The Ontario Securities Commission

OSC Bulletin

May 2, 2003

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

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TODAY'S OSC

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

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

An opportunity exists in the Project Office for a

Project Coordinator
(1 year contract)

In this role you will provide policy advice and project management support on a range of corporate projects and policy development initiatives directly related to the delivery of the Commission's mandate. You will be responsible for providing support to project leaders and teams in developing project management best practices, establishing and meeting project objectives and deliverables, setting critical paths, and establishing project budgets. You will support a formal project reporting mechanism for (a) tracking the progress of current Commission projects, and (b) approving new projects. You will provide support to the Manager, Project Office in connection with the Commission's activities in the Canadian Securities Administrators, Joint Forum of Financial Market Regulators, Uniform Securities Legislation project and in managing the Commission's ongoing relationship with the Ministry of Finance.

You have a university degree or equivalent and five years of relevant experience. A knowledge of project management methodologies and best practices is required, as well as excellent research, writing, analytical, organizational and problem solving skills. You have a knowledge of Ontario securities law and an understanding of the policy development process of the Canadian financial services regulatory environment. You have excellent communication and presentation skills.

If you are interested in this opportunity, please submit your application, in confidence by **May 14, 2003**, to Human Resources, File # 03-07,Ontario Securities Commission, Suite 1900, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8. You may also fax us at 416-593-8348 or send e-mail to HR@osc.gov.on.ca.

Ontario Securities Commission

Ontario

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

MAY 2, 2003

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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

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- -

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Howard I. Wetston, Q.C., Vice-Chair	—	HIW
Kerry D. Adams, FCA	—	KDA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
Harold P. Hands	—	HPH
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

DATE: TBA	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub**
	s. 127
	M. Britton in attendance for Staff
	Panel: TBA
DATE: TBA	**Jack Banks A.K.A. Jacques Benquesus and Larry Weltman***
	s. 127
	K. Manarin in attendance for Staff
	Panel: PMM/KDA/MTM
	* Larry Weltman settled on January 8, 2003
May 6, 2003	**Gregory Hyrniw and Walter Hyrniw**
10:00 a.m.	s. 127
	Y. Chisholm in attendance for Staff
	Panel: TBA
May 12, 2003	**Michael Tibollo**
10:00 a.m.	s. 127
	T. Pratt in attendance for Staff
	Panel: TBA
May 20, 2003 to June 20, 2003	**M.C.J.C. Holdings Inc. and Michael Cowpland**
10:00 a.m.	s. 127
May 27, 2003 & June 10, 2003 2:30 p.m.	M. Britton in attendance for Staff
	Panel: HIW/RWD

May 28 to 30, 2003 10:00 a.m.	**First Federal Capital (Canada) Corporation and Monte Morris Friesner** s. 127 A. Clark in attendance for Staff Panel: TBA
June 3, 2003 2:00 p.m.	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.** s. 127 Y. Chisholm in attendance for Staff Panel: HLM/MTM
June 16, 2003 to July 4, 2003 10:00 a.m. June 26, 2003 2:30 p.m.	**Patrick Fraser Kenyon Pierrepont Lett, Milehouse Investment Management Limited, Pierrepont Trading Inc., BMO Nesbitt Burns Inc.*, John Steven Hawkyard+ and John Craig Dunn** s. 127 K. Manarin in attendance for Staff Panel: TBA

* BMO settled Sept. 23/02
\+ April 29, 2003

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

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

Global Privacy Management Trust and Robert Cranston

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

Philip Services Corporation

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

1.1.2 CSA Staff Notice 52-305 Optional Use of US GAAP and US GAAS by SEC Issuers

CSA STAFF NOTICE 52-305
OPTIONAL USE OF US GAAP AND
US GAAS BY SEC ISSUERS

CSA staff propose that, for interim and annual financial reporting periods in financial years beginning on or after January 1, 2003, SEC issuers be permitted to file financial statements prepared in accordance with US generally accepted accounting principles (GAAP) and audited in accordance with US generally accepted auditing standards (GAAS).

Background

On June 21, 2002, the CSA published for comment proposed National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102). NI 51-102 includes provisions concerning acceptable accounting principles and auditing standards that reflect CSA consideration of public comments on CSA Request for Comment 52-401 *Discussion Paper: Financial Reporting in Canada's Capital Markets,* published on March 16, 2001. Those provisions would, among other things, permit "SEC issuers" to satisfy their continuous disclosure obligations concerning accounting and auditing standards by filing: financial statements prepared in accordance with US GAAP, provided that for the first two years after exercising that option they include in those financial statements a reconciliation to Canadian GAAP; and audit reports prepared in accordance with US GAAS.

"SEC issuers" are reporting issuers that have a class of securities registered under section 12 of the *Securities Exchange Act of 1934* (the "1934 Act") or are required to file reports under section 15(d) of the 1934 Act and that are not investment companies under the US *Investment Company Act of 1940*. An SEC issuer can be incorporated or organized in Canada and have a majority of its shareholders, assets or operations in Canada.

The CSA are currently considering public comments received on NI 51-102. A summary of the comments and CSA responses will be included in the notice to the revised instrument which is expected to be published for comment in mid-2003. With respect to comments received on the proposals relating to acceptance of US GAAP and US GAAS, CSA staff have determined that no issues were raised that were not considered prior to publishing NI 51-102. Accordingly, CSA staff are prepared to recommend to the Canadian securities regulatory authorities that no substantive changes be made to this aspect of NI 51-102. This conclusion is also the basis for this Notice.

CSA staff are preparing a new proposed instrument, National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107), which we expect to publish for comment in 2003. NI 52-107 will set out which bodies of accounting principles and auditing standards will be acceptable for use in preparing and auditing financial statements for purposes of both continuous disclosure and prospectus filing requirements. Consistent with the principles and standards currently set out in proposed NI 51-102 and proposed National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, NI 52-107 will permit the use of US GAAP and US GAAS by SEC issuers. Some of the provisions of NI 51-102 and NI 71-102 will be replaced by references to NI 52-107.

Option to use US GAAP and US GAAS

For interim and annual financial reporting periods in financial years beginning on or after January 1, 2003, CSA staff will consider favourably requests by SEC issuers to use US GAAP and US GAAS in satisfaction of their continuous disclosure and prospectus filing obligations. SEC issuers that apply to, and obtain permission from, the Canadian securities regulatory authorities to use US GAAP and US GAAS are reminded that they remain responsible for complying with any requirements of their incorporating legislation that relate to the preparation and distribution of financial statements prepared in accordance with Canadian GAAP and audited in accordance with Canadian GAAS. In some cases, the requirements of incorporating legislation will prevent issuers from gaining the full benefits of any relief granted by the Canadian securities regulatory authorities.

SEC issuers may file an application requesting relief from the current obligation to file financial statements prepared and audited in accordance with Canadian GAAP and Canadian GAAS, respectively, on the condition that they comply with the requirements set out in sections 4.7 and 4.8 of the June 21, 2002 version of NI 51-102. Appendix A to NI 51-102 provides additional guidance. If an issuer files an application subsequent to filing financial statements prepared in accordance with Canadian GAAP for one or more interim periods for the year in which the application is made, CSA staff will recommend that, as a condition of any relief granted, the issuer re-file on SEDAR restated interim financial statements prepared in accordance with US GAAP. CSA staff will also recommend that the issuer be granted relief from the requirement to deliver to its securityholders the restated and re-filed financial statements if the issuer applies for relief.

If an issuer expects to file a prospectus in one or more jurisdictions in the future, the application may request that the relief also apply to the issuer's financial statements included in a prospectus. When an issuer files a prospectus subsequent to filing interim financial statements prepared in accordance with US GAAP, it is expected that the issuer's audited financial statements for its most recently completed year ended before January 1, 2003 that are required to be included in the prospectus will be restated in accordance with US GAAP and comply with the requirements set out in sections 4.7 and 4.8 of NI 51-102. Issuers will not be expected to re-file those annual financial statements although they may do so. Issuers who file a prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* or National Instrument 44-102 *Shelf Distributions* may include the restated annual

financial statements directly in the prospectus or incorporate them by reference from SEDAR.

CSA staff will also recommend as a condition of relief sought, whether in connection with continuous disclosure or prospectus filing obligations, that an issuer who restates its financial statements for more years than its most recently completed year ended before January 1, 2003 be required to comply with subsection 4.7(3) of NI 51-102 as if it changed from Canadian GAAP to US GAAP on the first day of its most recently completed year. This condition will apply regardless of whether the restated financial statements are filed on SEDAR.

An SEC issuer may also request relief in connection with a significant acquired business for which the prospectus rules require inclusion of financial statements in the issuer's prospectus. The relief could pertain to the accounting principles used to prepare the financial statements of the acquired business or the requirement in the prospectus rules to reconcile to Canadian GAAP financial statements prepared using accounting principles other than Canadian GAAP. An issuer may include the request in the covering letter filed with the prospectus or it may submit an application in advance of filing a preliminary prospectus. Please refer to Part 9 of National Policy 43-201 for guidance on submitting pre-filing applications under the Mutual Reliance Review System (MRRS). Where relief is sought, an application should accompany each preliminary prospectus filed in which the financial statements of the acquired business are required to be included unless the issuer obtained relief after submitting an MRRS application as described above.

SEC issuers should file their applications at least three weeks in advance of the first filing obligation to which they want the requested relief to apply. Please refer to National Policy 12-201 for guidance in filing applications under the MRRS. CSA staff will generally recommend to the regulator or the securities regulatory authority that the relief requested be granted.

US GAAP Expertise

An SEC issuer that files an application requesting permission to file financial statements prepared and audited in accordance with US GAAP and US GAAS, respectively, in satisfaction of continuous disclosure or prospectus filing obligations should represent to the securities regulatory authorities, in the application, that:

- the issuer is satisfied that it has obtained and applied the necessary level of expertise in US GAAP to support the preparation of US GAAP financial statements;
- the issuer's audit committee has taken steps to ensure it has, or has access to, the necessary expertise in relation to US GAAP and that management has put in place systems to ensure that the appropriate levels and numbers of staff have and will maintain the level of expertise in US GAAP necessary to prepare reliable, high quality financial statements; and
- the issuer's audit committee has satisfied itself as to the adequacy of the expertise of the audit engagement team and the audit firm in relation to the application of US GAAP and US GAAS.

Blanket Order

The British Columbia Securities Commission (BCSC) has issued a blanket order (BCI 52-508) under which all SEC issuers will be permitted to prepare their annual and interim financial statements using US GAAP and have their annual financial statements audited in accordance with US GAAS. BCI 52-508 will save SEC issuers from having to apply to the BCSC for discretionary relief as contemplated by this CSA Staff Notice.

Similar blanket relief may be granted in other CSA jurisdictions. Please monitor their websites or contact their representatives for further information.

How to Contact Us

Questions may be referred to any of the following:

Ontario Securities Commission:
Julie Bertoia, Senior Accountant: (416) 593-8083
Michael Brown, Legal Counsel: (416) 593-8266

British Columbia Securities Commission:
Carla-Marie Hait, Chief Accountant, Corporate Finance: (604) 899-6726
Tracy Hedberg, Senior Accountant: (604) 899-6797
Michael Moretto, Associate Chief Accountant, Corporate Finance: (604) 899-6767
Rosann Youck, Senior Legal Counsel: (604) 899-6656

Callers in B.C. and Alberta may also dial (800) 373-6393

Alberta Securities Commission:
Fred Snell, Chief Accountant: (403) 297-6553
Lara Janke, Securities Analyst: (403) 297-3302

Manitoba Securities Commission:
Bob Bouchard, Director, Corporate Finance: (204) 945-2555

Saskatchewan Securities Commission:
Ian McIntosh, Deputy Director, Corporate Finance: (306) 787-5867

Commission des valeurs mobilières du Québec:
Rosetta Gagliardi, Conseillère en réglementation: (514) 940-2199 Ext. 4554
Sylvie Anctil-Bavas, Analyste – expertise comptable: (514) 940-2199 Ext. 4556
Eric Boutin, Analyste: (514) 940-2199 Ext. 4338

Nova Scotia Securities Commission:
Bill Slattery, Deputy Director, Corporate Finance and Administration: (902) 424-7355

May 2, 2003.

1.1.3 Proposed IDA By-law No. 39, Principal and Agent - Notice of Commission Approval

PROPOSED IDA BY-LAW NO. 39, PRINCIPAL AND AGENT

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission ("OSC") has approved proposed By-law No. 39 of the IDA, Principal and Agent ("Proposed By-law"), subject to two conditions. In addition, the Saskatchewan Securities Commission ("SSC") approved, the Alberta Securities Commission ("ASC") did not disapprove and the British Columbia Securities Commission ("BCSC") did not object to the Proposed By-law subject to the same conditions. The Proposed By-law will allow IDA members and their salespersons to be in a principal and agent relationship that is not of an employer/employee nature but that has the same legal and functional effect for the purposes of client protection. The following are the conditions of approval, disapproval and non-objection:

1. The Proposed By-law will become effective only after the Universal Market Integrity Rules have been amended to ensure all requirements that are currently applicable to salespersons who are employees will also apply to salespersons who are non-employee agents; and

2. The IDA will monitor any compliance issues arising from the principal/agent relationship and report to staff of the ASC, the BCSC, the OSC and the SSC, one year after the effective date of the Proposed By-law, the nature and the frequency of any compliance issues.

A copy and description of the Proposed By-law were published on November 9, 2001 at (2001) 24 OSCB 6810. No comments were received. The version of the Proposed By-law published was revised to clarify the requirements on IDA members and their salespersons who would like to enter into non-employer/employee principal/agent relationships. A blacklined version of the final Proposed By-law that was approved by the OSC and the SSC, non-disapproved by the ASC and non-objected to by the BCSC is published in Chapter 13 of this Bulletin, which highlights changes to the version that was published on November 9, 2001.

1.2 Notices of Hearing

1.2.1 The Farini Companies Inc. and Darryl Harris - ss. 127 and 127.1

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

AND

IN THE MATTER OF
THE FARINI COMPANIES INC.,
and DARRYL HARRIS

NOTICE OF HEARING
(Sections 127 and 127.1)

TAKE NOTICE that the Ontario Securities Commission will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended at the offices of the Commission, located at 20 Queen Street West, Toronto, Ontario, in the Large Hearing Room, 17th Floor, on Tuesday May 13, 2003 at 2:00 p.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to sections 127(1) and 127.1 of the Act, it is in the public interest for the Commission:

(a) to make an order that trading in securities by the respondents cease permanently or for such period as the Commission may direct;

(b) to make an order that the respondents be reprimanded;

(c) to make an order that Harris resign any positions that he holds as a director or officer of any issuer;

(d) to make an order that Harris be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as the Commission may direct;

(e) to make an order that the respondents pay the costs of Staff's investigation in relation to this matter,

(f) to make an order that the respondents pay the costs of or related to the hearing that are incurred by or on behalf of the Commission; and

(g) to make such other order as the Commission may deem appropriate.

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

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

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

April 22, 2003.

"John Stevenson"

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

AND

IN THE MATTER OF
THE FARINI COMPANIES INC.,
and DARRYL HARRIS

STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission make the following allegations:

The Respondents

1. The Farini Companies Inc. ("Farini") is an Ontario corporation which manufactured and distributed pasta makers and food products.

2. Farini is a reporting issuer in Ontario whose shares traded on the Canadian Dealers Network until October, 2000.

3. Darryl Harris has been a Director of Farini since October 8, 1999. Harris has never been registered with the Commission in any capacity pursuant to Ontario securities law.

Failure to Meet Financial Statement Filing Requirements

4. During the period between May, 1996 and May, 2002, Farini repeatedly failed to file both interim and audited annual financial statements with the Commission within the time periods prescribed by sections 77 and 78 of the *Securities Act*.

5. In particular, Farini failed on 11 occasions to file its interim financial statements within the time period prescribed by section 77 of the *Securities Act*.

6. Specifically, Farini failed to file:

   - its first quarter interim financial statements for the 1998, 1999, 2000, 2001 and 2002 fiscal years;
   - its second quarter interim financial statements for the 1998, 2000, 2001 and 2002 fiscal years; and
   - its third quarter interim financial statements for the 1998, 1999 and 2000 and 2002 fiscal years

   within the required time period.

7. In addition, Farini failed on 8 occasions to file its annual comparative financial statements within the time period prescribed by section 78 of the *Securities Act*.

8. Specifically, Farini failed to file its annual comparative financial statements for the 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002 fiscal years within the required time period.

9. As a result of Farini's failure to file its financial statements in a timely manner, the Commission has imposed four cease trade orders on its shares. The Commission's orders to this effect are dated May 28, 1999, July 26, 2000, May 25, 2001 and May 24, 2002.

10. To date, Farini's latest failure to file has not been rectified, and the Commission's cease trade order dated May 24, 2002 remains in effect.

11. Harris was a Director of Farini at the time of the following breaches, namely:

    - 8 failures to file interim financial statements within the time periods prescribed by section 77 of the *Securities Act*; and
    - 4 failures to file annual comparative financial statements within the time periods prescribed by section 78 of the *Securities Act*.

12. Specifically, Harris was a Director at the time of Farini's failure to file:

    - its first quarter interim financial statements for the 2000, 2001, and 2002 fiscal years;
    - its second quarter interim financial statements for the 2000, 2001 and 2002 fiscal years;
    - its third quarter interim financial statements for the 1999, 2000 and 2002 fiscal years; and
    - its annual comparative financial statements for the 1999, 2000, 2001 and 2002 fiscal years

    within the required time period.

Conduct Contrary to the Public Interest

13. The conduct of Farini in failing to meet the financial statement filing requirements as described above contravened Ontario securities law and is contrary to the public interest.

14. Harris authorized, permitted or acquiesced in Farini's failure to meet the financial statement filing requirements and thereby contravened

Ontario securities law and acted in a manner contrary to the public interest.

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

April 22, 2003.

1.3 News Releases

1.3.1 OSC, IDA and FPSC Partner with Junior Achievement to Deliver Personal Economics Training to Students

FOR IMMEDIATE RELEASE
April 24, 2003

OSC, IDA AND FPSC PARTNER WITH JUNIOR ACHIEVEMENT TO DELIVER PERSONAL ECONOMICS TRAINING TO STUDENTS

TORONTO – As part of Investor Education Month, the Ontario Securities Commission (OSC), the Investment Dealers Association of Canada (IDA), and Financial Planners Standards Council are sorking with Junior Achievement to deliver the *Personal Economics: Investing in Me* program on Friday, April 25th. The volunteers will share their knowledge and experience with over 300 seventh grade students from ten different schools located in Toronto and York Region.

"We are pleased to be working with Junior Achievement to help students learn more about personal finance," says OSC Chair David Brown. "Investor Education Month is an excellent way for the regulators and the industry groups to work together for the benefit of youth."

"The Junior Achievement program helps educate tomorrow's investors," says Joe Oliver, President & CEO of the Investment Dealers Association. "The IDA welcomes this opportunity to work with Junior Achievement, the OSC and industry participants in an important Investor Education Month initiative."

"Organizations like these play an important role in preparing our youth to become tomorrow's leaders," says Gale Carey, President of Junior Achievement of Toronto & York Region.

Junior Achievement of Toronto and York Region was founded in 1968 to provide curriculum enhancing programs to the region's school system. Junior Achievement is an international not-for-profit organization that brings together business leaders, educators, parents and the community to help prepare youth for their future.

Each spring, securities regulators and industry groups team up with a public awareness program to promote investor education. The theme for this year's Investor Education Month is lifelong learning – people at all life stages can benefit from investor education.

For information on other Investor Education Month events and investor education resources, please visit these websites:

www.investorED.ca – for OSC and Investor Education Fund events and resources
www.ida.ca – for IDA events and resources
www.cfp-ca.org – for FPSC events and resources
www.jatoronto.org – for Junior Achievement resources

For Media Inquiries: Perry Quinton
Manager, Investor Communications
416-593-2348

Gale Carey
Junior Achievement of Toronto and York Region
416-360-5252 ext. 228

Connie Craddock
Investment Dealers Association
416-943-5870

Reed Hilton
Financial Planners Standards Council
416-593-8587 x235

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

1.3.2 Court Continues Freeze Directions in the Matter of Secure Investments, Daniel Shuttleworth and Andrew Keith Lech

FOR IMMEDIATE RELEASE
April 24, 2003

COURT CONTINUES FREEZE DIRECTIONS IN THE MATTER OF SECURE INVESTMENTS, DANIEL SHUTTLEWORTH AND ANDREW KEITH LECH

TORONTO – On April 14 and 15, 2003, the Ontario Securities Commission issued six Directions requiring several Ontario banks to hold the contents of specified accounts held in the name of Daniel Shuttleworth or Andrew Keith Lech. The Directions were issued to permit Staff of the Commission to continue their investigation into investment activities conducted by Mr. Shuttleworth and Mr. Lech through these accounts.

The Directions were issued pursuant to section 126 of the *Securities Act*, which requires that the Directions be reviewed by the Superior Court of Justice within seven days. On April 22, 2003, Pepall J. issued an order continuing these Directions until at least June 5, 2003. The Commission's application to further extend these Directions will be heard on that date.

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

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

1.3.3 OSC Issues Reasons for Decision in Jack Banks a.k.a Jacques Benquesus

FOR IMMEDIATE RELEASE
April 24, 2003

OSC ISSUES REASONS FOR DECISION IN JACK BANKS a.k.a JACQUES BENQUESUS

TORONTO – The Ontario Securities Commission, through its independent tribunal, yesterday issued its Reasons for Decision in the matter of Jack Banks a.k.a. Jacques Benquesus. The hearing took place on January 8-9, and February 14, 2003.

The Commission held that Banks' conduct was contrary to the public interest. In its Reasons, the Commission found that:

1. Laser Friendly Inc.'s ("LFI") participation in the transaction referred to as a Regulation S Stock Subscription Roll Program (the "Roll Program") required LFI to issue share certificates containing the statement that the shares represented by the certificates were fully paid and non-assessable. These certificates bore the signature of Banks. The statement was untrue.

2. The Roll Program had no commercial justification. It only made sense if share certificates were used for an improper purpose. Having share certificates held in an effective escrow arrangement might have prevented the share certificates from being pledged or otherwise used improperly, but would have rendered the Roll Program useless to the representatives of Helix and Delta, the two companies with which LFI entered into transactions.

3. The Commission has a public interest jurisdiction that extends to corporate governance. Not every lapse in the duty of a director or officer of an issuer will raise a public interest concern. However, a public interest concern will arise, at a minimum, over a lapse that demonstrates:

   (i) an inability to adhere to high standards of fitness and business conduct which ensure honest or responsible conduct;

   (ii) a careless disregard for, or indifference to, reasonably foreseeable, serious consequences of a failure to meet high standards of fitness and business conduct; or

   (iii) unfair, improper or fraudulent practices impacting participants in the capital markets.

4. As the chief executive officer of LFI, Banks had primary responsibility for LFI's business and operations. All other officers reported to him. He

had oversight responsibility for all material matters at LFI. He was an intelligent business person experienced in the corporate governance of public companies. He was a hands-on owner-manager with a small, tightly-knit management team with no structured hierarchy. As a result, the Commission concluded that Banks knew the way in which the Roll Program was operating. And, if in fact Banks did not know all the events described above, then his lack of knowledge was all the more egregious.

5. The public expects that the share certificates of a public company that are in public circulation are what they purport to be. It was vital to LFI and the public interest that an escrow agreement with an independent and reputable third party be put in place before LFI released share certificates evidencing fully paid shares. A reasonable person would have foreseen that the share certificates, if released into the marketplace, either accidentally or wilfully, could cause damage and such person would have actively ensured that adequate safeguards were put in place and were operating appropriately. Banks' failure to take immediate steps to contain a dangerous situation suggests strongly to the Commission that Banks was indifferent to the foreseeable consequences to others in the marketplace and was motivated solely by the monetary benefit that LFI hoped to secure for itself.

6. In the State of New York, in the criminal proceeding mentioned in the statement of allegations, which related to securities fraud, Banks and Weltman pleaded guilty to having intentionally engaged in a scheme constituting a systematic ongoing course of conduct with intent to defraud. (The Commission approved a settlement agreement in respect of Weltman on January 8, 2003.) Banks' conduct in connection with the Roll Program and the criminal conduct demonstrated to the Commission that Banks should be restricted from acting as a director or officer of any issuer, and be prevented from participating in our capital markets. In addition, Banks' admission of criminal guilt in a securities-related matter called for a vigorous package of preventive sanctions. The Commission stated that if Banks was not properly restrained, confidence in our markets would be weakened.

As a result, the Commission ordered:

i) Banks resign any positions he holds as a director or officer of any issuer, and that he be prohibited permanently from becoming or acting as a director or officer of any issuer;

ii) Banks' indifference to the foreseeable consequences to others in the marketplace, together with his singular focus on the monetary benefit that LFI hoped to secure for itself, convinced the Commission that he should be removed from our markets. Therefore, the Commission ordered that Banks cease trading in securities permanently; and,

iii) Banks be reprimanded.

Copies of the Reasons for Decision are available at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario.

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

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

1.3.4 OSC Commences Proceeding Against The Farini Companies Inc. and Darryl Harris

FOR IMMEDIATE RELEASE
April 29, 2003

OSC COMMENCES PROCEEDING AGAINST
THE FARINI COMPANIES INC. AND DARRYL HARRIS

TORONTO – The Ontario Securities Commission will hold a hearing in the matter of The Farini Companies Inc. and Darryl Harris at the offices of the Commission, located at 20 Queen Street West in Toronto, on Tuesday May 13, 2003 beginning at 2:00 p.m.

Farini is an Ontario corporation which manufactured and distributed pasta makers and food products. It is a reporting issuer whose shares traded on the Canadian Dealers Network until October, 2000. Staff alleges that, during the period between May 1996 and May 2002, Farini repeatedly failed to file both interim and annual financial statements with the Commission within the time periods required by the *Securities Act*.

Staff also allege that Darryl Harris became a Director of Farini in October of 1999, and that he authorized, permitted or acquiesced in Farini's failure to file its financial statements from that date.

Staff had previously reached a settlement agreement with two other Directors of Farini, Angelo Panza and Camille Ayoub, regarding their roles in Farini's breaches. The settlement agreement was approved by OSC Executive Director Charles Macfarlane on February 28, 2003.

Copies of the Notice of Hearing and Statement of Allegations concerning Farini and Harris are available on the Commission's website at **www.osc.gov.on.ca**.

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

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

1.3.5 CSA News Release - Securities Regulators Unveil Fraud Awareness Quiz

SECURITIES REGULATORS UNVEIL
FRAUD AWARENESS QUIZ

CALGARY, AB (April 30, 2003) -- Are you at risk of becoming a victim of financial fraud? A simple quiz released today by Canadian and U.S. state securities regulators will help answer that question, while testing – and increasing – the financial knowledge of North Americans.

The North American Securities Administrators Association (NASAA) and the Canadian Securities Administrators (CSA) have published the interactive Investment Fraud Awareness Quiz on the NASAA website, www.nasaa.org, as part of annual investor outreach initiatives held in April across North America. The quiz is designed to test investors' knowledge of investment fraud and to encourage them to watch out for warning signs.

The 12-question quiz takes about 10 minutes to complete and a score and results are generated immediately. Questions cover topics such as investment risk, fraudulent products, how to deal with a securities salesperson and the role of government securities regulators. A compilation of the overall results of the quiz will be published at a later date.

According to Christine Bruenn, President of NASAA, "billions are lost to investment fraud every year. From the Yukon Territory to Miami, con artists don't discriminate – they target men, women, the elderly and minorities. Investors need to be aware of the warning signs for fraud, where to turn for information and what protections they have."

"We want to give investors the tools they need to protect themselves," said Stephen Sibold, Chair of the CSA. "This quiz not only tests investors' current knowledge of scams and frauds, but is designed in such a way as to increase their financial literacy at the same time."

NASAA's Bruenn reinforced the need for investors to contact their securities regulator to check out investments and promoters prior to handing over any money. "Canadian and state securities regulators make disciplinary records of all registered persons available to the public and can confirm that investment products and salespeople are properly registered. One quick call to a securities regulator can save you a lot of grief down the road."

In the U.S., the Facts on Saving and Investing Campaign takes place throughout the month of April. The campaign is in its sixth year and consists of various educational programs focused on finances, saving and investing. State securities regulators have obtained Governors' proclamations and conducted hundreds of school and senior center visits during the Campaign to educate students and seniors about investing and avoiding investment fraud.

In Canada, regulators participate in Investor Education Month. This year, provincial and territorial securities regulators announced the national winner of the first edition of the Test Your Financial I.Q. Contest, gave presentations to numerous community groups, and visited schools across the country to raise awareness of the importance of money management skills.

NASAA, the oldest international organization devoted to investor protection, was organized in 1919. It is a voluntary association with a membership consisting of the 66 state, provincial and territorial securities administrators in the 50 states, the District of Columbia, Canada, Mexico and Puerto Rico. In the U.S., NASAA is the national voice of the 50 state securities agencies responsible for investor protection and the efficient functioning of the capital markets at the grassroots level.

The CSA, comprised of the thirteen provincial and territorial securities regulatory authorities, administer the Canadian Securities Regulatory System to protect investors and give Canada an efficient and effective securities market.

For more information contact:

B.C. Securities Commission
Andrew Poon
604-899-6880
1-800-373-6393 (B.C. & Alberta only)
www.bcsc.bc.ca

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

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

Ontario Securities Commission
Perry Quinton
416-593-2348
1-877-785-1555 (toll free in Canada)
www.osc.gov.on.ca

Commission des valeurs mobilières du Québec
Barbara Timmins
514-940-2199, ext. 4434
1-800-361-5072 (Québec only)
www.cvmq.com

N.B. Securities Administration Branch
Christina Taylor
506-658-3060
1-866-933-2222 (New Brunswick only)
www.investor-info.ca

Nova Scotia Securities Commission
Nick Pittas
902-424-7768
www.gov.ns.ca/nssc

Securities Commission of Newfoundland and Labrador
Susan W. Powell
709-729-4875
www.gov.nf.ca/gsl/cca/s

Registrar of Securities
Department of Justice/Government of the Northwest Territories
Tony Wong
867-873-7490
tony_wong@gov.nt.ca

Prince Edward Island Securities Division
Mark Gallant
(902) 368-4552
http://www.gov.pe.ca/securities

Jerry Munk
North American Securities Administrators Association (NASAA)
202-737-0901 ext. 114

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 EAGC Ventures Corp. - 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.

Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF
EAGC VENTURES CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Ontario and Québec (collectively, the "Jurisdictions") has received an application from EAGC Ventures Corp. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer under the Legislation;

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, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

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

1. The Filer was formed under the laws of Ontario and is a reporting issuer in each of the Jurisdictions;

2. The Filer's head office is located in Vancouver, British Columbia;

3. The authorized capital of the Filer is an unlimited number of common shares without par value, of which, 62,854,305 common shares are issued and outstanding;

4. Under a statutory plan of arrangement (the "Arrangement") under Section 182 of the *Ontario Business Corporations Act* among the Filer, Bema Gold Corporation ("Bema") and 1518798 Ontario Inc. ("Subco"), the holders of the Filer's common shares on February 14, 2003 (the "Effective Date"), exchanged their outstanding common shares for common shares of Bema on the basis of one common share of Bema for each one common share of the Filer, and as a result of the Arrangement, the Filer became a wholly-owned subsidiary of Bema;

5. With the exception of the filing of unaudited interim financial statements for the period ended December 31, 2002 which were not due to be filed until after the Effective Date of the Arrangement, the Filer is not in default of any of the requirements of the Legislation of the Jurisdictions;

6. Under the Arrangement, each share purchase warrant of EAGC (the "EAGC Warrants") outstanding on the Effective Date thereafter represented, in accordance with the terms of the EAGC Warrants and certain contractual assumptions by Bema, a right to acquire one common share of Bema in lieu of each common share of the Filer such holder would have received on exercise of the EAGC Warrants, but otherwise on the same terms and conditions as governed the EAGC Warrants;

7. Under the Arrangement, each incentive stock option of EAGC (an "EAGC Option") was exchanged for options to acquire Bema Common Shares having the same terms and conditions as the EAGC Options;

8. The common shares of the Filer were de-listed from the TSX Venture Exchange on February 19, 2003 and no other securities of the Filer were listed or quoted on any exchange or market prior to the Arrangement;

9. Bema became the sole shareholder of the Filer as a result of the Arrangement and assumed all

obligations under the EAGC Warrants and EAGC Options;

10. Other than as disclosed herein, the Filer has no other securities, including debt securities, outstanding; and

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

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

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

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

April 23, 2003.

"Heidi Franken"

2.1.2 AGF Funds Inc. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements for the year-ending September 30, 2003, to registered securityholders of certain mutual funds.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5, as am., ss. 79 and 80(b)(iii).

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

AND

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

AND

IN THE MATTER OF
THE FUNDS LISTED IN SCHEDULE "A"
(the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Ontario, Nova Scotia, Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from the Funds and AGF Funds Inc. ("AGF"), the manager of the Funds and funds to be established by AGF in the future (the "Future Funds"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement to deliver comparative annual financial statements of the Funds to certain securityholders of the Funds shall not apply unless they have requested to receive them.

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, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS AGF has represented to the Decision Makers that:

(a) The Funds are either open-ended mutual fund trusts, separate classes of mutual fund corporations, or mutual fund corporations governed by the laws of Ontario.

(b) AGF acts as manager of the Funds set out in Schedule "A" and, in the case of its Funds which are trusts, it is the trustee of such Funds.

(c) The Funds are reporting issuers in each of the Jurisdictions and are not in default of any requirements of the Legislation.

(d) Securities of the Funds, except AGF Managed Futures Fund, are presently offered for sale on a continuous basis in provinces and territories of Canada pursuant to a simplified prospectus. Securities of AGF Managed Futures Fund are presently offered for sale on a continuous basis in provinces and territories of Canada pursuant to a long form prospectus.

(e) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), comparative financial statements in the prescribed form pursuant to the Legislation.

(f) AGF will send to Securityholders who hold securities of the Funds in client name (whether or not AGF is the dealer) (the "Direct Securityholders") in each year, a notice advising them that they will not receive the annual financial statements of the Funds for the year then ended unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual financial statements. The notice will advise the Direct Securityholders where annual financial statements can be found on the Internet (including on the SEDAR website) and downloaded. AGF would send such financial statements to any Direct Securityholder who requests them in response to such notice or who subsequently requests them.

(g) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101.

(h) Securityholders will be able to access annual financial statements of the Funds either on the SEDAR website or on the website of AGF or by calling AGF's toll-free phone line. Top ten holdings which are updated on a monthly basis will also be accessible to Securityholders on AGF's website or by calling AGF's toll-free phone line.

(i) There would be substantial cost savings if the Funds are not required to print and mail annual financial statements to those Direct Securityholders who do not want them.

(j) The Canadian Securities Administrators ("CSA") have published for comment proposed National Instrument 81-106 ("NI 81-106") which, among other things, would permit a Fund not to deliver annual financial statements to those of its Securityholders who do not request them, if the Funds provide each Securityholder with a request form under which the Securityholder may request, at no cost to the Securityholder, to receive the mutual fund's annual financial statements for that financial year.

(k) NI 81-106 would also require a Fund to have a toll-free telephone number for, or accept collect calls from, persons or companies that want to receive a copy of, among other things, the annual financial statements of the Fund.

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

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

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed National Instrument 81-106 and is consistent with National Instrument 54-101;

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

(i) the Funds; and

(ii) the Future Funds

shall not be required to deliver their comparative annual financial statements for the year ended September 30, 2003 to their Direct Securityholders other than those Direct Securityholders who have requested to receive them provided that:

(a) AGF shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in clause (f) of the representations within 90 days of mailing the request forms;

(b) AGF shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

(c) AGF shall record the number and summary of complaints received from Direct Securityholders about not receiving the annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

(d) AGF shall, if possible, measure the number of "hits" on the annual financial statements of the Funds on AGF's website and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing; and

(e) AGF shall file on SEDAR, under the annual financial statements category, estimates of the cost savings resulting from the granting of this Decision within 90 days of mailing the request forms.

April 17, 2003.

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

SCHEDULE "A"

Equity Funds

Canadian

AGF Canadian AggressiveTM All-Cap Fund
AGF Canadian Dividend Fund
AGF Canadian Growth Equity Fund Limited
AGF Canadian Small Cap Fund
AGF Canadian Stock Fund
AGF Canadian Value Fund

International

AGF AggressiveTM Global Stock Fund
AGF AggressiveTM Growth Fund
AGF AggressiveTM Japan Class*
AGF American Growth Class*
AGF Asian Growth Class*
AGF Canada Class*
AGF China Focus Class*
AGF Emerging Markets Value Fund
AGF European Equity Class*
AGF Germany Class*
AGF Global Equity Class*
AGF India Fund
AGF International Stock Class*
AGF International Value Class*
AGF International Value Fund
AGF Japan Class*
AGF Latin America Fund
AGF MultiManagerTM Class*
AGF RSP American Growth Fund
AGF RSP European Equity Fund
AGF RSP International Equity Allocation Fund
AGF RSP International Value Fund
AGF RSP Japan Fund
AGF RSP MultiManagerTM Fund
AGF RSP World Companies Fund
AGF RSP World Equity Fund
AGF Special U.S. Class*
AGF U.S. Value Class*
AGF World Companies Fund
AGF World Equity Fund
AGF World Opportunities Fund

Specialty

AGF Canadian Resources Fund Limited
AGF Global Financial Services Class*
AGF Global Health Sciences Class*
AGF Global Real Estate Equity Class*
AGF Global Resources Class*
AGF Global Technology Class*
AGF Precious Metals Fund

Balanced and Asset Allocation Funds

Canadian

AGF Canadian Balanced Fund
AGF Canadian Tactical Asset Allocation Fund

International

AGF American Tactical Asset Allocation Fund
AGF RSP American Tactical Asset Allocation Fund
AGF RSP World Balanced Fund
AGF World Balanced Fund

Fixed Income Funds
Canadian
AGF Canadian Bond Fund
AGF Canadian Conservative Income Fund
(formerly, AGF Canadian High Income Fund)
AGF Canadian Money Market Fund
AGF Canadian Total Return Bond Fund
International
AGF Global Government Bond Fund
AGF Global Total Return Bond Fund
AGF RSP Global Bond Fund
AGF Short-Term Income Class*
AGF U.S. Dollar Money Market Account

*Class of AGF All World Tax Advantage Group Limited.

Managed Futures
AGF Managed Futures Fund

Harmony Investment Pools
Harmony Americas Small Cap Equity Pool
Harmony Canadian Equity Pool
Harmony Canadian Fixed Income Pool
Harmony Money Market Pool
Harmony Overseas Equity Pool
Harmony RSP Americas Small Cap Equity Pool
Harmony RSP Overseas Equity Pool
Harmony RSP U.S. Equity Pool
Harmony U.S. Equity Pool

2.1.3 CIT Exchangeco 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.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
CIT EXCHANGECO INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia (collectively, the "Jurisdictions") has received an application from CIT Exchangeco Inc. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer under the Legislation;

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 company incorporated under the laws of Nova Scotia on September 15, 1999. The registered office of the Filer is located at 1959 Upper Water Street, Suite 800, Halifax, Nova Scotia, B3J 2X2 and the head office is located at 1 CIT Drive, Livingston, New Jersey 07039, USA.

2. The authorized capital of the Filer consists of: (a) one million common shares; (b) 15 billion non-cumulative non-voting class A preference shares; (c) one billion cumulative non-voting class B preference shares; and (d) one billion exchangeable shares (the "Exchangeable Shares"). As of the date hereof 3,139,061 common shares, 1,499,640,972 class A preference shares, 58,495,830 class B preference

shares and 534,360 Exchangeable Shares (collectively, the "Shares") are issued and outstanding. All of the Filer's issued and outstanding Shares are held by 3026192 Nova Scotia Company, the Filer's holding body corporate.

3. 3026192 Nova Scotia Company ("Newco") is an unlimited liability company incorporated under the laws of Nova Scotia and is not a reporting issuer or the equivalent thereof in any of the Jurisdictions.

4. Newco and the Filer are wholly-owned subsidiaries of CIT Group Inc., a Delaware corporation ("CIT").

5. The Filer has no securities, including debt securities, outstanding other than the Shares owned by Newco.

6. The Exchangeable Shares were delisted from The Toronto Stock Exchange on July 5, 2002. No securities, including debt securities, of the Filer are listed or quoted for trading on any exchange or market.

7. The Filer is a reporting issuer or its equivalent in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia.

8. The CIT Group, Inc. ("Old CIT") and the Filer were wholly-owned indirect subsidiaries of Tyco International Inc. ("Tyco") until July 8, 2002. On that date, Tyco transferred all of the assets and liabilities of Old CIT (including indirect ownership of the Filer) to CIT and Tyco then sold 100% of its interest in CIT through an initial public offering in the United States (the "Tyco Reorganization").

9. As part of the Tyco Reorganization, on June 20, 2002, the board of directors of the Filer announced that, effective July 5, 2002, the Exchangeable Shares would be redeemed in accordance with their terms. On receipt of notice of the redemption, Newco exercised its call right under the conditions governing the Exchangeable Shares to purchase the Exchangeable Shares. As of July 5, 2002, Newco has owned all of the issued and outstanding Exchangeable Shares.

10. Pursuant to an order dated May 31, 2001 (the "May Order"), the securities regulatory authorities (the "Regulatory Authorities") in the British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the "Applicable Provinces") granted relief such that the requirements contained in the securities legislation of the Applicable Provinces with respect to the Filer to (i) issue a press release and file a report with the Regulatory Authorities upon the occurrence of a material change, (ii) file interim financial statements and audited financial statements with the Regulatory Authorities and deliver such statements to the security holders of the Filer, (iii) file an information circular or make an annual filing with the Regulatory Authorities in lieu of filing an information circular, (iv) file an annual information form and (v) provide management's discussion and analysis of financial conditions and results of operations, do not apply to the Filer provided that, among other requirements, Tyco file with each of the Regulatory Authorities copies of all documents required to be filed by it with the United States Securities and Exchange Commission under the United States Securities Exchange Act of 1934. A similar order was granted by the Commission des valeurs mobilières du Québec on June 1, 2001 (together with the May Order, the "2001 Orders").

11. The Filer is not in default of its reporting issuer obligations under the Legislation, other than with respect to filings required after July 5, 2002, when the Filer became a wholly-owned subsidiary of Newco. The requirements of the 2001 Orders, and the continuance by the Filer as a reporting issuer (or equivalent), are no longer relevant subsequent to the redemption of the Exchangeable Shares on July 5, 2002.

12. Newco does not intend to cause the Filer to file with the applicable securities regulators any continuous disclosure documents required pursuant to the Legislation after July 5, 2002.

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

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

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

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

April 24, 2003.

"John Hughes"

2.1.4 Beutel, Goodman & Company Ltd. - MRRS Decision

Headnote

Exemptions from the mutual fund self-dealing prohibitions of clause 111(2)(b) and subsection 111(3) of the Securities Act (Ontario) to allow for the implementation of a merger involving an issuer in which certain mutual funds are invested.

Statutes Cited

Securities Act, R.S.O. 1990 c. S.5, as am., 111(2)(b) and 111(3).

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

AND

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

AND

IN THE MATTER OF
BG CANADIAN SMALL CAPITALIZATION TRUST, BEUTEL GOODMAN SMALL CAP FUND, BEUTEL GOODMAN BALANCED FUND, BEUTEL GOODMAN CANADIAN EQUITY FUND, IG BEUTEL GOODMAN CANADIAN SMALL CAP FUND, AND CANADIAN SMALL COMPANY EQUITY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Newfoundland and Labrador, and Nova Scotia (the "Jurisdictions") have received an application from Beutel, Goodman & Company Ltd. ("Beutel") on behalf of BG Canadian Small Capitalization Trust ("SCT"), Beutel Goodman Small Cap Fund ("SCF"), Beutel Goodman Balanced Fund ("BF"), Beutel Goodman Canadian Equity Fund ("CEF"), IG Beutel Goodman Canadian Small Cap Fund ("IGF") and Canadian Small Company Equity Fund ("CSCEF") (individually, a "Fund" and collectively, the "Funds") for a decision by each Decision Maker that each Fund is exempt from the provisions in the securities legislation of each Jurisdiction (the "Legislation"), as applicable, prohibiting each Fund from knowingly making or holding an investment in a company incorporated under the laws of Alberta ("Alberta SubCo"), as an interim step in an amalgamation, whereby the Funds will for a short period of time be a "substantial security holder", as such term is defined in the Legislation, in Alberta SubCo (the "Conflict Provisions");

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 – Definitions;

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

1. SCT is a mutual fund established under the laws of Ontario. SCT offers units to prospective investors on an exempt basis in each province of Canada.

2. SCF, BF and CEF are each a mutual fund established under the laws of Ontario. SCF, BF and CEF are each a reporting issuer in each province of Canada pursuant to a simplified prospectus and annual information form, both dated August 21, 2002.

3. IGF is a mutual fund established under the laws of Manitoba and is a reporting issuer in each province and territory of Canada pursuant to a simplified prospectus and annual information form, both dated October 15, 2002. Effective April 1, 2002, units of the IGF can only be purchased by unitholders of the IGF who held units of the IGF on such date.

4. CSCEF is a mutual fund established under the laws of Ontario and is a reporting issuer in each province and territory of Canada, except Nunavut, pursuant to a simplified prospectus and annual information form, both dated May 17, 2002.

5. Each Fund currently owns common shares of BPO Properties Ltd. ("BPO Properties"), a corporation existing under the laws of Canada.

6. Beutel has determined that it would be in the best interests of each Fund, if each Fund were to effectively exchange their shares in BPO Properties for redeemable/retractable Class B preferred shares of a corporation ("Amalco") to be created by the amalgamation of Alberta SubCo with another corporation existing under the laws of Alberta ("Brookfield SubCo") which also holds common shares of BPO Properties.

7. To facilitate the amalgamation, each Fund will transfer its common shares in BPO Properties to Alberta SubCo in exchange for common shares of Alberta SubCo on a one share for one share basis.

8. Shortly after this exchange, Alberta SubCo and Brookfield SubCo will amalgamate and each Fund will receive one Amalco Class B preferred share of Amalco on a one share for one share basis.

9. Each Class B preferred share of Amalco will be retractable by a Fund at any time, in accordance with the share provisions for such shares, for (a) a certain number of common shares of Brookfield Properties Corporation ("BPC") and (b) a certain number of common shares of Brookfield Homes Corporation ("BHC") or a certain amount of cash calculated pursuant to a formula based on, among other things, the current market price of the common shares of BHC.

10. BPC is incorporated under the laws of Canada and its common shares are publicly traded on both the Toronto Stock Exchange and the New York Stock Exchange. BHC is incorporated under the laws of the State of Delaware and its common shares are publicly traded on the New York Stock Exchange.

11. As part of the amalgamation, each holder of a Brookfield SubCo common share and/or a Brookfield SubCo Class A preferred share will receive one Amalco common share and/or one Amalco Class A preferred share, respectively.

12. When each Fund exchanges its common shares of BPO Properties for common shares of Alberta SubCo, the Funds will in the aggregate be a "substantial security holder" of Alberta SubCo.

13. After the amalgamation of Alberta SubCo and Brookfield SubCo, the Funds will in the aggregate hold less than 20% of the voting shares of Amalco.

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

AND WHEREAS each of the Decision Makers is satisfied that the tests 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 the purchase and holding of common shares of Alberta SubCo by each Fund, as an interim step in the amalgamation of Alberta SubCo and Brookfield SubCo, is exempt from the Conflict Provisions, as applicable, provided an amalgamation agreement is executed between the parties, before the common shares of Alberta SubCo are acquired by the Funds, whereby Alberta SubCo and Brookfield SubCo will amalgamate to form Amalco shortly after the common shares of Albert SubCo are acquired by each Fund.

April 25, 2003.

"Paul M. Moore" "Howard Wetston"

2.1.5 Consumers Packaging Inc. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, ONTARIO,
QUÉBEC, 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
CONSUMERS PACKAGING INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (the Jurisdictions) has received an application from KPMG Inc. (the Filer), in its capacity as Trustee in Bankruptcy (the Bankruptcy Trustee) of Consumers Packaging Inc. (CPI) and Trustee under an amended proposal (the Proposal Trustee) dated January 22, 2003, as may be further amended from time to time (the Amended Proposal), to the creditors of CPI, pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the BIA), for a decision under the securities legislation of the Jurisdictions (the Legislation) that CPI be deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation;

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

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

1. CPI is a corporation incorporated under the *Canada Business Corporations Act* (the CBCA).

2. CPI is not a reporting issuer, or the equivalent, anywhere other than the Jurisdictions.

3. CPI's head office is located in Toronto, Ontario.

4. CPI's securities are subject to a cease trade order (the Cease Trade Order) of the Ontario Securities Commission directing that trading in CPI securities cease until the Cease Trade Order is revoked by a further order of revocation. The Cease Trade Order was varied by the Ontario Securities Commission to permit the steps of implementation set out in the Amended Proposal that involves trades of securities of CPI.

5. Pursuant to the capital reorganization provisions of the Amended Proposal (the Capital Reorganization Provisions) and articles of reorganization (the Articles of Reorganization) filed under section 191 of the CBCA, CPI's authorized capital consists of:

   (a) an unlimited number of common shares (the New Common Shares); and

   (b) two preferred shares (the New Preferred Shares).

6. Pursuant to the Articles of Reorganization, all of the issued and outstanding common shares of CPI (the Old Common Shares) and all of the issued and outstanding preferred shares, of each series, of CPI were converted into one New Preferred Share redeemable for $1.00, which was held by KPMG Inc., in its capacity as custodian (the Custodian) under the Amended Proposal.

7. O-I Canada Holdings B.V. (OI) is a private company incorporated under the laws of the Netherlands.

8. Pursuant to the Capital Reorganization Provisions, CPI issued to OI one New Preferred Share and CPI redeemed the one New Preferred Share held by the Custodian (collectively, the New Preferred Share Trades).

9. Pursuant to the claims settlement provisions of the Amended Proposal (the Claims Settlement Provisions), claims of creditors of CPI with proven claims, including the holders of CPI's 9.75% Senior Notes, due 2007, aggregate principal amount of U.S. $75,000,000 and CPI's 10.25% Senior Secured Notes, due 2005, aggregate original principal amount of U.S. $170,000,000, have been settled.

10. As a result of the New Preferred Share Trades and the Claims Settlement Provisions, CPI has no securities, including debt securities, other than the one New Preferred Share held by OI.

11. The Old Common Shares were de-listed from the Toronto Stock Exchange on January 6, 2003, and no securities of CPI are currently listed or quoted on any exchange or market.

12. CPI does not intend to seek public financing by way of an offering of its securities.

13. OI is not currently a reporting issuer, or the equivalent thereof, in any of the Jurisdictions and has no intention of becoming one.

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; and

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

April 29, 2003.

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

2.1.6 Fording Inc. and 3992934 Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporations deemed to have ceased to be reporting issuers after completion of reorganization into a publicly traded income trust pursuant to a statutory arrangement.

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, MANITOBA, NOVA SCOTIA,
ONTARIO, QUÉBEC AND SASKATCHEWAN

AND

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

AND

IN THE MATTER OF
FORDING INC. AND 3992934 CANADA INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the Canadian Securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Alberta, Manitoba, Nova Scotia, Ontario, Québec and Saskatchewan (the "Jurisdictions") has received an application (the "Application") of Fording Inc. ("New Fording" or the "Corporation") and 3992934 Canada Inc. ("Fording") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, Fording and, where applicable, New Fording be deemed to have ceased to be a reporting issuer, or the equivalent, 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 the Application;

3. **AND WHEREAS** Fording and New Fording have represented to the Decision Makers that:

   3.1 Fording is a corporation existing under the Canada Business Corporations Act ("CBCA") and became a publicly traded corporation pursuant to a transaction which took place on October 1, 2001;

   3.2 New Fording is a corporation existing under the CBCA. All of the issued and outstanding securities of New Fording are held by the Fording Canadian Coal Trust (the "Fund");

   3.3 the head office of Fording and New Fording is located in Calgary, Alberta;

   3.4 the authorized capital of Fording consists of an unlimited number of new voting preference shares, an unlimited number of first preferred shares, an unlimited number of second preferred shares and an unlimited number of new non-voting shares. There are 50,635,705 new voting preference shares and 50,635,705 new non-voting shares issued and outstanding, all of which are held by New Fording. No first preferred shares or second preferred shares are issued and outstanding.

   3.5 the authorized capital of New Fording consists of an unlimited number of common shares and an unlimited number of preferred shares. There are 100,000 common shares and 58,470,541 preferred shares issued and outstanding, all of which are held by the Fund;

   3.6 Fording is currently a reporting issuer in the Jurisdictions and was eligible under the POP system;

   3.7 New Fording is currently a reporting issuer in Saskatchewan and Alberta;

   3.8 Fording has been reorganized into a publicly-traded income trust pursuant to a statutory arrangement (the "Arrangement") made effective February 28, 2003. As a result of such Arrangement, Fording is an indirectly wholly-owned subsidiary of the Fording Canadian Coal Trust (the "Fund") and its securities are not held by the public;

   3.9 as part of the Arrangement, 4123212 Canada Ltd. (now New Fording), a wholly-owned subsidiary of the Fund, issued securities to the public that were immediately exchanged for Units of the Fund;

   3.10 also as part of the Arrangement, Fording changed its name to its corporation number 3992934 Canada Inc. and 4123212 Canada Ltd. changed its name to "Fording Inc.";

   3.11 the common shares of Fording were delisted from the Toronto Stock Exchange ("TSX") on February 28, 2003, and no securities of Fording are listed or quoted on any exchange or market;

3.12 no securities of New Fording have ever been listed or quoted on any exchange or market;

3.13 Fording and New Fording do not intend to seek public financing by way of an offering of their securities;

3.14 other than the shares listed above, Fording and New Fording have no securities, including debt securities, outstanding; and

3.15 Fording and New Fording are not in default of any requirements of the Legislation;

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

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

6. **THE DECISION** of the Decision Makers under the Legislation is that Fording and, where applicable, New Fording are deemed to have ceased to be reporting issuers under the Legislation.

April 17, 2003.

"Patricia M. Johnston"

2.2 Orders

2.2.1 Jack Banks a.k.a. Jacques Benquesus - s. 127

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

AND

IN THE MATTER OF
JACK BANKS a.k.a. JACQUES BENQUESUS

ORDER
(Section 127)

WHEREAS on March 30, 2001, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* (the Act) in respect of Jack Banks and Larry Weltman;

AND WHEREAS on January 8, 2003, the Commission considered and approved a settlement agreement between staff of the Commission and Weltman;

AND WHEREAS on January 8-9 and February 14, 2003, the Commission conducted a hearing into the conduct of Banks;

AND WHEREAS the Commission is satisfied that Banks acted contrary to the public interest;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

(1) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Banks cease permanently from the date of this order;

(2) pursuant to paragraph 6 of subsection 127(1) of the Act, Banks is reprimanded;

(3) pursuant to paragraph 7 of subsection 127(1) of the Act, Banks resign all positions that he holds as a director or officer of an issuer; and

(4) pursuant to paragraph 8 of subsection 127(1) of the Act, Banks is prohibited permanently from the date of this order from becoming or acting as a director or officer of any issuer.

April 23, 2003.

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

2.2.2 Friedberg Mercantile Group - ss. 74(1)

Headnote

Subsection 74(1) of the Act - relief granted from the prospectus requirements in connection with certain over-the-counter derivatives transactions entered into with sophisticated or "qualified" parties, subject to conditions.

Statutes Cited

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

Rules Cited

Proposed Rule 91-504 - Over-The-Counter Derivatives (2000), 23 OSCB 51.

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

AND

IN THE MATTER OF
FRIEDBERG MERCANTILE GROUP

ORDER
(Section 74(1) of the Act)

UPON the Ontario Securities Commission (the "Commission") having received an application (the "Application") from Friedberg Mercantile Group ("FMG") for an order pursuant to subsection 74(1) of the Act for an exemption from the prospectus requirements with respect to trading by clients of FMG ("FMG Clients"), through FMG, in over-the-counter derivatives instruments in which the underlying interests consist entirely of currencies ("Currency Spot Contracts");

AND UPON considering the Application and the recommendations of Staff of the Commission;

AND UPON FMG having represented to the Commission that:

1. FMG is a partnership formed under the laws of the Province of Ontario which (i) is registered as a dealer under the Act in the categories of Broker and Investment Dealer, (ii) is registered under the *Commodity Futures Act* (Ontario) as a dealer in the category of Commodity Futures Merchant, (iii) holds analogous registration in most (but not all) of the remaining provinces of Canada and in each of the Canadian territories, (iv) is a Member firm of the Investment Dealers Association of Canada and a Participating Organization of the Toronto Stock Exchange and (v) is a member (or its equivalent) of each of the remaining exchanges (securities and commodity futures) in Canada.

2. FMG proposes to enter into arrangements whereby FMG Clients can enter into Currency

Spot Contracts with Acceptable Counterparties (for such purposes, an "Acceptable Counterparty" being any of the persons or entities set out in Schedule "A" to this Decision) provided that such FMG Clients have been provided with a risk disclosure statement describing the risks involved with entering into or trading over-the-counter derivatives instruments in substantially the form delivered to the Commission.

3. Any such Acceptable Counterparty would be the counterparty (i.e. would enter into such contracts as principal) and there would be no intention of any resale of such contracts.

4. Such Currency Spot Contracts will, *inter alia*, include the following principal terms and attributes:

   (a) The Currency Spot Contracts will involve the simultaneous buying of one currency (by the FMG Client) (the "Purchased Currency") and selling of another currency (to the Acceptable Counterparty) (the "Sold Currency").

   (b) The Currency Spot Contracts will be, in effect, a form of forward contract, but with the contract being (subject to rollover of open positions as described below) for only a small fraction of the open position duration in conventional Interbank currency forward contracts.

   (c) Consistent with convention in the spot foreign exchange markets, trades in the Currency Spot Contracts will be settled in two business days, or such period of time as may hereafter become the convention in such markets. In this context, "settlement" will involve a payment obligation of the Acceptable Counterparty to the subject FMG Client if the Purchased Currency has appreciated in value as compared with the Sold Currency from the time of entering into the Currency Spot Contract to the time of settlement, and will involve a payment obligation of the subject FMG Client to the Acceptable Counterparty if the opposite circumstances were to occur.

   (d) It will be expected that the Acceptable Counterparty will automatically roll over all open positions in Currency Spot Contracts as at 5:00 p.m. (New York time) on the initial settlement date for a further equivalent settlement period. Rates for such rollovers of open positions will be determined based on customary practices.

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

IT IS THE DECISION of the Commission, pursuant to subsection 74(1) of the Act, that trading in Currency Spot Contracts through FMG between FMG Clients and Acceptable Counterparties shall be exempt from the prospectus requirements under the Act.

April 15, 2003.

“Paul M. Moore” “Theresa McLeod”

SCHEDULE "A"

ACCEPTABLE COUNTERPARTIES

Interpretation

The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of subsection (3) of this schedule are intended to have the same meaning as they have in the *Business Corporations Act* (Ontario).

All requirements contained in this schedule that are based on the amounts shown on the balance sheet of an entity are intended to apply to the consolidated balance sheet of the entity.

Parties Acting as Principal

The following are Acceptable Counterparties, if acting as principal:

Banks

(a) A bank listed in Schedule I or II to the *Bank Act* (Canada).

(b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basle Accord, or that has adopted the banking and supervisory rules set out in the Basle Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(d) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(e) A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Companies Act* (Canada), or under comparable legislation in any other province or territory of Canada.

(f) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basle Accord, or that has adopted the banking and supervisory rules set out in the Basle Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(g) An insurance company licensed to do business in Canada or a province or territory of Canada.

(h) An insurance company subject to the regulatory regime of a country that is a member of the Basle Accord, or that has adopted the banking and supervisory rules set out in the Basle Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(i) A person or company that, together with its affiliates:

(i) has entered into one or more transactions involving over-the-counter ("**OTC**") derivatives with counterparties that are not its affiliates, if

(ii) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount; and

(iii) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(iv) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous 15-month period.

Individuals

(j) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding

the value of his or her principal residence.

Governments/Agencies

(k) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(l) A national government of a country that is a member of the Basle Accord, or that has adopted the banking and supervisory rules set out in the Basle Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government.

Municipalities

(m) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(n) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (f), (g) or (h), with total revenue or assets in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(o) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(p) A mutual fund or non-redeemable investment fund if each investor in the fund is an Acceptable Counterparty.

(q) A mutual fund or non-redeemable investment fund that distributes its securities in the Province of Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the *Securities Act* (Ontario) or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(r) A person or company registered under the *Securities Act* (Ontario) or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(s) A person or company registered under the *Securities Act* (Ontario) as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

(t) A member firm in good standing of the National Association of Securities Dealers in the United States.

Futures Commission Merchants

(u) A person or company registered under the *Commodity Futures Act* (Ontario) as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

(v) A member firm in good standing of the National Futures Association in the United States.

Affiliates

(w) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (1), (n), (o), (r), (s), (t), (u) or (v).

(x) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(y) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(z) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(aa) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully

guaranteed by another Acceptable Counterparty.

Party Not Acting as Principal

The accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (r), (s), (t), (u), (v) or (w) of paragraph (3) or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Ontario Regulation are Acceptable Counterparties.

Subsequent Failure to Qualify

A party is an Acceptable Counterparty if it, he or she is an Acceptable Counterparty at the time it, he or she enters into the transaction.

2.2.3 Bourse de Montréal Inc. - s. 15.1 of NI 21-101

Headnote

Exemption pursuant to section 15.1 of National Instrument 21-101 Marketplace Operation to provide relief from the obligation to file an independent report on its systems pursuant to section 12.1(b) for the year 2002 on the basis that the independent report filed in 2003 will fulfil the requirement for both 2002 and 2003.

IN THE MATTER OF
NATIONAL INSTRUMENT 21-101
MARKETPLACE OPERATION

AND

IN THE MATTER OF
BOURSE DE MONTRÉAL INC.

ORDER
(Section 15.1 of National Instrument 21-101
Marketplace Operation)

WHEREAS the Bourse de Montréal Inc. (the "Filer") has filed an application with the Ontario Securities Commission (the "Commission") according to Part 15 of National Instrument 21-101Marketplace Operation (NI 21-101) for a decision granting an exemption from the obligation prescribed in Part 12.1 (b) of NI 21-101 for the year 2002.

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Filer has represented to the Commission that:

1. The Filer is recognized as a self-regulatory organization in Québec following decision number 2002-C-0470 of the Commission des valeurs mobilières du Québec (the "CVMQ") rendered on December 17, 2002;

2. The Filer was granted an Order from the Commission on January 31, 2003 exempting it from the requirement to be recognized as a stock exchange and registered as a commodity futures exchange in Ontario;

3. The Filer is subject to NI 21-101 which has been effective since December 1, 2001. According to Part 12 of NI 21-101, the Filer must for each of its systems that supports order entry, order routing, execution, trade reporting and trade comparison, at least annually proceed to make estimates and tests on its systems as described in NI 21-101. Also annually, the Filer must cause to be performed an independent review and prepare a report in accordance with established audit procedures and standards of its controls for ensuring that it is in compliance with the

requirements described in NI 21-101 and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review. The Filer must also promptly notify the securities regulatory authority of any material systems failures.

4. During the year 2002, the Filer launched a disaster recovery plan which will result in the installation of a highly sophisticated structure in case of disaster in Montréal. The plan should be completed in 2003.

5. The Filer also initiated a power supply project in 2002 to set up an improved system of uninterrupted power source, computer cooling units and fire security system for the Filer's systems. The project was completed in March 2003.

6. The Boston Options Exchange Project (BOX), a partnership with the Boston Stock Exchange among others is an example of a project which necessitates changes to the systems.

7. Due to the many changes in technology of the Filer, the Filer was not in a position to complete an independent review and report of its controls according to Part 12.1 (b) of NI 21-101. Consequently, the Filer applies to the Commission for an exemption from the obligation to file an independent report for the year 2002 in accordance with Part 15 of NI 21-101.

8. The Filer executes on a regular and frequent basis, tests on its systems to make current and future capacity estimates. Also, regular adjustments are made to the Filer's systems to ensure fast and secure access and to respond to a growing number of orders from approved participants. Internal procedures are in place to review and keep current the development and testing methodology of its systems. The systems are under constant surveillance to detect any internal or external threat and reasonable contingency and business continuity plans are in place. Therefore, measures are in place to ensure the capacity, speed, integrity and security of the Filer's systems.

9. In any event, the Filer undertakes to file with the CVMQ and the Commission a complete and independent report as required in Part 12 of NI 21-101 which will have been previously submitted to its senior management for review. The said report will be filed at the latest on December 31, 2003.

10. It is also to be noted that the Filer has always promptly notified the CVMQ, its lead regulator, of any material systems failures and will continue to do so. Fortunately, since automation was completed, very few systems failures occurred and the failures were short.

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

IT IS ORDERED, under Part 15 of NI 21-101, that the Filer is exempt from the obligation prescribed in Part 12.1 (b) of NI 21-101 for the year 2002 on the basis that the independent report filed in 2003 will fulfil the requirement for both 2002 and 2003 provided that:

(a) the Filer will cause to be performed an independent review and prepare a report, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with Part 12.1 (a) of NI 21-101 and conduct a review by senior management of the report containing the recommendations and conclusions of the independent review, at the latest on December 1, 2003;

(b) the Filer will file with the CVMQ and the Commission the said review and report at the latest on December 31, 2003.

April 29, 2003.

"Randee B. Pavalow"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 Jack Banks a.k.a. Jacques Benquesus

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

AND

IN THE MATTER OF
JACK BANKS a.k.a. JACQUES BENQUESUS

Hearing: January 8-9 and February 14, 2003

Panel:	Paul M. Moore, Q.C.	- Vice-Chair (Chair of the Panel)
	M. Theresa McLeod	- Commissioner
	H. Lorne Morphy, Q.C.	- Commissioner
Counsel:	Karen Manarin	- For Staff of the Ontario Securities Commission
	Edward L. Greenspan, Q.C.	- For Jack Banks

REASONS FOR DECISION

I. The Proceeding

[1] This proceeding began as a hearing under section 127 of the *Securities Act* (the Act) in the matter of Jack Banks and Larry Weltman.

[2] Just before the hearing began, Weltman settled with Commission staff and conceded that he had acted contrary to the public interest as alleged by staff. The hearing was adjourned and a separate Commission panel consisting of Vice-Chair Wetston and Commissioner Davis was convened and approved the settlement agreement.

[3] Following that, we resumed the hearing to deal with Banks only.

II. Staff's Allegations

[4] In their statement of allegations, staff alleged that the orders requested in the notice of hearing are in the public interest because Banks, as the chairman of the board of directors, president and chief executive officer of Laser Friendly Inc. (LFI):

(i) knowingly permitted share certificates of LFI to be delivered in circumstances where he knew or ought to have known that the certificates could and would be used to deceive third parties;

(ii) failed to ensure that sufficient controls existed to prevent the share certificates from being used for an improper purpose;

(iii) failed to take immediate steps to cancel and to attempt to retrieve share certificates and agreed to permit such certificates to remain in the possession of others, even after he had received notice that one or more of the share certificates may have been used for an improper purpose; and

(iv) pleaded guilty, in a criminal proceeding in the State of New York with respect to a matter unrelated to the series of transactions at issue in this proceeding, to having intentionally engaged in a scheme constituting a systematic ongoing course of conduct with intent to defraud while inducing and promoting the issuance, distribution, exchange, sale, negotiations and purchase of LFI shares.

[5] No breach of the Act was alleged by staff.

[6] Counsel for staff emphasized that the real issue in this proceeding was not whether Banks behaved with an intent to defraud anyone, but whether Banks met the standards of business conduct expected of a market participant who had the corporate governance responsibilities that Banks had at LFI.

III. Banks' Position

[7] Counsel for Banks argued that the knowledge of other individuals connected with LFI could not be attributed to Banks, and that there was no evidence that Banks was aware of the 'red flags' suggested by staff.

[8] Counsel for Banks also argued that Banks fulfilled his duties as a director and as chief executive officer once the transactions were approved by the board of directors, and that he was entitled under subsection 135(4) of Ontario's *Business Corporations Act* (the OBCA) to rely in good faith on his subordinates and LFI's outside counsel to ensure that everything was carried out in accordance with the approvals.

IV. Overview

[9] This proceeding was one of a series of criminal and civil proceedings in Canada and the United States involving Banks and Weltman.

[10] In the State of New York, in the criminal proceeding mentioned in the statement of allegations, which related to securities fraud, Banks and Weltman pleaded guilty to having intentionally engaged in a scheme constituting a systematic ongoing course of conduct with intent to defraud. Based on his guilty plea, Banks was convicted. He was sentenced to five years of unsupervised probation, and was ordered to pay restitution in the amount of US$400,000 to injured persons, as well as a fine of US$100,000.

[11] In Ontario, based on events connected with the transactions at issue in this proceeding, Bank Leu AG launched an oppression action under the OBCA. On November 29, 2001, Justice Lederman of the Superior Court of Justice ruled in Bank Leu's favour: *Bank Leu AG v. Gaming Lottery Corp.*, [2001] O.J. No. 4715 (QL). That decision is presently under appeal.

[12] Counsel for Banks moved that we exclude as evidence Banks' criminal conviction in New York, and the reasons and findings of Justice Lederman in the civil action.

[13] We admitted the criminal conviction as evidence of the fourth allegation. We excluded the findings and reasons of Justice Lederman on the grounds that the findings would not stand if the appeal succeeded, and that evidence used in the civil action was available to be used in this hearing.

[14] Certain materials in evidence in the civil action, including the transcripts of the testimony of Weltman and Swartz, were, on consent, admitted in evidence by us.

[15] Apart from materials admitted on consent, staff called only one witness, Paul Stein, who was LFI's external counsel at the material time. His testimony lasted an entire day. Banks did not testify and no evidence was called on his behalf.

[16] Counsel for Banks suggested that much of Stein's testimony should be given little or no weight where it was prefaced by statements such as "I believe" and "I was under the impression that". When we questioned Stein as to the basis of his impressions, he stated in some instances that he could not point to any new facts which were not before us regarding his testimony. Counsel for Banks suggested that such testimony was opinion evidence and not from a qualified expert. We do not regard it as opinion evidence in the technical sense. It was direct evidence based on his experience with LFI over an extended period and his exposure to Banks, Weltman and Swartz. His impressions were relevant and confirmatory of the conclusions as to Banks' knowledge which we are making based on all the evidence.

[17] Even if it could be regarded as opinion evidence, we note the following from A. Bryant, J. Sopinka & S. Lederman, *The Law of Evidence in Canada*, 2d ed. (Toronto: Butterworths, 1999) at 605-607:

> Modern Statement of Lay Opinion Rule: Helpfulness
>
> Dickson J. (as he then was) in *R. v. Graat* all but did away with the illogical distinction between so-called fact and opinion where the witness's testimony is founded on personal knowledge. He pointed out the numerous exceptions to the opinion rule that had developed and concluded:
>
> > Except for the sake of convenience, there is little, if any, virtue, in any distinction resting on the tenuous, and frequently false, antithesis between fact and opinion. The line between "fact" and "opinion" is not clear.
>
> Returning to broad principles, Dickson J. put the admissibility of such evidence on a rather simple basis:
>
> > The witnesses had an opportunity for personal observation. They were in a position to give the Court real help.
>
> Dickson J. held that lay persons may testify about their observations where the witness is "merely giving a compendious statement of facts that are too subtle and too complicated to be narrated separately and distinctly." Couched in these terms, the modern opinion rule for lay witnesses should pose few exclusionary difficulties when based on the witness's perceptions. The real issue will be the assessment and weight to be given to such evidence after it is admitted. Thus, the law has moved away from the requirement of "necessity' in the case of lay witnesses whereby opinion evidence was received only if the witness could not "owing to the nature of the matter adequately convey to the jury the data from which such inference is made."
>
> […]
>
> Courts now have greater freedom to receive lay witnesses' opinions if: (1) the witness has personal knowledge; (2) the witness is in a better position than the trier of fact to form the opinion; (3) the witness has the necessary experiential capacity to make the conclusion; and (4) the opinion is a compendious mode of speaking and the witness could not as accurately, adequately and with reasonable facility describe the facts she or he is testifying about.

V. Facts

A. LFI

[18] LFI was a corporation incorporated under the OBCA. It was a diversified gaming company that manufactured and supplied products to the lottery, parimutuel, bingo and charitable gaming industry. It later changed its name to, among others, Gaming Lottery Corporation and GalaxiWorld.com Limited.

[19] From August 1993 to July 1998, LFI was a reporting issuer and its common shares traded on the Toronto Stock Exchange (TSX). At the material time, its shares also traded in the United States on the NASDAQ system. In 1994, LFI had a market capitalization of less than $70 million and its net income was under $3 million. The income from the three transactions at issue in this case was projected to be US$9.6 million over a one-year period.

[20] As the majority shareholders of LFI, Banks and his wife stood to benefit significantly from the increase in LFI's net income and any enhancement of share value that could be expected to flow from that increase.

[21] Banks was the chairman of the board, president and chief executive officer of LFI as well as a director. He had experience with corporate governance in public companies. According to Stein, Banks was a sophisticated owner-manager of LFI and, at least with regard to the transactions for which Stein dealt directly with Banks before Weltman was hired, Stein did not need to constantly explain business concepts to him. According to Stein, "[Banks] understood business concepts and he was a very sharp guy."

[22] Together, Banks and his wife held 55.86% of LFI's common shares. Although his wife was the largest single shareholder, she was not a director or officer of LFI, and by all indications, she was not a factor in the events at issue in this proceeding.

[23] There were four directors on LFI's board: Banks; Weltman; James Hal, who was a relative of Banks; and Amram Assayag, who was Banks' rabbi.

[24] Weltman was an accomplished accountant. Banks hired him in 1994 because of his qualifications and abilities. At the material time, in addition to being a director, Weltman was LFI's executive vice-president and chief financial officer.

[25] The other relevant officer of LFI was Eleesha Swartz. At the material time, she was LFI's general counsel and corporate secretary. She had previously been an associate of Stein's.

[26] Banks, Weltman and Swartz were a closely-knit team. LFI's office was small and LFI had few employees. Banks and Weltman worked closely together. Their offices were next to each other. There was no formal chain of command at LFI and everyone reported to Banks.

[27] Stein testified that when Swartz was providing instructions, she often said "This is what Jack wants" or "This is what Larry told me to do".

[28] Stein had been LFI's outside counsel since the 1980s. Over the years, he had helped LFI with a variety of corporate and securities matters and spent approximately 10-15% of his time on legal work for LFI and other companies owned by Banks. Stein worked closely with Banks until Weltman became an officer of LFI, after which Stein dealt principally with Weltman and Swartz.

[29] Stein's impression was that Banks knew what was going on at LFI, and that throughout the events in issue, Banks was in close contact with Weltman.

[30] Stein told Banks directly that LFI should be wary about the transactions in question.

[31] Banks, Weltman and Swartz knew that Stein had questioned the commercial viability to the other parties of the transactions. Banks replied that LFI "just wanted the money".

B. The Roll Program

[32] In the fall of 1994, an American businessman named James Farrell asked Weltman if LFI was interested in participating in a transaction referred to as a Regulation S Stock Subscription Roll Program (the Roll Program) with two organizations which Farrell represented: Helix Capital Corporation (Helix) and Delta West Management Trust (Delta).

[33] Farrell represented to Weltman that the Roll Program would work as follows. Helix and Delta were agents of major European banks. The banks wanted to improve their balance sheets. Helix and Delta would subscribe for large amounts of LFI shares. The shares would not be paid for or officially issued for a year. Share certificates would be held in escrow during that time, and the purchase price for the shares would be secured by an interest-bearing debenture. At the end of the year, LFI could cancel the share certificates but keep the interest payments. (In fact, LFI had no intention of ultimately issuing any shares under the Roll Program and intended to exercise its right of cancellation.) Everyone would profit from LFI's participation in the Roll Program: the balance sheets of the banks would look better, Farrell and his colleagues would receive commissions, and LFI would be able to keep millions of dollars in interest payments. Pursuant to Regulation S under *The Securities Act of 1933* and comparable provisions of Canadian securities law, the transaction would be exempt from registration and prospectus requirements.

[34] Weltman brought this proposal to Banks. Banks and Weltman called Stein. Stein was instructed to review and make any changes to the documentation provided by Farrell that would enable LFI to participate in the Roll Program.

[35] Stein reviewed the proposed documentation that was sent to him.

[36] Two transactions were proposed at the beginning: one with Helix (the Helix transaction) and one with Delta (the Delta I transaction). These two transactions were entered into pursuant to a resolution of the board of directors of LFI signed on November 8, 1994 (the November 8 resolution). A second transaction with Delta (the Delta II transaction) was entered into on December 5 and approved by a board resolution on December 16 (the second resolution).

[37] Stein was not instructed to conduct due diligence into LFI's potential partners, nor did anyone at LFI do any. In particular, no one asked to see financial statements for Helix and Delta. Stein told Weltman and Swartz on several occasions that Stein did not understand the commercial viability to the other parties of the transactions. (Weltman did not understand the commercial viability either.)

[38] When Stein was invited to make any inquiries he wanted to about the commercial viability, he told Weltman that that question was for LFI to satisfy itself on.

[39] Swartz sent Stein a draft directors' resolution for his review. Stein added a recital indicating that the share certificates would be deposited and held by an escrow agent. Stein was not concerned with the legality of the deal *per se*, but with the potential for fraud if LFI lost control of the share certificates, the need for a good escrow agreement, and the viability of the Roll Program from a commercial point of view.

[40] Banks informed the other directors about the proposed transactions, and in lieu of a meeting, the four LFI directors signed the November 8 resolution, which authorized LFI to participate in the Roll Program. LFI was authorized to enter into subscription agreements for a total of 30 million shares at US$4.00 per share, for a total price of US$120 million, with LFI to receive interest under the Roll Program at a rate of 3% per year, for a total of US$3.6 million. Even if LFI elected to cancel the share issuance at the end of the year, it would keep the interest payments. The directors also resolved that share certificates be issued and be held by an escrow agent.

[41] On November 8, Stein notified the TSX about LFI's intended participation in the Roll Program. The TSX accepted Stein's notice on the understanding that LFI would seek the TSX's consent before issuing any shares under the program, and that any share certificates would be held in escrow by an escrow agent.

[42] On November 10, LFI entered into a subscription agreement with Helix for the Helix transaction. The agreement was a subscription for 15 million shares at US$4 per share, for a total purchase price of US$60 million, at the 3% interest rate.

[43] That same day, the required share certificates were printed and sent to Stein. Certificates 12093 to 12100 (the Helix Certificates) purported to represent shares that were fully paid and non-assessable. Contrary to Stein's advice, they did not contain a legend indicating that the shares were in fact not paid for and were subject to the terms of the subscription agreement.

[44] There was repeated pressure over the week from Weltman and Helix for Stein to deliver the Helix Certificates. Stein was emphatic that there be an escrow agreement in place for the Helix transaction.

[45] On November 11, LFI entered into a similar subscription agreement with Delta for the Delta I tranaction, for 15 million shares at US$4.00 per share, at the 3% interest rate. Share certificates (the Delta I Certificates) were printed and sent to Stein.

[46] On November 15, Swartz asked Michael Howery, the lawyer representing Delta, to send her a draft escrow agreement for the Delta I transaction for her review and a form of undertaking not to release the Delta I Certificates. Howery committed to hold the relevant share certificates in trust and not to release them without LFI's prior written approval.

[47] On November 16, Stein and Gary Moore, a Helix representative, finalized a temporary agreement, instead of the escrow agreement contemplated in the November 8 resolution. Under the temporary agreement, Moore undertook to notify LFI one business day in advance of any intended transfer of the Helix Certificates. Relying on that undertaking, Stein sent Moore the Helix Certificates.

[48] On November 17, Moore sidestepped Stein and wrote to Weltman, proposing that the Helix Certificates be held in trust by Moore or by a reputable financial institution. That same day, unbeknownst to Stein, Swartz agreed to Moore's proposal. After learning what had happened, Stein informed her that LFI had just lost control over the Helix Certificates.

[49] Certificate 12093 for 2.5 million shares was eventually sent to a branch of the Bank of Montreal in Toronto. On November 18, Moore informed LFI of his intention to do this, and confirmed on November 29 that the delivery had been made. However, he never informed LFI that Helix had proceeded to use the certificate in connection with a separate securities lease transaction involving a company called Red Oak Ltd., whose principal was Guido Bensberg, or that on November 23, Bensberg had pledged Certificate 12093 as collateral for a loan to Bensberg from Bank Leu. (When Bensberg later defaulted on the loan, Bank Leu lost C$4.3 million and attempted to realize upon Certificate 12093.)

[50] On November 24, based on instructions from Swartz, but without an escrow agreement in place, Stein sent Howery the Delta I Certificates.

[51] Stein testified that his only involvement in the Delta I transaction was regarding the legend on the Delta I certificates and delivery of them as instructed by Swartz.

[52] Somehow, the Delta I Certificates were deposited with U.S. brokerage firm Dean Witter in a form allowing transfer.

[53] Upon realizing that someone had tried to pass the Delta I Certificates, Dean Witter called the U.S. Securities and Exchange Commission (SEC), which in turn called someone at LFI on December 5.

[54] Farrell told Weltman that the Delta I certificates had been delivered to the wrong depository, that to move them out of that depository into the correct depository would take too long to place the stock with an appropriate bank. Therefore, according to Weltman, "Farrell was asking all the companies involved in that bundle to cancel that stock and to issue replacement certificates to a new depository." Farrell asked that replacement certificates (the Replacement Certificates) be printed and sent elsewhere.

[55] On December 5, Weltman executed a subscription agreement on behalf of LFI for the Delta II transaction for 15 million shares at US$4.00 per share with a total subscription price of US$60 million. The interest rate was 10% and would result in LFI receiving an additional US$6 million in interest payments even if the share issuance was cancelled at the end of the year. Share certificates (the Delta II Certificates) were printed that same day and were sent to LFI by courier.

[56] On December 6, with no escrow agreement in place, Weltman travelled to Detroit and hand-delivered the Delta II Certificates to Farrell.

[57] Upon being notified about the phone call from the SEC regarding the Delta I Certificates, Stein referred LFI to a U.S. law firm, Jones Day, for assistance with the matter. On December 6, Swartz was informed that Jones Day had learned that the Delta I Certificates had been deposited with Dean Witter, instead of the proper depository, and that there had been an attempt "to pass certificates to Dean Witter as clear," and that Dean Witter had called the SEC.

[58] On December 8, Swartz asked Delta to return the Delta I Certificates immediately for cancellation and indicated that she would be prepared to deliver the Replacement Certificates based upon an undertaking to return the Delta I Certificates forthwith.

[59] Pursuant to a direction dated December 8, Swartz instructed the transfer agent to print two share certificates representing 10 million and 5 million LFI common shares, respectively. As a result, Replacement Certificates representing 15 million "fully paid and non-assessable" LFI shares were printed in the name of "Delta West Management Trust".

[60] The Replacement Certificates contained a legend indicating that there were certain transfer restrictions pursuant to Regulation S. In addition, Swartz typed a further legend on the Replacement Certificates indicating that they were subject to the terms and conditions of a subscription agreement and debenture.

[61] On December 9, Swartz and Weltman participated in a telephone call with Jones Day and the SEC during which the SEC questioned Weltman and Swartz regarding the Roll Program. They were informed that the SEC was making a preliminary inquiry into violations of the registration requirement of federal securities laws. The Helix and Delta transactions were both discussed. Swartz's notes of a phone call involving Jones Day on December 9 contain the phrases "badges of fraud" and "building case against Farrell".

[62] Given the apparent SEC fraud investigation, Jones Day advised LFI to withdraw immediately from the Roll Program and retrieve all share certificates issued thereunder.

[63] Stein agreed with that advice.

[64] Banks was told by either Weltman or Swartz about the SEC investigation and the concerns of Jones Day. On December 12, Banks told Weltman or Swartz, or both of them, that notwithstanding the phone call from the SEC and the concerns of Jones Day, he still wanted the Replacement Certificates sent out. Without first obtaining possession of the Delta I Certificates, Swartz sent the Replacement Certificates to a Michigan company named Omnibank.

[65] On December 12, upon learning that its advice to terminate LFI's participation in the Roll Program and recover all share certificates had not been followed, Jones Day resigned as counsel. Stein then referred LFI to another U.S. firm, White & Case.

[66] White & Case apprised themselves of the situation and spoke with Swartz by phone on December 15. Swartz's notes from the call include the phrases "clear that a fraud has taken place – large scale", "advice terminate agreements", "aiding & abetting a fraud" and "discussed all with Larry Friday afternoon".

[67] Either Jones Day or White & Case informed Stein, Swartz and Weltman that based on the SEC officials involved, the SEC's interest in the matter was at a fairly high level. Conference calls involving Weltman, Swartz, Stein and attorneys from White & Case were held on December 16. Swartz's notes from a telephone conversation with White & Case on December 16 state in places "fraud going on", "enforcement priority", "focus – on arrangers of transaction" and "obligation to ensure shares not traded in violation of Reg S".

[68] Banks, Weltman and the other directors had not signed a resolution authorizing LFI to participate in the Delta II transaction before it was transacted. However, on December 16, Banks and the other directors signed a resolution dated as of December 5 authorizing LFI's participation in the Delta II transaction.

[69] On January 3, 1995, the SEC issued subpoenas requiring Weltman and Swartz to attend at the offices of the SEC and provide sworn testimony in connection with the SEC's investigation. Weltman and Swartz did so on

January 5.

[70] On January 10, Weltman and Swartz had a telephone discussion with White & Case. Swartz's notes from the call state "on notice that securities fraud being committed", "instruments perpetrate fraud" and "if know it's a fraud terminate agreement and demand certificates back".

[71] Between January 18 and 20, Swartz wrote to the holders of Delta I Certificates and Delta II Certificates and asked that the certificates be returned.

[72] On January 19, in a fax to Weltman and Swartz, White & Case advised that

(i) there was no record that Delta existed;

(ii) Helix was an offshore company registered in the Turks and Caicos Islands;

(iii) the Helix Certificates were used as assets in support of a loan from a Canadian bank and were delivered to that bank; and

(iv) LFI should consider the loss contingency that could arise if a lender extended funds based on a borrower's balance sheet that reflects as an asset a share certificate issued by LFI.

[73] Between January 25 and 27, all of the Delta certificates were returned to Swartz. They were cancelled shortly thereafter.

[74] On February 1, in a letter to Swartz, White & Case further advised LFI as follows:

> [W]e believe there is a substantial risk that if Helix's customer were to be unable to repay the loan from its lending bank, the bank could assert a claim against Laser Friendly for any resulting loss, and probably would be able to raise serious questions as to whether it was aware of the fact that the Laser Friendly certificates did not represent fully paid and issued shares, and whether Laser Friendly was not knowingly participating in fraudulent misrepresentations by its borrower as to the value of the security the borrower had provided.
>
> On the basis of the foregoing, we believe that you should, as a matter of urgeny, (a) terminate the agreements with Helix (and Delta West if the two certificates issued to it have not yet been returned to you) on the ground that they did not fully disclose to you the uses to which the certificates would be put in inducing you to enter into those agreements, and (b) take all available actions to recover the certificates you have delivered.

[75] In the ensuing months, except for certificate 12093, all of the Helix Certificates were retrieved and cancelled. Certificate 12093 remains in the possession of Bank Leu.

[76] As late as April 2, 1995, when Helix had paid LFI only US$40,000 in interest and US$384,383 was owing, Weltman wrote to Helix confirming that "certificates 12093 and 12095, amounting to 5,000,000 share will remain in the program to function the payment … above."

[77] In summary, LFI entered into subscription agreements with Helix and Delta designed to yield, within one year, US$9.6 million in interest payments for a possible issuance of 45 million shares at a time when there were approximately 17 million shares outstanding. Given LFI's financial position at the time, the transactions were very significant to LFI.

[78] As it turned out, LFI received only US$40,000 in actual interest payments under the Roll Program, notwithstanding the terms of the subscription agreements.

C. Banks' Criminal Conviction

[79] On September 27, 2000, Banks pled guilty to violating article 23-A of the General Business Law of the State of New York ("Fraudulent Practices in Respect to Stocks, Bonds and other Securities"). In particular, he pled guilty to:

> Intentionally engag[ing] in a scheme constituting a systematic ongoing course of conduct with intent to defraud ten and more persons and to obtain property from ten and more persons by false and fraudulent pretenses, representations and promises, and so obtained property from one and more of such persons while engaged in inducing and promoting the issuance, distribution, exchange, sale, negotiations and purchase of a security, to list shares of a company with different names during the scheme, including Laser Friendly Inc., Gaming Lottery Corporation, and other names.

[80] The facts supporting the conviction, which Banks admitted, were as follows:

(i) Banks was in a control management position and a control ownership position with GalaxiWorld, a publicly traded company named Laser Friendly;

(ii) through Laser Friendly, Banks entered into a transaction to purchase the Speciality Manufacturing division of Ace Novelty Co., a company in the gaming industry;

(iii) the gaming industry is highly regulated;

(iv) Banks and Laser Friendly "were warned" that on the closing of the transaction, the

licence issued to Ace Novelty would be null and void;

(v) Laser Friendly completed the final closing without obtaining licensure and operated Specialty Manufacturing without being licenced and without informing the State of Washington upon closing; and

(vi) Laser Friendly "undertook the material risk that if its concealed conduct were discovered by the State of Washington and not approved," Laser Friendly and "its financial condition would be significantly adversely affected."

[81] Pursuant to his guilty plea, Banks agreed to:

(i) "leave the United States and not ever return to the United States except on those occasions when required or permitted to do so by court order";

(ii) divest himself of all "control ownership positions" in publicly traded companies;

(iii) leave and resign from all "control management positions" held in publicly traded companies;

(iv) pay a fine of US$100,000; and

(v) pay restitution in the amount of US$400,000.

VI. Analysis

A. The Roll Program

[82] LFI's participation in the Roll Program required LFI to issue share certificates containing the statement that the shares represented by the certificates were fully paid and non-assessable. These certificates bore the signature of Banks. The statement was untrue.

[83] Based on the evidence, we find that the Roll Program had no commercial justification. It only made sense if share certificates were used for an improper purpose. Having share certificates held in an effective escrow arrangement might have prevented the share certificates from being pledged or otherwise used improperly, but would have rendered the Roll Program useless to the representatives of Helix and Delta.

B. The Commission's Public Interest Jurisdiction

[84] The Commission has a public interest jurisdiction that extends to corporate governance.

[85] In *Re Standard Trustco Ltd.* (1992), 15 O.S.C.B. 4322 (*Standard Trustco*), the Commission referred to proposals regarding new powers in section 127 of the Act in connection with a person's ability to be a director or officer of an issuer. Having found that the conduct of certain directors and officers did not meet the standards expected of them, the Commission said at 4378: "If we had such powers now, at the very least, we would have made an order reprimanding the respondents against whom we have made findings and we would have considered the appropriateness of further orders under the amendments."

[86] In 1999, such powers were added to the Act and are now contained in paragraphs 7 and 8 of subsection 127(1) of the Act:

> **127. (1) Orders in the public interest** -- The Commission may make one or more of the following orders if in its opinion it is in the public interest to make the order or orders;
>
> […]
>
> 7. An order that a person resign one or more positions that the person holds as a director or officer of an issuer.
>
> 8. An order that a person is prohibited from becoming or acting as director or officer of any issuer.

[87] When exercising this jurisdiction, we are required to give effect to the purposes of the Act, set out in section 1.1 of the Act:

> **1.1 Purposes** – The purposes of this Act are,
>
> (a) to provide protection to investors from unfair, improper or fraudulent practices; and
>
> (b) to foster fair and efficient capital markets and confidence in capital markets.

[88] When exercising our jurisdiction, the legislature has also instructed us to have regard to the fundamental principles set out in section 2.1 of the Act, including the maintenance of high standards of fitness and business conduct to ensure honest and responsible conduct by market participants. The legislature has defined "market participant" to include reporting issuers and their directors and officers.

[89] Since the decision of the Divisional Court 16 years ago in the *Canadian Tire* case [*Re C.T.C. Dealer Holdings and Ontario Securities Commission* (1987), 59 O.R. (2d) 79], it has been settled law that even if a person has not breached a specific provision of Ontario securities law, the Ontario legislature intended that the Commission have the ability to make a preventative order in the public interest if that person's past conduct suggests that an order is necessary to prevent future harm. That legislative intent was unanimously emphasized by the Supreme Court of Canada in *Committee for the Equal Treatment of Asbestos Minority Shareholders* v. *Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at paras. 39-42 (*Asbestos*).

[90] As the Commission pointed out in *Standard Trustco* at 4364-4365, in exercising our public interest jurisdiction concerning corporate governance, we must go beyond considering whether the respondent complied with the duty of care, diligence and skill set out in the OBCA. We must determine whether the conduct of the respondent was contrary to the public interest.

[91] A hearing under section 127 is not the place for the Commission to set out new standards or principles of good corporate governance to the detriment of a respondent. However, where a respondent has egregiously failed to adhere to existing standards or principles of corporate governance, and a respondent's past conduct has convinced us that without one or more orders, future harm is likely to occur, it is appropriate for us to make an order in the public interest.

[92] Not every lapse in the duty of a director or officer of an issuer will raise a public interest concern. However, a public interest concern will arise, at a minimum, over a lapse that demonstrates (i) an inability to adhere to high standards of fitness and business conduct which ensure honest or responsible conduct; (ii) a careless disregard for, or indifference to, reasonably foreseeable, serious consequences of a failure to meet high standards of fitness and business conduct; or (iii) unfair, improper or fraudulent practices impacting participants in the capital markets.

[93] In this regard, if a person has committed securities fraud in Ontario or another jurisdiction, and that person is a director or officer of an issuer, we should carefully consider the need for an order under subsection 127(1) of our Act to protect our markets.

C. The Standard of Business Conduct Expected of Banks

[94] Subsection 134(1) of the OBCA states:

> **134. (1) Standards of care, etc., or directors, etc.** – Every director and officer of a corporation in exercising his or her powers and discharging his or her duties shall,
>
> (a) act honestly and in good faith with a view to the best interests of the corporation; and
>
> (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

[95] In *Soper v. Canada*, [1998] 1 F.C. 124 (C.A.) at para. 34 (*Soper*), Justice Robertson observed that diligence is simply the degree of attention and care expected of a person in a given situation.

[96] At issue in *Soper* was the standard required of directors in the context of section 227.1 of the federal *Income Tax Act*, which provided a due diligence defence to a director who exercised "the degree of care, diligence and skill to prevent the failure that a reasonably prudent person would have exercised in comparable circumstances." Justice Robertson noted at para. 40 that the wording of the provision is virtually identical to the language used in corporate law statutes, and that this standard is inherently flexible:

> Rather than treating directors as a homogenous group of professionals whose conducts is governed by a single, unchanging standard, [section 227.2] embraces a subjective element which takes into account the personal knowledge and background of the director, as well as his or her corporate circumstances in the form of, inter alia, the company's organization, resources, customs and conduct. Thus, for example, more is expected of individuals with superior qualifications (e.g. experienced business-persons).

[97] Justice Robertson also noted at para. 26 that there is a positive duty imposed upon directors to take an active role and to participate in the decision making process:

> It would be silly to pretend that the common law would stand still and permit directors to adhere to a standard of total passivity and irresponsibility. … [T]he law today can scarcely be said to embrace the principle that the less a director does or knows or cares, the less likely it is that he or she will be held liable. Further to this point, the statutory standard of care will surely be interpreted and applied in a manner which encourages responsibility. Accordingly, the director who acts irresponsibly, for example, by failing to attend all board meetings now does so at his own peril.

[98] While all directors and officers are held to the same standard of care, all directors and officers do not stand in the same position, in that they are not all possessed of the same information and they do not occupy the same "comparable circumstances." The most common distinguishing feature between directors is whether they are inside directors (typically senior officers involved in the management of the company) or outside directors (those who have been brought onto the board so that they can share their expertise and experience with a company in which they do not play a day-to-day managerial role). Inside directors and senior officers, such as Banks, will ordinarily have a much better knowledge of the affairs of the company. Accordingly, their duty to react diligently to certain events or problems may be higher than that of an outside director. As a result, in ascertaining the actual duty of care in a given circumstance, more will usually be expected of inside directors. As Justice Robertson said in *Soper* at para. 44:

> I am not suggesting that liability is dependent simply upon whether a person is classified as an inside as opposed to an outside director. Rather, that characterisation is simply the starting point of my analysis. At the same time, however, it is difficult to deny that inside directors, meaning

> those involved in the day-to-day management of the company and who influence the conduct of its business affairs, will have the most difficulty in establishing the due diligence defence. For such individuals, it will be a challenge to argue convincingly that, despite their daily role in corporate management, they lacked business acumen to the extent that that factor should overtake the assumption that they did know, or ought to have known, of both remittance requirements and any problem in this regard. In short, inside directors will face a significant hurdle when arguing that the subjective element of the standard of care should predominate over its objective aspect.

[99] That statement is even more applicable where, as in the case before us, the director is also the chairman of the board, the president and (with his wife) the controlling shareholder of a company with few employees.

[100] Justice Robertson added at para. 41 that:

> The standard of care set out in subsection 227.1(3) of the Act is, therefore, not purely objective. Nor is it purely subjective. It is not enough for a director to say he or she did his or her best, for that is an invocation of the purely subjective standard. Equally clear is that honesty is not enough. However, the standard is not a professional one. Nor is it the negligence law standard that governs these cases. Rather, the Act contains both objective elements-embodied in the reasonable person language-and subjective elements-inherent in individual considerations like "skill" and the idea of "comparable circumstances". Accordingly, the standard can be properly described as "objective subjective".

[101] In determining whether the duty of care, diligence and skill required of a director or officer under subsection 134(1) of the OBCA has been met, the trier of fact must look at all the available evidence. Where, as in *Soper*, a statutory provision has been breached and a due diligence defence is possible, it is up to the respondent to establish the defence. Where no breach of any law is alleged, as in our case, while the respondent need not establish a due diligence defence, we must decide whether there has been a failure of the duty under subsection 134(1) of the OBCA based on the evidence, including the testimony, if any, from the respondent.

[102] As the chief executive officer of LFI, Banks had primary responsibility for LFI's business and operations. All other officers reported to him. He had oversight responsibility for all material matters at LFI. He was an intelligent business person experienced in the corporate governance of public companies. He was a hands on owner-manager with a small, tightly-knit management team with no structured hierarchy.

[103] Accordingly, we had to determine what a reasonably prudent person would have done in Banks' circumstances.

[104] The duty of care, diligence and skill imposed on Banks under the OBCA required him to ascertain the commercial viability of the Roll Program before recommending it to the other directors. He was required to ask tough questions, and it was not enough just to focus on the potential financial gain to LFI, or for him to be satisfied with an answer that other LFI officers were looking into it or that other companies had conducted similar programs. If, after asking tough questions, he still could not determine the commercial viability of the program, he was required to ensure that LFI retained independent experts to provide satisfactory answers to the tough questions on which he could reasonably rely.

[105] His duty also required him to understand the potential for fraud that signed share certificates presented when they purported to be for shares that had been issued as fully paid and non-assessable. He had a duty to ensure that adequate safeguards were in place so that the share certificates could not be used for an improper purpose.

[106] The exercise of care and diligence required of him was not a one-time event. Banks was required to be proactive, to monitor LFI's participation in the Roll Program, and to obtain regular reports from his subordinates as to how LFI's participation in the Roll Program was unfolding. He had a duty to supervise the other officers and ensure that the Roll Program was being executed in an appropriate manner. In this regard, we agree with what the Alberta Securities Commission said in *Re Cartaway Resources Corp.* (2000), 9 A.S.C.S. 3092 at 3126:

> The CEO will normally be held to a higher standard than the board and the rest of management because the CEO bears direct responsibility for establishing the standards of behaviour and processes of the corporation. The CEO may delegate duties to the rest of management, but the CEO will always remain primarily responsible for overseeing the performance of such duties, especially in junior companies that generally lack documented procedures.

[107] Before approving the Roll Program, Banks should have had reasonable grounds for believing and formed the belief that the Roll Program made commercial sense for the other parties. No one pays millions of dollars without a benefit in return. Otherwise, the Roll Program would have been too good to be true. Furthermore, unless he understood the benefit to the other parties, Banks should have been suspicious that the representatives of Helix and Delta might use the share certificates for an improper purpose. At a minimum, he should have reasonably satisfied himself that they were real and reputable parties.

[108] Once the Roll Program was put into operation, if Banks was unaware of how it was working in practice, he should have asked and been fully apprised about the state of affairs concerning the execution of the Roll Program, at least before he authorized the issuance of the

Replacement Certificates and before he signed on December 16 the resolution authorizing the Delta II transaction.

D. Standard of Proof

[109] Although Banks was not a registrant under the Act, counsel for Banks argued that the standard of proof applied in *Re Donnini* (2002), 25 O.S.C.B. 6225, should be applied here. While we do not agree with that, we find that the evidence satisfies that higher standard of proof.

E. What Did Banks Know?

[110] Weltman brought the Roll Program to Banks and he approved it. He explained it to the other directors. He knew that LFI stood to make a lot of money from the program. It was a very material program for LFI and, indirectly, for him. He knew that Stein was uneasy about the transactions and at some point advised Banks of this. He knew after December 5 that the SEC was inquiring into the Roll Program. He knew that Jones Day had withdrawn its legal representation. He knew that Delta I Certificates had gone missing and that Delta had requested replacement certificates. He knew that the resolution approving the Delta II transaction was signed on December 16 and backdated to December 5.

[111] Counsel for Banks suggested that the evidence showed that Jones Day had withdrawn because of the SEC inquiry. The evidence was not clear that Banks was told that Jones Day had withdrawn because its advice to withdraw from the transactions had not been followed. It is inconceivable to us that Weltman and Swartz would have told Banks only part of the story concerning Jones Day. We are satisfied that they would have told him the full story.

[112] Considering the tight-knit nature of LFI's management team, the way Banks had operated on previous occasions and what we know Banks actually knew, we conclude that Banks knew the way in which the Roll Program was operating.

F. Did Banks Meet the Standard Expected of Him?

[113] There was no evidence that Banks himself understood the commercial viability to the other parties of the Roll Program and every reason to conclude that he did not.

[114] Banks should have ensured that for contracts of significance to LFI, such as the Roll Program, due diligence was conducted into the companies and persons who were promising performance. Under the circumstances, the integrity and reputation of the other parties was crucial, and Banks was required to be satisfied on a reasonable basis that LFI was dealing with real and reputable parties.

[115] The public expects that the share certificates of a public company that are in public circulation are what they purport to be. It was vital to LFI and the public interest that an escrow agreement with an independent and reputable third party be put in place before LFI released share certificates evidencing fully paid shares. A reasonable person would have foreseen that the share certificates, if released into the marketplace, either accidentally or wilfully, could cause damage, and such person would have actively ensured that adequate safeguards were put in place and were operating appropriately.

[116] Banks should have become personally and proactively involved in the face of a phone call from the SEC, an apparent SEC fraud investigation and the concerns expressed by Jones Day. He should have ceased LFI's participation in the Roll Program, rather than releasing another round of share certificates and signing a board resolution after the fact for a transaction that had not been authorized at the time it was entered into. His failure to take immediate steps to contain a dangerous situation suggests strongly to us that Banks was indifferent to the foreseeable consequences to others in the marketplace and was motivated solely by the monetary benefit that LFI hoped to secure for itself.

[117] Counsel for Banks argued that subsection 135(4) of the OBCA permitted Banks to rely in good faith on Weltman, Swartz and Stein to carry out the Roll Program as authorized. Subsection 135(4) is a defence to liability under sections 130 and 131 of the OBCA, which are not relevant to the issues before us.

[118] Furthermore, subsection 135(4) would only be relevant to Banks' conduct as a director, not as the chief executive officer.

[119] In addition, any reliance under subsection 135(4) must be in good faith, and is limited to reports made by a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to the statement made by such person. Although Weltman was an accountant and Swartz and Stein were lawyers, we had no evidence before us that Banks obtained and in good faith relied on any reports of the kind referred to in subsection 135(4).

[120] On the contrary, the advice that Stein gave concerning the Roll Program was full of concern, and in a material respect (the escrow provisions) was not followed. Stein's advice regarding the inclusion of a warning legend on the share certificates was not followed.

[121] Based on what Banks knew, he should not have left things to Weltman and Swartz. Such reliance would have been unreasonable. As the Commission said in *Standard Trustco* at 4365-4366:

> It was not appropriate in the circumstances for the respondent directors to have placed as much reliance on management as they did, both in terms of relying on management's financial statements and relying on management to consult with the outside lawyer and auditor. Directors should not rely on management unquestioningly where they have reason to be concerned about the integrity or ability of management or where they have notice of a particular problem relating to

management's activities.

[122] Counsel for staff submitted at the outset that staff was not alleging fraudulent conduct on the part of Banks, but only that he had failed in his duty as a director and officer of LFI such that his conduct calls for an order in the public interest. In this regard, we agree with what the Commission said in *Standard Trustco* at 4359: "It is not necessary for us to find that the respondents acted wilfully or deceitfully in order to exercise our public interest jurisdiction."

[123] If in fact Banks did not know all the events described above, then his lack of knowledge was all the more egregious. The standard of conduct expected of Banks required a sound understanding of the legitimacy of Helix and Delta and of the Roll Program as a whole, and ongoing engagement by him. If he was unaware of all the problems that emerged, then he performed his duties with reckless abandon.

[124] Banks' conduct in connection with the Roll Program was egregious and fell far short of the standard expected of him. It showed a careless disregard for harm which was reasonably foreseeable and ultimately occurred. It spoke volumes about his fitness to continue as a director or officer of an issuer.

VII. Sanctions

[125] Orders under section 127 are "preventive in nature and prospective in orientation": *Asbestos* at para. 45. In addition, participation in our markets "is a privilege and not a right": *Erikson v. Ontario Securities Commission*, [2003] O.J. No. 593 at para. 56 (QL).

[126] Banks pleaded guilty to intentionally engaging in a scheme constituting a systematic ongoing course of conduct with intent to defraud. This was criminal conduct and it was securities-related. This conduct arose in Banks' capacity as a director and officer of an issuer. Together with his conduct in connection with the Roll Program, the criminal conduct demonstrated to us that Banks should be restricted from acting as a director or officer of any issuer, and be prevented from participating in our capital markets.

[127] In addition, Banks' admission of criminal guilt in a securities-related matter calls for a vigorous package of preventive sanctions. If we do not restrain Banks properly, confidence in our markets would be weakened.

[128] We are therefore ordering, pursuant to paragraphs 7 and 8 of subsection 127(1) of the Act, that Banks resign any positions he holds as a director or officer of any issuer, and that he be prohibited permanently from becoming or acting as a director or officer of any issuer.

[129] His indifference to the foreseeable consequences to others in the marketplace, together with his singular focus on the monetary benefit that LFI hoped to secure for itself, convinced us that he should be removed from our markets. We are therefore also ordering, pursuant to paragraph 2 of subsection 127(1), that Banks cease trading in securities permanently.

[130] Finally, we are ordering, pursuant to paragraph 6 of subsection 127(1), that Banks be reprimanded.

[131] Pursuant to the settlement agreement between Weltman and staff of the Commission, the Commission ordered that:

(i) pursuant to paragraph 2 of subsection 127(1) of the Act, Weltman cease trading permanently;

(ii) pursuant to paragraph 6 of subsection 127(1), Weltman be reprimanded;

(iii) pursuant to paragraph 7 of subsection 127(1), Weltman resign any position he holds as a director or officer of any issuer; and

(iv) pursuant to paragraph 8 of subsection 127(1), Weltman is prohibited permanently from becoming or acting as a director or officer of any issuer.

[132] The sanctions we are ordering against Banks are consonant with those against Weltman.

April 23, 2003.

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

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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/Revoke
Ariel Resources Ltd.	14 Apr 03	25 Apr 03	25 Apr. 03	
July Resources Corp.	24 Apr 03	06 May 03		
Knowledgemax, Inc. (formerly Sideware Systems Inc.)	15 Apr 03	25 Apr 03	25 Apr 03	
Library Information Software Corp.	24 Apr 03	06 May 03		

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
Radiant Energy Corporation	26 Mar 03	08 Apr 03	08 Apr 03		

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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
28-Apr-2003	Ridge Trust	Algonquin Credit Card Trust - Note	850,000,000.00	1.00
27-Jan-2003	31 Purchasers	Andromeda Media Capital Corporation - Units	61,500.00	61,500.00
21-Apr-2003	4 Purchasers	Avotus Corporation - Convertible Debentures	4,544,929.00	4,544,929.00
24-Mar-2003	VentureLink Brighter Future (Equity) Fund Inc.	Biox Corporation - Unit	250,000.00	1.00
11-Apr-2003	3 Purchasers	Black Bull Resources Inc. - Units	38,400.00	16,000.00
28-Apr-2003	N/A	Bontan Corporation Inc. - Units	3,628,000.00	7,143,000.00
14-Apr-2003	Borealis Capital Corporation	Borealis Capital Corporation - Common Shares	3,216,640.00	1,436,000.00
14-Mar-2003	Patricia McCormick	BPI Global Opportunites III Fund - Units	30,277.00	362.00
21-Mar-2003	Paul Richmond	BPI Global Opportunites III RSP Fund - Units	30,250.00	332.00
22-Apr-2003	4 Purchasers	Canadian Golden Dragon Resources Ltd. - Common Shares	4,000.00	50,000.00
09-Apr-2003	Acuity Investment Management and JMM Trading	Canico Resource Corp. - Common Shares	1,317,500.00	250,000.00
09-Apr-2003	Acuity Investment Management;JMM Trading	Canico Resource Corp. - Common Shares	1,317,000.00	250,000.00
10-Apr-2003	21 Purchasers	Cardiome Pharma Corp. - Special Warrants	4,878,237.00	2,323,000.00
17-Apr-2003	Ian MacKellar	Chariot Resources Limited - Common Shares	24,000.00	200,000.00

16-Apr-2003	De Beers Canada Exploration Inc.	Dios Exploration Inc. - Units	250,000.00	500,000.00
15-Apr-2003	80 Purchasers	Discovery Biotech Inc. - Common Shares	289,599.00	96,533.00
23-Apr-2003	71 Purchasers	Discovery Biotech Inc. - Common Shares	309,999.00	103,333.00
24-Apr-2003	64 Purchasers	Discovery Biotech Inc. - Common Shares	319,800.00	1,066,000.00
27-Jan-2003	ITF Lynn Factor RRSP and Thomas Courteau	Dumont Nickel Inc. - Units	108,000.00	720,000.00
01-Apr-2003	Dundee Capital Corporation	Dundee Wealth Management Inc. - Common Shares	818,050.00	142,398.00
24-Apr-2003	6 Purchasers	Dynamic Fuel Systems Inc. - Common Shares	87,325.00	116,343.00
23-Apr-2003	7 Purchasers	Dynamic Fuel Systems Inc. - Common Shares	550,000.00	220,000.00
17-Apr-2003	Bank of Montreal and Credit Risk Advisors	D.R. Horton, Inc. - Notes	2,899,200.00	2,000.00
21-Apr-2003	12 Purchasers	Euston Capital Corp. - Common Shares	60,150.00	20,050.00
25-Mar-2003	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,780.00
11-Apr-2003	Cinram International Inc.	HSBC Short Term Investment Fund - Shares	1,000,000.00	99,859.00
24-Apr-2003	3 Purchasers	Helptrain Inc. – Promissory Notes	600,000.00	1.00
07-Apr-2003	10 Purchasers	Ideal Life Inc. - Common Shares	475,000.00	475,000.00
13-Nov-2002	N/A	Internetsecure Inc. - Common Shares	37,500.00	75,000.00
17-Mar-2003	N/A	Internetsecure Inc. - Common Shares	45,500.00	70,000.00
14-Apr-2003	Guskan Inc.	Ironedge Technologies Inc. - Preferred Shares	30,000.00	300,000.00
16-Apr-2003	NBCN Clearing Inc.	Jaguar Mining Inc. - Special Warrants	150,000.00	150,000.00
15-Apr-2003	4 Purchasers	Kingwest Avenue Portfolio - Units	771,743.00	44,244.00
07-Apr-2003	Andrew Best and LH Enterprises Company Inc.	La Mancha Resources Inc. - Units	24,500.00	70,000.00
01-Apr-2003	William Knapp Limited	Lancaster Fixed Income Fund II - Trust Units	16,018,065.00	1,353,311.00
01-Apr-2003	Lancaster Balanced Fund II	Lancaster Global Ex-Canada Fund - Trust Units	3,091,661.00	414,220.00

21-Mar-2003	Prescara Fund of Funds	Landmark Global Opportunities Fund - Units	25,000.00	247.00
14-Mar-2003	Stephen Barclay and William Lavery	Landmark Global Opportunities Fund - Units	35,000.00	343.00
11-Apr-2003	The VenGrowth Investment Fund Inc.	Longview Solutions Inc. - Common Shares	1,000,000.00	666,666.00
27-Jun-2002	9 Purchasers	Marketvision Direct, Inc. - Units	600,000.00	6,000,000.00
15-Apr-2003	53 Purchasers	McCowan Arms Limited Partnership - Limited Partnership Units	7,100,000.00	143.00
02-Apr-2003	Erwin Spekert	Microsource Online, Inc. - Common Shares	18,000.00	3,000.00
02-Apr-2003	Chau Minh Ly	Microsource Online, Inc. - Common Shares	3,000.00	500.00
11-Apr-2003	Jack Vanderweg	Microsource Online, Inc. - Common Shares	12,000.00	2,000.00
11-Apr-2003	Sandra Romer	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
11-Apr-2003	Minh Tanthanlong	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
17-Apr-2003	5 Purchasers	Morgan Stanley - Notes	4,425,000.00	3,000.00
01-Apr-2003	Charles L. Ivey	Navaho Networks Inc. - Common Shares	50,000.00	50,000.00
09-Apr-2003	18 Purchasers	Ontrea Inc. - Debentures	360,111,680.00	360,400,000.00
16-Apr-2003	08 Purchasers	Paradigm Market Neutral Preservation Fund - Units	257,000.00	25,612.00
11-Apr-2003	12 Purchasers	PharmaGap Inc. - Units	91,313.00	182,626.00
31-Mar-2003	Fraser Frances Ltd. and Kilmer Corporate Investments L.P.	Pioneering Technology Inc. - Units	100,000.00	400,000.00
14-Apr-2003	6 Purchasers	Platespin Ltd. - Promissory note	1,275,000.00	6.00
14-Apr-2003	3 Purchasers	PointShot Wireless Inc. - Units	80,000.00	80,000.00
11-Apr-2003	Judy Wells;Inc.	Product Excellence Inc. - Shares	10.00	10.00
15-Apr-2003	Avenue Energy Kitchener	Result Energy Inc. - Convertible Debentures	225,000.00	225,000.00
22-Apr-2003	3 Purchasers	Rite Aid Corporation - Notes	3,255,975.00	2,250.00
16-Apr-2003	Homestake Canada Inc.	Roca Mines Inc. - Common Shares	30,000.00	100,000.00
07-Apr-2003	Grey Morgan and Anthony Grayson	Second World Trader Inc. - Contracts for Differences	12,787.00	57.00

4/11/03

01-Apr-2003	4 Purchasers	Silvercreek Limited Partnership - Common Shares	827,569.00	13.00
18-Apr-2003 to 25-Apr-2003	3 Purchasers	Spider Resources Inc. - Units	670,000.00	6,700,000.00
12-Mar-2003	Brian Clarence;John MacKenzie	Star Navigation Systems Inc. - Common Shares	51,500.00	128,750.00
31-Mar-2003	Frank & Anna Vecchio	The McElvaine Investment Limited Partnership - Trust Units	25,000.00	893.00
31-Mar-2003	Rohinton Hirijibehdin and John Geurts	The McElvaine Investment Trust - Trust Units	40,031.00	2,587.00
15-Apr-2003	14 Purchasers	The University of Ottawa - Debentures	73,020,443.00	73,095,000.00
16-Apr-2003	Dundee Bancorp. Inc.	Torque Energy Inc. - Common Shares	187,547.00	1,103,221.00
16-Apr-2003	Dundee Bancorp. Inc.	Torque Energy Inc. - Promissory note	2,000,000.00	1.00
08-Apr-2003	3 Purchasers	Tri-Lateral Venture Corporation - Common Shares	47,000.00	47,000.00
31-Mar-2003	Michael Watt and Leo J. Thaiboudeau	Tyhee Development Corp. - Units	55,500.00	111,000.00
10-Apr-2003	Videoflicks Canada Limited and Regent Mercantile Bancorp Inc.	Videoflicks.com Inc. - Common Shares	400,000.00	4,000,000.00
11-Apr-2003	Stephen R. Sharpe and Yore Managment	VoicelQ Inc. - Units	150,000.00	600,000.00
09-Apr-2003	Frank Lucas	Yamana Resources Inc. - Common Shares	50,240.00	456,729.00

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

Seller	Security	Number of Securities
John Buhler	Buhler Industries Inc. - Common Shares	314,200.00
Cheng Feng	China Ventures Inc. - Common Shares	7,411,000.00
CMG Reservoir Simulation Foundation	Computer Modelling Group Ltd. - Common Shares	148,500.00
Hector Davila Santos	First Silver Reserve Inc. - Common Shares	135,000.00
G Douglas Goodfellow	Goodfellow Inc. – Common Shares	6,500.00
Conrad M. Black	Hollinger Inc. - Shares	1,611,039.00
Paros Enterprises Limited	Morguard Corporation - Common Shares	2,000,000.00
Northfield Inc.	NFX Gold Inc. - Common Shares	162,331.00
DKRT Family Corp	The Thomson Corporation - Common Shares	200,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Bolivar Gold Corp. (formerly TecnoPetrol Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 25, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
$ 16,678,577.25 -22,238,103 Units-(each consisting of one common share and one-half of one warrant)- @ $0.75 per Special Warrants
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Griffiths McBurney & Partners
Sprott Securities Inc.
Promoter(s):
-
Project #533026

Issuer Name:
Hawk Energy Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated April 23, 2003
Mutual Reliance Review System Receipt dated April 23, 2003
Offering Price and Description:
$5,000,000 to $9,000,000 - 5,000 to 9,000 Units @ $1,000.00 per Unit. Minimum Subscription: 5 Units
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Promoter(s):
Stephen J. Fitzmaurice
Erik A. DeWiel
Randolph D. Deobald
David N. Bonnar
Project #531193

Issuer Name:
Hawker Resources Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated April 22, 2003
Mutual Reliance Review System Receipt dated April 24, 2003
Offering Price and Description:
$40,000,000 - * Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
FirstEnergy Capital Corp.
Griffiths McBurney & Partners
Tristone Capital Inc.
Promoter(s):
-
Project #531455

Issuer Name:
Income Growth Fund
Diversified Income Fund
Conservative Income Fund
Conservative Balanced Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated April 28, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
Class O, I and P Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
SEI Investments Canada Company
Project #532680

Issuer Name:
Mackenzie Cundill American Capital Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 25, 2003
Mutual Reliance Review System Receipt dated April 28, 2003
Offering Price and Description:
Series A, F, I and O Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #532143

Issuer Name:
Taranis Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated April 17, 2003
Mutual Reliance Review System Receipt dated April 23, 2003
Offering Price and Description:
Minimum Subscription $800,000 to Maximum Offering $1,200,000 - * Common Shares
Underwriter(s) or Distributor(s):
Northern Securities Inc.
Promoter(s):
John J. Gardiner
Project #531109

Issuer Name:
Barclays Advantaged S&P/TSX Income Trust Index Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 28, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
Series I Units
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Barclays Global Investors Canada Limited
Project #521651

Issuer Name:
Brompton Stable Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 23, 2003
Mutual Reliance Review System Receipt dated April 24, 2003
Offering Price and Description:
Trust Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Dundee Securities Corporation
First Associates Investments Inc.
Newport Securities Inc.
Research Capital Corporation
Promoter(s):
Brompton SI Fund Management Limited
Project #523142

Issuer Name:
CI Canadian Income Portfolio
CI Canadian Conservative Portfolio
CI Canadian Balanced Portfolio
CI Canadian Growth Portfolio
CI Canadian Maximum Growth Portfolio
CI Global Conservative Portfolio
CI Global Conservative RSP Portfolio
CI Global Balanced Portfolio
CI Global Balanced RSP Portfolio
CI Global Growth Portfolio
CI Global Growth RSP Portfolio
CI Global Maximum Growth Portfolio
CI Global Maximum Growth RSP Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated April 22, 2003 to the Simplified Prospectuses and Annual Information Forms dated August 28, 2002
Mutual Reliance Review System Receipt dated April 24, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #471128

Issuer Name:
Clarica High Yield Bond Fund
Principal Regulator - Ontario
Type and Date:
Amendment #4 dated April 23, 2003 to the Simplified Prospectuses and Annual Information Forms dated August 28, 2002
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #465930

Issuer Name:
Front Street Gold Performance Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 25, 2003
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Front Street Capital
Project #520832

Issuer Name:
Gloucester Credit Card Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 28, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
$295,750,000 4.716% Series 2003-1 Class A Notes, Expected Final Payment Date of May 15, 2008
$54,250,000 6.761% Series 2003-1 Collateral Notes, Expected Final Payment Date of May 15, 2008
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #529419

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form PREP Prospectus dated April 23, 2003
Mutual Reliance Review System Receipt dated April 23, 2003
Offering Price and Description:
$302,400,000 (Approximate) Commercial Mortgage Pass-Through Certificates, Series 2003-Canada 9
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #529183

Issuer Name:
MRF 2003 Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 29, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Dundee Securities Corporation
First Associates Investments Inc.
Middlefield Securities Limited
Wellington West Capital Inc.
Desjardins Securities Inc.
Griffiths McBurney & Partners
Promoter(s):
MRF 2003 Management Limited
Middlefield Group Limited
Project #514311

Issuer Name:
NCE Flow-Through (2003) Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 28, 2003
Mutual Reliance Review System Receipt dated April 29, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Berkshire Securities Inc.
FirstEnergy Capital Corp.
Griffiths McBurney & Partners
Jory Capital Inc.
Wellington West Capital Inc.
Promoter(s):
Petro Assets Inc.
Project #514136

Issuer Name:
Onyx Trust, Series A-1
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated April 25, 2003
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
National Bank Financial Inc.
Project #517504

Issuer Name:
SCITI Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 24, 2003
Mutual Reliance Review System Receipt dated April 24, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
TD Securities Inc.
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Promoter(s):
Scotia Capital Inc.
Project #518571

Issuer Name:
Scotia Money Market Fund
Scotia CanAm U.S. $ Money Market Fund
Scotia Canadian Income Fund
Scotia Canadian Balanced Fund
Scotia Canadian Dividend Fund
Scotia Canadian Blue Chip Fund
Scotia Canadian Small Cap Fund
Scotia American Growth Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectuses and Annual Information Forms dated April 22, 2003, amending and restating the Simplified Prospectuses and Annual Information Forms dated November 29, 2002
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
Scotia Private Client Units
Underwriter(s) or Distributor(s):
Scotia Securities Inc.
Scotia Securities Inc.
Promoter(s):
The Bank of Nova Scotia
Project #487217

Issuer Name:
Scotia T-Bill Fund
Scotia Premium T-Bill Fund
Scotia Money Market Fund
Scotia CanAm U.S. $ Money Market Fund
Scotia Canadian Bond Index Fund
Scotia Mortgage Income Fund
Scotia Canadian Income Fund
Scotia CanAm U.S. $ Income Fund
Scotia CanGlobal Income Fund
Scotia Canadian Balanced Fund
Scotia Total Return Fund
Scotia Canadian Stock Index Fund
Scotia Canadian Dividend Fund
Scotia Canadian Blue Chip Fund
Scotia Canadian Growth Fund
Scotia Canadian Small Cap Fund
Scotia Resource Fund
Scotia American Stock Index Fund
Scotia American Growth Fund
Scotia CanAm Stock Index Fund
Scotia Nasdaq Index Fund
Scotia Young Investors Fund
Scotia International Stock Index Fund
Scotia Global Growth Fund
Scotia European Growth Fund
Scotia Pacific Rim Growth Fund
Scotia Latin American Growth Fund
Capital U.S. Large Companies Fund
Capital U.S. Large Companies RSP Fund
Capital U.S. Small Companies Fund
Capital U.S. Small Companies RSP Fund
Capital International Large Companies Fund
Capital International Large Companies RSP Fund
Capital Global Discovery Fund
Capital Global Discovery RSP Fund
Capital Global Small Companies Fund
Capital Global Small Companies RSP Fund
Scotia Partners Income & Modest Growth Portfolio
Scotia Partners Balanced Income & Growth Portfolio
Scotia Partners Conservative Growth Portfolio
Scotia Partners Aggressive Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectuses and Annual Information Forms dated April 22, 2003, amending and restating the Simplified Prospectuses and Annual Information Forms dated November 29, 2002
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
Class A, F and I Units
Underwriter(s) or Distributor(s):
Scotia Securities Inc.
Scotia Securities Inc.
Promoter(s):
The Bank of Nova Scotia
Project #487082

Issuer Name:
Scotia Selected Income & Modest Growth Fund
Scotia Selected Balanced Income & Growth Fund
Scotia Selected Conservative Growth Fund
Scotia Selected Conservative Growth RSP Fund
Scotia Selected Aggressive Growth Fund
Scotia Selected Aggressive Growth RSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 22, 2003
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
Class A and F Units
Underwriter(s) or Distributor(s):
Scotia Securities Inc.
Scotia Securities Inc.
Scotia Securites Inc.
Promoter(s):
The Bank of Nova Scotia
Project #521711

Issuer Name:
WOLFDEN RESOURCES INC.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated April 25, 2003
Mutual Reliance Review System Receipt dated April 28, 2003
Offering Price and Description:
2,750,000 Flow-Through Common Shares issuable upon the exercise of Class A Special Warrants and 450,000 Common Shares issuable upon the exercise of Class B Special Warrants
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Dundee Securities Corporation
Griffiths McBurney & Partners
Haywood Securities Inc.
Jennings Capital Inc.
Promoter(s):
-
Project #524206

Issuer Name:
.Dominion Equity Resources Fund Inc.
Principal Regulator – Alberta
Type and Date:
Final Simplified Prospectus and Annual Information Form dated April 24 , 2003
Mutual Reliance Review System Receipt dated April 25, 2003
Offering Price and Description:
Underwriter(s) or Distributor(s):
Promoter(s):
Dominion Equity Resources Fund Inc.
Project #: 521749

Issuer Name:
Ketch Resources Ltd.
Principal Regulator – Alberta
Type and Date:
Final Prospectus April 22, 2003
Mutual Reliance Review System Receipt dated April 22, 2003
Offering Price and Description:
2,000,000 Common Shares issuable on exercise of outstanding Special Warrants
Price: $3.30 per Special Warrant
Underwriter(s) or Distributor(s):
GRIFFITHS McBURNEY & PARTNERS
TRISTONE CAPITAL INC.
FIRSTENERGY CAPITAL CORP.
TD SECURITIES INC.
Promoter(s):
-
Project # 519508

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Reindalyne Enterprises Inc. Attention: Rein Arnold Lehari, Compliance Officer 4369 7th Avenue Uxbridge ON L9P 1R4	Limited Market Dealer	Apr 28/03
New Registration	Northwood Private Counsel Inc. Attention: Frederick McCullough, Compliance Officer 70 York street Suite 1720 Toronto ON M5J 1S9	Limited Market Dealer	Apr 29/03
Change of Name	Monarch Delaney Financial Inc. Attention: Thomas Delaney 320 Bay Street Suite 1500 Toronto ON M5H 4A6	From: Tom Delaney Financial Inc. To: Monarch Delaney Financial Inc.	Jan 22/03

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Discipline Penalties Imposed on Trilon Securities Corporation – Violation of By-Law 17.1

Contact:
Ken Kelertas
Enforcement Counsel
(416) 943-5781

BULLETIN # 3139
April 24, 2003

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON TRILON SECURITIES CORPORATION – VIOLATION OF BY-LAW 17.1

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on Trilon Securities Corporation**,** a Member firm of the Association.

By-laws, Regulations, Policies Violated

On April 22, 2003, the Ontario District Council reviewed and accepted a Settlement Agreement negotiated between Trilon Securities Corporation and Association staff.

Pursuant to the Settlement Agreement, Trilon Securities Corporation admitted that that on two occasions it failed to maintain at all times its risk adjusted capital at a level greater than zero, contrary to Association By-Law 17.1.

Penalty Assessed

The discipline penalty assessed against Trilon Securities Corporation is a fine in the amount of $50,000.

As well, Trilon Securities Corporation was ordered to pay $13,000 toward the Association's costs of this proceeding.

Summary of Facts

Count One: Capital Deficiencies between June 1999 to June 2000

Based on an audited Joint Regulatory Financial Questionnaire and Report (JRFQR) for December 31, 1999, Trilon had incorrectly reported their RAC of $5,021,000 and was capital deficient in the amount of $51,809,000

The cause of the capital deficiency was an inadvertent miscalculation of the securities concentration charge. Trilon reported a securities concentration charge of $10,356,000. The Association revised the securities charge to $67,186,000, a difference of $56,830,000. This position was held from June 1999 to June 2000, which resulted in the firm being capital deficient in 10 out of the 13 months during that period.

The capital deficiency was remedied by a subordinate loan on July 14, 2000.

On July 14, 2000, Trilon forwarded an amended audited JRFQR for December 31, 1999, which reported a securities concentration charge of $67 million and a RAC deficiency of $51.6 million.

Count Two: Capital Deficiency on July 31, 2001

In August 2001, the Financial Compliance Department conducted a review of Trilon's Monthly Financial Report (MFR) of July 31, 2001 and determined that Trilon was capital deficient by $3,406,000.

The capital deficiency was again caused by inadvertent accounting errors made by Trilon when calculating their RAC.

Trilon corrected the capital deficiency upon notification by Association staff on August 31, 2001.

Trilon Securities Corporation has accepted the terms and conditions of the Settlement Agreement and has undertaken to comply with the penalties that were assessed pursuant to such agreement.

Kenneth A. Nason
Association Secretary

13.1.2 Discipline Pursuant to IDA By-law 20 - Trilon Securities Corporation - Settlement Agreement

Bulletin No. 3139

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20
OF THE INVESTMENT DEALERS
ASSOCIATION OF CANADA

RE: TRILON SECURITIES CORPORATION

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The staff ("Staff") of the Investment Dealers Association of Canada ("the Association") has conducted an investigation (the "Investigation") into the conduct of Trilon Securities Corporation ("Trilon").

2. The Investigation discloses matters for which the District Council of the Association ("the District Council") may penalize the Respondent by imposing discipline penalties.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff and Trilon consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25.

4. This Settlement Agreement is subject to its acceptance, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council in accordance with By-law 20.26.

5. Staff and Trilon jointly recommend that the District Council accept this Settlement Agreement.

6. If at any time prior to the acceptance of this Settlement Agreement, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of Trilon, of a penalty or terms more onerous, by the District Council, there are new facts or issues of substantial concern in the view of Staff regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. STATEMENT OF FACTS

(i) Acknowledgement

7. Staff and Trilon agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

8. Trilon is and was at all material times a Member of the Association. Trilon's principal business activities comprise securities underwriting, secondary market trading, advisory services, and principal investment positions. Trilon's clients are restricted to directors, officers, and employees of the Brascan Group, or companies with which Brascan has a strong working relation. Trilon had RAC at December 31, 2002 in excess of $140 million.

a) Count One: Capital Deficiencies between June 1999 to June 2000

9. Based on the audited Joint Regulatory Financial Questionnaire and Report (JRFQR) for December 31, 1999, Trilon had incorrectly reported their RAC of $5,021,000 and was capital deficient in the amount of $51,809,000

10. The cause of the capital deficiency was an inadvertent miscalculation of the securities concentration charge. Trilon reported a securities concentration charge of $10,356,000. The Association revised the securities charge to $67,186,000, a difference of $56,830,000. This position was held from June 1999 to June 2000, which resulted in the firm being capital deficient in 10 out of the 13 months.

11. The capital deficiency was remedied by a subordinate loan on July 14, 2000.

12. On July 14, 2000, Trilon forwarded an amended audited JRFQR for December 31, 1999, which reported a securities concentration charge of $67 million and a RAC deficiency of $51.6 million.

b) Count Two: Capital Deficiency on July 31, 2001

13. In August 2001, the Financial Compliance Department conducted a review of Trilon's Monthly Financial Report (MFR) of July 31 2001 and determined that Trilon was capital deficient by $3,406,000.

14. The capital deficiency was caused by inadvertent accounting errors made by Trilon when calculating their RAC.

15. Trilon corrected the capital deficiency upon notification on August 31, 2001.

IV. CONTRAVENTIONS

16. Between June 1999 to June 2000 Trilon Securities Corporation, a Member of the Association, failed

to maintain its risk adjusted capital at a level greater than zero calculated in accordance with Association Form 1, contrary to By-law 17.1;

17. On July 31, 2001 Trilon Securities Corporation, a Member of the Association, failed to maintain its risk adjusted capital at a level greater than zero calculated in accordance with Association Form 1, contrary to By-law 17.1;

V. ADMISSION OF CONTRAVENTIONS AND FUTURE COMPLIANCE

18. Trilon admits the contravention of the Statutes or Regulations hereto, By-laws, Regulations, Rulings or Policies of the Association noted in Section IV of this Settlement Agreement. In the future, the Respondent shall comply with these and all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALITIES

19. Trilon accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

a) a fine in the amount of $50,000, payable to the Association within 60 days of the effective date of this Settlement Agreement;

VII. ASSOCIATION COSTS

20. Trilon shall pay the Association's costs of this proceeding in the amount of $13,000.00 payable to the Association within 30 days of the effective date of this Settlement Agreement.

VIII. EFFECTIVE DATE

21. This Settlement Agreement shall become effective and binding upon Trilon and Staff in accordance with its terms as of the date of:

a) its acceptance; or

b) the imposition of a lesser penalty or less onerous terms; or

c) the imposition, with the consent of the Respondent, of a penalty or terms more onerous,

by the District Council.

IX. WAIVER

22. If this Settlement Agreement becomes effective and binding, Trilon hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

23. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

24. If this Settlement Agreement becomes effective and binding:

(a) Trilon shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

(b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. ACCEPTANCE OR REJECTION OF SETTLEMENT AGREEMENT

25. If the District Council rejects this Settlement Agreement:

a. the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

b. the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "25th" day of "February" 2003.

"George Limberis"
Witness

"Kenneth J. Kelertas"
Kenneth J. Kelertas
Enforcement Counsel, on behalf of the Staff of the Investment Dealers Association of Canada

AGREED TO by the Respondent at the City of Toronto, in the Province of Ontario, this "5th" day of "March" 2003.

"Bryan Davies"
Witness

TRILON SECURITIES CORPORATION
Respondent

ACCEPTED BY the Ontario District Council of the Investment Dealers Association of Canada, at the City of Toronto, in the Province of Ontario, this "22nd" day of "April" 2003.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Hon. Fred Kaufman"
Per: "Norman Fraser"
Per: "Michael Walsh"

13.1.3 IDA Discipline Penalties Imposed on Patrick Teggart – Violations of By-law 29.1, Regulation 1300.4, and Regulation 1300.1(c)

Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

BULLETIN # 3138
April 24, 2003

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON PATRICK TEGGART – VIOLATIONS OF BY-LAW 29.1, REGULATION 1300.4, AND REGULATION 1300.1(C)

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada ("the Association") has imposed discipline penalties on Patrick Teggart at the relevant time, a Registered Representative at Thomson Kernaghan & Co. Ltd. ("TK").

By-laws, Regulations, Policies Violated

Following a disciplinary hearing on April 11, 2003, the Ontario District Council found that Patrick Teggart engaged in conduct unbecoming contrary to Association by-law 29.1 by committing five counts of forgery, engaging in unauthorized trading, obtaining the signature of two clients for account guarantees of which the clients had no knowledge or understanding, and opening an account in the name of a client without her knowledge or consent. Mr. Teggart was also found to have engaged in discretionary trading and failing to use due diligence to ensure that recommendations made were suitable for a client, contrary to Regulations 1300.4 and 1300.1(c), respectively.

Penalty Assessed

The discipline penalties assessed against Mr. Teggart are:

A permanent prohibition against his approval in any capacity with a Member of the Association;

A global fine of $125,000; and

Disgorgement of commissions in the amount of $4,241.64.

Mr. Teggart was also ordered to pay the Association's costs in the amount of $20,000.

Summary of Facts

Joint Account of E.O. and D.O.

In April 1999, E.O. and D.O. opened a joint account at TK with Mr. Teggart as their Investment Advisor. According to the New Account Application Form ("NAAF"), the investment objectives were 50% medium term capital gains and 50% long term capital gains. Risk factor was noted as medium and the client's investment knowledge was noted on the NAAF as "poor/nil". A margin agreement was also signed on April 12, 1999.

From April 1999 to June 1999, the account held one position, Fidelity International Portfolio mutual fund comprising 99.9% of the account. In the summer of 1999, Mr. Teggart began to sell off the client's mutual fund position and purchase medium and high risk securities on margin. He also engaged in some short-term trading and short selling in this account. As of October 31, 1999, the client's entire mutual fund position had been liquidated.

During the period from July 1999 to April 2001, Mr. Teggart purchased the following high risk securities in this account: Jaws Technologies Inc., Rompus Interactive CP, Delta Systems Inc., Arius Research Inc. (and related warrants), and Pinetree Corp. Although it varied from month to month, these high risk securities comprised a material proportion of the portfolio and constituted as much as 83% of the account's total equity as of April 30, 2000. During Staff's investigation, Mr. Teggart admitted that very little trading that took place in this joint account was suitable for the client. He also admitted to Staff that approximately 80% of the trades in the account were executed on a discretionary basis.

From April 30, 1999 to April 30, 2001, the joint account suffered a net loss of $17,902.02, a loss of over 46% of the net contributions made to this account.

Mr. Teggart also prepared a false account guarantee dated April 28, 2000 where the joint account of E.O. and D.O. would guarantee the account of another client. Mr. Teggart admitted to forging D.O.'s signature on the guarantee document without his knowledge. While E.O. did sign the account guarantee

document, she was neither informed of the purpose of the document nor its implications.

Account of N.P.

On October 14, 1999, Mr. Teggart opened an account at TK in the name of N.P. without her prior knowledge or consent. He also prepared a margin agreement dated October 14, 1999 for this account by forging the client's signature.

N.P. was a former client of Mr. Teggart when he was employed at another Member firm, prior to joining TK. While at the other Member firm, N.P. incurred losses as a result of a recommendation made by him. The purpose of the TK account was to generate funds to compensate N.P. for those losses. N.P. did not contribute any funds in this account and was not consulted about any of the trades in the account. Thirteen trades were executed in the account without N.P.'s authorization.

Two cheques, each in the amount of $5,000 were issued to N.P. and her brother D.P. respectively. The cheques represented partial compensation for losses previously incurred by N.P. and D.P. as a result of recommendations made by Mr. Teggart. Mr. Teggart lied to both of them regarding the source of these funds. The cheque made payable to D.P. was facilitated by forging N.P. signature on a cheque requisition letter.

A third cheque was issued from this account in the amount of $5,200. The cheque was made payable to the Adult Safe Hockey League for Mr. Teggart's personal benefit. In order to facilitate this transaction, he prepared a forged cheque requisition.

Shortly after opening this account, Mr. Teggart prepared an account guarantee dated October 18, 1999 that was intended to have N.P.'s account guaranteed by H.K.'s account. H.K. signed the account guarantee without a full understanding of the document.

Joint Account of C.M. and J.M.

In early January 2000, Mr. Teggart forged the signature of C.M. on a Letter of Authorization that requested the transfer of $20,000 USD from C.M.'s joint account to another TK account. The transfer was made on January 10, 2000 without the client's knowledge or consent. The unauthorized transfer of funds were eventually used to purchase Equest debentures on behalf of C.M. Mr. Teggart also executed eight discretionary trades (both purchases and sales) in C.M.'s joint account.

Mr. Teggart has not been employed in the securities industry since leaving TK in April 2001.

Kenneth A. Nason
Association Secretary

13.1.4 Patrick Teggart - Decision of the Ontario District Council

IN THE MATTER OF
THE INVESTMENT DEALERS
ASSOCIATION OF CANADA

AND

PATRICK TEGGART

DECISION OF THE ONTARIO DISTRICT COUNCIL

HEARING: April 11, 2003

DISTRICT COUNCIL: Hon. Fred Kaufman, C.M., Q.C., Chair
Norm Fraser
F. Michael Walsh

IDA COUNSEL: Elsa Renzella

On March 5, 2003, the Respondent was served with a Notice of Hearing, informing him that a hearing will be held before the Ontario District Council at 9 a.m. on April 11, 2003. The Notice also informed the Respondent that IDA staff alleged the following violations of the By-laws, Regulations or Policies of the Association:

Count 1
During the period from April 1999 to April 2001, inclusive, the Respondent engaged in discretionary trading in the joint account of E.O. and D.O., contrary to Regulation 1300.4.

Count 2
During the period from April 1999 to April 2001, inclusive, the Respondent failed to use due diligence to ensure the recommendations made were suitable for his clients, E.O. and D.O., and in keeping with their investment objectives, contrary to Regulation 1300.1(c) [now Regulation 1300.1(d)].

Count 3
On April 28, 2000, the Respondent engaged in conduct unbecoming a registered representative contrary to by-law 29.1 in that he:

(a) forged the signature of a client, D.O., on an account guarantee; and

(b) obtained the signature of a client, E.O., for an account guarantee where E. O. had no knowledge or understanding of the document being signed.

Count 4
On October 14, 1999, the Respondent engaged in conduct unbecoming a registered representative contrary to by-law 29.1 in that he:

(a) opened an account in the name of a client, N.P. ("N.P.'s account), without her knowledge or consent for the purpose of generating money for N.P. to compensate her for losses incurred; and

(b) forged N.P.'s signature on a margin agreement.

Count 5
In January 2000, the Respondent prepared forged documents in order to facilitate a cheque requisition relating to N.P.'s account, thereby engaging in conduct unbecoming a registered representative contrary to by-law 29.1.

Count 6
In October 2000, the Respondent prepared forged documents in order to facilitate a cheque requisition relating to N.P.'s account, thereby engaging in conduct unbecoming a registered representative contrary to by-law 29.1.

Count 7
During the period from October 1999 to April 2001, inclusive, the Respondent executed thirteen (13) unauthorized trades in N.P.'s account, thereby engaging in conduct unbecoming a registered representative contrary to by-law 29.1.

Count 8 (as amended at the hearing)
Sometime in October, 1999, the Respondent obtained H.K.'s signature on an account guarantee, without her full understanding of the document, thereby engaging in conduct unbecoming a registered representative contrary to by-law 29.1.

Count 9
On January 10, 2000, the Respondent forged a client's signature on a Letter of Authorization to facilitate the transfers of $20,000 USD from a client's account without the client's knowledge or consent, thereby engaging in conduct unbecoming a registered representative contrary to by-law 29.1.

Count 10
In March and April 2000, the Respondent executed eight (8) discretionary trades in C.M.'s account contrary to Regulation 1300.4.

When the District Council convened at 9 a.m., IDA counsel informed the panel that the Respondent had called Alex Popovic, the head of the Enforcement Department the day before, stating that he intended to ask for an adjournment, but that he could not do so before 11 a.m. At Mr. Popovic's suggestion, the Respondent faxed a letter to Ms. Renzella (Exhibit 1), stating that he would be "unable to attend tomorrow's hearing because I cannot secure child care for the day." However, as indicated above, the

Respondent agreed to appear at 11 a.m., and the panel therefore adjourned the session until that time.

When the panel reconvened at 11 a.m., the Respondent was present and moved that the hearing be adjourned. He said that he could not afford a lawyer, but did not qualify for Legal Aid. He added that he had recently spoken to someone (presumably a lawyer), who had indicated that he might represent him on a *pro bono* basis, but that nothing had been settled. When asked why he had waited until the very last moment to indicate that he would seek an adjournment, there was no answer.

The panel then invited IDA counsel to reply. She said she opposed the application. It had come late in the day, two witnesses were present and two more were standing by to be called. However, before she had an opportunity to complete her remarks, the Respondent got up, made an uncomplimentary remark and abruptly left the hearing.

Given these circumstances, the panel decided to proceed with the hearing ex parte. However, even though the By-laws of the Association permit a panel, in the absence of a Respondent, to accept the facts alleged or the conclusions drawn by the Association in the Notice of Hearing as having been proven, the panel decided to hear evidence, and Peter Ingleton, the principal investigator on the file, was called. His testimony (which included admissions made to him by the Respondent) left the panel with no doubt that the allegations contained in counts 1, 2, 3, 4, 5, 6, 7, 9 and 10 had been proven. As for count 8, enforcement counsel requested permission to amend the wording to reflect the evidence, and this was done.

In the result, the panel found that all violations alleged had been proven, and the penalty phase of the hearing began.

Clearly, even a simple reading of the allegations indicates that these were serious violations which put the Respondent's clients into serious jeopardy. Furthermore, his actions included acts of dishonesty which cannot be tolerated in the industry. This, then, was a matter for a meaningful penalty.

Having regard to previous cases of a similar nature, the District Council held as follows:

1. There will be a permanent prohibition from registration in any capacity;

2. There will be a global fine of $125,000;

3. The Respondent must disgorge his profits, which were established at $4,241.64;

4. The Respondent must pay costs in the amount of $20,000.

We add that the amount of costs assessed does not reflect the actual costs of the investigation and prosecution, bearing in mind, for instance, that the chief investigator alone spent 553 hours on the case. Nevertheless, this was the amount suggested by IDA counsel, and the panel accepted this recommendation.

April 22, 2003.

"Hon. Fred Kaufman", C.M., Q.C., Chair

"Norm Fraser"

"F. Michael Walsh"

13.1.5 IDA Discipline Penalties Imposed on Robert Roy Morrison – Violations of Policy No. 2 and Regulation 1300.1(c)

Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

BULLETIN # 3141
April 28, 2003

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON ROBERT ROY MORRISON – VIOLATIONS OF POLICY NO. 2 AND REGULATION 1300.1(C)

Person Disciplined

The Ontario District Council of the Investment Dealers Association ("the Association") has imposed discipline penalties on Robert Roy Morrison, at the material times a branch manager at the North Toronto branch of Scotia Capital Inc., a Member of the Association.

By-laws, Regulations, Policies Violated

On April 22, 2003, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Morrison and Association Staff.

Pursuant to the Settlement Agreement, Mr. Morrison acknowledged that:

(1) During the period from November 1998 to April 2000, inclusive, he failed to fully discharge his supervisory responsibilities as branch manager in accordance with Association Policy 2 in that he failed to maintain written evidence to support the monthly and daily supervision of client accounts related to a certain registered representative.

(2) During the period from November 1999 to April 2000, inclusive, he failed to properly supervise the trading activity in nine accounts of five clients of a certain registered representative to ensure that the recommendations made were appropriate for the clients and in keeping with their investment objectives, contrary to Association Regulation 1300.1(c) (now Regulation 1300.1(d)).

Penalty Assessed

The discipline penalties assessed against Mr. Morrison are a fine in the amount of $35,000; a prohibition of re-approval by the Association to act in any supervisory capacity with any Member of the Association for a period of three (3) years; and as a condition of re-approval by the Association in any supervisory capacity with any Member of the Association, he must successfully re-write the Branch Manager's examination administered by the Canadian Securities Institute.

In addition, Mr. Morrison is required to pay $4,000.00 towards the Association's costs of this matter.

Summary of Facts

In 1997, Mr. Morrison became the branch manager at Scotia Capital's Hamilton office. He then became the branch manager at Scotia Capital's North Toronto Branch in November 1998. As branch manager at the North Toronto office, Mr. Morrison was responsible for the supervision of R.S., a registered representative and registered options representative.

During Mr. Morrison's tenure as the branch manager at the North Toronto office, he failed to document evidence that he conducted the daily and monthly reviews as required by Association Policy #2 in relation to R.S.'s trading activities, other than by initialing the majority of the daily commission detail reports.

In April 1998, as a result of a regularly scheduled internal review of its Hamilton Branch, Scotia Capital reported that Mr. Morrison was not providing written evidence of his daily and monthly reviews. In 1999, IDA conducted a sales compliance review of Scotia Capital's North Toronto Branch and also noted that Mr. Morrison was not providing written evidence of the daily and monthly reviews. After being notified of the results of both of these reviews, Mr. Morrison did not amend his supervisory practices.

According to Mr. Morrison, he did conduct reviews of the daily commission detail reports and monthly client account summaries except for ten days in November 1999 and March 2000, when he was away from the office. According to Mr. Morrison, his daily reviews of R.S.'s activities consisted of frequent regular discussions with R.S. He also followed up to ensure that R.S. responded to head office inquiries. However, Mr. Morrison rarely reviewed any account documentation beyond the daily commission detail reports in carrying out daily and monthly reviews of trading activity. Rather, he relied upon his discussions with R.S.

Staff's investigation included a detailed review of nine accounts of five clients for which R.S. was responsible. Following this review, Staff concluded that Mr. Morrison failed to conduct adequate supervision (whether documented or not) of these accounts during the period from November 1999 to April 2000 to ensure that R.S. made recommendations that were appropriate and in keeping with the investment objectives of these clients.

The accounts examined revealed that R.S. executed a number of large U.S. trades on margin that raised issues of undue concentration, short-term/day trading and substantial use of margin to purchase securities. At times, the value of the large single trades exceeded the total net asset value of the account. There were also instances when the debit balances exceeded the total net asset value of the account. Most of the accounts reviewed experienced a significant decrease in value between November 1999 and April 2000.

During the same time period, Scotia Capital maintained an internal policy that called for branch managers to approve orders for equity trades between $100,000 and $250,000, except where the client account had sufficient cash or margin for purchases, or securities were long in the case of sales. For a short period of time in late 1999 or early 2000, Mr. Morrison did not follow this policy and pre-authorized some trade tickets for R.S. and one other senior Investment Executive. The Scotia Capital policy was updated on March 3, 2000 in that the threshold for authorization of trades by the branch manager was increased to $250,000. No further trade tickets were pre-authorized by Mr. Morrison following implementation of the updated policy. In December 2000, Mr. Morrison's pre-authorization of trade tickets was addressed internally by Scotia Capital. He paid a penalty of $15,000 and was removed for an indefinite period from a position requiring regulatory supervision. He was also required to re-write the Conduct and Practices Handbook.

Mr. Morrison currently is employed as an Investment Executive at Scotia Capital Inc.

Kenneth A. Nason
Association Secretary

13.1.6 Discipline Pursuant to IDA By-law 20 - Robert Roy Morrison - Settlement Agreement

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20
OF THE INVESTMENT DEALERS
ASSOCIATION OF CANADA

RE: ROBERT ROY MORRISON

SETTLEMENT AGREEMENT

I. Introduction

1. The staff ("Staff") of the Investment Dealers Association of Canada (the "Association") has conducted an investigation (the "Investigation") into the conduct of Robert Roy Morrison (the "Respondent").

2. The Investigation discloses matters for which the District Council of the Association (the "District Council") may penalize the Respondent by imposing discipline penalties.

II. Joint Settlement Recommendation

3. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25.

4. This Settlement Agreement is subject to its acceptance, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council in accordance with By-law 20.26.

5. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

6. If at any time prior to the acceptance of this Settlement Agreement, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council, there are new facts or issues of substantial concern in the view of Staff regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. Statement of Facts

(i) Acknowledgment

7. Staff and the Respondent agree for the purposes of this settlement with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Background

8. The Respondent joined the securities industry in 1992 as an investment advisor with ScotiaMcLeod Inc. (now Scotia Capital Inc. and hereinafter referred to as "Scotia Capital"). He became a branch manager in 1997 at Scotia Capital's Hamilton office. He joined Scotia Capital's North Toronto office as branch manager in November 1998. He currently holds the position of Investment Executive at Scotia Capital's Mississauga office.

9. At all material times, the Respondent was responsible, in his capacity as branch manager at the North Toronto Branch, for the supervision of R.S., a registered representative and registered options representative.

10. On April 19, 2000, R.S. was terminated for cause by Scotia Capital as a result of misdirecting funds from one client's account to another client's account. The resulting Uniform Termination Notice ("UTN") was forwarded to the Association on May 4, 2000. Following R.S.'s termination, Scotia Capital received a number of complaints from R.S.'s clients. These complaints were forwarded to the Association and formed part of its investigation resulting from the initial UTN.

11. Following Staff's investigation, it was the Staff's opinion that during the period between September 1999 and April 2000, R.S. violated various Association by-laws, rules and regulations including engaging in unsuitable trading strategies on behalf of his clients.

12. Staff's investigation of R.S. also prompted an investigation into the Respondent's supervision of the trading activities of R.S.

(iii) Branch Office Account Supervision

13. During the Respondent's tenure as the branch manager at the North Toronto office, he failed to document, other than by his initials on the majority of daily commission detail reports, evidence that he conducted the daily and monthly reviews as required by Association Policy #2 in relation to R.S.'s trading activities.

14. In April 1998, Scotia Capital, as a result of a regularly scheduled internal review of its Hamilton branch, reported that the Respondent was not providing written evidence of his daily and monthly reviews. In 1999, the North Toronto Branch was subject to an IDA sales compliance review. In its report, sent to Scotia Capital on November 2, 1999, the Association's Sales Compliance

Department also noted that the Respondent was not providing written evidence of the daily and monthly reviews. After being notified of the results of both of these reviews, the Respondent did not amend his supervisory practices.

15. According to the Respondent, he did conduct reviews of the daily commission detail reports and monthly client account summaries except for ten days in November 1999 and March 2000, when the Respondent was away from the office. The Respondent failed to make arrangements to ensure that the daily reviews were conducted while he was away for these ten days.

16. According to the Respondent, his daily reviews of R.S.'s activities consisted of frequent regular discussions with him. The Respondent rarely reviewed any account documentation beyond the daily commission detail reports in carrying out daily and monthly reviews of trading activity. He rarely reviewed the clients' New Account Application Form ("NAAF") in assessing suitability. Rather, the Respondent relied upon his discussions with R.S.

17. The compliance department of Scotia Capital communicated frequently with R.S. and the Respondent with inquiries concerning transactions executed by R.S. The Respondent followed up to ensure that R.S. responded to these inquiries.

18. Staff's investigation included a detailed review of nine accounts of five clients for which R.S. was responsible. All of these clients had made complaints to Scotia Capital and/or the Association regarding the handling of their respective accounts, sometime after R.S.'s termination from Scotia Capital.

19. Following a review of these accounts, Staff concluded that the Respondent failed to conduct adequate supervision (whether documented or not) of these accounts during the period from November 1999 to April 2000 to ensure that R.S. made recommendations that were appropriate and in keeping with the investment objectives of these clients.

20. Staff concluded as a result of its review that the nine accounts of five clients exhibited similar trading activity that should have prompted some form of inquiry from the Respondent. The accounts examined revealed that R.S. executed a number of large U.S. trades on margin that raised issues of undue concentration, short-term/day trading and substantial use of margin to purchase securities. At times, the value of the large single trades exceeded the total net asset value of the account. There were also instances when the debit balances exceeded the total net asset value of the account. Most of the accounts reviewed experienced a significant decrease in value between November 1999 and April 2000.

21. At all material times, Scotia Capital maintained an internal policy that called for the branch manager to approve orders for equity trades between $100,000 and $250,000, except where the client account had sufficient cash or margin for purchases, or securities were long in the case of sales. For a short period of time in late 1999 or early 2000, the Respondent did not follow this policy and pre-authorized some trade tickets for R.S. and one other senior Investment Executive. The Scotia Capital policy was updated on March 3, 2000 to increase the threshold for authorization of trades by the branch manager to $250,000. No further trade tickets were pre-authorized by the Respondent following implementation of the updated policy. In December 2000, the Respondent's pre-authorization of trade tickets was addressed internally by Scotia Capital, and the Respondent paid a penalty of $15,000 and was removed for an indefinite period from a position requiring regulatory supervision. The Respondent was required to re-write the Conduct and Practices Handbook. It is the Association's understanding that the monetary penalty paid by the Respondent was directed to a charity.

IV. CONTRAVENTION

22. During the period from November 1998 to April 2000, inclusive, the Respondent failed to fully discharge his supervisory responsibilities as branch manager in accordance with Association Policy 2 in that he failed to maintain written evidence to support the monthly and daily supervision of R.S.'s client accounts.

23. During the period from November 1999 to April 2000, inclusive, the Respondent failed to properly supervise the trading activity in nine accounts of five clients of R.S., a registered representative at the North Toronto Branch, to ensure that the recommendations made were appropriate for the clients and in keeping with their investment objectives, contrary to Association Regulation 1300.1(c) (now Regulation 1300.1(d)).

V. ADMISSION OF CONTRAVENTIONS AND FUTURE COMPLIANCE

24. The Respondent admits the contravention of the Statutes or Regulations thereto, By-laws, Regulations, Rulings or Policies of the Association noted in Section IV of this Settlement Agreement. In the future, the Respondent shall comply with these and all By-laws, Regulations, Rulings and Policies of the Association.

VI. DISCIPLINE PENALTIES

25. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

(a) a fine in the amount of $35,000;

(b) a prohibition of approval by the Association to act in any supervisory capacity with any Member of the Association, for a period of 3 years, commencing on the effective date of the Settlement Agreement; and

(c) as a condition of re-approval by the Association in any supervisory capacity with any Member of the Association, the Respondent must successfully re-write the Branch Manager's examination administered by the Canadian Securities Institute. Evidence of successful completion of the examination must be presented to the Association as part of the re-registration process.

VII. ASSOCIATION COSTS

26. The Respondent shall pay the Association's costs of this proceeding in the amount of $4,000, payable to the Association immediately upon the acceptance of the Settlement Agreement.

VIII. EFFECTIVE DATE

27. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of:

(a) its acceptance; or

(b) the imposition of a lesser penalty or less onerous terms; or

(c) the imposition, with the consent of the Respondent, of a penalty or terms more onerous,

by the District Council.

IX. WAIVER

28. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. STAFF COMMITMENT

29. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. PUBLIC NOTICE OF DISCIPLINE PENALTY

30. If this Settlement Agreement becomes effective and binding:

(a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

(b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. EFFECT OF REJECTION OF SETTLEMENT AGREEMENT

31. If the District Council rejects this Settlement Agreement:

(a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District council rejecting this Settlement Agreement shall participate in any hearing conducted by the District council with respect to the same matters which are the subject of the Settlement Agreement; and

(b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by the Respondent at the City of Toronto, in the Province of Ontario, this "13th" day of "February", 2003.

"Robert Roy Morrison"
Robert Roy Morrison

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "18th" day of "February", 2003.

"N Genova"
Witness

"Elsa Renzella"
Elsa Renzella
Enforcement Counsel on behalf of Staff of the Investment Dealers Association of Canada

ACCEPTED by the Ontario District Council of the Investment Dealers Association of Canada, at the City of "Toronto", in the Province of Ontario, this "22nd" day of "April", 2003.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Hon. Fred Kaufman"
Per: "Norman Fraser"
Per: "F. Michael Walsh"

13.1.7 RS Sets Hearing Date in the Matter of Frank Patrick Greco

May 2, 2003 **2003-004**

NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of Frank Patrick Greco*

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS commencing on May 28, 2003 at 10:00 a.m., or as soon thereafter as the Hearing can be held, at the offices of RS, 145 King Street West, 9th floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to determine whether Frank Patrick Greco ("Greco") contravened Rules 4-204(1), 4-301(1)&(8) and 7-106(1)(b) of the Toronto Stock Exchange (the "Exchange") and Universal Market Integrity Rules ("UMIR") 4.1(1)(a) and 2.1(1).

The alleged contraventions are as follows:

1. On November 22, 2001, with knowledge of an undisclosed client order for shares of Alcan Inc. which order could reasonably be expected to affect the market price of such security, Greco traded in this security, where such trade could be expected to be affected by such change in the market price, contrary to Rule 4-204(1) of the Rules of the Exchange.

2. On November 22, 2001, Greco acted contrary to just and equitable principles of trade in violation of Exchange Rule 7-106(1)(b) when he sold short shares of Alberta Energy Co. Ltd. to Garett Prins ("Prins"), a trader at another Participating Organization, for Prins' client buy order after being informed by Prins of this order.

3. On November 22, 2001, Greco acted contrary to just and equitable principles of trade in violation of Exchange Rule 7-106(1)(b) when he sold short shares of Bank of Nova Scotia to Prins for Prins' client buy order after being informed by Prins of this order.

4. On February 13, 2002, with knowledge of an undisclosed client order for shares of Energy Savings Income Inc. Fund which order could reasonably be expected to affect the market price of such security, Greco traded in this security, where such trade could be expected to be affected by such change in the market price, contrary to Exchange Rule 4-204(1).

5. On March 12, 2002, with knowledge of an undisclosed client order for shares of Kinross Gold Corp. which order could reasonably be expected to affect the market price of such security, Greco

traded in this security, where such trade could be expected to be affected by such change in the market price, contrary to Exchange Rule 4-204(1).

6. On May 15, 2002, with knowledge of a client order for shares of Teck Cominco Ltd. Cl B that on entry could reasonably be expected to affect the market price of this security, Greco entered a principal order on the market for the purchase of this security prior to the entry of the client order, contrary to UMIR 4.1(1)(a).

7. On May 17, 2002, with knowledge of a client order for shares of Eldorado Gold Corp. that on entry could reasonably be expected to affect the market price of this security, Greco entered a principal order on the market for the purchase of this security prior to the entry of the client order, contrary to UMIR 4.1(1)(a).

8. On July 9, 2002, with knowledge of a client order for shares of TVX Gold Inc. that on entry could reasonably be expected to affect the market price of this security, Greco entered a principal order on the market for the purchase of this security prior to the entry of the client order, contrary to UMIR 4.1(1)(a).

9. On the morning of July 18, 2002, Greco acted contrary to just and equitable principles of trade in violation of UMIR 2.1(1) when he sold short shares of Bombardier Inc. after being informed by Prins about a client order to sell short this security and subsequently bought these shares from Prins from his client order.

10. In the afternoon of July 18, 2002, Greco acted contrary to just and equitable principles of trade in violation of UMIR 2.1(1) when he sold short shares of Bombardier Inc. after being informed by Prins about a client order to sell short this security and subsequently bought these shares from Prins from his client order.

11. On November 22, 2001, Greco failed to designate as a short sale his offer of 2,000 shares of Alberta Energy Co. Ltd. at $59.77 which when hit caused a downtick in the price of this security, contrary to Exchange Rules 4-301(1)&(8).

12. On November 22, 2001, Greco failed to designate as a short sale his offer of 4,500 shares of Bank of Nova Scotia at $47.74 which when hit caused a downtick in the price of this security, contrary to Exchange Rules 4-301(1)&(8).

13. On April 1, 2002, Greco executed prohibited trades in a security at a time when his employer, Griffiths McBurney & Partners, was involved in a distribution of this security and had restricted trading in the security, in violation of just and equitable principles of trade contrary to UMIR 2.1(1).

The decision of the Hearing Panel and the terms of any discipline imposed will be published by RS as a Disciplinary Notice.

Reference:

Jane P. Ratchford
Chief Counsel
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.8 RS Sets Hearing Date in the Matter of Donald Greco

May 2, 2003 **2003-005**

NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of Donald Greco*

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS commencing on May 22, 2003 at 10:00 a.m., or as soon thereafter as the Hearing can be held, at the offices of RS, 145 King Street West, 9th floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to determine whether Donald Greco ("D. Greco") contravened Rule 4-204(1) of the Toronto Stock Exchange (the "Exchange").

The alleged contravention is as follows:

> On November 22, 2001, with knowledge of an undisclosed client order for shares of Abitibi-Consolidated Inc. which order could reasonably be expected to affect the market price of such security, D. Greco traded in this security, where such trade could be expected to be affected by such change in the market price contrary to Rule 4-204(1) of the Rules of the Exchange.

The decision of the Hearing Panel and the terms of any discipline imposed will be published by RS as a Disciplinary Notice.

Reference:

Jane P. Ratchford
Chief Counsel
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.9 IDA Discipline Penalties Imposed on the Retail Division of Scotia Capital Inc. – Violation of Policy Number 2

Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

BULLETIN #3142
April 28, 2003

DISCIPLINE

DISCIPLINE PENALTIES IMPOSED ON THE RETAIL DIVISION OF SCOTIA CAPITAL INC. – VIOLATION OF POLICY NUMBER 2

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada ("the Association") has imposed discipline penalties on the retail division of Scotia Capital Inc. ("Scotia Capital") at the relevant time, a Member firm with the Association.

By-laws, Regulations, Policies Violated

On April 22, 2003, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Scotia Capital and Association Staff.

Pursuant to the Settlement Agreement, Scotia Capital admitted that during the period from November 1999 to April 2000, it failed to maintain adequate supervisory procedures at the North Toronto branch by failing to ensure that the branch manager was conducting proper account supervision related to R.S.'s trading activities, contrary to Association Policy No. 2.

Penalty Assessed

The discipline penalties assessed against the retail division of Scotia Capital Inc. are a fine in the amount of $65,000.

In addition, the firm is required to pay $20,000.00 towards the Association's costs of this matter.

Summary of Facts

From November 1998 to July 2000, Robert Morrison was the branch manager at the North Toronto branch of Scotia Capital. During his tenure as the branch manager at the North Toronto branch, he failed to maintain written evidence of the daily and monthly reviews, other than his initials on the majority of the daily commission detail reports, as required by Association Policy #2 in relation to R.S.' trading activities.

Scotia Capital had been made aware in the past of Mr. Morrison's failure to maintain written evidence of supervision pursuant to Association Policy #2. In April 1998, Scotia Capital conducted its own internal branch review/audit of the Hamilton branch office where Mr. Morrison was the branch manager at the time. The review determined that he failed to document his daily and monthly reviews.

In 1999, the North Toronto branch was subject to an IDA sales compliance review. In its report dated November 2, 1999, the Association Sales Compliance Department noted that Mr. Morrison was not providing written evidence of the daily and monthly reviews. Scotia Capital took no steps to ensure that the branch manger was in fact providing evidence of supervision but rather relied upon his verbal assurances.

Based upon the inquiries made by Scotia Capital and other information in its possession regarding R.S.'s trading activities, it is Staff's view that Scotia Capital should have known that the branch manager was not conducting adequate supervision of R.S.'s trading activities during the period from November 1999 to April 2000 and should have taken steps to ensure that the branch manager complied with his supervisory responsibilities in accordance with Association Policy #2.

Since the period of time in question, Scotia Capital has implemented numerous changes to its policies and procedures that have improved its ability to effectively perform its compliance and supervisory function.

In accepting the Settlement Agreement, the District Council bore in mind that this case was five years old. In terms of the future precedential value, District Council stated that the decision should be known to be "a precedent on the low side." District Council also commented that "in the case of a failure to supervise, that the fine has to be heavy in order to impress, not only the parties before us, but the other parties that may perhaps have insufficient, similar degree of supervision."

For disciplinary action in relation to Robert Morrison, please see Association Bulletin # 3141 dated April 28, 2003.

Kenneth A. Nason
Association Secretary

13.1.10 Scotia Capital - Oral Decisions and Reasons

INVESTMENT DEALERS ASSOCIATION

IN THE MATTER OF
SCOTIA CAPITAL

Taken at the offices of Atchison & Denman Court Reporting Services Limited, 155 University Avenue, Suite 302, Toronto, Ontario, M5H 3B7, on Tuesday, the 22nd day of April, 2003.

Before:

Hon. Fred Kaufman	Chair
F. Michael Walsh	Panel Member
Norm Fraser	Panel Member

Appearances:

Elsa Renzella Wayne R. Welch	On behalf of the IDA
Robert Armstrong James Werry	On behalf of Scotia Capital

Also Present:

Sonia Neves	IDA Staff

ORAL DECISION AND REASONS:

THE CHAIR: Within the matter of Scotia Capital, we examined all the documentation that you had sent to us, we heard your recommendations, and we accept the settlement agreement. But I do have some comments to make on behalf of the Panel. And the settlement agreement, having been accepted, now becomes -- the record becomes public, and the in camera session is lifted.

And what we have to say is that, while we accept your settlement, we do consider it very much on the low side. And the reason I mention that now is because what I said, perhaps -- and prior to review, I said it -- that this may be a precedent-setting case.

But we want it to be understood that, you know, we agree to it. We understand that there is not a case of a similar nature where the parties have negotiated high and have considered all the relevant factors. And there are, of course, distinctions to be made from case to case, and each case becomes fact-specific.

Nevertheless, there are some precedents, even though they don't apply, perhaps, fully. But out of, let's say, borne out of Marathon, certain principles can be drawn. One of them is that, in the case of a failure to supervise, that the fine has to be heavy in order to impress, not only the parties before us, but the other parties that may perhaps have insufficient, similar degree of supervision.

So I want to make these comments on behalf of the Panel, that I say we agree to this, and also bearing in mind that this case goes back to -- well, up to five years, when R.S. was first terminated. So it's an old case, and it's -- and perhaps times have changed since then, but when -- I repeat myself -- when it comes to a precedent-setting decision, that it should be known to be a --

MR. ARMSTRONG: Thank you very much.

THE CHAIR: -- a precedent on the low side. But here it is. We have signed the settlement agreement, and the case is closed. Thank you.

MR. ARMSTRONG: Thank you very much.

Whereupon proceedings adjourned at 10:27 a.m.

13.1.11 Discipline Pursuant to IDA By-law 20 - Scotia Capital Inc. - Settlement Agreement

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20
OF THE INVESTMENT DEALERS
ASSOCIATION OF CANADA

RE: SCOTIA CAPITAL INC.

SETTLEMENT AGREEMENT

I. Introduction

1. The staff ("Staff") of the Investment Dealers Association of Canada ("the Association") has conducted an investigation (the "Investigation") into the conduct of Scotia Capital Inc. ("the Respondent").

2. The Investigation discloses matters for which the District Council of the Association ("the District Council") may penalize the Respondent by imposing discipline penalties.

II. Joint Settlement Recommendation

3. Staff and the Respondent consent and agree to the settlement of these matters by way of this Settlement Agreement in accordance with By-law 20.25.

4. This Settlement Agreement is subject to its acceptance, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council in accordance with By-law 20.26.

5. Staff and the Respondent jointly recommend that the District Council accept this Settlement Agreement.

6. If at any time prior to the acceptance of this Settlement Agreement, or the imposition of a lesser penalty or less onerous terms, or the imposition, with the consent of the Respondent, of a penalty or terms more onerous, by the District Council, there are new facts or issues of substantial concern in the view of Staff regarding the facts or issues set out in Section III of this Settlement Agreement, Staff will be entitled to withdraw this Settlement Agreement from consideration by the District Council.

III. Statement of Facts

(i) Acknowledgment

7. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Background

8. At all material times, the Respondent was registered (initially under the name ScotiaMcLeod Inc. and after November 1, 1999 under the name Scotia Capital Inc.) as a Member with the Association with its head offices located at 40 King Street West, Scotia Plaza, Toronto, Ontario. At all material times, the Respondent maintained a branch office located at 4950 Yonge Street, Suite 1200 in North Toronto, Ontario ("North Toronto branch").

9. From November 1998 to July 2000, R.M. was the branch manager at the North Toronto branch. Prior to that, R.M. was the branch manager at the Respondent's Hamilton branch office between November 1997 and November 1998.

10. At all material times, the Respondent employed R.S. at the North Toronto branch as a registered representative and options representative.

11. On April 19, 2000, R.S. was terminated for cause by the Respondent as a result of misdirecting funds from one client's account to another client's account. The resulting Uniform Termination Notice ("UTN") was forwarded to the Association on May 4, 2000. Following R.S's termination, the Respondent received numerous complaints from the R.S.'s clients. These complaints were forwarded to Staff and formed part of its investigation resulting from the initial UTN. Staff also received complaints directly from two former clients of R.S..

12. Following the Staff's investigation, it was the Staff's opinion that during the period between August 1999 to April 2000, R.S. violated various Association by-laws, rules and regulations including engaging in unsuitable trading strategies on behalf of his clients. Staff also concluded that during the period between November 1999 and April 2000, R.M., as branch manager, failed to conduct adequate supervision of nine accounts for which R.S. was responsible to ensure that the recommendations were appropriate and in keeping with the investment objectives of the clients.

13. The accounts reviewed by Staff revealed that R.S. executed a number of large U.S. trades on margin which raised issues of concentration, short-term/day trading and highly leveraged accounts. Most of the accounts reviewed experienced a significant decrease in value between November 1999 and April 2000.

14. The Respondent's Compliance Department's head office supervision of R.S.'s client accounts

included the issuance of numerous queries to R.S., and copied to R.M., regarding the trading activity in R.S.'s client accounts. The Respondent and R.M. followed up to ensure that R.S. responded to these inquiries.

15. The Staff's investigation of R.S. also prompted an investigation into the supervision activities of the Respondent.

(iii) Supervision

16. During R.M.'s tenure as the branch manager at the North Toronto branch, he failed to maintain written evidence of the daily and monthly reviews, other than his initials on the majority of the daily commission detail reports, as required by Association Policy #2 in relation to R.S.' trading activities.

17. The Respondent had been made aware in the past of R.M.'s failure to maintain written evidence of supervision pursuant to Association Policy #2. Prior to becoming the branch manager at the North Toronto branch, R.M. was the branch manager at the Respondent's Hamilton branch office from 1997 to November 1998. In April 1998, the Respondent conducted its own internal branch review/audit of the Hamilton branch office. The review determined that R.M., as branch manager, failed to document his daily and monthly reviews. While the Respondent requested a response from R.M., no written response was provided by him.

18. In November 1998, R.B. was promoted to branch manager of the Respondent's larger North Toronto branch. In 1999, the North Toronto branch was subject to an IDA sales compliance review. In its report dated November 2, 1999, the Association Sales Compliance Department noted that R.M. was not providing written evidence of the daily and monthly reviews.

19. In its official response to the Association, the Respondent indicated "[t]he Branch Manager is now ensuring that the review of the previous day's trading activity is adequately evidenced." The Respondent took no steps to ensure that R.M. was in fact providing evidence of supervision but rather relied upon his verbal assurances. R.M. did not amend his supervisory practices.

20. Based upon the inquiries made by the Respondent and other information in its possession regarding R.S.'s trading activities during the period from November 1999 to April 2000, it is Staff's view that the Respondent should have known that R.M. was not conducting adequate supervision of R.S.'s trading activities during this period of time.

21. In light of all of the above circumstances, it is the Staff's view that the Respondent should have taken steps to ensure that R.M. complied with his supervisory responsibilities in accordance with Association Policy #2. According to Policy 2 I B2, there is an on-going responsibility to review sales compliance procedures and practices at branch offices. It is the Staff's position that such a responsibility would by its very nature have required the Respondent to review the conduct of this branch manager, where the Respondent had been alerted to deficiencies in the branch manager's compliance procedures.

22. Staff acknowledges that since the period of time in question, the Respondent has implemented numerous changes to its policies and procedures that has improved its ability to effectively perform its compliance and supervisory function.

23. R.M. is no longer the branch manager at the Respondent's North Toronto branch and has been suspended by the Respondent from working in any supervisory capacity.

IV. Contraventions

24. During the period from November 1999 to April 2000, the Respondent failed to maintain adequate supervisory procedures at the North Toronto branch by failing to ensure that R.M., a branch manager, was conducting proper account supervision related to R.S.'s trading activities, contrary to Association Policy No. 2.

V. Admission of Contraventions and Future Compliance

25. The Respondent admits the contravention of the Statutes or Regulations thereto, By-laws, Regulations, Rulings or Policies of the Association noted in Section IV of this Settlement Agreement. In the future, the Respondent shall comply with these and all By-laws, Regulations, Rulings and Policies of the Association.

VI. Discipline Penalties

26. The Respondent accepts the imposition of discipline penalties by the Association pursuant to this Settlement Agreement as follows:

(a) a fine in the amount of $65,000;

VII. Association Costs

27. The Respondent shall pay the Association's costs of this proceeding in the amount of $20,000 payable to the Association immediately upon acceptance of this Settlement Agreement.

VIII. Effective Date

28. This Settlement Agreement shall become effective and binding upon the Respondent and Staff in accordance with its terms as of the date of:

(a) its acceptance; or

(b) the imposition of a lesser penalty or less onerous terms; or

(c) the imposition, with the consent of the Respondent, of a penalty or terms more onerous,

by the District Council.

IX. Waiver

29. If this Settlement Agreement becomes effective and binding, the Respondent hereby waives his right to a hearing under the Association By-laws in respect of the matters described herein and further waives any right of appeal or review which may be available under such By-laws or any applicable legislation.

X. Staff Commitment

30. If this Settlement Agreement becomes effective and binding, Staff will not proceed with disciplinary proceedings under Association By-laws in relation to the facts set out in Section III of the Settlement Agreement.

XI. Public Notice of Discipline Penalty

31. If this Settlement Agreement becomes effective and binding:

(a) the Respondent shall be deemed to have been penalized by the District Council for the purpose of giving written notice to the public thereof by publication in an Association Bulletin and by delivery of the notice to the media, the securities regulators and such other persons, organizations or corporations, as required by Association By-laws and any applicable Securities Commission requirements; and

(b) the Settlement Agreement and the Association Bulletin shall remain on file and shall be disclosed to members of the public upon request.

XII. Effect of Rejection of Settlement Agreement

32. If the District Council rejects this Settlement Agreement:

(a) the provisions of By-laws 20.10 to 20.24, inclusive, shall apply, provided that no member of the District Council rejecting this Settlement Agreement shall participate in any hearing conducted by the District Council with respect to the same matters which are the subject of the Settlement Agreement; and

(b) the negotiations relating thereto shall be without prejudice and may not be used as evidence or referred to in any hearing.

AGREED TO by the Respondent at the "city" of "Toronto", in the Province of Ontario, this "25th" day of "February", 2003.

"illegible"
Witness

"illegible"
Respondent

AGREED TO by Staff at the City of Toronto, in the Province of Ontario, this "26th" day of "February", 2003.

"Nina Genova"
Witness

"Elsa Renzella"
Elsa Renzella
Enforcement Counsel on behalf of Staff of the Investment Dealers Association of Canada

ACCEPTED by the Ontario District Council of the Investment Dealers Association of Canada, at the City of "Toronto", in the Province of Ontario, this "22nd" day of "April", 2003.

Investment Dealers Association of Canada
(Ontario District Council)

Per: "Hon. Fred Kaufman"
Per: "Norman Fraser"
Per: "F. Michael Walsh"

13.1.12 Proposed IDA By-law No. 39, Principal and Agent

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED BY-LAW NO. 39
PRINCIPAL AND AGENT

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada makes the following amendments to the By-laws, Regulations, ~~Forms and~~ Policies and Forms of the Association:

1. By adding new By-law 39 as follows:

~~39.1 "All by-laws and regulations~~ "39.1. All By-laws, Regulations, Policies and Forms of the Association that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.

39.2. For the purposes of this By-law "securities related business" means any ~~matter related to securities,~~business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including ~~commodities~~ commodity futures contracts and ~~commodities~~ commodity futures options) ~~and any other matter related to the handling of client accounts or dealings with clients.~~ for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.

~~39.3~~ 39.3. The relationship between the Member and any person conducting securities related business on ~~account~~ behalf of the Member may ~~do so as~~ be that of:

a) an employee, or

~~ii)~~b) an agent who is not an employee,

but may not be that of an incorporated salesperson.

~~39.4 A Member may structure~~ 39.4. Where a Member structures its business relationship with a person conducting securities related business on behalf of the Member using ~~a~~the principal / agent relationship ~~provided~~contemplated in paragraph 39.3(b), the Member shall ensure that:

a) the business relationship is not contrary to the provisions of applicable legislation;

~~a)~~b) ~~any~~such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;

~~b)~~c) the Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation ~~in the by-laws and rules;~~ and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject;

~~c)~~d) the Member shall be liable to ~~third parties (including clients)~~clients (and other third parties) for the acts and omissions of the agent relating to the Member's business as if the agent were an employee of the Member;

~~d)~~e) the agent is in compliance with ~~the legislation, by-laws and rules applicable to the agent;~~ applicable legislation and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject;

f) the financial institution bond and insurance policies required to be maintained by the Member pursuant to By-law 17 and Regulation 400 cover and relate to the conduct of the agent;

~~f)~~g) all books and records prepared and maintained by the agent in respect of ~~such~~the business of the Member shall be in accordance with By-law 17 and Regulation 200 and all applicable legislation and shall be the property of the Member and shall be available for review by and delivery to the Member at all times and upon termination of the ~~Agreement~~ agreement referred to in paragraph ~~(m);~~(n);

~~g)~~h) the Member shall, at all times, have access to the premises of the agent ~~at all times;~~where the agent conducts securities related business on behalf of the Member ;

~~h)~~i) in the event of a compliance issue arising in respect of a client or clients, the Member shall be entitled to take control of all future dealings with the client or clients;

~~i)~~j) all ~~such~~securities related business conducted by the agent is in the name of the Member subject to By-law 29.7A;

~~j)~~k) the agent shall not conduct securities related business with or ~~in respect~~on

behalf of any person other than the Member;

~~k)~~l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph ~~(m)~~(n) shall be monitored and enforced directly by the Member and not by or through any other person including another employer or principal of the agent;

~~l)~~m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Member shall not prevent or impair the ability of the Member or the ~~corporation~~Association from monitoring and enforcing compliance by the agent with the terms of the ~~agent referrred to in paragraph (m) or the by-laws and rules; and~~

~~m) the Member and the agent shall enter into an agreement in writing which shall be provided to the corporation prior to engaging in the agency relationship and shall contain terms which include the provision of paragraph (a) to (l), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (l), and shall provide the corporation with a certificate by an officer or director of such Member and upon request by the corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provision;~~

~~n)~~ ~~the~~ agreement referred to in paragraph ~~(m) shall be in a form satisfactory to~~ (n) or the By-laws, Regulations, Policies and Forms of the Association; and

~~o)~~n) the Member and the agent shall enter into an agreement in writing which shall be provided to the Association prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Association with ~~evidence satisfactory to the Association that the Member has taken appropriate action to ensure that the treatment of its agents for tax and other purposes as independent contractors is correct. In the event that the independent contractor status is disallowed for any~~ a certificate by an officer or director of such Member and upon request by the Association shall provide an opinion of counsel confirming the agreement is in compliance with such provisions; ~~purpose, the dealer and its agents shall bear all responsibility.~~"

o) the Member and the Association shall enter into an agreement in writing prior to the Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject and relate to the Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Member's business as if the agent were an employee of the Member;

p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Association; and

q) the Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Association of such compliance."

PASSED AND ENACTED BY THE Board of Directors this 17th day of October, 2001, to be effective on a date to be determined by Association Staff.

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Barclays Global Investors Canada Limited - cl. 213(3)(b) of the LTCA

Headnote

Subsection 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., ss. 213(3)(b).

April 22, 2003

Torys, LLP

Attention: Andre Poles

Dear Sirs/Mesdames:

Re: Barclays Global Investors Canada Limited (the "Applicant")
- Application for Exemptive Relief pursuant to c. 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario)
- App. #221/03

Further to an application (the "Application") dated April 10, 2003 filed on behalf of the Applicant and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act, 1987* (Ontario), the Commission approves the proposal that the Applicant act as the trustee of funds managed by the Applicant which are not offered under a prospectus or simplified prospectus and annual information form.

"Robert W. Korthals" "Robert W. Davis"

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