International Equity Fund
Integra Equity Fund
Integra Bond Fund
Integra Balanced Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated August 29th, 2002
Mutual Reliance Review System Receipt dated 4th day of September, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Integra Capital Corporation
Promoter(s):
-
Project #467552

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Caldwell Independent Research Ltd. Attention: Brendan Thomas North Caldwell 150 King Street West Suite 1704, PO Box 51 Toronto ON M5H 1J9	Securities Adviser	Sep 03/02
Change of Name	Brandes Investment Partners, LLC Suite 4700 Toronto Dominion Bank Tower Toronto ON M5K 1E6	From: Brandes Investment Partners, L.P. To: Brandes Investment Partners, LLC	Jun 05/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA By-law 8 – Resignations, Amalgamations, etc. – Housekeeping Amendment

INVESTMENT DEALERS ASSOCIATION OF CANADA – BY-LAW 8 RESIGNATIONS, AMALGAMATIONS, ETC. – HOUSEKEEPING AMENDMENT

I OVERVIEW

A -- Current Rules

The existing By-law 8 requires more specificity regarding the process related to the resignation and amalgamation of Members.

B -- The Issue

The Association has recently observed an increasing trend towards the resignation and amalgamation of Members. This trend has necessitated a review of By-law 8.

C -- Objective

The objective of the proposed amendments is to provide greater clarity for Members during the process of resignation or amalgamation. Further, the Association hopes to be more specific respecting the payment of Annual Fees upon resignation. The resignation process does not always neatly coincide with the Association's fiscal year. The Association does not desire to penalize members whose process starts in one fiscal year and ends in another, but it is recognized that there needs to be a reasonable time limit to bring the process to satisfactory conclusion.

D -- Effect of Proposed Rules

The proposed change is intended to confirm administrative processes. The desired outcome should eliminate misunderstanding surrounding the payment of Annual Fees as it relates to resignation at or near the fiscal year-end.

II -- DETAILED ANALYSIS

A -- Relevant History

Notwithstanding the detailed process of examining applications for membership in the Association and the reporting and regulatory measures invoked while a Member, firms tend to disregard process and the payment of Annual Fees at the time of resignation. Moreover, the resignation process during the amalgamation of two or more Member firms has been frequently misunderstood.

Given this context Association staff undertook a review of By-law 8 for purposes of assisting Member firms and their legal counsel. The result of this review has generated proposed amendments which address such issues as:

- Circumstances wherein the pro rata payment of Annual Fees would be justified upon resignation of a Member;
- The "surrendering" of membership where two or more Members amalgamate;
- The two-stage process of resignation which includes both the "intention to resign" and the "resignation" itself; and
- The clarification of when the resignation becomes "effective".

B -- Public Interest Issue

There is no negative impact on the public. The proposed amendments are intended to provide improved administration in the affairs of the Association.

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 proposed amendments are simple and effective.

C -- Process

The proposed amendments will eliminate misunderstandings in the resignation and amalgamation processes. The amendments were developed by Association staff utilizing a consultative process.

IV -- SOURCES

IDA By-law 8

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The Association has determined that the entry into force of the proposed amendments is housekeeping in nature. As a result, a determination has been made that these proposed rule amendments need not be published for comment.

Questions may be referred to:
Ken Nason, Association Secretary
Investment Dealers Association
416-943-3046
knason@ida.ca

BY-LAW NO. 8

RESIGNATIONS, AMALGAMATIONS, ETC.

8.1. A Member wishing to resign shall address a letter of resignation to the Board of Directors in care of the Secretary. If a Member intends to resign within 90 days after the commencement of the Association's fiscal year, then the Member will be subject to the pro rata payment of the forthcoming annual fees.

8.2. A Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the District Association Auditors of the District in which the Member has its principal office either:

(a) A balance sheet of the Member reported upon by the Member's Auditor without qualification as of such date as such District Association Auditors may require which balance sheet shall indicate that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(b) A report from the Member's Auditor without qualification that in his opinion the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(c) If permitted by the applicable District Council a report without qualification from a recognized stock exchange that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a), (b) or (c) above is not filed with the letter of resignation the Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3. Notwithstanding the provisions of By-law 8.2 if the whole or a substantial part of the business and assets of a Member which is resigning (the "resigning Member") is being acquired by another Member (the "remaining Member"), the resigning Member may with the approval of the Board of Directors, file (in lieu of the documents required by By-law 8.2(a), (b) or (c)), a letter signed by the remaining Member under which the remaining Member accepts responsibility for all outstanding liabilities of the resigning Member and certifies that the remaining Member has sufficient liquid assets to meet all liabilities, other than subordinated loans, if any, of both the remaining Member and the resigning Member.

8.3A. Notwithstanding the provisions of By-law 8.2 and 8.3, if two or more Members are amalgamated and continue as one Member (the "continuing Member"), the continuing Member may with the approval of the Board of Directors file (in lieu of the documents required by By-law 8.2(a), (b) or (c)) an acknowledgement and undertaking by the continuing Member that such Member accepts responsibility for outstanding fees and all liabilities (outstanding, incurred, contingent or otherwise) of the two or more Members which are amalgamating and certifies that the continuing Member has sufficient liquid assets to meet all such liabilities (other than subordinated loans, if any). Unless otherwise determined by the Board of Directors, two or more Members which amalgamate and continue as one Member shall not be considered to be a new Member or a new entity which must re-apply for Membership. Those members not continuing due to amalgamation shall surrender their membership in the Association as part of the amalgamation process. A "surrender" of membership shall be considered a resignation for purposes of By-law 8.7.

8.3AA. Notwithstanding the provisions of By-law 8.2 and By-law 2, if a Member and a non-Member are amalgamated and the Member wishes the continuing entity to continue as a Member, the Member shall not be required to comply with the provisions of By-law 8.2 and the non-Member shall not be required to comply with the provisions of By-law 2 if both the Member and the non-Member have provided the applicable District Association Auditors with all such financial information as such District Association Auditors may require and such District Association Auditors are satisfied with such financial information.

8.3B. Notwithstanding the provisions of By-law 8.2 if a Member which is resigning is remaining a member of a recognized stock exchange, the resigning Member may, with the approval of the Board of Directors, file (in lieu of the documents required by By-law 8.2) a letter from a recognized stock exchange to the effect that the resigning Member is still a Member of such exchange and has not given such exchange any notice of resignation. Unless the Board of Directors in its discretion otherwise declares, a resignation pursuant to this By-law 8.3B shall take effect as of the close of business (5:00 p.m. head office local time) on the date the Secretary receives the letter referred to in the preceding sentence and if, to the knowledge of the Secretary after due enquiry, the Member is not indebted to the Association and no complaint against the Member or any investigation of the affairs of the Member is pending.

8.4. Notice of such letter of resignation shall forthwith be given by the Secretary to the Board of Directors, the applicable District Council, all other Members, the securities commissions of all of the provinces of Canada and the Bank of Canada.

8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time) on the date the Secretary receives from the District Association Auditors a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in By-law 8.2, the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Member is not indebted to the Association and no complaint against the Member or any investigation of the affairs of the Member is pending.

8.6. When a Member signifies in writing its intention to resign, the Secretary shall so advise the Member resigning and all other Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, all District Association Auditors, and such other persons or bodies as the applicable District Council may direct through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Member becomes effective.

8.7. A Member resigning from the Association shall make full payment of its Annual Fees for the fiscal year in which such Member tenders its resignation. A Member resigning from the Association shall not be entitled to a refund of any part of the Annual Fee for the fiscal year in which its resignation becomes effective unless such resignation is complete in all respects by June 30. For the period April 1 to June 30 the resigning Member will be subject to monthly pro rated Annual Fees; part months will be considered as full months. For purposes of this provision, the resignation of a Member shall be considered effective upon receipt by the Association of all fees and all required documentation, including the results of a termination audit.

8.8. If a Member has ceased to carry on business as a securities dealer or its business has been acquired by an individual, firm or corporation who or which, as the case may be, is not a Member of the Association, the applicable District Council may, unless the Member has voluntarily resigned in accordance with this By-law 8, terminate the Membership of the Member after the Member has been given the opportunity for a hearing in accordance with the provisions of By-law 20.11. A former Member whose Membership has been terminated pursuant to the provisions of this By-law 8.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Association for all

amounts due to the Association from the former Member.

13.1.2 IDA Disciplinary Hearing - Anthony Addolorato Colalillo

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF ANTHONY ADDOLORATO COLALILLO

September 4, 2002 (Toronto, ON) – The Investment Dealers Association of Canada announced today that a hearing date has been set before a panel of the Ontario District Council of the Association in respect of matters for which Anothy Addolorato Colalillo may be disciplined by the Association.

The hearing relates to allegations that while a registered representative at Nesbitt Burns Inc., Mr. Colalillo violated Association Regulation 1300.1(c) by failing to exercise due diligence to ensure that the recommendations made for a number of client accounts were appropriate for the clients and in keeping with the clients' investment objectives. Mr. Colalillo is also alleged to have engaged in business conduct or practice unbecoming a registered representative contrary to Association By-law 29.1 by failing to exercise due diligence in the solicitation and transfer of securities between the accounts of unrelated clients resulting in a monetary loss to some of those clients.

The hearing is scheduled to commence at 9:30 a.m. on September 17th, 2002, at Atchison and Denman Court Reporting Services, 155 University Ave., Suite 302, in Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters. Copies of the Decision of the District Council will be made available to the public once it has been rendered.

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:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

13.1.3 IDA Discipline Penalties to be Imposed on Joachim Burgess James ("Jake") Tiley – Violation of By-Law 29.1

Contact:
Jeffrey Kehoe
Enforcement Counsel
(416) 943-6996

BULLETIN #3034
August 19, 2002

DISCIPLINE

**PENALTIES TO BE IMPOSED ON JOACHIM BURGESS JAMES ("JAKE") TILEY
VIOLATION OF BY-LAW 29.1**

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Joachim Burgess James ("Jake") Tiley, at the relevant times a Registered Representative with First Delta Securities Inc., a member of the Association.

By-laws, Regulations, Policies Violated

On July 24, 2002 the District Council heard evidence and representations concerning an allegation against Mr. Tiley that he had conducted himself in a manner unbecoming or detrimental to the public interest, contrary to IDA By-Law 29.1

Penalty Assessed

The discipline penalties assessed against Mr. Tiley are a suspension of his registration with the Association; in addition, he will be prohibited from applying for registration for a period of five years, and can only be readmitted upon the advice of the District Council after an examination of his fitness to re-enter the industry. That examination will include a requirement for Mr. Tiley to re-write all applicable qualification examinations at the time. Finally, the Council ordered that Mr. Tiley pay costs of the Association's investigation in the amount of $5,000.

Summary of Facts

At all relevant times, Mr. Tiley was employed as a Registered Representative with First Delta Securities Inc.

In 1999, a couple opened joint US and Canadian dollar margin accounts at First Delta Securities Inc., with Mr. Tiley as their investment advisor. Discretionary trading in the accounts was not authorized. Trading activity proceeded in those accounts without recorded incident until the summer of 2000.

In August 2000, when the clients were away on vacation, Mr. Tiley without instructions or authority executed some 68 trades in their accounts. The total value of the securities traded was approximately $1,208,635. In the Canadian dollar account, the value of unauthorized trading was approximately 45% of the account value; in the US dollar account, the unauthorized trades represented approximately twelve times the account's value.

In September, 2000, upon his return from vacation, one of the clients saw his statements detailing the unauthorized trades, and immediately contacted Mr Tiley, who confirmed that he had made the unauthorized trades, and handed the client over to his superior at First Delta. Mr. Tiley again admitted to his superior that he had indeed executed the unauthorized trades.

The Respondent's employment with First Delta was immediately terminated, and First Delta reversed all of the unauthorized trades in the clients' accounts. The loss resulting from the unauthorized trading activity by Mr. Tiley was in the order of $40,000 to $50,000. None of that loss was borne by the clients.

At the time of the unauthorized trading, Mr. Tiley was under a high degree of stress in his personal life. He provided documentation to confirm this fact.

Kenneth A. Nason
Association Secretary

13.1.4 IDA Discipline Penalties Imposed on Richard Mills – Violation of Regulations 1300.1(c) and Policy 2

Contact:
Jeffrey Kehoe
Director, Enforcement Litigation
(416) 943-6996

BULLETIN #3038
August 22, 2002

DISCIPLINE

**DISCIPLINE PENALTIES IMPOSED ON RICHARD MILLS
VIOLATION OF REGULATIONS 1300.1(C) AND POLICY 2**

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Patrick Mills, at the relevant times a Registered Representative with BMO Nesbitt Burns, a member of the Association.

By-laws, Regulations, Policies Violated

On August 19th, 2002 the District Council reviewed and accepted a settlement agreement negotiated with counsel for the Association's Enforcement Department. In the settlement agreement, Mr. Mills acknowledged that he:

1. failed to properly supervise Fraeme Hamilton, a Registered Represnetative, with the handling of the joint accounts of clients, I. W. and D. W., contrary to Policy 2; and

2. failed to ensure that the trading recommendations made were appropriate for the clients situation and investment objectives, contrary to Regulation 1300.1(c).

Penalty Assessed

The discipline penalties assessed against Mr. Mills are a fine in the amount of $35,000.00 and payment of the Association's costs in an amount of $3,000.00, within one month of the effective date of the Settlement Agreement.

Summary of Facts

At all relevant times, Mr. Mills was employed as a Registered Representative with BMO Nesbitt Burns Inc.

Kenneth A. Nason
Association Secretary

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