The Ontario Securities Commission

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JUNE 20, 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
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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

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	**Robert Davies**
	s. 127
	T. Pratt in attendance for Staff
	Panel: TBA
DATE: TBA	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.**
	s. 127
	Y. Chisholm in attendance for Staff
	Panel: TBA
June 24, 2003 10:00 a.m.	**Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall**
	s. 127
	J. Superina in attendance for Staff
	Panel: PMM
June 25, 2003 10:00 a.m.	**The Farini Companies Inc., and Darryl Harris**
	s. 127
	A. Clark in attendance for Staff
	Panel: HLM/KDA

June 26, 2003 2:30 p.m.	**Discovery Biotech Inc. and Graycliff Resources Inc.** s.127 K. Daniels in attendance for Staff Panel: HLM/RWD/HPH
July 11, 2003 10:00 a.m.	**Brian Anderson, Leslie Brown, Douglas Brown, David Sloan and flat Electronic Data Interchange (a.k.a. F.E.D.I.)** s. 127 K. Daniels in attendance for Staff Panel: HLM/WSW/RLS
October 7 to 10, 2003	**Gregory Hyrniw and Walter Hyrniw** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
October 20 to 31, 2003	**Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation** s. 127 I. Smith in attendance for Staff Panel: TBA
November 3 to 21, 2003 10:00 a.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

Global Privacy Management Trust and Robert Cranston

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

Philip Services Corporation

S. B. McLaughlin

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

1.1.2 Notice of Request for Comments - Proposed National Instrument 51-102 and Companion Policy 51-102CP, Continuous Disclosure Obligations, Proposed OSC Rule 51-801, Implementing National Instrument 51-102 Continuous Disclosure and Companion Policy 51-801CP

NOTICE OF REQUEST FOR COMMENTS

PROPOSED NATIONAL INSTRUMENT 51-102 AND COMPANION POLICY 51-102CP CONTINUOUS DISCLOSURE OBLIGATIONS PROPOSED ONTARIO SECURITIES COMMISSION RULE 51-801 *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE* AND COMPANION POLICY 51-801CP

The Commission is publishing for comment in today's Bulletin:

- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) which contains Form 51-102F1 *Annual Information Form* (AIF), Form 51-102F2 *Management Discussion and Analysis* (MD&A), Form 51-102F3 *Material Change Report* (MCR), Form 51-102F4 *Business Acquisition Report* (BAR), Form 51-102F5 *Information Circular* and Form 51-102F6 *Statement of Executive Compensation* (collectively the Forms);
- Companion Policy 51-102CP to NI 51-102 (the Policy);
- Notice and Request for Comment regarding NI 51-102, the Forms, the Policy and related amendments and revocations; and
- Commission Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* (the Implementing Rule) and its Companion Policy and Notice and Request for Comment.

The Notice relating to NI 51-102 also requests comment on:

1. the proposed rescission of National Policy No. 51 *Changes in the Ending Date of a Financial Year and in Reporting Status* and National Policy No.31 *Change of Auditor of a Reporting Issuer;*
2. the proposed revocation of National Instrument 62-102 *Disclosure of Outstanding Share Data;* and
3. a proposed amendment to National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues.*

The Notice relating to the Implementing Rule also requests comment on:

1. proposed amendments to
   a) Commission Rule 56-501 *Restricted Shares*; and
   b) Commission Form 41-501F1.
2. the proposed revocation of:
   a) Commission Rule 51-501 *AIF & MD&A;*
   b) Commission Rule 52-501 *Financial Statements;*
   c) Commission Rule 54-501 *Prospectus Disclosure; and*
   d) Commission Rule 62-102 *Disclosure of Outstanding Share Data;* and
3. the proposed rescission of
   a) Companion Policy 51-501CP to Commission Rule 51-501 *AIF & MD&A*,
   b) Companion Policy 52-501CP to Commission Rule 52-501 *Financial Statements*,
   c) Commission Policy 52-601 *Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Statements and Proxy Solicitation Material; and*
   d) Commission Policy 51-603 *Reciprocal Filing.*

The documents are published in Chapter 6 of the Bulletin.

1.1.3 Request for Comments – Proposed National Instrument 71-102 and Proposed OSC Rule 71-802

NOTICE OF REQUEST FOR COMMENTS

PROPOSED NATIONAL INSTRUMENT 71-102 AND COMPANION POLICY 71-102CP CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS PROPOSED ONTARIO SECURITIES COMMISSION RULE 71-802 IMPLEMENTING NATIONAL INSTRUMENT 71-102

The Commission is republishing for comment in today's Bulletin:

- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102);
- Companion Policy 71-102CP to NI 71-102 (the Policy);
- Notice and Request for Comment regarding NI 71-102, the Policy and related amendments and revocations; and
- Commission Rule 71-802 *Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and its Notice and Request for Comment.

The Notice relating to NI 71-102 also requests comment on the proposed rescission of the following:

1. OSC Policy 7.1 *Application of Requirements of the Securities Act to Certain Reporting Issuers;*
2. Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers (1980), OSCB 54, as amended;
3. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1218, as amended by (1999), 22 OSCB 151, (2000), OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 3699, that incorporates by reference the deemed rule (1980), OSCB 166, as amended;
4. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 3699, that incorporates by reference the deemed rule (1984), 7 OSCB 1913, as amended; and
5. Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289, (2000), OSCB 8244 and (2002), 25 OSCB 3699, that incorporates by reference the deemed rule (1984), 7 OSCB 3247 as amended.

The documents are published in Chapter 6 of the Bulletin.

1.1.4 Speech by David Brown - Finding Common Ground: A Robust Canadian Response to the Financial Reporting Scandals

FINDING COMMON GROUND:
A ROBUST CANADIAN RESPONSE TO THE FINANCIAL REPORTING SCANDALS

REMARKS BY DAVID A. BROWN, Q.C.
CHAIR, ONTARIO SECURITIES COMMISSION
AT THE FEI CANADA PEAK PERFORMANCE CONFERENCE
BANFF, ALBERTA
JUNE 13, 2003

I'm pleased to have the opportunity to speak to you today. That's not just because one always appreciates an excuse to come to Banff. More importantly, this is an opportunity to speak to the people who are on the front line preparing the financial information on which fair and well-run financial markets operate.

I have no doubt that the men and women responsible for corporate financial reporting are overwhelmingly honest, ethical and dedicated to the principle of transparency. But it only takes a small number of apples to spoil a large barrel. Ethical behaviour is a challenge whenever money is involved. It reminds me of the story of the butcher who had just racked up an order for $50. When the customer paid, the butcher noticed a second $50 bill inadvertently stuck to the first one. He was struck with a dilemma: "Ethics – do I tell my partner?"

Responsible industry leaders like yourselves work to make sure that the butcher tells the customer about the extra fifty. Regulators like myself must provide you with all the support we can – while at the same time making sure that clear rules are in place so that conscience is not alone out there all by itself.

Not quite one year ago, the United States adopted the Sarbanes-Oxley Act, in response to the corporate scandals epitomized by Enron. Canadian business did not produce its own Enron or WorldCom over the past two years. But no country can afford to sit back and think the problem can't happen to them. After all, Americans could have thought that two years ago. If we have learned anything, it is that no country is immune to corporate or individual greed. I was amused at the candour of a successful entrepreneur, Dick Le Van, whose obituary appeared earlier this week in the Globe and Mail. Reportedly, one of his favourite expressions was "Don't let your short-term greed get in the way of your long-term greed."

Of course, Canada is not isolated from the effects of major regulatory changes in the U.S. market. Since Sarbanes-Oxley became law, we have been shaping our regulatory response. We have been talking to market participants. We have been listening. Now, it is time to act. On June 27, the Ontario Securities Commission will introduce three new rules for comment. The rules deal with:

1. CEO and CFO certification of annual and interim disclosures;

2. the role and composition of audit committees; and

3. support for the work of the Canadian Public Accountability Board in its oversight of auditors of public companies.

The rules are as robust as Sarbanes-Oxley, but address unique Canadian concerns. They are made in Canada and right for the Canadian market. They have near-unanimous national support, with 12 of our 13 provincial and territorial securities regulators joining in support of them.

Indeed, support for a robust regulatory approach is tremendous across Canada. Our market participants want to know that corporate financial statements mean what they appear to mean. They want to know that auditors are responsible to shareholders. And they want to know that someone is examining the examiners – or in this case the auditors. Canadian companies realize that their ability to raise capital – in New York, Europe, or even here in Canada – depends largely on the degree of respect earned by Canadian regulation and the Canadian market.

Canada's corporate community recognizes this. That is why you have shown leadership in supporting rules that fulfill the same function in Canada as Sarbanes-Oxley does in the United States.

Today I would like to describe the three draft rules we are putting forward, how they were shaped, and why we are proposing them. The goal is to ensure that investors in Canada receive protection that is second to none, while preserving the ability of companies to seek capital in the Canadian market.

Before I get further into these issues, I would like to take this opportunity to congratulate you as members of FEI Canada for the leadership you have shown in addressing the interests of financial executives at large- and mid-size organizations, and for increasing understanding of the changing world of financial management. You have invested significant time and resources in the organization, and I am pleased to see that it is yielding a return in terms of education and awareness.

It is important that we regulators work with you, the financial executives, to ensure that Canada's capital markets are equipped to meet the industry's future needs. This means that we must be able to compete with global markets and maintain the ever-higher standards that are being set by such international bodies as the Bank for International Settlements, IOSCO and the Group of Thirty (G-30). And it means that we must consider bringing uniformity to our domestic market in ways that converge with emerging international trends.

Yesterday, some of you attended the session "Stock Exchanges Flex Their Muscles – The New Playing Field," where you heard Bryant Seaman, Group Executive Vice President International from the New York Stock Exchange,

when he listed the many industrialized countries around the world that are introducing Sarbanes-Oxley-style corporate governance standards. He listed, among others, the United Kingdom, France, Japan, India, and Canada. We are not alone in seeing benefit in Sarbanes-Oxley measures.

One Canadian example of regulators uniting to streamline and harmonize our regulation is the Uniform Securities Legislation project. Stephen Sibold, chair of the Alberta Securities Commission, has chaired a national task force aimed at getting uniformity among the 13 different provincial and territorial sets of securities legislation. The Uniform Securities Legislation project has forged agreement in concept across all jurisdictions on the hundreds of changes necessary to make Canada's securities laws uniform, addressing the problems created by having multiple decision-makers. This is an important step toward getting a greater degree of national cohesion among 13 distinct commissions, and Steve's leadership has been invaluable.

Securities commissions have been dealing with a number of major issues this year. It has been a difficult year for financial markets. To paraphrase an ancient Chinese curse, we've been living in "interesting' times. They've been the kind of interesting times that make you appreciate a little boredom every now and then.

All markets face the same potential pressures. The 1990s saw a dramatic growth in investors and capital, a sense of optimism unmatched in decades, and continuous pressure to beat the Street's expectations. In this environment, there was significant incentive for many to put ethics aside. As Warren Buffet puts it, by the 1990s, "CEOs who traveled the high road did not encounter heavy traffic ... These otherwise decent people simply followed the career of Mae West: 'I was Snow White, but I drifted.'"

It is not surprising that attitudes such as these have dampened investor confidence. Behavior in the corporate boardroom has impact on the Street. Consider some comments made by Claude Lamoureux, one of the speakers on the first panel this morning. Claude is President and CEO of the Ontario Teachers' Pension Plan, a fund holding more than $66 billion. (I guess that gives him sixty-six billion reasons to be concerned about good corporate governance.)

Here is what Claude had to say earlier this year to the Canadian Club in Toronto: "(L)et's not kid ourselves. Investor confidence has been badly shaken by incompetent corporate governance. It's time for investors to strike back. Every shareholder should question the performance and ethical commitment of corporate leaders as well the best governance efforts of regulators, institutional investors, accountants and corporate lawyers." End quote.

Mr. Lamoureux isn't shy about his opinions – and corporate Canada would be wise to pay attention. Of course, regulators have to do our share. And out of the recent crisis of confidence is emerging a regulatory regime that is far more robust, and better able to ensure markets that are fair. We are dealing with the same issues that Sarbanes-Oxley and NYSE listing proposals are addressing. And we are doing it in a way that is every bit as robust as it is being done in the United States.

Even before the enactment of Sarbanes-Oxley, a number of Canadian initiatives were well underway:

- A new Canadian Public Accountability Board was created, chaired by former Bank of Canada Governor Gordon Thiessen, to conduct reviews of the audit practices of accounting firms auditing public corporations. The board was created by the accounting profession in co-operation with provincial and federal regulators. A significant majority of its members are independent of the accounting profession. Its mandate is to accomplish objectives similar to the U.S. Public Company Accounting Oversight Board. We all know the American penchant for acronyms. The PCAOB is now widely known as Peekaboo, which, when you think about it, is somewhat fitting.

- The Canadian Institute of Chartered Accountants published for comment new requirements for auditor independence, combining the stringent new requirements proposed by the SEC with the latest initiatives by the International Federation of Accountants (IFAC).

- The Investment Dealers Association introduced a new draft policy governing analyst standards. A committee established by the IDA and the stock exchanges had begun studying the issue in 1999, in response to concerns that were being raised about the role that analysts play in promoting stocks in the marketplace. The policy now incorporates some recently adopted U.S. standards as well as most of that committee's 33 recommendations. Increasingly, research reports are becoming cooperative cross-border ventures, with reports produced in Toronto being distributed in New York and other U.S. cities, and vice versa. It is not just a matter of integrating rules. We have to attempt to facilitate, as much as possible, the increasing integration of the markets themselves, while remaining mindful of the inherent differences in those markets. Research will be regulated in a way that acknowledges its cross-border nature, but addresses the conflicts that are specific to the Canadian markets.

When the Sarbanes-Oxley Act was passed, it became clear that even as the measures I have just described were moving forward, the governance of public corporations and the regulation of financial markets would fundamentally change.

At both the provincial and federal levels, governments have moved quickly to address regulatory gaps.

- In April the Province of Ontario proclaimed into law a series of amendments to the *Securities Act*

and the *Commodity Futures Act.* These amendments give the OSC rule-making authority to promote management accountability and stronger audit committees. It gives the OSC the authority to levy an administrative penalty of up to one million dollars, and the ability to order the disgorgement of profits made as a result of a breach of the *Securities Act.* The legislation also gives the courts authority to impose higher fines and longer jail terms – a strong signal that stiffer sentences are needed in this area.

- I'm very pleased with the details of the program announced just yesterday by federal Minister Martin Cauchon. The new measures he announced are meant to strengthen enforcement action and legislation against serious capital market fraud. The Government of Canada will spend up to $120 million over the next five years to create six investigative units strategically located across the country. The criminal code will be amended to target employees who use privileged information in illegal insider trading. As well, jail terms will be substantially increased for people who engage in insider trading or other forms of capital markets fraud. I am pleased at the collaboration that is already well established between OSC enforcement staff, federal officials and the RCMP – this collaboration will now only grow.

- The federal government is also considering amendments to the Canada Business Corporations Act to impose higher corporate governance standards on CBCA companies.

Shortly after the passage of Sarbanes-Oxley, we launched a very public review of the merits of introducing similar reforms in Canada. The process began with an open letter to market participants, alerting them to the potential impact of the U.S. reforms on Canada and our ability to compete for capital. We sought advice from stock exchanges, self-regulatory organizations, industry associations, public interest groups and groups of market participants formed to address the crisis in investor confidence. We consulted with governments and market participants from all segments of the industry. We debated the issues with market commentators and other regulators. We attended conferences and seminars and met with focus groups. And, most importantly, we listened.

Here's what we were told:

We were told that Canadians are entitled to a regulatory regime that is as comprehensive and dynamic as the regime established by our neighbours. We were told that it would be a mistake to think that we can write the issue off as an American problem. The big scandals erupted south of the border, but they emitted after-shocks that could be felt on Bay Street as well as Wall Street. Canadian market participants realize that Canada is not immune to the kind of scandals that occurred in the U.S.

We were told that equivalent regulatory protection does not mean identical protection. Canada and the United States are different countries. We were told that we need to take into account the different composition of the Canadian market. Canada has a much higher proportion of small-cap public companies than the United States and a much higher proportion of controlled companies. However, there was something of a contradiction here: we were also told that we should avoid a two-tier market. In the United States, all listed companies are covered by Sarbanes-Oxley.

We heard from market participants, and governments demonstrated their concerns. Our challenge as regulators was to address all of the issues, including the concern about Canada's distinct regulatory character. We had to introduce reforms that are every bit as robust as U.S. reforms; but tailored specifically to Canadian markets and their unique needs.

In other words, what we needed was a made-in-Canada solution.

But any solution must actually solve the problems. It must ensure that Canada is an appealing place to invest. It must ensure that Canadian companies can raise money on the global capital markets.

And it must ensure that our market rules are compatible with those of our largest trading and investment partner. North American markets are too integrated to think that we could simply ignore a set of new, robust market standards in the United States, as though our markets have no relationship with each other.

Two weeks from today, we will put forward draft rules that meet these criteria. The schedule for implementing our rules is roughly comparable to the SEC draft rules, which have implementation dates ranging from this spring to the fall of 2004. The rules are as robust as the rules in the United States. They will be as effective as the U.S. rules in restoring investor confidence. But they are Canadian rules, with input from Canadian participants, to deal with unique Canadian circumstances. As I mentioned, 12 of the 13 securities regulators will join in supporting them. In fact, these rules will become national policy instruments implemented by the overwhelming majority of commissions.

Our draft rules will be accompanied by a rigorous cost-benefit analysis and I would like to address two points about costs and benefits today.

First, some commentators have pointed to increases in Directors' and Officers' insurance and have postulated that Sarbanes-Oxley is behind those increases. While there may be some cost implications that can be traced to the legislation, what we have heard from the insurance industry is that those insurance costs have risen because of other factors, most importantly losses that the insurance industry suffered in the wake of Enron, Worldcom and others, as well as arising from September 11 claims. I think that in the longer term, companies that have a more robust governance framework may see decreases – or maybe

reduced increases – to their insurance costs, especially if they are compared to their less-robust competitors. In this case, the best way to keep insurance costs down is to reduce the potential for corporate scandals.

Secondly, in carrying out the cost-benefit analysis of the application of our new rules, our Chief Economist's office found that, like in many other cost-benefit studies, it is easier to identify and quantify the costs than the benefits. Our study, however, will show that even the high-end of the range of potential costs is significantly lower than the low-end of the range of potential benefits. Even taking into account just a partial list of benefits, we believe that the benefits realized can be expected to be greater than the sum of the costs.

It is gratifying that the rule changes will not only make sense from a policy perspective, in that they are designed to help restore investor confidence, they also make sense from a cost-benefit perspective.

The first rule therefore concerns the role and composition of audit committees. The recent U.S. scandals have demonstrated the dangers of permitting management to oversee the relationship between an issuer and its external auditors. There is an inherent conflict of interest. It is exacerbated when the external auditors start to forget that their client is the shareholders, and start to think it's management. That is bound to happen when management hires and fires them, provides oversight and awards compensation.

International best practices suggest that the external auditors should report to a body that is independent of management. In the United States, the Sarbanes-Oxley Act requires the external auditors to report to the audit committee of the board that is completely independent of management.

We have heard from our stakeholders that Canadian investors should be afforded equivalent protection. We agree. Accordingly, we will introduce into Canada rules regulating the composition and responsibilities of audit committees that conform to those that have been introduced in the United States and internationally recognized best practices – and are equally as robust. But we must be sensitive to the unique needs of our market and the nature of Canadian corporate law.

We believe our proposed new rule achieves this objective. It requires every audit committee to have a minimum of three members. Each member must be independent, with no direct or indirect material relationship with the issuer or its management. Each member must be financially literate. And issuers must disclose whether or not there is a financial expert serving on its audit committee.

The definition of an audit committee financial expert in the rule will be virtually identical to the definition adopted in the United States. The committee's responsibilities will be comparable, including those related to the appointment, compensation, retention and oversight of the external auditor.

One example of what our Chief Economist found when he examined the likely impacts of our proposed rules is that studies that examined companies in aggregate over long time-horizons demonstrate overwhelming evidence that independent, financially literate audit committees produce positive benefits on companies' performances. This suggests that one good way for a company to seek out better performance is to ensure the independence and financial literacy of its audit committee. Bryant Seaman yesterday indicated that research by the New York Stock Exchange has reached similar conclusions.

We believe these provisions are appropriate for our larger and more liquid companies – those listed on the TSX. But what about small issuers? We heard that it would be unfair to hold them to all of the same standards; that it would constitute an unfair burden on their resources, and an unacceptable barrier to their ability to access the public markets and compete. In the United States, small issuers, too small to qualify their shares for listing on a U.S. exchange or Nasdaq, are exempt from many of the provisions of the Sarbanes-Oxley Act.

Since a small Canadian issuer listed on TSX Venture Exchange generally would not be large enough to qualify as a listed company on a major exchange in the United States, they too will be accorded accommodations to meet their needs. These issuers will be exempted from the requirement that members of the audit committee be independent and financially literate and the disclosure requirements related to the audit committee financial expert. However, they will be required to comply with the remainder of the rule. We view this exemption as an appropriate balance between enhancing investor confidence and meeting the needs of our smaller issuers.

We also recognize the unique needs of closely-held companies. Consistent with parallel U.S. regulation, the draft rule permits an independent director of a company to be a member of the audit committee of an affiliated entity. Thus, independent directors of a parent company would be permitted to be members of the audit committee of a subsidiary.

The second rule will require CEOs and CFOs of all Canadian public companies to
personally certify four times a year that their issuer's annual and interim filings do not contain a misrepresentation, and that they fairly present the issuer's financial condition.

In our view, fair presentation includes:

- the selection and proper application of appropriate accounting policies;
- disclosure of financial information that is informative and reasonably reflects the underlying transactions;
- and inclusion of additional disclosure necessary to provide investors with a materially accurate and complete picture of financial condition, results of operations and cash flows.

CEOs and CFOs will also be required to certify that they have reasonable internal controls in place, and the rule will specify that they must evaluate the effectiveness of these controls and disclose any deficiencies to the firm's audit committee and auditors. This requirement will be phased-in after one year.

This rule is comparable to similar measures undertaken by the SEC in response to Sarbanes-Oxley. In this regard, I should mention that the rule to be released this month will not include provisions similar to those contained in Section 404 of Sarbanes-Oxley. These deal with management's report on internal controls and the external auditor's attestation to that report. As you are no doubt aware, it was only very recently that the SEC finalized rules relating to the management report and standards for the auditor's report remain to be developed by the Peekaboo. Now that the SEC rules are available, we will assess them and consider implementing comparable requirements in Ontario, including a requirement for auditor attestation.

We believe that it is crucial for this certification rule to apply to all Canadian public companies. It will not be overly burdensome for smaller issuers to satisfy. In our consultations, stakeholders told us that we should not have a two-tiered approach for CEO/CFO certification. After all, if the CEO and CFO cannot stand behind the company's financial information, they should not be offering shares to the public.

The third rule that we are releasing for comment puts some teeth into the Canadian Public Accountability Board. It will require financial statements of public companies to be audited by a firm that is in good standing with the board.

These three draft rules recognize that Canada is an independent country with its own unique market. But they also recognize that we share in the global need to ensure investor confidence.

Ladies and gentlemen, I appreciate the interest you are taking in these issues. Market confidence ultimately depends on the commitment and leadership of people like you, CFOs and other financial executives of large and mid-size corporations. But our system and structure for securities regulation must also be dynamic and in a constant state of evolution to respond to constantly changing market realities. It has to reflect the broader base of investors, and the need to maintain their confidence in the market's integrity. It has to reflect the fact that we live in an interconnected world.

We have met the challenge that we set for ourselves. We've consulted with stakeholders. We've listened to what they have to say. Canadian measures to restore investor confidence will be as robust as those implemented in the U.S., but they will reflect the differences in Canadian markets:

- we will have comparable rules dealing with analyst standards and potential conflicts of interest;
- we will have comparable reforms to increase auditor independence;
- we will have tough new sanctions to deal with violators;
- CEOs and CFOs of all Canadian public companies will be required to certify financial results;
- audit firms will be required to be in good standing with the new Canadian Public Accountability Board in order to issue audit opinions for public companies; and
- audit committees, independent of management, will have oversight responsibilities in connection with the audit and financial reporting.

These reforms have support from investors, the business community and other Canadian securities commissions.

They will help ensure a Canadian market that is fair to Canadians, and a Canadian economy that is able to compete.

Thank you.

1.1.5 RS Exemption of Trades Pursuant to Market Maker Obligations from the Payment of Regulation Fees - Notice of Commission Approval

MARKET REGULATION SERVICES INC.
EXEMPTION OF TRADES PURSUANT TO MARKET MAKER OBLIGATIONS FROM THE PAYMENT OF REGULATION FEES

NOTICE OF COMMISSION APPROVAL

We are publishing a notice in Chapter 13 of this Bulletin concerning Commission approval of a proposal from Market Regulation Services Inc. (RS) to exempt trades pursuant to market maker obligations from the payment of regulation fees.

1.1.6 Speech by David Brown - Giving Conscience A Helping Hand: A Robust Response to the Financial Reporting Scandals

GIVING CONSCIENCE A HELPING HAND:
A ROBUST RESPONSE TO THE FINANCIAL REPORTING SCANDALS

REMARKS BY DAVID A. BROWN, Q.C.
CHAIR, ONTARIO SECURITIES COMMISSION
AT THE NATIONAL PRESS CLUB
OTTAWA
JUNE 18, 2003

I'm pleased to have the opportunity to speak to you today. Securities commissions have been dealing with a number of major issues this year. It has been a difficult year for financial markets. To paraphrase an ancient Chinese curse, we've been living in "interesting' times. They've been the kind of interesting times that make you appreciate a little boredom every now and then.

There are certainly plenty of national issues to talk about. In fact, when it comes to regulation of the equities markets there are few issues that are not national. The challenges are national in scope, and demand solutions that are national in reach.

We are seeing a number of efforts to produce comprehensive solutions. We are seeing it in Finance Minister Manley's Wise Persons' Committee. We're seeing it in the involvement of provincial ministers responsible for securities regulation, seeking improvements to our fragmented regulatory model. We're seeing it in steps that 12 of 13 securities commissions in Canada are taking to respond to the Sarbanes-Oxley Act and bolster investor confidence.

And we are seeing efforts at national cooperation on an ongoing basis, on a number of issues. We saw a good example last week. After a number of years of effort by commissions across the country, we achieved the full-scale launch of our 24-hour, insider reporting system, the System for Electronic Disclosure by Insiders, also known as SEDI.

SEDI was established by the Canadian Securities Administrators, the umbrella group of 13 provincial and territorial securities commissions. The goal is to catch up with a societal shift that you see every day in the news business, to the point where it has probably become second nature – the shift from paper to instantaneous means of electronic communications. Once it is reported, insider trading information will now be available across the country at the same speed as the score of an Ottawa Senators' game. In most cases it will see the light of day virtually as soon as the information is filed, rather than weeks later.

For reporting issuers, SEDI provides ease of use and the ability to file statutory reports electronically on a 24-hour basis. For investors, it provides free, searchable public access to insider trading information. For our market

system, it will provide transparency and deter insider trading on confidential information.

There are so many benefits, the obvious question is: Why did it take so long? One reason is the difficulty in bringing together 13 provinces and territories. The idea was first proposed five years ago. Five years of debate on the nature of the system and what it would include. Five years of discussion of the legal requirements. More than anything, it is a graphic reminder of the need for an ongoing national structure to pursue equities market regulation and enforcement.

When companies seek capital all over the globe and individuals can place orders wherever they want in seconds, how relevant are provincial boundaries?

It would make a good trivial pursuit question: What is the one leading industrialized country that does not have a national securities commission? Except it is anything but trivial.

Canada's regulatory structure lacks uniformity, with 13 separate sets of rules.

It has too many decision-makers, with 13 separate sets of regulators.

There are differences from province to province – wide differences that add to the cost and complexity of the system, while seriously diminishing its efficiency.

Too many decision-makers add up to a cost burden on all Canadians who participate in Canada's financial markets – the costs of dealing with separate commissions, supporting them through fees, and accommodating potential differences among them.

Canadian regulators have taken some steps to address these problems. Another example of regulators uniting to streamline and harmonize our regulations is the Uniform Securities Legislation project. Stephen Sibold, chair of the Alberta Securities Commission, has chaired a national task force aimed at getting uniformity among the 13 provincial and territorial sets of securities legislation. The project has forged agreement in concept across all jurisdictions on the hundreds of changes necessary to make Canada's securities laws uniform. That includes "passport" measures and decision-making delegation, under which all commissions delegate decisions to the one in whose province an issuer's head office is located.

This kind of initiative is valuable. But it would still leave us with a system in which market participants support 13 regulators. We would still have a structure in which 13 separate regulators have the capacity to apply rules differently to similar situations. We would still face a situation where any one jurisdiction can add to the regulatory burden of all participants across the country. Some of the smaller jurisdictions may actually have to increase their staff to meet their new requirements, where in the past they had relied on other jurisdictions to analyze policies and make decisions.

If we want all of the regulators to act as one, why not have just one? Why not just have a single, national securities commission with representation from all regions of Canada?

Given Canada's political realities, we must recognize that a national commission does not have to be a federal commission. That is why I believe what Canada needs is more in the nature of a Pan-Canadian Commission, created by the Provinces with federal government support. The provinces have the expertise and the culture to oversee the operation of financial markets. Wouldn't it make sense for them to pool their resources, and put in place a commission that is truly national, without upsetting the existing constitutional distribution of powers?

In some ways, the most difficult issues for the Canadian system of securities regulation to deal with are the ongoing issues reflecting how business is conducted every day. Unfortunately, under Canada's regulatory structure the only kind of problems that we are able to deal with quickly are potential problems that threaten to turn into crises. Our system is able to come together to deal with emergencies. We need a system that can also come together to deal with everyday regulation. We need a national market regulator to deal with national issues on a Pan-Canadian basis – and deal with potential crises before they become actual ones.

A good example of an urgent national issue that has brought together much of the regulatory and legislative system is the current need to ensure that investors can have confidence in financial information from public companies.

We've put together a national response to this challenge. And we've done that without the luxury of Sarbanes-Oxley-like legislation, where, with one stroke of the legislative pen, the U.S. Congress amended corporate law, securities law, the criminal code, employment law and imposed sentencing guidelines on judges. Instead, federal and provincial governments, regulators, self-regulatory organizations and stock exchanges have cooperated to produce made-in-Canada solutions to this crisis in investor confidence – solutions that are equally as robust as the U.S. counterpart.

I'd like to talk about how we achieved that, and why.

Let's start with the why. The problem has its root in the fact that an individual's conscience does not make for the most reliable regulator. I have no doubt that the men and women responsible for corporate financial reporting are overwhelmingly honest, ethical and dedicated to the principle of transparency. But it only takes a small number of apples to spoil a large barrel. Ethical behaviour is a challenge whenever money is involved. It reminds me of the story of the butcher who had just racked up an order for $50. When the customer paid, the butcher noticed a second $50 bill inadvertently stuck to the first one. He was struck with a dilemma: "Ethics – do I tell my partner?"

Responsible leaders in the corporate and accounting communities must work to make sure that the butcher tells

the customer about the extra fifty. Regulators like myself must provide them with all the support we can – while at the same time making sure that clear rules are in place so that conscience is not alone out there all by itself. H.L. Mencken once said that conscience is "the tiny voice in the back of our head that tells us somebody may be looking." Even if we're not as cynical as Mencken, we should want more than a tiny voice trying to ensure fairness in our markets. Moral authority is important. But it's legal authority that makes our system work.

It was not quite a year ago that the United States adopted Sarbanes-Oxley in response to the corporate scandals epitomized by Enron. As you know, we are moving here toward rules that would pursue many of the same goals as Sarbanes-Oxley. This is not just a matter of keeping up with the Joneses. It is a matter of keeping ahead of the problem. Canadian business did not produce its own Enron or WorldCom over the past two years. But no country can afford to sit back and think it can't happen to them. After all, Americans could have thought that two years ago. If we have learned anything, it is that no country is immune to corporate or individual greed. No country can rely exclusively on individual conscience; we also need rules that put into practice collective principles. I was amused at the candour of a successful entrepreneur, Dick Le Van, whose obituary appeared earlier last week in the Globe and Mail. Reportedly, one of his favourite expressions was "Don't let your short-term greed get in the way of your long-term greed." Would you rely on that kind of conscience – or do we need specific rules?

Of course, Canada is not isolated from the effects of major regulatory changes in the U.S. market. Since Sarbanes-Oxley became law, we have been shaping our regulatory response. We have been talking to market participants. We have been listening. Now, it is time to act. On June 27, the Ontario Securities Commission will introduce three new rules for comment. The rules deal with:

1. CEO and CFO certification of annual and interim disclosures;

2. the role and composition of audit committees; and

3. support for the work of the Canadian Public Accountability Board in its oversight of auditors of public companies.

The rules are as robust as Sarbanes-Oxley, but address unique Canadian concerns. They are made in Canada and right for the Canadian market. They have near-unanimous national backing, with 12 of our 13 provincial and territorial securities regulators joining in support.

Market participants want to know that corporate financial statements mean what they appear to mean. They want to know that auditors are responsible to shareholders. And they want to know that someone is examining the examiners – or in this case the auditors. Canadian companies realize that their ability to raise capital – in New York, Europe, or here in Canada – depends largely on the degree of respect earned by Canadian regulation and the Canadian market.

The goal is to ensure that investors in Canada receive protection that is second to none, while preserving the ability of companies to seek capital in the Canadian market.

We must be able to compete with global markets and maintain the ever-higher standards that are being set by such international bodies as the Bank for International Settlements, the International Organization of Securities Commissions, and the Group of Thirty (G-30). And we must consider bringing uniformity to our domestic market in ways that converge with emerging international trends.

Among the many industrialized countries around the world that are introducing Sarbanes-Oxley-style corporate governance standards are the United Kingdom, France, Japan, and India. We are certainly not alone in seeing benefit in improved corporate governance standards.

All markets face the same potential pressures. The 1990s saw a dramatic growth in investors and capital, a sense of optimism unmatched in decades, and continuous pressure to beat the Street's expectations. In this environment, there was significant incentive for many to put ethics aside. As Warren Buffet puts it, by the 1990s, "CEOs who traveled the high road did not encounter heavy traffic ... These otherwise decent people simply followed the career of Mae West: 'I was Snow White, but I drifted.'".

Facing this kind of challenge, conscience needs some support.

Out of the recent crisis of confidence is emerging a regulatory regime that is far more robust, and better able to ensure markets that are fair.

Even before the enactment of Sarbanes-Oxley, a number of Canadian initiatives were well underway:

- A new Canadian Public Accountability Board was created, chaired by former Bank of Canada Governor, Gordon Thiessen, to conduct annual reviews of the audit practices of accounting firms auditing public corporations.

- The Canadian Institute of Chartered Accountants published for comment new requirements for auditor independence, combining the stringent new requirements proposed by the SEC with the latest initiatives by the International Federation of Accountants.

- The Canadian Securities Administrators, an umbrella organization for securities regulators in all Canadian jurisdictions, published a new, harmonized National Instrument supplementing required disclosure by public companies in their annual Management Discussion and Analysis.

- The Investment Dealers' Association introduced a new policy governing analyst standards. The

IDA's new Policy 11 now incorporates most of the recommendations of a joint industry task force chaired by Purdy Crawford and now also incorporates recently adopted U.S. standards.

When the Sarbanes-Oxley Act was passed, it became clear that even as the measures I have just described were moving forward, the governance of public corporations and the regulation of financial markets would fundamentally change.

- In April the Province of Ontario proclaimed into law a series of amendments to the *Securities Act* and the *Commodity Futures Act.* The OSC was given rule-making authority to promote management accountability and stronger audit committees, the authority to levy an administrative penalty of up to one million dollars, and the ability to order the disgorgement of profits made as a result of a breach of the *Securities Act.* The legislation also gives the courts authority to impose higher fines and longer jail terms.

- I'm very pleased with the details of the program announced just last week by Justice Minister Martin Cauchon, to strengthen enforcement action and legislation against serious capital market fraud. The Government of Canada will spend up to $120 million over the next five years to create nine investigative units strategically located across the country. The criminal code will be amended to target employees who use privileged information in illegal insider trading. Jail terms will be substantially increased for people who engage in insider trading or other forms of capital markets fraud. I am pleased at the collaboration that is already well established between OSC enforcement staff, federal officials and the RCMP – this partnership will now only grow.

- The federal government is also considering amendments to the Canada Business Corporations Act to impose higher corporate governance standards on CBCA companies.

Shortly after the passage of Sarbanes-Oxley, we launched a very public review of the merits of introducing similar reforms in Canada. . We sought advice from stock exchanges, SROs, industry associations, public interest groups and groups of market participants formed to address the crisis in investor confidence. And, most importantly, we listened.

Here's what we were told:

We were told that Canadians are entitled to a regulatory regime that is as comprehensive and dynamic as the regime established by our neighbours. We were told that it would be a mistake to think that we can write the issue off as an American problem. Canadian market participants realize that Canada is not immune to the kind of scandals that occurred in the U.S.

We were told that equivalent regulatory protection does not mean identical protection. We were told that we need to take into account the different composition of the Canadian market. Canada has a much higher proportion of small-cap public companies than the United States and a much higher proportion of controlled companies. However, there was something of a contradiction here: we were also told that we should avoid a two-tier market. In the United States, all listed companies are covered by Sarbanes-Oxley.

Our challenge as regulators was to address all of the issues, including the concern about Canada's distinct regulatory character. We had to introduce reforms that are every bit as robust as U.S. reforms; but tailored specifically to Canadian markets and their unique needs.

In other words, what we needed was a made-in-Canada solution.

But any solution must actually solve the problems. It must ensure that Canada is an appealing place to invest. It must ensure that Canadian companies can raise money on the global capital markets.

And it must ensure that our market rules are compatible with those of our largest trading and investment partner. North American markets are too integrated to think that we could simply ignore a set of new, robust market standards in the United States, as though our markets have no relationship with each other.

Next week, we will put forward draft rules that meet these criteria. The schedule for implementing our rules is roughly comparable to the SEC draft rules, which have implementation dates ranging from this spring to the fall of 2004. The rules are as robust as the rules in the United States. They will be as effective in restoring investor confidence. But they are Canadian rules, with input from Canadian participants, to deal with unique Canadian circumstances.

The first rule concerns the role and composition of audit committees. The recent U.S. scandals have demonstrated the dangers of permitting management to oversee the relationship between an issuer and its external auditors. There is an inherent conflict of interest. It is exacerbated when the external auditors start to forget that their client is the shareholders, and start to think it's management. That is bound to happen when management hires and fires them, provides oversight and awards compensation.

International best practices suggest that the external auditors should report to a body that is independent of management. Sarbanes-Oxley requires external auditors to report to an audit committee of the board that is completely independent of management.

We have heard from our stakeholders that Canadian investors should be afforded equivalent protection. We agree. Accordingly, we will introduce into Canada rules regulating the composition and responsibilities of audit committees that conform to those that have been

introduced in the United States and internationally recognized best practices – and are equally as robust. But we must be sensitive to the unique needs of our market and the nature of Canadian corporate law.

We believe our proposed new rule achieves this objective. It requires every audit committee to have a minimum of three members. Each member must be independent, with no direct or indirect material relationship with the issuer or its management. Each member must be financially literate. And issuers must disclose whether or not there is a financial expert serving on its audit committee.

We believe these provisions are appropriate for our larger and more liquid companies – those listed on the TSX. But what about small issuers? We heard that it would be unfair to hold them to all of the same standards; that it would constitute an unfair burden on their resources, and an unacceptable barrier to their ability to access the public markets and compete. In the United States, small issuers, too small to qualify their shares for listing on a U.S. exchange or Nasdaq, are exempt from many of the provisions of the Sarbanes-Oxley Act.

Since a small Canadian issuer listed on TSX Venture Exchange generally would not be large enough to qualify as a listed company on a major exchange in the United States, they too will be accorded accommodations to meet their needs. These issuers will be exempted from the requirement that members of the audit committee be independent and financially literate and the disclosure requirements related to the audit committee financial expert. However, they will be required to comply with the remainder of the rule. We view this exemption as an appropriate balance between enhancing investor confidence and meeting the needs of our smaller issuers.

We also recognize the unique needs of closely-held companies. Consistent with parallel U.S. regulation, the draft rule permits an independent director of a company to be a member of the audit committee of an affiliated entity. Thus, independent directors of a parent company would be permitted to be members of the audit committee of a subsidiary.

The second rule will require CEOs and CFOs of all Canadian public companies to personally certify four times a year that their issuer's annual and interim filings do not contain a misrepresentation, and that they fairly present the issuer's financial condition.

CEOs and CFOs will also be required to certify that they have reasonable internal controls in place, and the rule will specify that they must evaluate the effectiveness of these controls and disclose any deficiencies to the firm's audit committee and auditors. This requirement will be phased-in after one year.

This rule is comparable to similar measures undertaken by the SEC in response to Sarbanes-Oxley.

We believe that it is crucial for this certification rule to apply to all Canadian public companies. It will not be overly burdensome for smaller issuers to satisfy. In our consultations, stakeholders told us that we should not have a two-tiered approach for CEO/CFO certification. After all, if the CEO and CFO cannot stand behind the company's financial information, they should not be offering shares to the public.

The third rule puts teeth into the Canadian Public Accountability Board. It will require financial statements of public companies to be audited by a firm that is in good standing with the board.

We have met the challenge that we set for ourselves. We've listened to stakeholders. We've developed an approach that is right for Canada. Governments, regulators, and SROs have turned the concept into a national reality..

The result is a coordinated mosaic that reflects Canadian concerns while addressing problems that recognize no border. It will encourage investor confidence to return to the market; it will help our corporate conscience assert its place in boardrooms and management offices.

These reforms have support from investors, the business community and other Canadian securities commissions.

They will help ensure a Canadian market that is fair to investors, and a Canadian economy that is able to compete. They reflect our conscience – and etch it into law.

Thank you.

1.1.7 OSC Staff Notice 31-709 - National Registration Database (NRD) Filing Deadlines Extended to November 15, 2003

ONTARIO SECURITIES COMMISSION
STAFF NOTICE 31-709

NATIONAL REGISTRATION DATABASE (NRD)
FILING DEADLINES EXTENDED
TO NOVEMBER 15, 2003

Registrants have indicated to staff that in some cases the quality of the data converted from the Commission's internal registration system to NRD is poor. Staff very much regrets this and is attempting to relieve the burden this has placed on registrants.

On May 9, 2003 staff published Notice 31-708 to extend certain filing deadlines in the transition sections of the NRD and Registration Information rules to September 30, 2003. Following further consultation with industry, staff will extend these deadlines to November 15, 2003. Specifically, staff will not take any action against firms or individuals that make NRD submissions under the following sections after the time required in the sections so long as the filing is made on or before November 15, 2003:

(a) section 7.4, section 7.6, and paragraph 7.9(1)(a) of Multilateral Instrument 31-102;

(b) section 7.4, section 7.6, and paragraph 7.9(1)(a) of OSC Rule 31-509 (*Commodity Futures Act*);

(c) paragraph 8.2(a), paragraph 8.2(c), section 8.3, and section 8.4 of Multilateral Instrument 33-109; and

(d) paragraph 8.2(a), paragraph 8.2(c), section 8.3, and section 8.4 of OSC Rule 33-506 (*Commodity Futures Act*).

In addition, under certain circumstances a registrant who reports a change to information pursuant to subsection 8.5(1) or subsection 8.7(1) (either in Multilateral Instrument 33-109 or OSC Rule 33-506 (*Commodity Futures Act*)) will not be required to submit a Form 33-109F4 as required under those sections. Specifically, staff will not take any action against a registrant who does not submit a Form 33-109F4 as required under those sections unless the change would be reported in any of the following sections of the Form 33-109F4:

(a) Item 1 Name;

(b) Item 14 Criminal Disclosure;

(c) Item 15 Civil Disclosure; or

(d) tem 16 Financial Disclosure.

Staff is continuing to investigate how best to correct the registration categories and officer titles that were loaded incorrectly to NRD. Given this, registrants may want to focus on transition issues other than correcting these data conversion errors. We will use www.NRD-info.ca to provide updates on any progress we are able to make on this issue.

During the implementation of NRD, registrants may encounter situations that create undue burden and require exemptive relief. Staff recognizes this and will attempt to assist registrants when possible.

As a result of staff making this notice, Notice 31-708 is withdrawn effective immediately.

Questions

Please refer your questions to any of:

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Legal Counsel
Ontario Securities Commission
(416) 593-8090
ddelint@osc.gov.on.ca

David Gilkes
Manager
Registrant Regulation
Ontario Securities Commission
(416) 593-8104
dgilkes@osc.gov.on.ca

June 20, 2003.

1.2 Notices of Hearing

1.2.1 Brian Anderson et al. - s. 127

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

AND

IN THE MATTER OF
BRIAN ANDERSON, LESLIE BROWN,
DOUGLAS BROWN, DAVID SLOAN AND
FLAT ELECTRONIC DATA INTERCHANGE
(a.k.a. F.E.D.I)

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the *Securities Act*, at the offices of the Securities Commission, 20 Queen Street West, 17th Floor Hearing Room on Wednesday, June 18, 2003 at 10:00 a.m. or as soon thereafter as the hearing can be held:

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

a) to extend the temporary order made June 5, 2003 until the conclusion of this hearing pursuant to s. 127(7);

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

c) at the conclusion of this hearing, to make an order pursuant to clause 5 of s. 127(1) that the Respondents be prohibited from providing to any person or company the documents attached as Schedules A to G to the Statement of Allegations; and

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

BY REASON OF the allegations set out in the Statement of Allegations dated June 11th, 2003 and such additional allegations as counsel may advise and the Commission may permit;

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

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

June 11, 2003.

"John Stevenson"

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

AND

IN THE MATTER OF
BRIAN ANDERSON, LESLIE BROWN,
DOUGLAS BROWN, DAVID SLOAN AND
FLAT ELECTRONIC DATA INTERCHANGE
(a.k.a. F.E.D.I)

STATEMENT OF ALLEGATIONS
OF THE ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission make the following allegations:

1. Brian Anderson is a person resident in White Rock, British Columbia who attends in the Province of Ontario for the purpose of making presentations to Ontario residents;

2. Leslie Brown is a person resident in Paris, Ontario;

3. Douglas Brown is a person resident in Paris, Ontario;

4. David Sloan was present in Ontario on June 4, 2003;

5. On the evening of June 4, 2003, the individual Respondents conducted a presentation (the Presentation) in respect the Flat Electronic Data Interchange ("F.E.D.I.") at the Wyndham Bristol Place Hotel, Etobicoke;

6. At the Presentation, the documents attached to this Statement of Allegations were made available to persons attending the seminar:

   i) "What is F.E.D.I. and How Do They Make Their Income?" (Schedule A)

   ii) "F.E.D.I. Flow Chart" (Schedule B)

   iii) "Bank Wire Coordinates" (Schedule C)

   iv) "Bank Wire Transfer Procedure" (Schedule D)

   v) "Joint Venture Agreement" (Schedule E)

   vi) "Email from Gordon Rothwell dated May 15, 2003" (Schedule F)

   vii) "Email from bjanderson dated April 17, 2003" (Schedule G)

   viii) "Email from Brian D. Anderson dated May 13, 2003" (Schedule H)

7. Persons who attended the Presentation were:

   i) told that F.E.D.I. is a scriptural based public trust;

   ii) invited to participate in F.E.D.I., which was described as the Flat Electronic Data Interchange. It was purported that F.E.D.I. will become the world's fifth Electronic Data Interchange and that it would be the first such exchange to be backed by gold;

   iii) told that F.E.D.I. will be servicing the Arab world and that it has been funded by contributions made by major Arab families in the amount of $500,000,000 (US), backed by gold;

   iv) invited to participate in F.E.D.I. by making an investment of $125,000 (US), which investment would provide the investor with a seat or desk (the "Desk") on F.E.D.I.;

   v) told that F.E.D.I. would be operational in July, 2003;

   vi) told that their investments would be fully insured by AON Reed Stenhouse of Canada;

   vii) told that the opportunity to purchase a "Desk" was limited, that only 20 "Desks" remained and that their investment must be made by the weekend of June 7, 2003;

   viii) told that their principal investment would be returned in October, 2003 and that they would receive income from their investment at the rate of 30% per month, for a ten year period;

8. As set out in Schedule E, the Joint Venture Agreement represents, among other representations, that:

   I [Brian Anderson] have done my due diligence and asked all the hard questions. There is no downside to this program. In the event of failure of any kind, our investment capital will be returned to us within 30 banking days..."

9. The "Desks" are securities as defined by the *Securities Act*,

10. Persons who attended the Presentation were not provided with a prospectus which would qualify a "Desk" for sale in Ontario;

11. The Respondents are not registered pursuant to the *Securities Act* for the purpose of trading securities in the Province of Ontario; and

12. The sales of "Desks" are being made in breach of sections 25 and 53 of the *Securities Act*, R.S.O. 1990 c.S.5.

Conduct Contrary to the Public Interest

13. The Respondents conduct as described above is contrary to the public interest.

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

June 11, 2003.

[Schedules A-H are not reproduced in this publication but can be found in OSC's website at www.osc.gov.on.ca]

1.3 News Releases

1.3.1 OSC Issues Notice of Hearing and Statement of Allegations Against Brian Anderson et al.

FOR IMMEDIATE RELEASE
June 11, 2003

OSC ISSUES
NOTICE OF HEARING AND
STATEMENT OF ALLEGATIONS
AGAINST BRIAN ANDERSON ET AL

TORONTO – The Ontario Securities Commission today issued a Notice of Hearing and Statement of Allegations against Brian Anderson, Leslie Brown, Douglas Brown, David Sloan and Flat Electronic Data Interchange (a.k.a. F.E.D.I.). The hearing is set for June 18, 2003.

The Statement of Allegations alleges that the Respondents are trading in securities in breach of the registration and prospectus requirements of the *Securities Act.*

On June 5, 2003 the Commission issued a temporary order prohibiting the trading in the subject securities by the Respondents and prohibited the respondents from providing certain documents to members of the public. The hearing on June 18, 2003 will be to consider an application by Staff to extend this temporary order.

The Notice of Hearing and Statement of Allegations may be found on the Commission's web-site at **www.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)

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

FOR IMMEDIATE RELEASE
June 13, 2003

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

TORONTO – On June 5, 2003, the Ontario Superior Court of Justice continued nine freeze Directions previously issued by the Ontario Securities Commission requiring several Ontario banks to hold the contents of accounts held in the name of Andrew Keith Lech, Daniel Shuttleworth, Dennis Yacknowiec, and G.N.A. Holdings. The Directions have now been continued pending further order of the Court.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Canadian Oil Sands Limited - MRRS Decision

Headnote

Relief granted to a wholly owned subsidiary issuing medium term notes from continuous disclosure requirements, subject to filing parent's financial information and summarized financial information with respect to the subsidiary.

Relief from insider reporting requirements for insiders of the subsidiary on condition that the Corporation remain a wholly owned subsidiary of its parent.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 77, 78, 80(b)(iii), s. 121(2)(a)(ii), 88(2)(b).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, 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
CANADIAN OIL SANDS LIMITED AND CANADIAN OIL SANDS TRUST

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Labrador and Nova Scotia (the "Jurisdictions") has received an application from Canadian Oil Sands Limited (the "Corporation") and Canadian Oil Sands Trust (the "Trust" and, together with the Corporation, the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

1.1 that the Corporation file with the Decision Makers and, where applicable, send to its securityholders audited annual comparative financial statements (including without limitation management's discussion and analysis thereon) or annual reports containing such statements;

1.2 that the Corporation file with the Decision Makers and, where applicable, send to its securityholders unaudited interim comparative financial statements (including without limitation management's discussion and analysis thereon);

1.3 that the Corporation issue and file a news release and file a report with the Decision Makers upon the occurrence of a material change; and

1.4 that the Corporation comply with the proxy and proxy solicitation requirements, including the requirement to file with the Decision Makers and send to holders of its voting securities a form of proxy and information circular in the required form or an annual report or filing in lieu thereof, as applicable,

(collectively, the "Reporting Requirements") shall not apply to the Corporation; and

1.5 that, where applicable, a person or company that is an insider of the Corporation file reports with the Decision Makers disclosing such person's or company's direct or indirect beneficial ownership of, or control or direction over, securities of the Corporation (the "Insider Requirements") shall not apply to any insiders of the Corporation;

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") created pursuant to National Policy 12-201, the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 or in Quebec Commission Notice 14-101;

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

4.1 The Trust is an unincorporated open-ended investment trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated October 5, 1995, as amended and restated as of July 5, 2001 and as further amended by a supplemental indenture dated as of August 7, 2001 and a notice of change in quarterly distribution dates dated December 10, 2001 (the "Trust Indenture"). The trustee of the Trust is Computershare Trust Company of Canada ("Computershare").

4.2 The Trust has been a reporting issuer or the equivalent in each of the Jurisdictions since 1995, and to its knowledge is not in default of any requirements under the Legislation of any such Jurisdiction.

4.3 The entire beneficial interest in the Trust is held by the holders of its trust units ("Units"), of which a maximum of 500,000,000 Units may be authorized and issued pursuant to the Trust Indenture. As of April 8, 2003, there were 79,538,258 Units issued and outstanding.

4.4 The Units are participating equity securities of the Trust and currently trade on the Toronto Stock Exchange.

4.5 As at the date hereof, the Trust has three wholly-owned subsidiary entities, namely the Corporation, Canadian Oil Sands Commercial Trust ("CT") and 834541 Alberta Ltd. The Corporation and CT are directly owned by the Trust, and 834541 Alberta Ltd. is directly owned by CT.

4.6 The Trust indirectly holds an aggregate 31.74% working interest in the Syncrude oil sands project near Fort McMurray, Alberta through the Corporation (which has a direct 21.74% interest), CT (which has a direct 9.5% interest) and 834541 Alberta Ltd. (which has a direct 0.5% interest).

4.7 The Trust has no material assets other than its interests in the Syncrude project.

4.8 The Corporation is a corporation organized and subsisting under the laws of Alberta. The Corporation's principal and registered offices are located in Calgary, Alberta.

4.9 Pursuant to the terms of the Trust Indenture, the Corporation is the manager of the Trust and is therefore responsible for the management of the business and affairs of the Trust, including the provision of finance, legal, engineering, accounting, treasury and investor relations services. The Corporation is also the manager of CT.

4.10 The business of the Corporation is to oversee the Trust's indirect 31.74% working interest in the Syncrude project through its role as the manager of both the Trust and CT. The Corporation does not have any material operations that are independent of this role.

4.11 The Corporation currently holds a direct 21.74% interest in Syncrude. Subject to receipt of a favourable tax opinion or ruling from Canada Customs and Revenue Agency, the Trust intends to effect a reorganization of its interests pursuant to which the Corporation will ultimately become the direct or indirect holder of the Trust's entire 31.74% indirect interest in Syncrude.

4.12 The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

4.13 All of the issued and outstanding shares of the Corporation are held by the Trust. The Corporation has no other securities outstanding as at the date of this application except USD $70 million of 7.625% Senior Notes due 2007, USD $250 million of 7.9% Senior Notes due 2021 and USD $74 million of 8.2% Senior Notes due 2027 (collectively, the "Senior Notes") and CAD $150 million of 5.75% unsecured medium term notes due 2008 issued under the Shelf Prospectus (as defined in paragraph 4.15 below).

4.14 All of the Senior Notes were sold on a private placement basis to purchasers in the United States pursuant to exemptions from the registration requirements of the United States *Securities Act of 1933.*

4.15 The Corporation became a reporting issuer or the equivalent in each of the Jurisdictions on March 27, 2003 upon the issuance of a receipt for a short form base shelf prospectus (the "Shelf Prospectus") under National Instrument 44-102 *Shelf Distributions* ("NI 44-102")

relating to the sale of up to CAD $750,000,000 of unsecured medium term notes (the "Notes").

4.16 The Notes will be issued under a trust indenture dated as of April 2, 2003 between the Corporation and Computershare (the "Note Indenture").

4.17 Pursuant to a guarantee agreement (the "Guarantee") dated as of April 2, 2003 between the Trust and Computershare, as trustee under the Note Indenture, any payments to be made by the Corporation as stipulated in the terms of the Notes or in an agreement governing the rights of the holders of Notes ("Noteholders") will be fully and unconditionally guaranteed by the Trust, such that the Noteholders shall be entitled to receive payment thereof from the Trust within 15 days of any failure by the Corporation to make a payment as stipulated. Until such time as the 9.5% interest in Syncrude that is currently held directly by CT is transferred, directly or indirectly, to the Corporation, the Notes will be similarly guaranteed by CT.

4.18 The Corporation was qualified under National Instrument 44-101 *Short Form Prospectus Distributions* ("NI 44-101") to file a prospectus in the form of a short form prospectus on the basis that the Notes are, pursuant to the Guarantee, guaranteed non-convertible debt securities as contemplated by Section 2.5 thereof.

4.19 In accordance with NI 44-101 and NI 44-102, the Shelf Prospectus provides disclosure about the consolidated business and operations of the Trust and incorporates by reference the required disclosure documents of the Trust.

4.20 The Shelf Prospectus provides disclosure with respect to both the Trust and CT guarantees of the Notes, and each of the Trust and CT signed the certificate page as credit supporters within the meaning of NI 44-101.

4.21 The Notes have been assigned approved ratings within the meaning of NI 44-101, namely "Baa2" with a negative outlook by Moody's Investors Service, Inc. and "BBB+" with a negative outlook by Standard & Poor's Corporation.

4.22 The Notes will not be listed on any securities exchange.

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

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

7. THE DECISION of the Decision Makers pursuant to the Legislation is that the Reporting Requirements shall not apply to the Corporation and the Insider Requirements shall not apply to any insider of the Corporation, so long as:

7.1 the business of the Corporation continues to be the same as the business of the Trust, in that the business of the Corporation continues to be the management and oversight, through ownership or control, of all of the material assets of the Trust, including, without limitation, the Trust's entire investment in the Syncrude project;

7.2 the Trust remains a reporting issuer or the equivalent under the Legislation and continues to comply with all timely and continuous disclosure requirements thereunder;

7.3 all financial statements filed by the Trust under the Legislation are prepared on a consolidated basis in accordance with Canadian GAAP;

7.4 the Corporation shall comply with the requirements of the Legislation to issue a news release and file a report with the Decision Makers upon the occurrence of a material change in the affairs of the Corporation that is not a material change in the affairs of the Trust;

7.5 the Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the Corporation;

7.6 the Trust continues to fully and unconditionally guarantee the Notes as to the payments required to be made by the Corporation to the holders of the Notes;

7.7 the Corporation does not distribute additional securities other than: (i) the Notes or other debt securities contemplated by paragraph 7.8 below; (ii) to the Trust or to entities that are wholly-owned, directly or indirectly, by the Trust; or (iii) debt securities on a private placement basis pursuant to exemptions

from the prospectus requirements of applicable Legislation;

7.8 if the Corporation hereafter distributes additional debt securities (other than debt securities that are issued to the Trust or to entities that are wholly-owned, directly or indirectly, by the Trust or are distributed on a private placement basis pursuant to exemptions from the prospectus requirements of applicable Legislation), the Trust shall fully and unconditionally guarantee such debt securities as to the payments required to be made by the Corporation to the holders of such debt securities;

7.9 the Corporation files the annual comparative audited consolidated financial statements of the Trust and, either separately or as a note to the consolidated financial statements of the Trust, a comparative audited summary of the Corporation's financial results for its most recently completed financial year, including the following line items:

(a) oil and gas revenue;

(b) net earnings from continuing operations before extraordinary items;

(c) operating income before other expenses;

(d) net earnings;

(e) current assets;

(f) non-current assets;

(g) current liabilities; and

(h) non-current liabilities,

and including as a note thereto a brief explanation of the percentage ownership interest of the Corporation in the Syncrude project and the proportion such ownership interest bears to the aggregate ownership interest of the Trust in the Syncrude project;

7.10 the Corporation files the interim comparative consolidated financial statements of the Trust and, either separately or as a note to the financial statements of the Trust, a comparative summary of the Corporation's financial results for its most recently completed interim period, including the following line items:

(a) oil and gas revenue;

(b) operating income before other expenses;

(c) net earnings from continuing operations before extraordinary items; and

(d) net earnings;

and including as a note thereto a brief explanation of the percentage ownership interest of the Corporation in the Syncrude project and the proportion such ownership interest bears to the aggregate ownership interest of the Trust in the Syncrude project;

7.11 if, in the future, the Legislation is amended to require or the Decision Makers make rules requiring interim financial statements to include a balance sheet, the disclosure included in paragraph 7.10 above would also be required to include a summary of the Corporation's balance sheet, including the following line items:

(a) current assets;

(b) non-current assets;

(c) current liabilities; and

(d) non-current liabilities;

7.12 the filings referred to in paragraphs 7.9, 7.10 and 7.11 above are to be made within the time limits and in accordance with applicable fees required by the Legislation for the filing of audited annual comparative financial statements and unaudited interim comparative financial statements, respectively, provided that the first filing to be made by the Corporation under paragraph 7.10 shall be in respect of the second quarter ending June 30, 2003 and the first filing to be made by the Corporation under paragraph 7.9 shall be in respect of the financial year ending December 31, 2003.

May 21, 2003.

"Agnes Lau"

2.1.2 ImagicTV Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – French-based issuer acquired all of the issued and outstanding securities of TSX-listed issuer by way of a plan of arrangement – as a result of the arrangement, acquired issuer has no securities, including debt securities, outstanding other than i) common shares owned by acquiror issuer, and ii) options issued under a stock option plan – under the arrangement, the terms of the options were amended so that they now represent options to acquire shares of acquiror issuer – acquired 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
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, AND THE YUKON TERRITORY

AND

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

AND

IN THE MATTER OF
IMAGICTV INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Québec, Nova Scotia, Newfoundland and Labrador, and the Yukon Territory (the "Jurisdictions") has received an application from ImagicTV Inc. ("ImagicTV") for a decision pursuant to the securities legislation, regulations, rules and/or policies of the Jurisdictions (the "Legislation") that ImagicTV be deemed to have ceased to be a reporting issuer 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, unless otherwise defined herein the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS ImagicTV has represented to the Decision Makers that:

1. ImagicTV was incorporated in 1997 under the name "imagicTV Inc." In 1998, ImagicTV changed its name to "ImagicTV Inc." ImagicTV's corporate headquarters are located at One Brunswick Square, 14th Floor, Saint John, New Brunswick E2L 3Y2.

2. ImagicTV became a reporting issuer in November 2000 pursuant to an initial public offering of the ImagicTV Shares in all provinces and territories of Canada. ImagicTV is not on the list of defaulting reporting issuers maintained by the Decision Makers.

3. ImagicTV's authorized capital consists of an unlimited number of common shares (the "ImagicTV Shares") and an unlimited number of preferred shares issuable in series. As at April 29, 2003, there were 24,813,218 ImagicTV Shares issued and outstanding and no preferred shares were issued or outstanding. As at April 29, 2003, options to acquire 2,623,834 ImagicTV Shares were granted and outstanding pursuant to ImagicTV's employee stock option plans (the "ImagicTV Options").

4. The ImagicTV Shares were formerly listed and posted for trading on the TSX (symbol: IMT) and were also formerly quoted on the Nasdaq (symbol: IMTV).

5. Alcatel is a company organized under the laws of France. The Class A shares of Alcatel (the "Alcatel Shares") are listed on Euronext Paris among other non-Canadian stock exchanges. Alcatel Shares are also listed on The New York Stock Exchange (the "NYSE") in the form of Class A American Depository Shares ("Alcatel ADSs")(symbol: ALA). Each Alcatel ADS is equivalent to one Alcatel Share, and can be exchanged for Alcatel Shares in accordance with the provisions of the Alcatel ADSs.

6. On April 30, 2003, Alcatel acquired directly or indirectly all of the outstanding ImagicTV Shares (excluding shares held by or on behalf of Alcatel) by way of a plan of arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act* (the "CBCA").

7. As a result of the Arrangement, the terms of the ImagicTV Options have been amended so that the ImagicTV Options now represent options to acquire Alcatel Shares (the "Revised Options"), each such Revised Option to be exercisable for a number of Alcatel Shares at an exercise price in Euros per Alcatel Share based on the exchange ratio and the Euro exchange rate as determined pursuant to the Arrangement Agreement.

8. As a result of the Arrangement, Alcatel, through its subsidiaries, beneficially owns all of the ImagicTV

Shares. ImagicTV has no securities, including debt securities, outstanding other than

i) the ImagicTV Shares beneficially owned indirectly by Alcatel, and

ii) the Revised Options, which might possibly be considered to be securities of ImagicTV (although holders thereof have no economic interest in ImagicTV and thus, from a Canadian securities law perspective, should be more properly viewed as securities of Alcatel).

9. There are approximately 104 holders of Revised Options, of whom 90 are resident in New Brunswick and of whom one is resident in Nova Scotia. No other holder of Revised Options is resident in Canada.

10. The ImagicTV Shares were delisted from the TSX on April 30, 2003 and from the Nasdaq on April 30, 2003. No securities of ImagicTV are listed or quoted on any other exchange or market.

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

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

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

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

June 3, 2003.

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

2.1.3 Canaccord Capital Corporation - MRRS Decision

Headnote

National Instrument 33-105 - Issuer proposing to make public offering of units - filer proposing to underwrite approximately 4.0% of the offering - filer prohibited from acting as direct underwriter in the distribution since the issuer is a related issuer of the filer - filer unable to rely on exemption in subsection 2.1(3) of NI 33-105 since the proportionate share of the offering to be underwritten by the largest independent underwriter is 6.0% - independent underwriters in the aggregate will collectively underwrite approximately 9.0% of the offering - relief granted from subsection 2.1 of NI 33-105 in connection with the offering.

Applicable Rules

National Instrument 33-105 Underwriting Conflicts.

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

AND

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

AND

IN THE MATTER OF
CANACCORD CAPITAL CORPORATION

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador has received an application from Canaccord Capital Corporation ("Canaccord") for a decision under section 5.1 of National Instrument 33-105 – Underwriting Conflicts ("NI 33-105") that Canaccord be exempt from section 2.1(2)(b) of NI 33-105, which prohibits a registrant from acting as a direct underwriter in a distribution if a related issuer of the registrant is the selling securityholder in the distribution;

2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission has requested, for the purposes of regulatory expediency, that the Alberta Securities Commission act as the principal regulator for this application, and the Alberta Securities Commission has agreed to so act;

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

3.1 Canaccord's head office is located in Vancouver, British Columbia;

3.2 Superior Plus Income Fund ("Superior") is an unincorporated trust created under the laws of the Province of Alberta which completed its initial public offering in September, 1996;

3.3 Superior's head office and registered office is located in Calgary, Alberta;

3.4 Superior was established as a limited purpose trust and its activities are restricted to owning, acquiring, holding and transferring securities of Superior Plus Inc. and to certain other ancillary purposes. Superior Plus Inc. has three operating divisions, carrying on the businesses of (A) distributing propane, related products and services in Canada, (B) supplying sodium chlorate, chlorine dioxide generators and related technology in North America and developing new generators and technology for the water purification and food treatment industries and (C) retailing natural gas in Ontario;

3.5 the authorized capital of Superior consists of an unlimited number of trust units (the "*Units*"). The Units are listed on the Toronto Stock Exchange;

3.6 Superior is currently a "reporting issuer" or equivalent in each of the provinces and territories of Canada;

3.7 Superior is not in financial difficulty. Superior is not under any immediate financial pressure to proceed with an offering of Units;

3.8 on May 26, 2003, Superior announced that it had entered into a bought deal (the "*Offering*") with Scotia Capital Inc., as the lead underwriter. It is proposed that the syndicate will include Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Canaccord, Desjardins Securities Inc., FirstEnergy Capital Corp. and HSBC Securities (Canada) Inc. (the "*Underwriters*"). Under the Offering, Superior will issue 4,500,000 Units, and certain unitholders of Superior (the "*Selling Unitholders*") will sell 3,500,000 Units, each at a price of $20.90 per Unit. The Selling Unitholders have granted the Underwriters an option (the "*Option*") to expand the size of the Offering by up to an additional 1,257,956 Units up to 48 hours prior to closing;

3.9 the proportionate share of the Offering proposed to be underwritten by each of the Underwriters is as follows:

Scotia Capital Inc.	30.0%
CIBC World Markets Inc.	15.0%
RBC Dominion Securities Inc.	15.0%
TD Securities Inc.	15.0%
National Bank Financial Inc.	12.0%
BMO Nesbitt Burns Inc.	6.0%
Canaccord	4.0%
Desjardins Securities Inc.	1.0%
FirstEnergy Capital Corp.	1.0%
HSBC Securities (Canada) Inc.	1.0%

3.10 it is anticipated that a preliminary prospectus relating to the Offering will be filed on May 28, 2003. The preliminary prospectus and the (final) prospectus relating to the Offering (together, the "*Prospectus*") will contain a certificate signed by each of the Underwriters;

3.11 one of the Selling Unitholders is The Manufacturers Life Insurance Company ("*Manulife*"). Manulife will sell 557,278 Units under the Offering (increasing to 757,572 Units if the Option is exercised by the Underwriters in full);

3.12 Manulife owns 1,904,762 of the Class "C" common shares and certain convertible debentures of Canaccord Holdings Ltd., which represents more than 20% of the outstanding voting and equity securities of Canaccord Holdings Ltd. on a fully diluted basis. Canaccord is a wholly-owned subsidiary of Canaccord Holdings Ltd.;

3.13 Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc. and National Bank Financial Inc. (the "*Connected Registrants*") are each, directly or indirectly, a wholly-owned or majority owned subsidiary of a Canadian chartered bank which is a lender to Superior Plus Inc. Superior Plus Inc. is wholly-owned by Superior;

3.14 the Prospectus will contain the information required to be disclosed pursuant to Appendix C to NI 33-105;

3.15 pursuant to sections 1.1 and 1.2 of NI 33-105, Manulife is a "related issuer" of Canaccord, since it is an "influential

securityholder" of Canaccord by virtue of its securityholdings in Canaccord Holdings Ltd.;

3.16 by virtue of the lending arrangements with the parent companies of the Connected Registrants, Superior may be considered a "connected issuer" to each Connected Registrant;

3.17 BMO Nesbitt Burns Inc., Desjardins Securities Inc., FirstEnergy Capital Corp. and HSBC Securities (Canada) Inc. are "independent underwriters" within the meaning of NI 33-105;

3.18 section 2.1(2)(b) of NI 33-105 prohibits a registrant from acting as a direct underwriter in a distribution made under a prospectus if a related issuer of the registrant is a selling securityholder in the distribution;

3.19 section 2.1(3)(a) of NI 33-105 provides for an exemption from section 2.1(2) if at least one registrant acting as direct underwriter acts as principal, so long as an independent underwriter underwrites not less than the lesser of (A) 20% of the dollar value of the distribution, and (B) the largest portion of the distribution underwritten by a registrant that is not an independent underwriter. Under the Offering, no independent underwriter will underwrite 20% or more of the dollar value of the distribution, and the largest portion of the distribution is not being underwritten by an independent underwriter;

3.20 the only financial benefits which Canaccord will receive as a result of the Offering are the normal arm's length underwriting commission and possible reimbursement of expenses associated with a public offering in Canada;

3.21 Canaccord did not participate in the decision to make the Offering or in the determination of the terms of the distribution or the use of proceeds thereof except to the extent that the lead underwriter of the Offering was entering into the bought deal arrangements on behalf of those underwriters that ultimately would be part of the underwriting syndicate;

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

5. AND WHEREAS each of the Decision Makers is satisfied that it would not be prejudicial to the public interest to make the Decision;

6. THE DECISION of the Decision Makers under section 5.1 of NI 33-105 is that Canaccord is exempt from the provisions of section 2.1(2)(b) of NI 33-105 in connection with the Offering.

May 29, 2003.

"Glenda A. Campbell" "Stephen R. Murison"

2.1.4 FMR Corp. - MRRS Decision

Headnote

MRRS – Relief granted, subject to certain conditions, from the Registration Requirement and the Prospectus Requirement in respect of certain trades (and solely incidental advice) by Filer and its Affiliates and Representatives through its Toronto Call Centre and certain other trades (and solely incidental advice) outside and apart from the activities of its Toronto Call Centre.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53.
National Instrument 35-101 – Conditional Exemption from Registration for United States Broker-Dealers and Agents.

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

AND

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

AND

IN THE MATTER OF
FMR CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, Nunavut and the Northwest Territories (the "Jurisdictions") has received an application from FMR Corp. (the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") exempting:

1. the Filer and certain representatives of the Filer (the "Representatives"), from the dealer and adviser registration requirements contained in the Legislation (the "Registration Requirement") and the prospectus requirement contained in the Legislation (the "Prospectus Requirement") in respect of certain activities to be conducted by the Representatives which would involve trading in securities with or for persons or companies who are holders of, or contributors to, tax-advantaged retirement savings plans ("U.S. Retirement Plans") which are located in the United States of America ("U.S. Retirement Plan Clients") and investment advisory activities solely incidental thereto; and
2. the Filer and those of its affiliates (the "Affiliates") who are registered broker-dealers with the United States Securities and Exchange Commission ("SEC"), and their agents, from the Registration Requirement and the Prospectus Requirement in order to permit them to trade in foreign securities with U.S. Retirement Plan Clients in the manner contemplated by National Instrument 35-101 - Conditional Exemption from Registration for United States Broker-Dealers and Agents ("NI 35-101") provided that such trading is conducted in accordance with all terms and conditions of NI 35-101 save and except for the requirement that the Filer have no office or physical presence in any jurisdiction of Canada or otherwise in accordance with the relief obtained hereunder.

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 Quebec Notice 14-101;

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

1. The Filer is a corporation incorporated under the laws of the State of Delaware, with its principal place of business located in Boston, Massachusetts, United States of America. The Filer is the holding company for a group of affiliated entities commonly known as Fidelity Investments. Through its affiliates, the Filer engages in a variety of businesses, notably financial services and employer services outsourcing. The Filer's affiliated entities include a number of registered broker-dealers, investment advisers and transfer agents, in North America and in other countries across the world. The Filer currently has a presence in Canada through Fidelity Investments Canada Limited ("FICL"), an affiliate of the Filer that is registered as a mutual fund dealer, commodity trading manager and adviser in the categories of investment counsel and portfolio manager with the Ontario Securities Commission, and in equivalent categories in all other provinces and territories.
2. The Filer is proposing to transfer a portion of its call centre operations to an office in Toronto, Ontario (the "Toronto Call Centre"). The Toronto Call Centre will operate through Fidelity Canadian Corporation, a wholly owned subsidiary of the Filer that has been recently incorporated under the federal laws of Canada to accommodate such operations.
3. The Filer chose Ontario as the location for the call centre because of the ability to co-exist with FICL in terms of mitigating start-up costs and leveraging

the existing call centre systems infrastructure. For clarification purposes, the relationship between FICL and the Toronto Call Centre will be solely limited to the sharing of administrative resources. Although the activities of each entity will be separate, the Toronto Call Centre is expected to be physically located in close proximity to FICL's offices.

4. The Filer is establishing the Toronto Call Centre to service clients of its unit, Fidelity Employer Services Company ("FESCO"). FESCO is retained by employers to provide a broad spectrum of human resources and benefits outsourcing products and services. FESCO's clients include many types of corporate, governmental and tax-exempt employers, comprising more than 12.7 million employees. FESCO services these employees through the administration of more than 11,000 retirement, defined benefit pension, health and welfare, human resources administration and payroll programs.

5. The Toronto Call Centre will be established for the purpose of answering inbound phone calls from FESCO clients and their employees regarding the various programs administered by FESCO. The Filer expects the Toronto Call Centre to initially service only the defined contribution retirement plans (the "Proposed Defined Contribution Retirement Plan Services") (as discussed further in paragraph 9 below) and health and welfare plans of FESCO clients. In the future, the Toronto Call Centre may expand its operations to include other outsourced employer services, including human resources administration, payroll and defined benefit pension programs. It is not anticipated that either the planned health and welfare servicing or the future services will require registration under the Act, and no exemption is hereby requested for those future services.

6. The Toronto Call Centre will not otherwise be accessible to, or by, any person or company other than the Filer and its associates and affiliates, and FESCO clients and their employees.

7. As noted above, the call centre will service FESCO clients and their employees who participate in U.S. Retirement Plans. The U.S. Retirement Plans are defined contribution retirement plans, which are established by employers (plan sponsors) for the benefit of their employees (plan participants). Contributions to these plans generally grow tax-deferred until withdrawn, and employee contributions can be made on a pre-tax basis. The plan sponsor is responsible for the design, creation, implementation and operation of the plan. The plan sponsor retains service providers, such as the Filer or its affiliates, to provide necessary or appropriate plan services. The plan sponsor makes all major decisions concerning the plan. In contrast, plan participants are generally entitled only to contribute, select investment options from a specified list of options, borrow from their plan accounts, and withdraw money from the plan. The funding vehicle for most defined contribution retirement plans generally takes the form of a trust. Under U.S. law, the plan sponsor and certain service providers have strict fiduciary obligations to the plan and employees participating in the plan.

8. There are approximately 12.6 million employees in U.S. Retirement Plans serviced by the Filer. Certain of those employees currently reside in Canada (the "Canadian Clients"). These Canadian Clients fall into two categories:

   (a) Employees of Canadian businesses with U.S. affiliates that are contributors to U.S. Retirement Plans for their employees; and,

   (b) Canadian residents who have at one time been, or are currently, employed by a U.S. employer who are participants in U.S. Retirement Plans located in the U.S.

   Of the 12.6 million retirement plan participants serviced by the Filer, approximately 5,100 Canadian Clients currently hold funded accounts. These accounts were established pursuant to the rules of the retirement plans in which the Canadian Clients participate, and are valid under U.S. law. Generally, Canadian Clients benefit from participation in the retirement plans, both by virtue of any employer contributions to their plan accounts, and by favourable U.S. tax treatment of their U.S. based income.

9. The scope of the Toronto Call Centre's Proposed Defined Contribution Retirement Plan Services will initially consist of some, or all, of the following services, generally in response to inbound U.S. Retirement Plan Client calls in order to:

   (a) provide to participants (employees) and/or clients (employers) a variety of information and informational material regarding the plan, including descriptions of plan features and benefits, descriptions of plan investment options, and investment education and guidance tools;

   (b) input and maintain participant indicative data on the plan record-keeping system;

   (c) determine the eligibility of participants to participate in the plans based upon client data feeds, service configuration, automated eligibility tracking and similar systems;

(d) provide information to a participant regarding the enrolment process including a participant's contribution deferrals;

(e) process participants' requests to exchange, or switch, between plan investment options ("switches") (being Fidelity U.S. mutual funds and other non-Canadian securities);

(f) process disbursement transactions including loans, hardship withdrawals, partial and full payouts of participants' balances in the plan, minimum required distributions, and return of excess contributions;

(g) provide reports to, and on behalf of, the plan sponsors including monthly trial balances, quarterly administrative reports, and annual reports;

(h) provide reports and notices to plan participants, such as confirmations (e.g., for exchanges between investment options or plan disbursements), statements, and notices that may be required by the applicable law; and,

(i) process forfeiture and death benefit transactions, including the related functions of segregating account assets and liquidating accounts, as applicable (the "Proposed Defined Contribution Retirement Plan Services").

Other than the "switches" and the contribution deferral arrangements, Representatives will not initially take trading orders since the calls to be directed to the Toronto Call Centre will be limited to customer service inquiries that can be resolved administratively.

10. The Representatives will not be, and will not initially be required to be, registered under U.S. securities law, however they will comply with any applicable rules established by U.S. regulatory authorities. The Representatives will be required to follow employee screening procedures similar to those employed by the Filer for its non-registered personnel in the U.S.

11. The Toronto Call Centre will not be registered as a broker-dealer under U.S. securities law. The Toronto Call Centre will be operated in accordance with applicable rules, if any, established by U.S. regulatory authorities. The Toronto Call Centre will be subject to procedures similar to those set in place for the Filer's existing U.S. business, including examination by representatives from the Filer's compliance staff or internal audit staff.

12. It is possible that in the future the Representatives may be registered under U.S. securities law in order to engage in trading activities. To the extent that the Representatives are to engage in such trading activities, the Filer will comply with any applicable Canadian securities regulatory requirements at that time.

13. The Toronto Call Centre will not trade in securities with or on behalf of persons or companies who are resident in Canada except in accordance with the dealer registration and prospectus exemptions available pursuant to NI 35-101 or otherwise in accordance with the relief obtained hereunder.

14. The Filer and the Representatives who act in Ontario on behalf of the Filer in respect of trades with or on behalf of U.S. Retirement Plan Clients of the Toronto Call Centre will comply with any applicable requirements of U.S. securities law.

15. Without this MRRS Decision Document, the Filer and the Representatives who act in Ontario on behalf of the Filer may be unable to satisfy the Registration Requirement and the Prospectus Requirement.

16. The Filer, its Affiliates and the Toronto Call Centre currently, or in the future may, rely on NI 35-101 for the purposes of dealing with U.S. Retirement Plan Clients that are resident in Canada. Section 2.1 of NI 35-101 requires that the Filer have "no office or physical presence in any jurisdiction" of Canada.

17. As a consequence of the trading activity that would be conducted by the Toronto Call Centre, the Filer and its Affiliates and the Toronto Call Centre will technically no longer be able to continue to rely on NI 35-101 as it may be argued that the Filer has an office or other physical presence in Canada.

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 pursuant to the Legislation is that:

(a) the Representatives working in the Toronto Call Centre shall not be subject to the Registration Requirement and the Prospectus Requirement where the Representatives act on behalf of the Filer or its affiliates in respect of trades (or providing solely incidental investment advice) in securities with or on behalf of

U.S. Retirement Plan Clients, provided that the Representatives comply with any applicable requirements of U.S. securities law; and

(b) the Filer and its affiliates shall not be subject to the Registration Requirement and the Prospectus Requirement with respect to trading (or providing solely incidental investment advice) through the Toronto Call Centre in securities with or for U.S. Retirement Plan Clients, provided that:

(i) a Representative working in the Toronto Call Centre acts on behalf of the Filer or its affiliates in respect of such trading; and

(ii) the Filer and its affiliates comply with any applicable requirements of U.S. securities law; and

(c) the Registration Requirement and the Prospectus Requirement shall not apply to the Filer and the Affiliates and their respective agents, in order to permit them to trade in foreign securities with U.S. Retirement Plan Clients for trades conducted outside and apart from the activities of the Toronto Call Centre provided that such trading is conducted in accordance with all terms and conditions of NI 35-101 save and except for the requirement that the Filer have no office or physical presence in any jurisdiction of Canada or otherwise in accordance with the relief obtained hereunder.

June 10, 2003.

"Paul M. Moore" "Harold P. Hands"

2.1.5 Shaker Resources Inc. and Petroflow Energy Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the identical consideration requirement – payment of cash in lieu of common shares of the offeror permitted for holders of the shares of the offeree resident in the United States of America and a holder of the shares of the offeree resident in a foreign jurisdiction other than the United States of America.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990 c. S.5, as am., ss. 97(1), 104(2)(c).

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

AND

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

AND

IN THE MATTER OF
SHAKER RESOURCES INC.
AND PETROFLOW ENERGY LTD.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, and Ontario (the "Jurisdictions") has received an application from Shaker Resources Inc. ("Shaker") for a decision under the securities legislation of the Jurisdictions (the "Legislation") exempting Shaker from the requirement contained in the Legislation that when a take-over bid is made, all the holders of securities that are of the same class shall be offered identical consideration (the "Identical Consideration Requirement") in connection with an offer by Shaker to purchase the outstanding common shares and multiple voting shares of Petroflow Energy Ltd. ("Petroflow");

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

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

4. AND WHEREAS Shaker has represented to the Decision Makers that:

4.1 Shaker is a public company incorporated under the *Business Corporations Act* (Alberta) (the "ABCA");

4.2 Shaker's head office is located in the Province of Alberta;

4.3 Shaker is a reporting issuer in British Columbia and Alberta and not in default of any of the requirements of the Legislation;

4.4 the authorized capital of Shaker consists of an unlimited number of common shares (the "Common Shares") of which as of April 11, 2003, there were 16,113,000 Common Shares outstanding;

4.5 the Common Shares are listed on the TSX Venture Exchange;

4.6 Shaker is not eligible to use the multijurisdictional disclosure system pursuant to National Instrument 71-101 Multijurisdictional Disclosure System;

4.7 Petroflow is a public company incorporated under the *Business Corporations Act* (Canada);

4.8 Petroflow's head office is located in the Province of Nova Scotia;

4.9 Petroflow is a reporting issuer in British Columbia, Alberta, and Ontario, and is not in default of any of the requirements of the Legislation;

4.10 the authorized capital of Petroflow includes an unlimited number of Class A subordinate voting shares (the "Subordinate Voting Shares"), an unlimited number of Class B multiple voting shares (the "Multiple Voting Shares" and together with the Subordinate Voting Shares, the "Petroflow Shares") and an unlimited number of preferred shares, issuable in series, of which, as of April 11, 2003, there were 17,214,694 Subordinate Voting Shares, and 2,625,013 Multiple Voting Shares outstanding;

4.11 the Subordinate Voting Shares are listed on the TSX Venture Exchange Inc.;

4.12 effective April 11, 2003, Shaker and Petroflow entered into a pre-acquisition agreement (the "Pre-acquisition Agreement") pursuant to which Shaker agreed to make a take-over bid (the "Bid") for all of the outstanding Petroflow Shares on or about April 30, 2003;

4.13 the Pre-acquisition Agreement was amended to allow Shaker to make the Bid before May 7, 2003;

4.14 on May 5, 2003 Shaker made the Bid;

4.15 the Bid was made in compliance with the Legislation except to the extent that relief is required in respect of the Identical Consideration Requirement;

4.16 under the terms of the Bid, the price to be paid to holders of Petroflow Shares resident in Canada is one Common Share for each 13.68 Petroflow Shares;

4.17 the Common Shares issuable under the Bid to holders (the "U.S. Shareholders") of Petroflow Shares resident in the United States of America (the "United States") have not been and will not be registered under the United States Securities Act of 1933 and, accordingly, the delivery of Common Shares to U.S. Shareholders without further action by Shaker may constitute a violation of the laws of the United States;

4.18 to the best information of Shaker, there are three registered U.S. Shareholders and one registered holder (the "Foreign Shareholder") of Petroflow Shares resident in a foreign country other than the United States;

4.19 to the best information of Shaker, the U.S. Shareholders currently hold a total of 3,500 Petroflow Shares, representing 0.0176% of the total number of outstanding Petroflow Shares and the Foreign Shareholder currently holds 500 Petroflow Shares representing 0.0025% of the total number of outstanding Petroflow Shares;

4.20 the delivery of Common Shares to the U.S. Shareholders would require the filing of a registration statement and subject Shaker to continuous disclosure requirements which would be overly burdensome to Shaker;

4.21 the closing price (the "Closing Price") of the Common Shares on April 9, 2003 (the last day the Common Shares traded before the announcement of the Bid) was $1.00;

4.22 based the Closing Price, the price of one Common Share for every 13.68 Petroflow

Shares was determined to be equal to a cash price of $0.073 per Petroflow Share;

4.23 under the Bid each U.S. Shareholder or Foreign Shareholder, or holder of Petroflow Shares who appears to Shaker or to Valiant Trust Company (the "Depositary") to be resident in a country other than Canada, may only receive cash for their Petroflow Shares unless the issuance of Common Shares is permitted under local securities laws in such foreign country without being registered or qualified for issuance;

4.24 to the extent that U.S. Shareholders and the Foreign Shareholder, resident in jurisdictions in which the issuance of Common Shares in exchange for their Petroflow Shares is not permitted under local securities laws, elect to deposit their Petroflow Shares pursuant to the Bid, Shaker proposes to pay cash in the amount of $0.073 (Cdn.) per Petroflow Share, less applicable withholding taxes, substantially simultaneously with the delivery to all other holders of Petroflow Shares of the consideration to which such shareholders are entitled under the Bid;

4.25 if Shaker increases the consideration offered to holders of Petroflow Shares resident in Canada, the increase in consideration will also be offered to U.S. Shareholders and Foreign Shareholders at the same time and on the same basis; and

4.26 Shaker will pay the cash directly to the Depositary who will then distribute the cash to the U.S. Shareholders and the Foreign Shareholder resident in jurisdictions in which the issuance of Common Shares in exchange for their Petroflow Shares is not permitted;

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

6. 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;

7. THE DECISION of the Decision Makers under the Legislation is that, in connection with the Bid, Shaker is exempt from the Identical Consideration Requirement insofar as the U.S. Shareholders and Foreign Shareholders who would otherwise receive Common Shares under the Bid will receive cash proceeds as set out in paragraphs 4.24, 4.25, and 4.26.

June 3, 2003.

"Glenda A. Campbell" "Stephen R. Murison"

2.1.6 Northrock Resources Ltd. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Exemption granted from take-over bid requirements in connection with acquisition of shares of non-reporting issuers. Boards of directors of target companies authorized under shareholders' agreements and powers of attorney to negotiate the sale of the companies.

Applicable Ontario Statute

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

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

AND

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

AND

IN THE MATTER OF
NORTHROCK RESOURCES LTD.
AND QWEST ENERGY I CORP.
AND QWEST ENERGY II CORP.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Ontario, and Québec (the "Jurisdictions") has received an application from Northrock Resources Ltd. ("Northrock") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements in the Legislation relating to take-over bids (the "Take-over Bid Requirements") will not apply to the acquisition by Northrock of all of the Shares (as defined below) of Qwest Energy I Corp. ("Qwest I") and Qwest Energy II Corp. ("Qwest II", and together with Qwest I, the "Corporations");

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

3. 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;

4. AND WHEREAS Northrock has represented to the Decision Makers that:

4.1 Northrock is amalgamated under the *Business Corporations Act* (Alberta);

4.2 Northrock's head office is located in Calgary, Alberta;

4.3 Northrock is an indirect, wholly-owned subsidiary of Unocal Corporation, a publicly-traded company incorporated in Delaware in the United States of America and whose securities are listed on the New York Stock Exchange;

4.4 Northrock is not a reporting issuer in any jurisdiction, nor are any of their securities listed or posted for trading on any stock exchange;

4.5 the Corporations were incorporated pursuant to the *Company Act* (British Columbia) on November 24, 1999. Neither of the Corporations are extra-provincially registered in any other province;

4.6 the head and principal office address of the Corporations is located in Vancouver, British Columbia;

4.7 each of the Corporations is authorized to issue 100,000,000 class A common shares (the "Shares"), 100,000,000 class A non-voting preferred shares, 100,000,000 class B common shares, and 100,000,000 class B non-voting preferred shares, of which there are 1,960,100 Shares of Qwest I and 1,918,450 Shares of Qwest II outstanding;

4.8 pursuant to an offering memorandum (the "Offering Memorandum") dated November 25, 1999, the Corporations distributed (the "Initial Offering") units comprised of Shares and Class A preferred shares. The Corporations have not distributed any other securities;

4.9 the outstanding Class A preferred shares were redeemed by the Corporations in 2000 and 2001;

4.10 each holder of the Shares (the "Shareholders") is entitled to one vote per Share;

4.11 the Corporations are not in default of any of the requirements of the Legislation;

4.12 neither of the Corporations is (or has been) a reporting issuer in any jurisdiction, nor are any of their securities listed or posted for trading on any stock exchange;

4.13 Qwest I has 88 Shareholders (holding a total of 1,535,100 Shares) resident in British Columbia and one Shareholder (holding a total of 425,000 Shares) resident in Ontario;

4.14 Qwest II has 11 Shareholders (holding 238,000 Shares) resident in Alberta, 57 Shareholders (holding 1,616,700 Shares) resident in British Columbia and one Shareholder (holding 63,750 Shares) resident in Québec;

4.15 a total of 233,750 Shares of Qwest II, and no Shares of Qwest I, have been transferred since the Initial Offering;

4.16 each transferee (collectively, the "Transferees") acquired the Shares as a result of the death of an original Shareholder;

4.17 at the time of the Initial Offering, each initial Shareholder was provided with a copy of the Offering Memorandum and entered into a subscription agreement with the relevant Corporation which, among other things, contained a shareholders' agreement (the "Shareholders' Agreements") and granted a power of attorney (the "Powers of Attorney") to the relevant Corporation;

4.18 the terms and conditions of the Shareholders' Agreements and the Powers of Attorney are identical with the exception that one of the Shareholders' Agreements and Powers of Attorney relates to Qwest I and the other Shareholders' Agreement and Power of Attorney relates to Qwest II;

4.19 all of the Shareholders, including each of the Transferees, are parties to a Shareholders' Agreement and have given a Power of Attorney to the relevant Corporation;

4.20 the Offering Memorandum, Shareholders' Agreements and the Powers of Attorney provide, amongst other things, that:

4.20.1 each Corporation shall negotiate and complete (on behalf of the Shareholders) an agreement to sell all of the Shares of the Corporation, subject to Shareholder approval;

4.20.2 if Shareholders approve a resolution regarding an agreement to sell all of the Shares of the Corporation by two-thirds of the votes cast at a meeting held for the purpose of considering such an acquisition, the Corporation shall complete the sale of all of the outstanding Shares to the buyer; and

4.20.3 if such a resolution is approved, all Shareholders are required to sell their Shares on identical terms and conditions;

4.21 the Corporations received an offer from Northrock to acquire all of the Shares (the "Acquisitions") in accordance with the Offering Memorandum, Shareholders' Agreements, and Powers of Attorney;

4.22 Northrock has agreed to purchase from the Shareholders, and the Shareholders (by their respective attorneys pursuant to the Powers of Attorney) have agreed to sell, all of the Shares;

4.23 the completion of the Acquisitions is subject to the terms of the Shareholders' Agreements, including the approval by two-thirds of the votes cast by Shareholders at a meeting to be held (the "Meeting") for the purpose of considering a resolution approving the Acquisitions (the "Special Resolution") and certain other conditions;

4.24 the board of directors of each of the Corporations (collectively, the "Boards") has complied in all material respects with the terms of the Offering Memorandum, Shareholders' Agreements, and Powers of Attorney with respect to the Acquisitions;

4.25 the Boards have determined that the relevant Acquisition is fair, from a financial point of view, to the Shareholders and is in the best interests of the relevant Corporations and the Shareholders;

4.26 the purchase price for the Shares regarding the Acquisitions is based on an estimate of the value of reserves held by the Corporations as described in an independent engineering report prepared by McDaniel & Associates Consultants Ltd. at the request of the Boards and the

estimated net working capital of each of the Corporations;

4.27 Qwest I and Qwest II will mail an information circular which substantially complies with the relevant disclosure requirements specified by the Take-over Bid Requirements in respect of take-over bid circulars and directors' circulars to the Shareholders in respect of the Meeting;

4.28 the Boards have determined that it is in the best interests of Shareholders to sell the Shares and will unanimously recommend to the Shareholders that they vote in favour of the Special Resolution;

4.29 Shareholders who control a total of 30% and 18% of the Shares of Qwest I and Qwest II, respectively, have entered into voting agreements with Northrock, whereby they have agreed to vote in favour of the relevant Special Resolution;

4.30 there are no exemptions from the Take-over Bid Requirements available to allow the Acquisitions;

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

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

7. THE DECISION of the Decision Makers under the Legislation is that Northrock is exempt from the Take-over Bid Requirements provided that the Acquisitions are completed in compliance with the Shareholders Agreements and the Powers of Attorney.

June 10, 2003.

"Glenda A. Campbell" "Stephen R. Murison"

2.1.7 Russel Metals Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – take-over bid offers and collateral benefits – offerors entering into a non-competition agreement with the principal shareholder of the offeree issuer – non-competition agreement negotiated at arm's length and on terms that are commercially reasonable and consistent with industry practice – offers would not have been made if the non-competition agreement had not been entered into – non-competition agreement entered into for reasons other than to increase the value of the consideration paid to the principal shareholder for his shares – non-competition agreement may be entered into notwithstanding the prohibition on collateral benefits.

Applicable Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
RUSSEL METALS INC.

AND

RUSSEL ACQUISITION INC.

AND

ACIER LEROUX INC./LEROUX STEEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application from Russel Metals Inc. ("Russel"), for a decision pursuant to securities legislation of the Jurisdictions (the "Legislation"), in connection with a take-over bid (the "Offers") dated May 15, 2003 made by Russel and/or its wholly-owned subsidiary, Russel Acquisition Inc. ("RAI", and collectively with Russel, the "Offerors") to acquire all of the issued and outstanding shares (the "Shares") and debentures (the "Debentures", and collectively with the

Shares, the "Securities") of Acier Leroux Inc./Leroux Steel Inc. ("Leroux Steel"), that the non-competition agreement and related letter agreement (the "Non-Competition Agreement") which the Offerors have entered into with Gilles Leroux ("Leroux"), Chairman of the Board, President, Chief Executive Officer and principal shareholder of Leroux Steel, is made for reasons other than to increase the value of the consideration paid to Leroux for his Securities and that the Non-Competition Agreement may be entered into despite 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 or in Quebec Commission Notice 14-101;

AND WHEREAS the Offerors having represented to the Decision Maker that:

1. Russel is a corporation existing under the laws of Canada. Russel is a reporting issuer or the equivalent in each of the Jurisdictions and its common shares are listed and posted for trading on The Toronto Stock Exchange (the "TSX").

2. RAI is a wholly-owned subsidiary of Russel existing under the *Companies Act* (Québec).

3. Leroux Steel is a corporation existing under the *Companies Act* (Québec).

4. The authorized capital of Leroux Steel consists of an unlimited number of Class A multiple voting shares (the "Class A Shares"), an unlimited number of Class B subordinate voting shares (the "Class B Shares") and an unlimited number of preferred shares. As at May 20, 2003, there were 3,550,567 Class A Shares, 6,918,446 Class B Shares and no preferred shares issued and outstanding. Each of the issued and outstanding Class A Shares carries 10 votes whereas each issued and outstanding Class B Share carries one vote. The Class A Shares and the Class B Shares have the same rights in every other respect. The Class A Shares and Class B Shares are listed on the TSX under the symbols LER.A and LER.B, respectively.

5. On July 21, 1994, Leroux Steel issued 8% unsecured subordinated debentures with a par value of $8,158,000 convertible into Class B Shares at a price of $7.00 per share and maturing on August 4, 2004 (the "8% Debentures"). On May 16, 1996, Leroux Steel issued an aggregate amount of $19,000,000 in 7.25% unsecured subordinated debentures convertible into Class B Shares at a price of $7.75 per share and maturing on May 29, 2006 (the "7.25% Debentures"). As at May 20, 2003, there was $7,658,800 aggregate principal amount of 8% Debentures and $11,184,500 aggregate principal amount of 7.25% Debentures outstanding. The 8% Debentures and the 7.25% Debentures are listed on the TSX under the symbols LER.DB and LER.DB.A, respectively.

6. In addition, as at May 20, 2003, there were outstanding stock options (the "Stock Options") granted under the stock option plan of Leroux Steel providing for the issuance of 369,000 Class B Shares upon the exercise thereof.

7. Leroux is the Chairman of the Board, President and Chief Executive Officer of Leroux Steel.

8. Leroux holds, directly and indirectly, or exercises control or direction over 2,547,895 Class A Shares, 8,100 Class B Shares, exercisable Stock Options to acquire an additional 131,000 Class B Shares and $5,500 aggregate principal amount of 8% Debentures. The aggregate 2,686,995 Shares held by Leroux on a partially-diluted basis (after giving effect to the exercise of Stock Options but not to the conversion of any Debentures) represent approximately 24.8% of the outstanding Shares and carry approximately 59.9% of the votes attached to all outstanding Shares, in each case on a partially-diluted basis (calculated in the same manner).

9. The Offerors made the Offers to acquire all of the issued and outstanding Securities, including any Class B Shares issuable on the exercise of Stock Options or on the conversion of Debentures.

10. In the case of the Shares, the Offers are made on the basis of, at the option of each holder, (A) $6.30 cash, (B) $4.60 cash and one-third of one common share in the capital of Russel (a "Russel Share") or (C) 1.2353 Russel Shares for each Class A Share or Class B Share; provided, however, that Russel shall not be required to issue more than 3,612,672 Russel Shares in the aggregate to all holders of Class A Shares and Class B Shares.

11. In the case of the Debentures, the purchase price payable under the Offers is a cash amount equal to the principal amount thereof plus accrued and unpaid interest.

12. The offer to acquire the Class A Shares is subject to the following conditions, among others: (i) there shall have been validly deposited under the relevant Offers and not withdrawn as at the expiry time of the Offers: (A) such number of Class A Shares as represents at least two-third of the Class A Shares outstanding; and (B) such number of Class B Shares as represents at least two-third of the Class B Shares outstanding on a partially-diluted basis; and (ii) there shall have been validly

deposited under the relevant Offers and not withdrawn as at the expiry time of the Offers for the 8% Debentures and the 7.25% Debentures: (A) such aggregate principal amount of 8% Debentures as represents at least two-third of the aggregate principal amount of 8% Debentures outstanding; and (B) such aggregate principal amount of 7.25% Debentures as represents at least two-third of the aggregate principal amount of 7.25% Debentures outstanding.

13. The offer to acquire the Debentures is subject to there having been validly deposited under the relevant Offers and not withdrawn as at the expiry time of the Offers: (i) such number of Class A Shares as represents at least two-third of the Class A Shares outstanding; (ii) such number of Class B Shares as represents at least two-third of the Class B Shares outstanding on a partially-diluted basis; (iii) such aggregate principal amount of 8% Debentures as represents at least two-third of the aggregate principal amount of 8% Debentures outstanding; and (iv) such aggregate principal amount of 7.25% Debentures as represents at least two-third of the aggregate principal amount of 7.25% Debentures outstanding.

14. The Offerors have entered into an agreement with Leroux and certain corporations controlled by him (the "Leroux Holding Companies") pursuant to which Leroux and the Leroux Holding Companies have agreed to tender to the Offers 2,547,895 Class A Shares, 139,100 Class B Shares (including the Class B Shares issuable upon the exercise of Stock Options) (representing approximately 24.8% of the Shares outstanding) and $5,500 aggregate principal amount of 8% Debentures.

15. The Offers provides that beneficial owners of Shares may tender to the Offers, in lieu of Shares, all of the outstanding shares of a corporation incorporated on or after October 1, 1999 that is the registered and beneficial owner of Shares and that satisfies certain other conditions.

16. Leroux is party to an employment agreement (the "Existing Employment Agreement") with Leroux Steel dated December 12, 2002 pursuant to which Leroux is entitled to receive, among other things, a base salary of $450,000 per year, an annual bonus equal to 2% of the annual consolidated profits of Leroux Steel and certain additional and customary benefits.

17. The Existing Employment Agreement provides that in the event of a Change of Control of Leroux Steel (as defined in the Existing Employment Agreement), Leroux shall be entitled to receive the equivalent of three times his annual salary (the "Change of Control Payment"), payable on the Change of Control, in one lump sum, for a one-time Change of Control Payment of $1,350,000. The completion of the Offers will constitute a Change of Control for purposes of the Existing Employment Agreement.

18. Russel has been advised that the Existing Employment Agreement was approved by the Corporate Governance Committee of Leroux Steel at a meeting held on December 12, 2002. According to the Management Proxy Circular of Leroux Steel dated March 18, 2003, the Corporate Governance Committee is comprised solely of "unrelated" directors within the meaning of the Corporate Governance Guidelines adopted by the TSX.

19. The Offerors have entered into the Non-Competition Agreement with Leroux. The Non-Competition Agreement provides that:

(a) subject to certain exceptions, Leroux shall not deal in the business of procurement, warehousing, processing or distribution of steel or steel products in Canada or the United States for a period of three years from the first date on which the Offerors take up and pay for Shares or Debentures tendered under the Offers;

(b) conditional upon:

(i) the Existing Employment Agreement having been terminated without payment of any amount (including the Change of Control Payment) as a result of or in connection with (A) the termination of such agreement, (B) the termination of Leroux's employment by Leroux Steel or any of its affiliates or (C) the termination of Leroux's position as a director and officer of Leroux Steel or any of its affiliates; and

(ii) Leroux having unconditionally and irrevocably released Leroux Steel and each of its affiliates from all liabilities or obligations of any nature whatsoever they may have in connection with (A) the Existing Employment Agreement, (B) the termination of such agreement, (C) the termination of Leroux's employment by Leroux Steel or any of its affiliates or (D) the termination of Leroux's position as a director and officer of Leroux Steel or any of its affiliates and from all manner of action, causes of action, claims

or demands whatsoever which Leroux may have in connection therewith,

then on each of (x) the business day next following the date on which the Offerors take up and pay for Shares under the Offers and (y) each monthly anniversary thereof ending on the thirty-fifth such anniversary, Russel shall pay or shall cause one of its affiliates (which may include Leroux Steel) to pay to Leroux by cheque in immediately available funds the amount of $37,500 (the "Non-Competition Payments") for an aggregate amount of $1,350,000 over the term of such agreement; and

(c) in the event of a breach by Leroux of his non-competition or non-solicitation covenants, he shall cease to be entitled to any further Non-Competition Payments from and after the date of such breach.

20. The Non-Competition Agreement, including the structuring of the Non-Competition Payments, has been negotiated at arm's length and is on terms that are commercially reasonable and consistent with industry standards. The Non-Competition Payments are intended to provide an incentive for Leroux to comply with the Non-Competition Agreement.

21. The Offerors would not have agreed to make the Offers if Leroux had not entered into the Non-Competition Agreement.

22. The Non-Competition Agreement has been entered into for valid business reasons unrelated to Leroux's holdings of Securities and not for the purpose of Russel or the Offeror conferring an economic or collateral benefit on Leroux that the other securityholders of Leroux Steel do not enjoy.

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

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

THE DECISION of the Decision Makers under the Legislation is that, in connection with the Offers, the Non-Competition Agreement is being entered into for reasons other than to increase the value of the consideration paid to Leroux for his Securities and the Non-Competition Agreement may be entered into despite the Legislation.

June 11, 2003.

"Paul Moore" "Harold P. Hands"

2.1.8 Creo Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to certain vice presidents of a reporting issuer from the insider reporting requirements subject to certain conditions as outlined in CSA Staff Notice 55-306 - Applications for Relief from the Insider Reporting Requirements by Certain Vice Presidents.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 107, 108, 121(2)(a)(ii).

Regulations Cited

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

Rules Cited

National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA AND ONTARIO

AND

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

AND

IN THE MATTER OF
CREO INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Manitoba, and Ontario (collectively, the "Jurisdictions") has received an application from Creo Inc. ("Creo") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of Creo, on the grounds that they are "nominal vice-presidents", as that term is defined in CSA Staff Notice 55-306 (the "Notice");

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 Creo has represented to the Decision Makers that:

1. Creo is a corporation incorporated under the *Canada Business Corporations Act*. Creo is a leading developer, manufacturer and distributor of comprehensive digital solutions that automate the prepress phase of commercial printing. Creo has product development and manufacturing centers in Vancouver and Israel, distribution centers around the world, and regional offices in Boston, MA, USA; Tokyo, Japan; Hong Kong; Sydney, Australia; and Brussels, Belgium;

2. The authorized capital of Creo consists of an unlimited number of common shares, of which 49,793,978 shares were outstanding as at April 30, 2003;

3. The shares of Creo are listed and posted for trading on the Toronto Stock Exchange and the Nasdaq National Market;

4. Creo is a reporting issuer or the equivalent under the Legislation in each of the Jurisdictions. Creo is not in default of any requirement under the Legislation;

5. Currently, approximately 75 individuals are insiders of Creo by reason of being an officer or director of Creo or its subsidiaries. Of those individuals, approximately 26 are currently exempt from the insider reporting requirements of the Legislation by reason of the exemptions contained in National Instrument 55-101 - *Exemption from Certain Insider Reporting Requirements* ("NI 55-101"). Creo has made this application to seek the requested relief in respect of 11 individuals;

6. Creo maintains a policy statement (the "Policy") on confidentiality and trading responsibilities which it distributes to its insiders, employees and others. The Policy describes the trading restrictions and reporting requirements to which such persons are subject under applicable law, including persons in a "special relationship" (as that term is defined in Section 76(5) of the *Securities Act* (Ontario)), and sets out guidelines with which all such individuals must comply when trading or contemplating a trade in securities of Creo. These guidelines include a prohibition on trading in securities of Creo during certain "blackout periods" prior to the release of Creo's financial results and following the issuance of a press release disclosing material information about Creo;

7. Creo has compiled a list of individuals who it has determined meet the criteria for exemption set out in the Notice (the "Nominal VPs"), by considering each such person's activities and responsibilities within Creo and its major subsidiaries. Based on the nature of their job functions, Creo has determined that none of the Nominal VPs as a matter of course receives or has access to material undisclosed information relating to Creo;

8. Each of the Nominal VPs meets the following criteria (the "Nominal VP Criteria"):

   (a) the individual is a vice-president;

   (b) the individual is not in charge of a principal business unit, division or function of Creo or a "major subsidiary" of Creo, as such term is defined in NI 55-101;

   (c) the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning Creo before the material facts or material changes are generally disclosed; and

   (d) the individual is not an insider of Creo in any other capacity;

9. On an ongoing basis, Creo intends to monitor the eligibility for the exemption available under the Notice of each of the Nominal VPs, and that of other employees of Creo and its major subsidiaries whose title is Vice President and who may satisfy the Nominal VP Criteria from time to time. This will be effected by monitoring such persons' respective job functions and responsibilities and assessing the extent to which in the ordinary course they receive notice of material facts or material changes with respect to Creo prior to such facts or changes being generally disclosed; and

10. In connection with this application, Creo has filed with the Decision Makers a copy of the Policy and the list of Nominal VPs;

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

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

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation to file insider reports shall not apply to insiders of Creo who satisfy the Nominal VP Criteria for so long as such insiders satisfy the Nominal VP Criteria, provided that:

(a) Creo prepares and maintains a list of all individuals who propose to rely on the exemption granted by this Decision;

(b) Creo provides to a Decision Maker upon request within one business day of the request a copy of its current list of individuals relying on the exemption granted by this Decision and its internal

policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons whose trading activities are restricted by Creo; and

(c) the relief granted will cease to be effective on the date when NI 55-101 is amended.

June 6, 2003.

"Paul M. Moore" "Harold P. Hands"

2.1.9 Plasti-Fab Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to no longer be a reporting issuer under the Act.

Applicable Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF
PLASTI-FAB LTD.

MRRS DECISION DOCUMENT

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

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

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

4. AND WHEREAS Plasti-Fab has represented to the Decision Makers that:

   4.1 PFB Corporation. ("PFB") and Advantage Wallsystems Inc. ("Advantage") were each amalgamated under the laws of Alberta;

   4.2 on May 1, 2003, pursuant to a plan of arrangement, 1024415 Alberta Ltd. ("Newco") acquired all of the existing securities of PFB on the basis of one Newco common share for each one PFB

common share and all of the existing securities of Advantage on the basis of one Newco common share for each 50 Advantage common shares (the "Arrangement");

4.3 following the Arrangement:

4.3.1. the name of PFB Corporation was changed to Plasti-Fab Ltd.;

4.3.2. the name of 1024415 Alberta Ltd. was changed to PFB Corporation; and

4.3.3. Plasti-Fab Ltd., Insulation Industries Ltd. (a wholly-owned subsidiary of Plasti-Fab Ltd.), and Advantage amalgamated (the "Amalgamation") and continued as Plasti-Fab Ltd.;

4.4 Plasti-Fab's head office is located in Calgary, Alberta;

4.5 Plasti-Fab is currently a reporting issuer in the Jurisdictions and became a reporting issuer in the Jurisdictions and in British Columbia and Manitoba as a result of the Amalgamation;

4.6 Plasti-Fab is not in default of any of the requirements of the Legislation;

4.7 at the time of the Arrangement and Amalgamation, PFB was a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec and Advantage was a reporting issuer in British Columbia and Alberta;

4.8 Plasti-Fab has ceased to be a reporting issuer in British Columbia and Manitoba;

4.9 prior to the Arrangement, Advantage common shares traded on the TSX Venture Exchange and PFB common shares traded on the Toronto Stock Exchange;

4.10 following the Arrangement, the Advantage common shares were de-listed from the TSX Venture Exchange and the Newco common shares replaced the PFB common shares on the Toronto Stock Exchange;

4.11 no securities of Plasti-Fab are, or have been, listed or quoted on any exchange or market;

4.12 Plasti-Fab's authorized share capital consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of first preferred shares, issuable in series of which there are 5,559,391 Common Shares outstanding;

4.13 as a result of the Arrangement and Amalgamation, all of the outstanding Common Shares are held by Newco;

4.14 other than Common Shares, Plasti-Fab has no securities, including debt securities, outstanding; and

4.15 Plasti-Fab does not intend to seek public financing by way of an offering of its securities;

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

6. 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;

7. THE DECISION of the Decision Makers under the Legislation is that Plasti-Fab is deemed to have ceased to be a reporting issuer under the Legislation.

June 13, 2003.

"Patricia M. Johnston"

2.1.10 Astral Media Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to certain vice presidents of a reporting issuer from the insider reporting requirements subject to certain conditions as outlined in CSA Staff Notice 55-306 - Applications for Relief from the Insider Reporting Requirements by Certain Vice Presidents.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 107, 108, 121(2)(a)(ii).

Regulations Cited

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

Rules Cited

National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements.

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

AND

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

AND

IN THE MATTER OF
ASTRAL MEDIA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Ontario, Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Québec and Saskatchewan (collectively the "**Jurisdictions**") has received an application from Astral Media Inc. ("**Astral**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of Astral by reason of having the title "Vice-President" (the "**Exempted VPs**");

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 Astral has represented to the Decision Makers that:

1. Astral is a corporation organized under the *Canada Business Corporations Act* with its registered office located at 181 Bay Street, Toronto, Ontario M5J 2T3.

2. Astral is one of Canada's leading media companies. Its business activities consist primarily of pay, pay-per-view and specialty television, radio and outdoor advertising.

3. Astral is a reporting issuer in each province of Canada and its Class A non-voting shares and Class B subordinate voting shares are listed on the Toronto Stock Exchange.

4. As of the date hereof, Astral has 13 directors (three of whom are executive officers of the Corporation), eight executive officers, and forty-seven (47) other individuals who hold management positions in Astral or its subsidiaries, for a total of sixty-five (65) individuals who are insiders of Astral (the "**Insiders**").

5. None of the Insiders is currently exempt from the insider reporting requirements contained in the Act by reason of an existing exemption such as National Instrument 55-101 - *Exemption from Certain Insider Reporting Requirements* ("**National Instrument 55-101**"), or a previous decision or order.

6. Astral has developed a corporate disclosure policy (the "**Disclosure Policy**"), which contains policies and procedures governing insider trading that apply to all of the Insiders. The Disclosure Policy also applies to other employees of Astral with knowledge of confidential or material information. Astral has also established a disclosure policy committee (the "**Committee**") to oversee administration of the Disclosure Policy.

7. Pursuant to the Disclosure Policy, the Insiders and other employees with knowledge of confidential or material information about Astral or counter-parties in negotiations of material potential transactions are prohibited from trading in shares of Astral until the information has been fully disclosed or a reasonable period of time has passed for the information to be widely disseminated. In addition, quarterly blackout periods will apply to Insiders or employees with access to undisclosed material information during periods when quarterly or annual financial statements are being prepared but results have not yet been publicly disclosed. Additional blackout periods may be prescribed from time to time by the Committee as a result of special circumstances relating to Astral pursuant to which Insiders and employees with knowledge of such special circumstances would be precluded from

trading in the securities of Astral. The Insiders must contact the Vice-President, Legal Affairs and Secretary or the Vice-President, Finance and Chief Financial Officer before trading in the securities of Astral.

8. The job requirements and principal functions of the Insiders were reviewed by the Vice-President, Finance and Chief Financial Officer, the Vice-President, Legal Affairs and Secretary, the Vice-President, Human Resources, and the President of the subsidiary in which each Insider is employed to determine which of them meet the definition of "nominal vice-president" contained in the Staff Notice. In their opinion, seven (7) of the Insiders having the title of Vice-President (the "**Exempted VPs**") meet the criteria set out in the Staff Notice.

9. The Vice-President, Finance and Chief Financial Officer, the Vice-President, Legal Affairs and Secretary, the Vice-President, Human Resources, and the President of the subsidiary in which each Insider is employed will assess the job requirements and principal functions of any future employee of Astral or its subsidiaries who has the title of Vice-President on the same basis as set out above to determine if such employee should receive the benefit of the exemption sought in this application.

10. Each of the Exempted VPs meets the following criteria (the "Exempt VP Criteria"):

    (a) the individual is a vice-president of Astral or its subsidiaries;

    (b) the individual is not in charge of a principal business unit, division or function of Astral or a "major subsidiary" of Astral (as such term is defined in National Instrument 55-101);

    (c) the individual does not in the ordinary course receive or have access to information as to material facts or material changes concerning Astral before the material facts or material changes are generally disclosed; and

    (d) the individual is not an insider of Astral in any other capacity.

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

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

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation to file insider reports shall not apply to present and future insiders of Astral who satisfy the Exempt VP Criteria for so long as such insiders satisfy the Exempt VP Criteria provided that:

(a) Astral prepares and maintains a list of all individuals who propose to rely on the exemption granted, submits the list on an annual basis to its Board of Directors for approval, and files the list with the securities regulatory authority of each Jurisdiction;

(b) Astral files with the securities regulatory authority of each Jurisdiction a copy of its internal policies and procedures relating to monitoring and restricting the trading activities of its insiders and other persons whose trading activities are restricted by Astral; and

(c) the relief granted under this Decision will cease to be effective on the date that National Instrument 55-101 is amended.

June 13, 2003.

"Paul M. Moore" "Harold P. Hands"

2.1.11 Russel Metals Inc. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – take-over bid offers and auditor's consent – applicant required to provide an auditor's report as part of the take-over bid circular – auditors were Arthur Anderson – Arthur Anderson ceased practising public accounting and no longer consents to the use of previously issued auditors' reports – applicant's inability to obtain a consent letter from Arthur Anderson an exceptional circumstance beyond Applicant's control – in the absence of a consent from Arthur Anderson, applicant included in the take-over bid circular certain prominent disclosure – applicant exempt from the consent requirement in connection with the take-over bid offers.

Applicable Statutory Provision

Securities Act, R.S.O. 1990, c. S.5, as amended, s. 104(2)(c).

Applicable Regulatory Provision

Ontario Regulation 1015 – General Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as amended, s. 196.

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

AND

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

AND

IN THE MATTER OF
RUSSEL METALS INC.

AND

ACIER LEROUX INC./LEROUX STEEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application from Russel Metals Inc. ("Russel"), for a decision pursuant to securities legislation of the Jurisdictions (the "Legislation"), in connection with a take-over bid (the "Offers") dated May 15, 2003 made by Russel and/or its wholly-owned subsidiary, Russel Acquisition Inc. ("RAI", and collectively with Russel, the "Offerors") to acquire all of the issued and outstanding shares (the "Shares") and debentures (the "Debentures", and collectively with the Shares, the "Securities") of Acier Leroux Inc./Leroux Steel Inc. ("Leroux Steel"), that Russel be exempt from the requirement in the Legislation to include a consent of Leroux Steel's former auditors, Arthur Andersen LLP ("Arthur Andersen"), to the incorporation by reference of the auditors' report of Arthur Andersen on the financial statements of Leroux Steel for the fiscal year ended November 3, 2001 in the take-over bid circular (the "Circular") accompanying and forming part of the Offers (the "Consent Requirement");

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

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

AND WHEREAS the Offerors having represented to the Decision Maker that:

1. Russel is a corporation existing under the laws of Canada. Russel is a reporting issuer or the equivalent in each of the Jurisdictions and its common shares are listed and posted for trading on The Toronto Stock Exchange (the "TSX").

2. Leroux Steel is a corporation existing under the *Companies Act* (Québec).

3. The Offerors have made the Offers to acquire all of the issued and outstanding Securities, including any Shares issuable on the exercise of stock options or on the conversion of Debentures, for consideration consisting of:

   (a) in the case of the Shares, at the option of each holder of Shares, (x) $6.30 cash, (y) $4.60 cash and one-third of one common share of Russel or (z) 1.2353 common shares of Russel for each Share, subject to proration in the event that the aggregate number of common shares of Russel otherwise issuable to all holders of Shares would exceed 3,612,672; and

   (b) in the case of the Debentures, cash in an amount equal to par plus accrued and unpaid interest.

4. As Russel is offering to issue common shares as part of the consideration payable under the Offers, it is required to include in the Circular the information prescribed by the form of prospectus appropriate for Russel.

5. Russel is qualified pursuant to section 2.2 of National Instrument 44-101 ("NI 44-101") to file a short-form prospectus in each of the Jurisdictions.

6. The proposed acquisition of the outstanding Securities of Leroux Steel constitutes a "significant probable acquisition" by Russel within the meaning of section 1.4 of NI 44-101. Accordingly, Russel is required to include or incorporate by reference in the Circular, among other things:

   (a) the audited consolidated financial statements of Leroux and the notes thereto as at and for the fiscal year ended November 2, 2002, together with the report of the auditors thereon (collectively, the "Leroux 2002 Audited Financial Statements"); and

   (b) the financial information as at and for the fiscal year ended November 3, 2001 as contained in the audited consolidated financial statements of Leroux and the notes thereto as at and for the fiscal year then ended, together with the report of the auditors thereon (collectively, the "Leroux 2001 Audited Financial Statements").

7. The audit report in respect of the Leroux 2002 Audited Financial Statements was delivered by Deloitte & Touche LLP. The consent of Deloitte & Touche LLP as required by the Legislation and subsection 10.4(1) of NI 44-101 has been filed together with the Circular.

8. The audit report in respect of the Leroux 2001 Audited Financial Statements was delivered by Arthur Andersen.

9. On June 3, 2002, Arthur Andersen ceased practising public accounting. As a result, Arthur Andersen will no longer consent to the use of previously issued auditors' reports for purposes of securities filings.

10. The inability of Russel to obtain a consent letter from Arthur Andersen to the inclusion of its audit report on the Leroux 2001 Audited Financial Statements is an exceptional situation that is outside the control of Russel.

11. The Canadian Securities Administrators (the "CSA") issued CSA Staff Notice 43-304, 62-302 and 81-308 *Prospectus Filing Matters – Arthur Andersen LLP Consent* (the "Andersen Notice") to provide guidance to issuers with respect to the inclusion in, among other things, securities exchange take-over bid circulars of financial statements previously audited by Arthur Andersen.

12. The Andersen Notice states that CSA staff will consider applications from issuers to waive the requirement to obtain the consent of Arthur Andersen for audit reports relating to financial statements incorporated by reference in a prospectus, provided that the prospectus includes certain prominent disclosure.

13. In the absence of a consent from Arthur Andersen, Russel has included in the Circular the disclosure set forth in Appendix A hereto and included a cross-reference to such disclosure in the relevant paragraph of the list of documents incorporated by reference in the Circular.

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

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

THE DECISION of the Decision Makers under the Legislation is that Russel is exempt from the Consent Requirement in connection with the Offers.

June 11, 2003.

"Paul M. Moore" "Harold P. Hands"

APPENDIX A

"Note with Respect to Arthur Andersen LLP

Arthur Andersen LLP is no longer engaged in the practice of public accounting in Canada. Accordingly, Russel Metals is unable to obtain the consent of Arthur Andersen LLP with respect to the incorporation by reference in the Circular of the auditors' report of Arthur Andersen LLP on the consolidated financial statements of Leroux as at and for the fiscal year ended November 3, 2001. Generally, in accordance with applicable securities legislation, holders of securities may only exercise a statutory right of action against a person or company that has prepared a report, opinion or statement that is included in a take-over bid circular if that person or company has filed a consent in respect of such report, opinion or statement and such right of action may only be exercised in respect of the report, opinion or statement that has been made by such person or company. As a result, the absence of a consent from Arthur Andersen LLP to the inclusion in the Circular of its auditors' report may limit the statutory right of action of Securityholders against Arthur Andersen LLP. Russel Metals is not aware of the extent to which there may be assets available, if any, to satisfy any judgment against Arthur Andersen LLP."

2.1.12 APF Energy Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporation deemed to have ceased to be a reporting issuer when all of its issued and outstanding capital acquired by another issuer.

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
APF ENERGY INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta and Ontario (the "Jurisdictions") has received an application from APF Energy Inc. ("Amalco") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Amalco be deemed to have ceased to be a reporting issuer under the Legislation;

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

3. AND WHEREAS Amalco has represented to the Commission that:

   3.1 Amalco is a corporation amalgamated under the Business Corporation Act (Alberta) (the "ABCA");

   3.2 Amalco's head office is located in Calgary, Alberta;

   3.3 Amalco is not in default of any of the requirements of the Legislation;

   3.4 the authorized share capital of Amalco consists of an unlimited number of Common shares of which there are 100 Common shares (the "Common Shares") outstanding;

3.5 all of the Common Shares of Amalco are held by APF Energy Trust;

3.6 under an offer to purchase (the "Offer") by way of a take-over bid circular dated March 18, 2003 whereby APF Energy Inc. ("APF") offered to purchase all of the outstanding securities of Nycan Energy Corp. ("Nycan") and a subsequent compulsory acquisition under the provisions of the ABCA (the "Take-Over"), APF became the sole shareholder of Nycan;

3.7 at the close of business on April 30, 2003, the Common Shares of Nycan were delisted from the Toronto Stock Exchange;

3.8 on May 1, 2003, APF and Nycan amalgamated (the "Amalgamation") under the provisions of the ABCA to form Amalco;

3.9 prior to the Take-Over, APF was not a reporting issuer in any jurisdiction;

3.10 as Nycan was a reporting issuer in Alberta and Ontario for over 12 months at the time of the Amalgamation, Amalco became a reporting issuer in these jurisdictions as a result of the Amalgamation;

3.11 no securities of Amalco are listed or quoted on any exchange or market;

3.12 other than the Common Shares, Amalco has no securities, including debt securities, outstanding; and

3.13 Amalco does not intend to seek public financing by way of an offering of its securities;

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

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

6. THE DECISION of the Decision Makers under the Legislation is that Amalco is deemed to have ceased to be a reporting issuer under the Legislation in each of the Jurisdictions.

June 6, 2003.

"Patricia M. Johnston"

2.1.13 MAXIN Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions - first trade in additional units deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

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

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 5522.

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

AND

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

AND

IN THE MATTER OF
MAXIN INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador and Yukon (the "Jurisdictions") has received an application from MAXIN *Income Fund* (the "Trust") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirement contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades of the Trust pursuant to the Trust's distribution reinvestment plan (the "Plan") ;

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

"System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, 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 TRUST has represented to the Decision Makers that:

1. The Trust is an unincorporated closed-end investment trust established under the laws of the Province of Ontario by a declaration of trust dated as of March 28, 2003.

2. The Trust is not considered to be a "mutual fund" as defined in the Legislation because the holders of Units ("Unitholders") are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Trust as contemplated in the definition of "mutual fund" in the Legislation.

3. The Trust became a reporting issuer or the equivalent thereof in the Jurisdictions on March 28, 2003 upon obtaining a receipt for its final prospectus dated March 28, 2003 (the "Prospectus").

4. The beneficial interests in the Trust are divided into a single class of voting units ("Units"). The Trust is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided beneficial interest in the Trust.

5. The Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "MXZ.UN". As of April 15, 2003, 8,000,000 Units were issued and outstanding.

6. The Trust currently intends to make cash distributions ("distributions") of distributable income to Unitholders of record on the day on which the Trust declares a distribution to be payable (each a "Declaration Date"), and such distributions will be payable on a day which is on or before the last business day of the month following a Declaration Date (each a "Distribution Date").

7. The Trust has adopted the Plan which, subject to obtaining all necessary regulatory approvals, will permit distributions to be automatically reinvested, at the election of each Unitholder, to purchase additional Units ("Plan Units") pursuant to the Plan and in accordance with a distribution reinvestment plan agency agreement entered into by the Trust, Middlefield MAXIN Management Limited in its capacity as manager of the Trust (in such capacity, the "Manager") and MFL Management Limited in its capacity as agent under the Plan (in such capacity, the "Plan Agent").

8. Pursuant to the terms of the Plan, a Unitholder will be able to elect to become a participant in the Plan by notifying the Manager, or by causing the Manager to be notified, in writing, of the Unitholder's decision to participate in the Plan. Participation in the Plan will not be available to Unitholders who are not residents of Canada for the purposes of the *Income Tax Act* (Canada).

9. Distributions due to participants in the Plan ("Plan Participants") will be paid to the Plan Agent and applied to purchase Plan Units. Plan Units purchased under the Plan will be purchased by the Plan Agent in the market or directly from the Trust in the following manner:

   (a) if the weighted average trading price of the Units on the TSX (or such other exchange or market on which the Units are then listed) for the 10 trading days immediately preceding the relevant Distribution Date (the "Market Price") plus estimated brokerage fees and commissions is greater than or equal to the net asset value of the Trust ("Net Asset Value") per Unit on the applicable Distribution Date, the Plan Agent will, after such Distribution Date, apply distributions to the purchase of Plan Units from the Trust at a price equal to Net Asset Value per Unit as at the Distribution Date, provided that if the Net Asset Value per Unit as at the Distribution Date is less than 95% of the Market Price per Unit on the Distribution Date, then Plan Units will be purchased from the Trust at a price equal to 95% of the Market Price as at the Distribution Date;

   (b) if the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit on the Distribution Date, purchases of Plan Units will be made in the market during the 10 business days next following the relevant Distribution Date, on any business day when the Market Price plus estimated brokerage fees and commissions is less than the Net Asset Value per Unit determined as at such Distribution Date, and on the 11th business day after the Distribution Date the unused part (if any) of the distributions paid to the Plan Agent for the benefit of Plan Participants will be applied to a purchase of Plan Units from the Trust in accordance with paragraph (a) above;

(c) the Plan Units purchased in the market or from the Trust shall be allocated by the Plan Agent on a *pro rata* basis to the Plan Participants; and

(d) any applicable brokerage fees and commissions incurred in connection with purchases of Plan Units made in the market as contemplated by paragraph (b) above shall be borne on a *pro rata* basis by and from each Plan Participant's account.

10. The Plan also allows Plan Participants to make optional cash payments ("Optional Cash Payments") which will be used by the Plan Agent to purchase Plan Units. A Plan Participant must invest a minimum of $100 per Optional Cash Payment. Optional Cash Payments will be used by the Plan Agent to purchase Plan Units on the same basis as distributions as described above. The aggregate number of Plan Units that may be purchased with Optional Cash Payments in a calendar year will be limited to 2% of the outstanding Units at the commencement of that calendar year, provided that for the 2003 calendar year, the number of Plan Units that may be purchased with Optional Cash Payments will be limited to 2% of the outstanding Units immediately following the closing of the initial public offering of Units pursuant to the Prospectus (including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering). The Plan Agent may limit the maximum amount of Optional Cash Payments in any calendar year to ensure that the 2% limit is not exceeded.

11. Optional Cash Payments, along with a Plan Participant's notice of his or her intention to make an Optional Cash Payment, must be received by the Plan Agent on or before 5:00 p.m. (Toronto time) on the day which is at least five business days prior to a Distribution Date, in order to be invested in Plan Units immediately following such Distribution Date. Optional Cash Payments and/or notices received less than five business days prior to a Distribution Date will result in the Plan Agent holding (without interest) the Optional Cash Payment and using the same to purchase Plan Units after the second Distribution Date following the date of receipt of the Optional Cash Payment.

12. The Plan Agent will purchase Plan Units only in accordance with mechanics described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on Net Asset Value per Unit.

13. The Plan is open for participation by all Unitholders (other than non-residents of Canada), so that such Unitholders can ensure protection against potential dilution, albeit insignificant, by electing to participate in the Plan.

14. The Trust will invest in securities with the objective of providing Unitholders with a high level of sustainable income (as described in the Prospectus) as well as a cost-effective method of reducing the risk of investing in such securities through broad diversification. In addition, the Net Asset Value per Unit should be less volatile than that of a typical equity fund based on historical data. As a result, the potential for significant changes in the Net Asset Value per Unit over short periods of time is moderate.

15. The amount of distributions that may be reinvested in the Plan Units issued from treasury is small relative to the Unitholders' equity in the Trust. The potential for dilution arising from the issuance of Plan Units by the Trust is not significant.

16. Plan Units purchased under the Plan will be registered in the name of the Plan Agent, as agent for the Plan Participants.

17. A Plan Participant may terminate his or her participation in the Plan by providing, or by causing to be provided, at least ten business days' prior written notice to the Manager and, such notice, if actually received no later than ten business days prior to the next Declaration Date, will have effect beginning with the distribution to be made with respect to such Declaration Date. Thereafter, distributions payable to such Unitholder will be in cash.

18. The Manager reserves the right to suspend or terminate the Plan at any time in its sole discretion, in which case Plan Participants and the Plan Agent will be sent written notice thereof. In particular, the Manager may, on behalf of the Trust, terminate the Plan in its sole discretion, upon not less than 30 days' prior written notice to the Plan Participants and the Plan Agent.

19. The Manager may amend or modify the Plan at any time in its sole discretion, provided that it obtains the prior approval of the TSX (if Units are then listed thereon) and provided further that if, in the Manager's reasonable opinion: (i) the amendment or notification is material to Plan Participants, then at least 30 days' prior written notice thereof is given to Plan Participants and the Plan Agent; or (ii) the amendment or modification is not material to Plan Participants, then notice thereof may be given to Plan Participants and the Plan Agent after effecting the amendment or modification. The Manager may also, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan.

20. The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributable income distributed by the Trust and not the reinvestment of dividends or interest of the Trust.

21. The distribution of the Plan Units by the Trust pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Trust is not considered to be a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Trust.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the trades of Plan Units to the Plan Participants pursuant to the Plan shall not be subject to the Registration and Prospectus Requirements of the Legislation provided that:

(a) at the time of the trade the Trust is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation, other than the requirement to file interim financial statements for the period ended March 31, 2003 in the Province of British Columbia;

(b) no sales charge is payable in respect of the distributions of Plan Units from treasury;

(c) the Trust has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a statement describing:

(i) their right to withdraw from the Plan and to make an election to receive cash instead of Plan Units on the making of a distribution by the Trust; and

(ii) instructions on how to exercise the right referred to in (i);

(d) in the calendar year during which the trade takes place, the aggregate number of Plan Units issued pursuant to the Optional Cash Payments shall not exceed 2% of the aggregate number of Units outstanding at the commencement of that calendar year (or for the 2003 calendar year, outstanding at the closing of the Trust's initial public offering of Units pursuant to the Prospectus including any Units outstanding following the closing of the exercise of the over-allotment option granted to the agents under the initial public offering); and

(e) except in Québec, the first trade or resale of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed a distribution or primary distribution to the public under the Legislation unless the conditions of paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 are satisfied, other than the requirement to file interim financial statements for the period ended March 31, 2003 in the Province of British Columbia in respect of complying with the requirement contained in subsection 2.6(3)5 of Multilateral Instrument 45-102;

(f) in Québec, the first trade (alienation) of Plan Units acquired pursuant to the Plan in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public unless:

(i) at the time of the first trade, the Trust is a reporting issuer in Québec and is not in default of any of the requirements of securities legislation in Québec;

(ii) no unusual effort is made to prepare the market or to create a demand for the Plan Units;

(iii) no extraordinary commission or consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and

(iv) the vendor of the Plan Units, if in a special relationship with the Trust, has no reasonable grounds to believe that the Trust is in default of any requirement of the Legislation of Québec.

June 12, 2003.

"Paul M. Moore" "Harold P. Hands"

2.1.14 Integrated Oil NT Corp. - MRRS Decision

Headnote

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

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss.1(1), 6(3) and 83.

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

AND

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

AND

IN THE MATTER OF
INTEGRATED OIL NT CORP.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the Decision Maker) in each of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland (the Jurisdictions) has received an application from Integrated Oil NT Corp. (Integrated) for:

i. a decision under the securities legislation of the Jurisdictions (the Legislation) that the Issuers be deemed to cease to be reporting issuers under the Legislation; and

ii. in Ontario only, an order under the Business Corporations Act (Ontario) (the OBCA) that the Issuer be deemed to have ceased to be offering its securities to the public.

AND WHEREAS, unless otherwise defined, the terms herein have the meanings set out in National Instrument 14-101 – Definitions or in Quebec Commission Notice 14-101;

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 Integrated has represented to the Decision Makers that:

1. Integrated Oil was incorporated under the laws of the Province of Ontario on March 9, 1998. The articles of Integrated Oil were amended on May 27, 1998 to create capital shares (the Capital Shares) and preferred shares (the Preferred Shares) and to amend the already existing Class A Shares.

2. The head office of Integrated is in Ontario.

3. Integrated is a passive "split share" investment company, the purpose of which is to enable investors in its shares to satisfy separately the investment objectives of capital appreciation or dividend income with respect to common shares (the Portfolio Shares) of Imperial Oil Limited, Petro-Canada, Shell Canada Limited and Suncor Energy Inc. held by Integrated.

4. In accordance with its articles and as stated in the Prospectus, Integrated has redeemed all of its outstanding Capital Shares and Preferred Shares as of April 9, 2003 (the Final Redemption).

5. Integrated is not a reporting issuer or the equivalent in any jurisdiction in Canada other than the Jurisdictions.

6. Integrated is not in default of any of its obligations as a reporting issuer under the Legislation.

7. Integrated does not intend to seek public financing by way of an offering of its securities.

8. The Capital Shares and Preference Shares of Integrated had been listed on The Toronto Stock Exchange. On April 9, 2003, following the Final Redemption, the Capital Shares and Preference Shares of Integrated were delisted from The Toronto Stock Exchange.

9. No securities of Integrated are traded on a marketplace as defined in NI 21-101.

10. As a result of the Final Redemption, the issued share capital of Integrated now consists solely of 20 Class A Shares, all of which are beneficially owned by 1066918 Ontario Inc. Other than the Class A Shares, Integrated has no other securities, including debt securities, outstanding.

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

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

THE DECISION of the Decision Makers under the Legislation is that Integrated is deemed to have ceased to

be a reporting issuer or the equivalent under the Legislation.

June 12, 2003.

"John Hughes"

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

June 12, 2003.

"Paul M. Moore" "Harold P. Hands"

2.2 Orders

2.2.1 Arrow Hedge Partners Inc. - ss. 38(1) of the CFA

Headnote

Subsection 38(1) of the Commodity Futures Act (Ontario) (the **CFA**) - relief from the registration requirements of paragraph 22(1)(b) of the CFA granted to an extra-provincial adviser in respect of the provision of investment advisory services relating to commodity futures activities to a Fund in Ontario, subject to certain terms and conditions in which Arrow Hedge Partners Inc. accepts legal responsibility for the advisory services provided under such exemption.

Statutes Cited

Commodity Futures Act, R.S.O. 1990. c. C.20, as amended, 22(1)(b), 38(1).
OSC Rule 35-502 – Non-Resident Advisors.

IN THE MATTER OF
THE COMMODITY FUTURES ACT, R.S.O. 1990, CHAPTER C.20, AS AMENDED (THE "CFA")

AND

IN THE MATTER OF
ARROW HEDGE PARTNERS INC.

ORDER
(Subsection 38(1) of the CFA)

UPON the application of Arrow Hedge Partners Inc. (the **Applicant**), the manager of Arrow Clocktower Platinum Global Fund (the **Fund**), to the Ontario Securities Commission (the **Commission**) for an Order pursuant to subsection 38(1) of the CFA that Clocktower Capital LLC (**Clocktower**) and its officers, partners, directors and representatives be exempt from the registration requirements of subsection 22(1)(b) of the CFA respecting investment advisory services provided to the Applicant with respect to commodity futures activities of the Fund, subject to certain terms and conditions (the **Order**);

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation incorporated under the laws of Ontario with its head office located in Toronto, Ontario.

2. The Applicant is registered under the *Securities Act* (Ontario) (the Act) as an advisor in the categories of investment counsel and portfolio manager and as dealer in the category of limited market dealer. The Applicant is registered under the CFA as an advisor in the category of commodity trading manager.

3. The Applicant is the manager and trustee of the Fund.

4. The Fund is an unincorporated open-ended mutual fund created under the laws of Ontario and is offered in all Canadian provinces and territories in accordance with private placement exemptions.

5. The Applicant is responsible for providing investment advice to the Fund.

6. The Applicant retains the services of Clocktower in connection with the management of the investment portfolio of the Fund. In retaining Clocktower, the Applicant complies with the requirements of Section 7.3 of Ontario Securities Commission Rule 35-502 (the Rule).

7. Clocktower is a limited liability company located in California.

8. The Applicant is proposing to permit Clocktower to advise the Applicant in respect of commodity futures activities of the Fund (Proposed Services).

9. The Applicant has entered into a written agreement with Clocktower outlining the duties and obligations of Clocktower.

10. The Applicant has contractually agreed with the Fund to be responsible for any loss that arises out of the failures of Clocktower in connection with the Proposed Services;

    - to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Applicant and the Fund; or

    - to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

11. The Applicant will not be relieved by the Fund from its responsibility for any loss described in paragraph 10.

12. The offering memorandum for the Fund discloses that the Applicant is responsibile for any advice given by Clocktower and that there may be difficulty in enforcing any legal rights against Clocktower because Clocktower is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada.

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

IT IS RULED, pursuant to subsection 38(1) of the CFA, that Clocktower and its officers, partners, directors and representatives are not subject to the requirements of paragraph 22(1)(b) of the CFA in respect of the Proposed Services, provided that:

(a) the obligations and duties of Clocktower are set out in a written agreement with the Applicant;

(b) the Applicant contractually agrees with the Fund to be responsible for any loss that arises out of the failure of Clocktower:

(i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Applicant and the Fund; and

(ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

(c) the Applicant cannot be relieved by the Fund from its responsibility of loss under paragraph (b);

(d) the offering documents for the Fund, if any, disclose that the Applicant has responsibility for any investment advice given by Clocktower and that, to the extent applicable, there may be difficulty in enforcing any legal rights against Clocktower because Clocktower is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada;

(e) the Applicant maintains its status as a registered commodity trading manager under the CFA; and

(f) this Order shall terminate three years from the date of the Order.

June 10, 2003.

"Robert W. Davis" "Harold P. Hands"

2.2.2 Morgan Stanley Hedge Fund Partners LP et al. - ss. 38(1) of the CFA

Headnote

Subsection 38(1) of the Commodity Futures Act (Ontario) (the CFA) - relief from the registration requirements of paragraph 22(1)(b) of the CFA granted to an extra-provincial adviser in respect of the provision of advisory services to certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside Canada relating to trades in commodity futures and options principally traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada.

Statutes Cited

Commodity Futures Act, R.S.O. 1990. c. C.20, as amended, 22(1)(b), 38(1).
OSC Rule 35-502 – Non-Resident Advisors

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C. 20, AS AMENDED
(THE "CFA")

AND

IN THE MATTER OF
MORGAN STANLEY HEDGE FUND PARTNERS LP, TRAXIS PARTNERS LLC, MORGAN STANLEY HEDGE FUND PARTNERS CAYMAN LTD. AND MORGAN STANLEY HEDGE FUND PARTNERS GP LP

ORDER
(Subsection 38(1) of the CFA)

UPON the application (the "**Application**") of Morgan Stanley Hedge Fund Partners LP, Traxis Partners LLC, Morgan Stanley Hedge Fund Partners Cayman Ltd. and Morgan Stanley Hedge Fund Partners GP LP (the "**Applicants**", as more fully defined below) to the Ontario Securities Commission (the "**Commission**") for an order pursuant to subsection 38(1) of the CFA that each of the Applicants and their respective directors, partners, officers, and employees, are exempt, for a period of three years, from the requirements of paragraph 22(1)(b) of the CFA in respect of advising certain mutual funds, non-redeemable investment funds and similar investment vehicles ("**Funds**"), established outside of Canada in respect of trades in commodity futures and options contracts principally traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada;

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

AND UPON the Applicants having represented to the Commission that:

1. The Applicants include Morgan Stanley Hedge Fund Partners LP, Traxis Partners LLC, Morgan Stanley Hedge Fund Partners Cayman Ltd. and Morgan Stanley Hedge Fund Partners GP LP. Each of Morgan Stanley Hedge Fund Partners GP LP and Morgan Stanley Hedge Fund Partners LP is a limited liability partnership organized under the laws of the State of Delaware. Morgan Stanley Hedge Fund Partners Cayman Ltd. is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Traxis Partners LLC is a limited company organized under the laws of the State of Delaware. The Applicants may also include affiliates of, or entities organized by, the Applicants which may subsequently execute and submit to the Commission a verification certificate referencing this Application and confirming the truth and accuracy of the information set out in this Application with respect to that particular Applicant.

2. The Funds are, or will be, organized in a "master-feeder" structure. Traxis Fund Onshore LP, a Delaware limited partnership, Traxis Fund Offshore LP, a Cayman Islands exempted limited partnership along with Traxis Fund Offshore II LP, a Cayman Islands exempted limited partnership and any other feeder funds (the "**Feeder Funds**") will co-invest exclusively in a "master" fund, Traxis Fund LP (the "**Master Fund**"). The Master Fund will serve as a master fund in said master-funder structure, in which substantially all of the assets of the Feeder Funds will be invested in return for limited partnership interests in the Master Fund. The Master Fund and the Feeder Funds will have identical investment programs and objectives and the performance of the Feeder Funds will be entirely dependent on the performance of the Master Fund.

3. Securities of Traxis Fund Onshore LP, Traxis Fund Offshore LP, Traxis Fund Offshore II LP and any other Feeder Funds will be offered to a small number of Ontario residents who are institutional investors or high net worth individuals. Such securities will be primarily offered outside of Canada, and will be offered and distributed in Ontario through an Ontario-registered dealer, in reliance upon an exemption from the prospectus requirements of the *Securities Act* (Ontario) ("**OSA**"), and in reliance upon an exemption from the adviser registration requirement of the OSA under section 7.10 of Commission Rule 35-502 Non-Resident Advisers ("**Rule 35-502**").

4. The Applicants may provide advice with respect to commodity futures and options contracts to the Master Fund.

5. Each of the Applicants, where required, is or will be registered or licensed or is or will be entitled to rely on appropriate exemptions from such registrations or licences to provide advice to the Funds pursuant to the applicable legislation of its principal jurisdiction. In particular:

   (i) Morgan Stanley Hedge Fund Partners GP LP is registered with the U.S. Securities U.S. Investments Advisers Act of 1940 ("**Advisers Act**") and as a commodity and Exchange Commission as an investment adviser under the pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission (the "**CFTC**") and the National Futures Association (the "**NFA**").

   (ii) Morgan Stanley Hedge Fund Partners LP is registered as an investment adviser under the Advisers Act and as a commodity trading advisor and a commodity pool operator with the CFTC and the NFA.

   (iii) Morgan Stanley Hedge Fund Partners Cayman Ltd. is registered as a commodity pool operator with the CFTC and the NFA.

   (iv) Traxis Partners LLC is registered as an investment adviser under the Advisers Act and as commodity trading advisor with the CFTC and the NFA.

6. None of the Applicants is registered in any capacity under the CFA or the OSA.

7. All of the Funds issue securities which are offered primarily abroad. None of the Funds is, and none has any current intention of becoming a reporting issuer in Ontario or in any other Canadian jurisdiction.

8. The Master Fund may, as part of its investment program, invest in commodity futures and options contracts principally traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada.

9. Prospective investors who are Ontario residents will receive disclosure that includes (i) a statement that there may be difficulty in enforcing legal rights against the applicable Funds or any of the Applicants advising the relevant Funds, because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (ii) a statement that the Applicant advising the applicable Funds is not registered with or licensed by any securities regulatory authority in Canada and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of securities of a Fund.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to subsection 38(1) of the CFA that each of the Applicants and their respective directors, partners, officers and employees responsible for advising the Funds are not subject to the requirements of paragraph 22(1)(b) of the CFA in respect of their advisory activities in connection with the Funds, for a period of three years, provided that at the time that such activities are engaged in:

(a) any such Applicant, where required, is or will be registered or licensed, or is or will be entitled to rely on appropriate exemptions from such registrations or licences, to provide advice to the Funds pursuant to the applicable legislation of its principal jurisdiction;

(b) the Master Fund invests in commodity futures and options contracts principally traded on organized exchanges outside Canada and cleared through clearing corporations located outside of Canada;

(c) securities of the Funds will be offered primarily outside of Canada and will only be distributed in Ontario through an Ontario-registered dealer, in reliance on an exemption from the prospectus requirements of the OSA and upon an exemption from the adviser registration requirement of the OSA under Section 7.10 of Rule 35-502;

(d) prospective investors who are Ontario residents will receive disclosure that includes (i) a statement that there may be difficulty in enforcing legal rights against the applicable Funds or any of the Applicants advising the relevant Funds, because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (ii) a statement that the Applicant advising the applicable Funds is not registered with or licensed by any securities regulatory authority in Canada and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of securities of a Fund; and

(e) any Applicant whose name does not specifically appear in this Order and who proposes to rely on the exemption granted under this Order, shall, as a condition to relying on such exemption, have executed and filed with the Commission a verification certificate referencing this Order and confirming the truth and accuracy of the Application with respect to that particular Applicant.

June 10, 2003.

"Robert W. Davis" "Harold P. Hands"

2.2.3 AT&T Canada Inc. - ss. 4.2 and 4.1(2) of Rule 56-501

Headnote

Rule 56-501 – Future distributions of restricted shares by issuer are exempt from the requirements of section 3.1 of Rule 56-501. The obligation to obtain minority shareholder approval for the reorganization creating the restricted shares or for any future share distributions is not reasonable. Reorganization was completed pursuant to CBCA and CCAA. All outstanding equity was cancelled as part of the plan of arrangement. Restricted share terms in Rule 56-501 are not accurate; Director determined outstanding shares are restricted shares and appropriate restricted share terms pursuant to section 4.1(2) of Rule 56-501.

Ontario Statutes

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

Ontario Rules

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

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

AND

IN THE MATTER OF
AT&T CANADA INC.

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

UPON the application of AT&T Canada Inc. ("New AT&T Canada", formerly 6067760 Canada Inc.) to the Director for an exemption pursuant to Section 4.2 of Ontario Securities Commission Rule 56-501 ("Rule 56-501") from the requirements of Section 3.1 of Rule 56-501;

AND UPON the application of New AT&T Canada to the Director pursuant to Section 4.1(2) of Rule 56-501 for a determination that the appropriate restricted share terms to be used to designate the classes of shares of New AT&T Canada be "Class A Voting Shares" and "Class B Limited Voting Shares" (collectively, the "Shares");

AND UPON New AT&T Canada having represented to the Director that:

1. New AT&T Canada was incorporated under the laws of Canada. The registered and principal office of New AT&T Canada is located at 200 Wellington Street West, Toronto, Ontario, Canada M5V 3G2.

2. New AT&T Canada is Canada's largest competitive national broadband business service provider and competitive local exchange carrier and a leading provider of Internet and e-business solutions.

3. New AT&T Canada is and has been a reporting issuer (or the equivalent) since April 1, 2003, in each of the provinces and territories of Canada that recognizes the reporting issuer concept and is not in default of its obligations as a reporting issuer thereunder. New AT&T Canada has a current AIF for the purposes of National Instrument 44-101. New AT&T Canada is the successor issuer to AT&T Canada Limited (formerly, AT&T Canada Inc.) a company organized under the laws of Canada. AT&T Canada Limited was a reporting issuer (or the equivalent) in each of the provinces and territories of Canada that recognizes the reporting issuer concept from December 3, 1997 to May 1, 2003. On April 1, 2003, pursuant to the Plan (as defined herein), AT&T Canada Limited became a wholly-owned subsidiary of New AT&T Canada.

4. New AT&T Canada's authorized capital consists of an unlimited number of Class A Voting Shares and an unlimited number of Class B Limited Voting Shares. As of May 30, 2003, New AT&T Canada had 1,161,226 Class A Voting Shares and 18,838,735 Class B Limited Voting Shares outstanding. As of May 30, 2003, the market capitalization of New AT&T Canada was approximately $795 million based on the May 30, 2003 closing price on The Toronto Stock Exchange of $39.67 per Class A Voting Share and of $39.75 per Class B Limited Voting Share.

5. New AT&T Canada was incorporated for the purpose of, among other things, effecting an exchange of the claims of Noteholders (as defined herein) and certain other creditors of its affiliates (collectively with the Noteholders, the "Affected Creditors") in accordance with the provisions of a consolidated plan of arrangement and reorganization (the "Plan") under the *Canada Business Corporations Act* (the "CBCA") and the *Companies Creditors' Arrangement Act* (Canada) (the "CCAA").

6. AT&T Canada Limited and certain of its operating subsidiaries, namely AT&T Canada Corp., AT&T Canada Telecom Services Company, AT&T Canada Fibre Company, MetroNet Fiber US Inc., MetroNet Fiber Washington Inc. and Netcom Canada Inc. (together with AT&T Canada Limited, the "AT&T Canada Companies"), sought and, by order (the "Order") of the Ontario Superior Court of Justice (the "Court"), were granted protection from their creditors pursuant to the CCAA. The Plan and an information circular (the "Circular") describing the Plan and the Order were filed with the Court on January 22, 2003. The AT&T Canada Companies had consolidated public debt in excess of $4.7 billion.

7. Ancillary proceedings were commenced in the United States under the U.S. Bankruptcy Code. The ancillary proceedings formally recognized the CCAA proceedings in Canada.

8. A formal meeting (the "Meeting") of the holders (the "Noteholders") of AT&T Canada Limited's 7.15% Senior Notes due 2004, 7.625% Senior Notes due 2005, 7.65% Senior Notes due 2006, 10⅝% Senior Notes due 2008, 9.95% Senior Discount Notes due 2008, 10¾% Senior Discount Notes due 2008 and 12% Senior Notes due 2007 and the other Affected Creditors was held on February 20, 2003, for the purpose of considering and voting on a resolution to approve the Plan. In connection with the Meeting, the Plan and the Circular (which contains prospectus-level disclosure with respect to New AT&T Canada and AT&T Canada Limited) were mailed to the Affected Creditors on or about January 22, 2003. Notice of the Meeting was also published in several newspapers of national circulation in Canada and one in the United States for two business days commencing on December 3, 2002.

9. At the Meeting, the Plan was approved by 91% of Affected Creditors representing 99% of the value of the proven claims of Affected Creditors present and voting in person or by proxy at the Meeting. The Plan was also approved, upon consideration of the fairness and reasonableness of the Plan, by the Court on February 25, 2003.

10. Upon the implementation of the Plan, AT&T Canada Limited became a wholly-owned subsidiary of New AT&T Canada on April 1, 2003 (the "Plan Implementation Date") in accordance with the provisions of the Plan. In addition, the existing equity of AT&T Canada Limited (including options or other rights to acquire the existing shares of AT&T Canada Limited) was cancelled without payment of any compensation.

11. On the Plan Implementation Date, the name of 6067760 Canada Inc. was changed to "AT&T Canada Inc." and the name of AT&T Canada Inc. was changed from "AT&T Canada Inc." to "AT&T Canada Limited".

12. On the Plan Implementation Date, New AT&T Canada acquired the claims of the Affected Creditors in exchange for a creditors' equity pool (the "Creditors' Equity Pool') of Shares and a cash pool of not less than $200 million (the "Cash Pool"). Under the Plan, each Affected Creditor received a *pro rata* share from the Cash Pool and a *pro rata* share of the Shares from the Creditors' Equity Pool based on their respective claims for distribution. In order to comply with the requirements of the *Telecommunications Act* (Canada), non-Canadians may not hold more than $33^1/_3$% of the Class A Voting Shares. Accordingly, non-Canadian Affected Creditors received their *pro rata* share of: (a) $33^1/_3$% of the total number of outstanding Class A Voting Shares; and (b) subject to the qualification outlined immediately below, 100% of the total number of outstanding Class B Limited Voting Shares. Canadian Affected Creditors received their *pro rata* share of the remaining $66^2/_3$% of the total number of outstanding Class A Voting Shares. Notwithstanding the foregoing, the Plan provided that no Affected Creditor, together with any person or group of persons with whom it is acting jointly or in concert, was entitled to receive a number of Class A Voting Shares which would cause it, together with any person or group of persons with whom it is acting jointly or in concert, to hold in excess of 10% of the outstanding Class A Voting Shares on the implementation of the Plan; instead, Class B Limited Voting Shares were substituted for such excess number of shares.

13. Following the implementation of the Plan, the Shares were listed on The Toronto Stock Exchange and the NASDAQ National Market System.

14. The Class B Limited Voting Shares are equal to the Class A Voting Shares in all respects, with the sole exception of voting rights. Specifically, the Class B Limited Voting Shares participate equally with the Class A Voting Shares with respect to dividends and all other distributions of New AT&T Canada, and the rights of the holders of the Class A Voting Shares and the Class B Limited Voting Shares are equal in all respects in the event of any liquidation, dissolution, winding-up or other distribution of assets of New AT&T Canada to its shareholders for the purpose of winding-up its affairs.

15. The holders of Class B Limited Voting Shares are entitled to receive notice of, to attend and to speak at all meetings of the shareholders of New AT&T Canada and will be provided with copies of all materials sent by New AT&T Canada to holders of Class A Voting Shares in connection with any such meeting.

16. The holders of Class B Limited Voting Shares are entitled to nominate and elect four of the nine directors of New AT&T Canada. The holders of Class A Voting Shares are entitled to elect the remaining five directors of New AT&T Canada. The number of directors elected and nominated to the board of directors by the holders of Class B Limited Voting Shares will be reduced according to the percentage of the equity of New AT&T Canada held by such holders, commencing upon the holders of Class B Limited Voting Shares ceasing to hold an equity percentage of 50% or more of New AT&T Canada. If the holders of Class B Limited Voting Shares lose the entitlement to nominate and elect director(s), the

holders of Class A Voting Shares will correspondingly acquire such entitlement. As U.S. holders held a large majority of the equity of New AT&T Canada on the Plan Implementation Date, and as New AT&T Canada is quoted on the NASDAQ National Market, it is expected that U.S. holders will continue to maintain a significant equity interest in New AT&T Canada's Class B Limited Voting Shares for the foreseeable future.

17. At a meeting of the shareholders of New AT&T Canada, the holders of the Class B Limited Voting Shares will be entitled to vote (i) in accordance with the provisions of the CBCA; (ii) to elect directors as discussed in item 16 above; and (iii) separately as a class in the following circumstances:

(a) upon any matter that would affect the equivalence of the Class B Limited Voting Shares and the Class A Voting Shares;

(b) until the earlier of such time as the holders of Class B Limited Voting Shares are entitled to nominate fewer than four directors and December 31, 2004 (the "Expiry Date"), upon any amendment to the provisions of the articles of New AT&T Canada (the "Articles") which require approval of not less than seven of the directors of New AT&T Canada (the "Super-Majority Approval"), as set forth in the Articles;

(c) until the Expiry Date, upon any amendment to the Articles or the by-laws (the "By-Laws") of New AT&T Canada that does not receive Super-Majority Approval;

(d) until holders of Class B Limited Voting Shares are entitled to elect fewer than two directors, upon an amalgamation pursuant to Section 181 of the CBCA; and

(e) upon any amendment to the Articles to change the number of directors of New AT&T Canada.

18. Each Class A Voting Share may be converted, at the option of the holder thereof, into one Class B Limited Voting Share at any time. Each Class B Limited Voting Share may be converted (i) after December 31, 2004, at the option of the holder thereof, into one Class A Voting Share upon providing the requisite Canadian residency declaration; (ii) pursuant to coat-tail provisions allowing holders to tender to a bid made for Class A Voting Shares; (iii) *pro rata* with other holders at the discretion of New AT&T Canada's board of directors; and (iv) automatically upon the removal, in whole or in part, of the foreign ownership restrictions in the *Telecommunications Act* (Canada), but only to the extent of such removal. A holder of a Class B Limited Voting Share will also be able to acquire, on or prior to December 31, 2004, a Class A Voting Share through the exercise of an acquisition right (an "Acquisition Right") which trades with the Class B Limited Voting Shares. A holder of a Class B Limited Voting Share may acquire one Class A Voting Share in exchange for one Acquisition Right and one Class B Limited Voting Share upon providing the requisite Canadian residency declaration, provided such holder and those acting jointly or in concert with such holder would not hold in excess of 10% of the Class A Voting Shares after exercise.

19. In the event that either of the Class A Voting Shares or the Class B Limited Voting Shares (each, an "Existing Class") is at any time subdivided, consolidated, converted (except for conversions in accordance with the Articles) or exchanged, appropriate adjustments will contemporaneously be made in the rights, privileges, restrictions and conditions attaching to the other Existing Class.

20. Both the Class A Voting Shares and the Class B Limited Voting Shares are "restricted shares" as defined in Rule 56-501 as both classes of shares are equity shares which are not "common shares " as defined in Rule 56-501.

21. In accordance with Part 3 of Rule 56-501, the Director may not issue a receipt for a prospectus for a stock distribution (as defined in Rule 56-501) unless (i) such stock distribution received minority approval (as defined in Rule 56-501, hereinafter "minority approval") or (ii) any reorganization carried out by New AT&T Canada related to the restricted shares received minority approval.

22. The exemption in Section 3.1(4) of Rule 56-501 is not available to New AT&T Canada as New AT&T Canada is currently a reporting issuer and therefore would not be a private company immediately before the filing of a preliminary prospectus or prospectus relating to a stock distribution. Without the requested relief, Section 3.1 of Rule 56-501 would prevent New AT&T Canada from ever distributing Shares pursuant to a prospectus.

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

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

IT IS ORDERED pursuant to section 4.2 of Rule 56-501 that New AT&T Canada is exempt from the requirements of Section 3.1 of Rule 56-501 in connection with any future distribution of the Class A Voting Shares and Class B Limited Voting Shares; and

IT IS ALSO ORDERED pursuant to section 4.1 of Rule 56-501 that each of the Existing Classes are restricted shares for the purposes of Rule 56-501 and that the appropriate restricted share terms to be used to designate such classes of shares are "Class A Voting Shares" and "Class B Limited Voting Shares".

June 16, 2003.

"Erez Blumberger"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Revoke
Acclaim Energy Inc.	12 Jun 03	24 Jun 03		
Apiva Ventures Limited	12 Jun 03	24 Jun 03		
Armistice Resources Ltd.	06 Jun 03	18 Jun 03	18 Jun 03	
Armstrong Corporation	02 Jun 03	13 Jun 03	13 Jun 03	
Brazilian Resources Inc.	12 Jun 03	24 Jun 03		
Camberly Energy Ltd.	12 Jun 03	24 Jun 03		
Canadian Spooner Resources Inc.	06 Jun 03	18 Jun 03		20 Jun 03
Carbite Gold Inc.	12 Jun 03	24 Jun 03		
Cubacan Exploration Inc.	12 Jun 03	24 Jun 03		
** Dinnerex Limited Partnership IX	04 Jun 03	16 Jun 03	16 Jun 03	
** Dinnerex Limited Partnership XI	04 Jun 03	16 Jun 03	16 Jun 03	
Dion Entertainment Corp.	05 Jun 03	17 Jun 03	18 Jun 03	
** Fiscal Investments Limited	04 Jun 03	16 Jun 03		18 Jun 03
Goran Capital Inc.	17 Jun 03	27 Jun 03		
HNR Ventures Inc.	05 Jun 03	17 Jun 03		19 Jun 03
Immune Network Ltd.	06 Jun 03	18 Jun 03	18 Jun 03	
JPY Holdings Ltd.	06 Jun 03	18 Jun 03	18 Jun 03	
Metalcoat International Corp.	05 Jun 03	17 Jun 03		19 Jun 03
NewKidCo International Inc.	12 Jun 03	24 Jun 03		
** The Canfibre Group Limited	04 Jun 03	16 Jun 03	16 Jun 03	
The Learning Library Inc.	03 Jun 03	13 Jun 03	13 Jun 03	
TSI TelSys Corporation	17 Jun 03	27 Jun 03		
Vindicator Industries Inc.	06 Jun 03	18 Jun 03		20 Jun 03

**** Not posted on previous bulletin**

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
Afton Food Group Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Aspen Group Resources Corporation	21 May 03	03 Jun 03	03 Jun 03		
Devine Entertainment Corporation	22 May 03	04 Jun 03	04 Jun 03		
Finline Technologies Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Hydromet Environmental Recovery Ltd.	21 May 03	03 Jun 03	03 Jun 03		
Polyphalt Inc.	21 May 03	03 Jun 03	03 Jun 03		
Ivernia West Inc.	22 May 03	04 Jun 03	04 Jun 03		
Slater Steel Inc.	21 May 03	03 Jun 03	03 Jun 03		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Dynasty Motorcar Corporation	May 26, 2003
WebEngine Corporation	June 18, 2003

Chapter 6

Request for Comments

6.1.1 Notice and Request for Comment - Changes to Proposed National Instrument 51-102 Continuous Disclosure Obligations, Form 51-102F1, Form 51-102F2, Form 51-102F3, Form 51-102F4, Form 51-102F5, Form 51-102F6, and Companion Policy 51-102CP Continuous Disclosure Obligations (Second Publication), Proposed Amendments to National Instrument 44-101 Short Form Prospectus Distributions, Proposed Revocation of National Instrument 62-102 Disclosure of Outstanding Share Data, Proposed Amendments to National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues and Proposed Rescission of National Policy 31 Change of Auditor of a Reporting Issuer and National Policy 51 Changes in the Ending Date of a Financial Year and in Reporting Status

NOTICE AND REQUEST FOR COMMENT

**CHANGES TO PROPOSED NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*,
FORM 51-102F1, FORM 51-102F2, FORM 51-102F3,
FORM 51-102F4, FORM 51-102F5, FORM 51-102F6, AND
COMPANION POLICY 51-102CP *CONTINUOUS DISCLOSURE OBLIGATIONS*
(SECOND PUBLICATION)**

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS*

PROPOSED REVOCATION OF NATIONAL INSTRUMENT 62-102 *DISCLOSURE OF OUTSTANDING SHARE DATA*

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 62-103 *THE EARLY WARNING SYSTEM AND RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES*

AND

**PROPOSED RESCISSION OF
NATIONAL POLICY 31 *CHANGE OF AUDITOR OF A REPORTING ISSUER* AND
NATIONAL POLICY 51 *CHANGES IN THE ENDING DATE OF A FINANCIAL YEAR AND IN REPORTING STATUS***

Introduction

We, the Canadian Securities Administrators (CSA), are publishing for comment revised versions of proposed National Instrument 51-102 *Continuous Disclosure Obligations* (the Rule), Form 51-102F1 *Annual Information Form*, Form 51-102F2 *Management's Discussion & Analysis*, Form 51-102F3 *Material Change Report*, Form 51-102F4 *Business Acquisition Report*, Form 51-102F5 *Information Circular*, Form 51-102F6 *Statement of Executive Compensation* (collectively, the Forms), and Companion Policy 51-102CP *Continuous Disclosure Obligations* (the Policy). The Rule and the Forms are together referred to as the Instrument.

The Instrument is expected to be adopted as a rule in each of Alberta, Manitoba, Ontario and Nova Scotia, as a commission regulation in Saskatchewan and Québec, and as a policy in all other jurisdictions represented by the CSA. British Columbia is publishing the Instrument for comment under its rule-making process but has not yet determined whether it will adopt the Instrument, in whole or in part. Please refer to the BC Notice published concurrently in British Columbia on this point.

We are also publishing for comment a revised version of related National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Foreign Issuer Rule), together with an associated companion policy. See Notice and Request for Comment on Changes to Proposed National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* for information on the Foreign Issuer Rule.

Substance and Purpose

The Instrument will:

- harmonize continuous disclosure (CD) requirements among Canadian jurisdictions;
- replace most existing local CD requirements;

- enhance the consistency of disclosure in the primary and secondary securities markets; and
- facilitate capital-raising initiatives such as an integrated disclosure system (IDS).

The Rule sets out the obligations of reporting issuers, other than investment funds, with respect to financial statements, annual information forms (AIFs), management's discussion and analysis (MD&A), material change reporting, information circulars, proxies and proxy solicitation, restricted share disclosure, and certain other CD-related matters. It prescribes the Forms, most of which are derived from existing forms but with some enhancements.

The requirements in the Instrument will not apply before 2004. As such, the filing deadlines for financial statements, MD&A and AIFs in the Instrument will not be mandatory for financial years beginning before January 1, 2004.

The Rule does not address non-issuer filing obligations, such as insider reporting, except in the case of persons who solicit proxies from securityholders of reporting issuers. The Rule also does not address CD obligations for investment funds. We have previously published proposed National Instrument 81-106 *Investment Fund Continuous Disclosure* for comment. That instrument will prescribe the CD obligations of investment funds.

Purpose and Summary of the Companion Policy

The purpose of the Policy is to assist users in understanding and applying the Rule and to explain how certain provisions of the Rule will be interpreted or applied. It contains discussion, explanations and examples primarily relating to:

- filing obligations under the Rule;
- the use of plain language in documents filed under the Rule;
- the Foreign Issuer Rule and National Instrument 81-106 *Investment Fund Continuous Disclosure* and their implications for reporting issuers;
- the filing requirements for financial statements under the Rule;
- disclosure of financial information in extracts and non-GAAP earnings measures;
- filing of supporting documents with an AIF;
- requirements for MD&A disclosure;
- electronic delivery of documents;
- requirements for business acquisition reports;
- filing of material documents; and
- reliance on a pre-existing exemption.

Background

On June 21, 2002 we published for comment the first version of the Instrument and Policy (the 2002 Proposal). For additional background information on the 2002 Proposal, as well as a detailed summary of its contents, please refer to the notice that was published with those versions.

We recently published for comment proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) and a related companion policy. The portions of the 2002 Proposal that dealt with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) have been removed, and inserted into NI 52-107. See Notice and Request for Comment on Proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* for information on NI 52-107.

Summary of Written Comments Received by the CSA

During the comment period, we received 34 submissions on the 2002 Proposal. A summary of those comments together with our responses, except for the comments and responses relating to matters now included in NI 52-107, is contained in Appendix B to this notice. The comments and our responses to the GAAP and GAAS requirements in the 2002 Proposal are set out as an appendix to Notice and Request for Comment on NI 52-107.

After reviewing the comments received and further considering the Instrument and Policy, we are proposing a number of amendments to the 2002 Proposal.

Summary of Changes to the Proposed Instrument

See Appendix A for a description of the material changes made to the 2002 Proposal.

Anticipated Costs and Benefits

We believe that the considerations set out in the notice accompanying the 2002 Proposal for comment that justify any incremental costs of the Instrument are still valid. We also believe that the revisions to the Instrument should reduce its potential incremental cost, given the streamlining of the venture issuer test, and the reduced requirements for business acquisition reports (BARs).

Related Amendments

National Amendments

Proposed amendments to National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101) to replace Forms 44-101F1 *AIF* and 44-101F2 *MD&A* are set out in Appendix C to this Notice. Additional changes to NI 44-101 may be proposed later as part of the CSA's general review of the short form and long for prospectus systems.

We have made changes to the related amendments since we published the 2002 Proposal. In particular:

- National Policy No. 3 *Unacceptable Auditors* will not be rescinded;
- any amendment or rescission of National Policy No. 27 *Canadian Generally Accepted Accounting Principles* and National Policy 50 *Reservations in an Auditor's Report* will be done in connection with the implementation of NI 52-107
- we propose to rescind National Policy 51 *Changes in the Ending Date of a Financial Year and in Reporting Status* as this subject is now covered in the Rule;
- our original proposed amendments to Multilateral Instrument 45-102 *Resale of Securities* (MI 45-102) will not be required if the revised version of MI 45-102, published for comment in January 2003 by certain members of the CSA, is implemented; if it is not implemented we will proceed with our originally proposed amendments.

We still intend to rescind National Policy No. 31 *Change of Auditor of a Reporting Issuer* and revoke National Instrument 62-102 *Disclosure of Outstanding Share Data* (NI 62-102), as we previously indicated.

A proposed amendment to National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* to replace a reference to NI 62-102 is set out in Appendix D to this Notice.

Local Amendments

We propose to amend or repeal elements of local securities legislation and securities directions, in conjunction with implementation of the Instrument. The provincial and territorial securities regulatory authorities may publish, or may have published, these local changes or proposed changes separately in their local jurisdictions.

Appendix E to this Notice outlines proposed related amendments to, and revocations of, some provisions of Ontario Regulation 1015, R.R.O. 1990 that were published for comment with the 2002 Proposal. Some revocations or amendments to the Regulation that were proposed in the 2002 Proposal are now proposed to be made concurrently with the making of NI 52-107 instead, as the relevant provisions have been moved to NI 52-107.

The Ontario Securities Commission is also separately publishing for comment changes to proposed Rule 51-801, which is the local rule implementing the proposed Instrument in Ontario. Proposed Rule 51-801 prescribes some requirements for the purposes of the Securities Act (Ontario) and provides exemptions from some CD requirements in the Ontario Act. Proposed Rule 51-801 also proposes to revoke certain OSC rules and to amend the provisions of another OSC rule. Some other jurisdictions may also separately publish similar local implementing rules.

Unpublished Materials

In proposing the Rule, we have not relied on any significant unpublished study, report, or other written materials.

Possible Changes to Instrument

The Rule does not require issuers to have their interim financial statements reviewed by their auditors, although the Rule does require disclosure where a review has not been done. We intend to keep this matter under review. Specifically, we will consider whether by January 1, 2006, we should require for some, or all, reporting issuers a level of auditor involvement with interim financial statements that is transparent to the public through a report from the auditor that is filed with the Commissions.

The definition of "venture issuer" in the Rule includes a list of exchanges that an issuer may not be listed on to be a venture issuer. We are considering expanding the list to include all "national securities exchanges" registered as such under section 6 of the 1934 Act in the United States.

Certain members of the CSA expect to publish Multilateral Instrument 52-108 *Auditor Oversight*; Multilateral Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings* and Multilateral Instrument 52-110 *Audit Committees* for comment in 2003. These instruments propose additional disclosure in some of the Forms. If these instruments are adopted, we may have to revise certain Forms or the Policy. We will monitor the instruments to determine if changes will be required.

Request for Comments

We welcome your comments on the changes to, or this version of, the Instrument, the Policy, and related amendments. In addition to any general comments you may have, we also invite comments on the following specific questions.

1. *Filing documents* - Part 11 of the Rule requires reporting issuers to file copies of any materials they send to their securityholders. Part 12 of the Rule requires reporting issuers to file copies of contracts that create or materially affect the rights of their securityholders.

    a) We propose to limit these requirements to instances in which securities of the class are held by more than 50 securityholders. This is to prevent issuers from having to file documents that relate to isolated securityholders, such as a bank holding security in connection with a business loan, if the bank is the only holder of that class of security. Is this the correct approach, or should copies of all materials sent to securityholders and all agreements that affect the rights of securityholders, regardless of the number of securityholders, be required to be filed?

    b) Should we expand the requirement in Part 12 to require filing of all contracts that are material to the issuer? These contracts are required to be filed with an annual report on Form 10-K, in the US.

2. *Business acquisition disclosure* - The Rule would require the filing of a BAR, in addition to any material change report filed in respect of the acquisition, within 75 days after completion of the significant acquisition. This requirement is meant to achieve greater consistency with the prospectus rules implemented in 2000, and to provide investors in the secondary market, on a relatively timely basis, the type of information currently required for primary market prospectus investors. The requirement is based on meeting certain defined thresholds of significance. It is patterned after a requirement of US federal securities law.

    a) Is this approach appropriate? Would it be more appropriate, for some or all classes of reporting issuer, to recast the BAR requirement as a subset of the material change reporting requirement, governed by the same trigger - the occurrence of a material change?

    b) If the BAR requirement is recast as a subset of the material change reporting requirement, should the current thresholds of significance be retained? If so, should they demonstrate materiality in the absence of evidence to the contrary, or merely be guidelines to materiality?

3. *Disclosure of auditor review of interim financial statements* - Subsection 4.3(3) and section 6.5 of the Rule require that if an auditor has not performed a review of the interim financial statements, a reporting issuer must disclose that fact. These sections also require that if the auditor performed a review and expressed a qualified or adverse communication or denied any assurance, then the reporting issuer must include a written review report from the auditor accompanying the interim financial statements. Section 3.3 of the Policy elaborates that no positive statement is required when an auditor performed a review and provided an unqualified communication.

    This approach was designed to accommodate the requirement in Section 7050 of the Handbook that, if an auditor's interim review is referred to in any document containing the interim financial statements, the auditor should issue a written interim review report and request that it be included in the document. We understand that the CICA Assurance Standards Board currently has a project to amend Section 7050 and this requirement in Section 7050 may be changed. We also understand that the reporting provisions in Section 7050 relating to a scope limitation may be changed; if those provisions of Section 7050 were changed, items (i) and (ii) of subsection 4.3(3)(b) may have to be modified.

a) Do you agree with the approach in subsection 4.3(3) and section 6.5 of the Rule? Alternatively, if a review was performed and an unqualified report was provided, should a reporting issuer be required to disclose the fact that a review has been performed? If you recommend the latter, what are the benefits of that disclosure?

b) Where a review was performed and an unqualified report was provided, if a reporting issuer discloses that a review has been performed, should the review report from the auditor accompany the financial statements?

4. *Added MD&A disclosure* - In the MD&A, we propose to require all issuers to discuss off-balance sheet arrangements, and to analyze changes in their accounting policies.

a) Would it be helpful to include a definition of "off-balance sheet arrangements" to the MD&A? What would you expect the definition would capture?

b) The requirement to discuss and analyze changes in accounting policies applies to any accounting policies a reporting issuer expects to adopt subsequent to the date of its financial statement, and to any accounting policies that have been initially adopted during the financial period. We are considering whether this disclosure is appropriate for venture issuers. Should venture issuers be exempted from the requirement to discuss either changes in their accounting policies, or the adoption of an initial accounting policy, or both, and why?

Please submit your comments on the Instrument, the Policy and the related amendments described above, other than the proposed amendments to NI 44-101, in writing on or before August 19, 2003. Comments on the proposed amendments to NI 44-101 must be submitted in writing on or before September 18, 2003. If you are not sending your comments by email, a diskette containing the submissions (in Windows format, Word) should also be forwarded.

Address your submission to all of the CSA member commissions, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Newfoundland and Labrador Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Deliver your comments **only** to the addresses that follow. Your comments will be forwarded to the remaining CSA member jurisdictions.

Rosann Youck, Chair of the Continuous Disclosure Harmonization Committee
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Fax: (604) 899-6814
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Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Québec
H4Z 1G3
Fax : (514) 864-6381
e-mail : consultation-en-cours@cvmq.com

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

Questions

Please refer your questions to any of:

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Senior Legal Counsel
British Columbia Securities Commission
(604) 899-6656 or (800) 373-6393 (if calling from B.C. or Alberta)
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British Columbia Securities Commission
(604) 899-6726 or (800) 373-6393 (if calling from B.C. or Alberta)
chait@bcsc.bc.ca

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The text of the proposed instrument/policy follows or can be found elsewhere on a CSA member website.

June 20, 2003.

APPENDIX A

SUMMARY OF CHANGES TO THE PROPOSED INSTRUMENT

Title

The Rule

Form 51-102F1 Annual Information Form

Form 51-102F2 Management's Discussion & Analysis

Form 51-102F3 Material Change Report

Form 51-102F4 Business Acquisition Report

Form 51-102F5 Information Circular

Form 51-102F6 Statement of Executive Compensation

The Policy

The Rule

Part 1 Definitions

- Subsection 1.1(1) of the Rule has been deleted. The Policy provides that, where terms from securities legislation are used in the Rule, the meanings given to the terms in securities legislation are substantially similar to the definitions in the Rule. Where that is not the case, terms in the Rule have been changed to be distinct from the terms used in securities legislation. For example, the definition of "insider" has been replaced with "informed person".

- Subsection 1.1(2) (now section 1.1) has been revised to eliminate certain defined terms that were not used, or are no longer used, in the Instrument. For example, "aggregate market value" and "development stage issuer" have been deleted.

- In response to comments received, we have expanded the definition of *AIF* to include a Form 10-KSB filed under the 1934 Act. Although the Form 10-KSB does not require identical disclosure to our AIF, we believe its requirements are adequate as an alternative form of AIF for those issuers entitled to use the Form 10-KSB in the United States.

- We have added definitions of "reverse takeover", "reverse takeover acquiree" and "reverse takeover acquirer" that are based on the definitions in the CICA Handbook. These terms are used in various places in the Rule and in the Forms.

- We have expanded the definition of "interim period" and added definitions of "new financial year", "old financial year" and "transition year". These changes were required as a result of the addition of change in year-end provisions to Part 4 of the Rule.

- The 2002 Proposal distinguished issuers in different ways for different purposes, including filing deadlines, the requirement to file an AIF, calculating significance of business acquisitions, and certain exemptions from executive compensation disclosure. The Rule has been amended to define venture issuers for most purposes based on the listing of their securities. We believe that industry would benefit from having one threshold for continuous disclosure purposes that is transparent, certain, and easy to apply.

Venture issuers are defined as issuers whose securities are not listed or quoted on certain senior exchanges in Canada or the United States, and are not listed or quoted anywhere outside Canada or the United States. We defined venture issuers by where they are not listed or quoted to ensure that issuers whose securities are involuntarily quoted, such as on the pink sheets in the United States, would not be disqualified from the exemptions available to venture issuers through no action of their own. Also, the CSA are aware of two markets being formed whose issuers would be appropriately treated as venture issuers – specifically, the Bulletin Board Exchange (BBX) and the Canadian Trading and Quotation System (CNQ). The proposed definition will be flexible enough to apply to issuers traded on those markets, without the need to amend the Rule. In addition to the four purposes why issuers were distinguished in the 2002 Proposal listed above, we have added to the Rule exemptions for venture issuers from certain MD&A requirements (including critical accounting estimates) and an exemption from the new requirement to file a report disclosing the results of a vote by securityholders (as discussed below).

Part 4 Financial Statements

- Part 4 has been amended to include provisions relating to changes in year-end and changes in corporate structure. Given the effect a change of year-end or a change in corporate structure has on an issuer's CD obligations, we agreed with commenters that said it would be preferable to deal with these matters in this instrument. These provisions will replace National Policy 51 *Changes in the Ending Date of a Financial Year and in Reporting Status*.

- The Rule has been amended to require issuers to disclose in their interim financial statements or their interim MD&A if their auditors have not reviewed the interim financial statements. Also, if a review was done but the auditor has expressed a qualified or adverse communication, or denied any assurance, the report must accompany the financial statements. The Rule does not mandate auditor review of interim financial statements, however, we believe that, if an issuer does not have its interim financial statements reviewed by its auditors, this should be disclosed so readers can take it into account.

- The Rule has been amended to provide that SEC issuers must restate and re-file any interim financial statements they filed during their current financial year that have been prepared in accordance with Canadian GAAP, if they change to US GAAP during the financial year. SEC issuers will be permitted under NI 52-107 to prepare their financial statements using US GAAP. However, if they switch to US GAAP in the middle of a financial year, we believe they should have to restate and re-file their previous interim financial statements so that all financial statements filed for a financial year will be based on the same GAAP.

- The Rule now requires board approval of both interim and annual financial statements. Some securities regulatory authorities that did not previously have rule-making authority to require approval have recently obtained that authority. We agreed with commenters that suggested that the distinction between review and approval was unclear, so we have replaced the concept of board review with board approval.

- We have added a requirement for the audit committee, if any, to review interim financial statements. Previously, the audit committee was only required to review the annual financial statements. We added this requirement because of the importance of the involvement of the audit committee throughout a reporting issuer's financial year, not just when the annual financial statements are filed.

- The sections of Parts 4 and 8 relating to GAAP and GAAS requirements for both reporting issuers and acquired businesses have been moved to NI 52-107. The Policy now refers issuers to the requirements in NI 52-107. We decided that, instead of duplicating acceptable accounting principles and auditing standards in the Rule, the Foreign Rule and the proposed national long form prospectus instrument, National Instrument 41-102 *General Prospectus Requirements*, which has not yet been published for comment, it would be beneficial to issuers and their advisors to set out all of the requirements for accounting principles, auditing standards and reporting currency in one national instrument.

- Section 4.9 of the 2002 Proposal which required disclosure of balance sheet line items, has been deleted, as it was determined that GAAP adequately addressed disclosure of balance sheet line items.

- The requirement for issuers to disclose outstanding share data at each reporting date has been moved to MD&A. Issuers will no longer have the option of disclosing this information only in their financial statements. We believe disclosure in the MD&A will make the information more current than if it was in the financial statements.

- The requirement for a development stage issuer to provide a breakdown of material components of certain of its expenses in its financial statements has been revised. Venture issuers that have not had significant revenue from operations for the past two years will have to provide this disclosure in either their financial statements or in their MD&A. We believe the detailed disclosure is relevant to investors in the venture issuer market. Without the detailed breakdown, investors may have only aggregated information in the financial statements, which tends to be less meaningful and descriptive.

- The requirement to deliver financial statements only on request has been maintained. However, the way that requirement is implemented has been revised. Reporting issuers are now required to ask their registered and beneficial securityholders each year if they wish to receive a copy of the financial statements and MD&A. Issuers must use the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101) to communicate with their beneficial securityholders. Issuers do not have to send a request form to securityholders who have already indicated under NI 54-101 that they do not wish to receive copies of the materials. This change is in response to comments received that the onus should be on the reporting issuer to determine if its securityholders want copies of the financial statements and MD&A. It was suggested that securityholders should not have to determine when and how they can request copies of the documents.

We further modified the delivery requirement to provide that, if a securityholder requests either financial statements or MD&A, both must be delivered. This responds in part to comments we received that the two sets of documents be combined. We agreed that, given their close relationship, they should be filed and delivered at the same time. We do not think it is necessary to require that they be combined into a single document.

- Section 4.13 in the 2002 Proposal relating to the filing of financial statements after first becoming a reporting issuer, has been revised and is now section 4.7. The 2002 Proposal required issuers to begin filing financial statements starting with the first filing deadline that ended after the issuer became a reporting issuer. In addition, issuers were exempted from this requirement if they had already filed the required financial statements with a regulator or securities regulatory authority. Commenters pointed out this requirement could create a "gap" in a reporting issuer's continuous disclosure, if a filing deadline occurred before the issuer became reporting, but after the document was filed that made the issuer reporting. The new section 4.7 requires a reporting issuer to file financial statements for any period subsequent to the period for which financial statements were included in a document the issuer filed in connection with becoming a reporting issuer. For example, if an issuer first becomes reporting as a result of an arrangement, it must file financial statements starting with the next interim or annual period after the period covered by the most recent financial statements in the information circular that was filed in connection with the arrangement.

- Requirements in the Rule relating to a change of auditor have been modified in a few areas. The term "disagreement" was expanded to include a difference of opinion that arises during an auditor's review of a reporting issuer's interim financial statements. Also, the Rule now includes a definition of "resignation" which includes notification from an auditor of their decision to not stand for reappointment as auditor of the reporting issuer.

Part 5 Annual Information Form

- Venture issuers are now exempt from having to file an AIF. The test for the exemption is no longer based on market value. As previously discussed, we have decided to apply the same venture issuer test for several purposes in the Rule for transparency and certainty, rather than using different tests for various purposes.

Part 6 MD&A

- The requirement to file MD&A has been revised to clarify that it is a separate requirement, not dependent on the requirement to file financial statements.

- As previously discussed, the requirement for certain issuers to provide a breakdown of material components of certain of their expenses has been added to this Part. This requirement now applies to venture issuers that have not had any significant revenues from operations in either of their last two financial years, and requires the additional disclosure in either their financial statements or in their MD&A. We believe this detailed disclosure is relevant to investors in the venture issuer market. For such issuers, aggregated information in the financial statements may not provide meaningful information to investors.

- The requirement for issuers to disclose outstanding share data has changed from being required in the financial statements, to being required disclosure in the MD&A, whether or not such information is included in their financial statements. We believe this information is more suited to the MD&A, rather than being incorporated into the financial statements, as it will make the information more current than if it was in the financial statements only.

Also, the requirement has been clarified to provide that, if the reporting issuer cannot determine the exact number of securities issuable on the conversion of outstanding securities, the reporting issuer must provide alternative disclosure to give investors sufficient information for them to calculate an approximate diluted number.

- The Rule now requires board approval of interim and annual MD&A. Some securities regulatory authorities that did not previously have rule-making authority to require approval have recently obtained that authority. We agreed with commenters that suggested that the distinction between review and approval was unclear, so we have replaced the concept of board review with board approval.

- We have added a requirement for the audit committee, if any, to review MD&A. Previously, the board of directors was permitted to delegate its obligation to review the annual and interim MD&A to the audit committee. Now, the MD&A must be reviewed by the audit committee, if any, and approved by the board of directors. We added this requirement because of the importance of the involvement of the audit committee throughout a reporting issuer's financial year.

- The requirement to deliver MD&A has been revised to be consistent with the requirement to deliver financial statements, as described above.

- The Rule has been amended to require issuers to disclose in their MD&A if their auditors have not reviewed the interim financial statements, if that disclosure is not included in the interim financial statements. The Rule does not mandate auditor review of interim financial statements, however, we believe that, if an issuer does not have its interim financial statements reviewed by its auditors, this fact should be disclosed so readers can take it into account.

Part 7 Material Change Reports

- In the 2002 Proposal, an issuer was permitted to file a confidential material change report based on its opinion that disclosure would be unduly detrimental to the issuer's interest. The Rule has been amended to clarify that this opinion must be arrived at in a reasonable manner.

- A new requirement has been added for an issuer to promptly disclose a material change after a confidential material change report is filed if the issuer becomes aware of trading with knowledge of the material change.

Part 8 Business Acquisition Report

- Part 8 has been revised to remove the requirement to disclose significant dispositions. The disclosure requirements now apply only to significant acquisitions, as GAAP ensures adequate disclosure of dispositions will be included in the financial statements.

- An exemption from the BAR requirement has been added if:

- an information circular concerning the acquisition has been filed;
- the information circular contains the information required under section 14.2 of Form 51-102F5;
- the date of the acquisition is within 9 months of the date of the information circular; and
- there has been no material change in the terms of the significant acquisition as disclosed in the circular.

We agreed with commenters that, where the BAR information has already been provided in an information circular, the BAR is redundant.

- Part 8 has been revised to permit issuers to recalculate the significance tests based on more recent financial statements than their annual financial statements. This change acknowledges that issuers may outgrow the initial significance of an acquisition.

- Part 8 has been revised to require issuers to test "step-by-step" acquisitions on an aggregated basis for increments acquired since an issuer's most recent annual financial statements. This will prevent the unintended effect of issuers not being required to file a BAR where their acquisition takes place in a number of separate stages. An exemption has been added from this requirement, if the acquired business has been consolidated in the issuer's most recent annual financial statements that have been filed.

- The requirement to include audited financial statements of an acquired business or businesses in the BAR has been streamlined. Venture issuers must test the significance of an acquisition at the 40% significance level only, and must file one year of audited annual financial statements. Issuers that are not venture issuers must test significance at the 20% and the 40% levels. If the 40% threshold is exceeded, two years of audited annual financial statements must be filed. If the 40% threshold is not met, but the 20% threshold is, the issuer must provide one year of audited annual financial statements. These changes were made in response to comments received that the proposed 20%, 40% and 50% thresholds were too complicated, and the financial statement filing requirement too onerous. The new 20% and 40% thresholds are more streamlined, and the removal of the third year of audited financial statements makes the requirement less onerous for issuers.

- As previously discussed under Part 4 Financial Statements, the portions of Part 8 relating to GAAP and GAAS requirements and reporting currency for acquired businesses have been deleted. NI 52-107 applies to all financial statements under the Rule, including financial statements of an acquired business.

Part 9 Proxy Solicitation and Information Circulars

- We clarified that the proxy solicitation requirements apply to solicitations of registered holders of voting securities. National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* applies to the requirements to send forms of proxy and information circulars to beneficial owners.

Part 11 Additional Filing Requirements

- The requirement in section 11.1 for an issuer to file a copy of any document that it sends to its securityholders has been restricted so that it only applies to documents sent to more than 50% of the holders of a class of securities held by more than 50 securityholders.

- Part 11 has been amended to require issuers to file a notice if the issuer becomes a venture issuer, or ceases to be a venture issuer. This will give notice of which filing obligations the reporting issuer must comply with.

- A requirement has been added to Part 11 that issuers that are not venture issuers file a report that discloses the results of a vote held at a meeting of securityholders. This addition was made in response to a comment that issuers should be required to promptly disclose voting results following a meeting. We agreed that this is important disclosure.

- Reporting issuers are now required under Part 11 to file copies of any news releases regarding their results of operations or financial condition. We believe that, if an issuer releases financial information in a news release, that information should form part of the issuer's CD record on SEDAR.

Part 12 Filing of Material Documents

- This requirement has been revised so it only applies to securities where the class of security is held by more than 50 securityholders. This is to prevent issuers from having to file documents that relate to isolated securityholders, such as

when a bank holds a security in connection with a business loan, where the bank is the only holder of that class of security. See *Request for Comments*.

- The documents that are required to be filed have been more clearly specified and include: articles of incorporation, by-laws, shareholder agreements, shareholder rights plans and contracts that materially affect the rights of securityholders.

Part 13 Exemptions

- Part 13 has been amended to add exemptions from the CD requirements for exchangeable share issuers. This exemption extends to relief from insider reporting requirements for insiders of the exchangeable share issuers, who are not also insiders of the parent company. We agreed with commenters who suggested it is usually the CD record of the parent company, not the exchangeable share issuer, that is relevant for the holders of exchangeable securities. Exchangeable share issuers will be exempted from the CD requirements provided they instead file and deliver copies of their parent's disclosure documents.

Part 14 Effective Date and Transition

- The transition provisions and effective date reflect that the Rule will not be in force until 2004.

Form 51-102F1 Annual Information Form

- The AIF was revised to add certain disclosure obligations that are currently in the prospectus form. In particular, the AIF now requires disclosure of the follow matters:
    - the addresses of the issuer's head and registered office
    - the stage of development of principal products or services
    - a description of production and services; leases or mortgages; specialized skill and knowledge; and economic dependence
    - financial data from the financial statements in total and on a per-share and diluted per-share basis
    - the capital structure and material attributes of each class of authorized security, including any constraints on the ownership of securities
    - ratings from any ratings organizations
    - trading price and volume of securities
    - prior sales of securities during the most recently completed financial year
    - escrowed securities
    - promoters and the nature and amount of value received by the promoter from the issuer
    - legal proceedings
    - interest of management and others in material transactions
    - transfer agents and registrars
    - material contracts not made in the ordinary course of business
    - experts responsible for opinions in the AIF and their interests in the issuer

We believe these additions are important disclosure that should be available to investors on a regular annual basis, not just to new investors when an issuer is doing a public offering. This change also reflects the possibility that a future integrated disclosure system may require that the AIF be a comprehensive disclosure document.

- The date of the AIF has been clarified, and a requirement added for the AIF to be filed within 10 days of the date. This will ensure that, when filed, the AIF is an accurate and up-to-date reflection of the issuer's business. Without this requirement, there was a risk that the AIF may not reflect changes that occur in the issuer's business between the date of the AIF and its filing. This could have led to the AIF being misleading by the time it was filed.

- References to disclosure of significant dispositions has been deleted, to be consistent with the changes to the Rule discussed previously under Part 8 of the Rule.

- The AIF form now includes a requirement to describe any contract that the reporting issuer's business is substantially dependent on. These agreements may not be "out of the ordinary course of business", and so may not be contracts disclosed under the "Material Contracts" section. However, these contracts are often vital to the issuer's operations, and are relevant information for investors to have.

- Reporting issuers will now be required to disclose their social and environmental policies when they describe their business.

- The disclosure of risk factors has been clarified to give examples of the types of risks that should be disclosed. This responds to comments we received that suggested further guidance in this regard should be provided.

- Disclosure of directors' and executive officers' bankruptcies, penalties and sanctions has been expanded to require disclosure if the person was a director or executive officer of a issuer:

    - within a year of the issuer becoming bankrupt, and

    - when the event occurred that led to a penalty or sanction being imposed against the issuer.

The CSA have found that directors and executive officers often resign prior to a bankruptcy, or a penalty or sanction being imposed, to avoid this disclosure. If that person was involved in managing the company while the company was heading toward bankruptcy, or when the event occurred that led to a penalty or sanction being imposed, this is relevant information for an investor. The director or executive officer should not be able to avoid having his or her involvement disclosed by a timely resignation.

- The requirement for issuers to disclose how securityholders may request copies of the financial statements and MD&A has been removed. This requirement is no longer necessary, as issuers will be required to send the request form discussed above to their securityholders.

Form 51-102F2 Management's Discussion & Analysis

- The MD&A Form has been amended to reflect changes to Part 6 of the Rule, including disclosure for venture issuers that have not had significant revenue from operations.

- The MD&A has been revised to incorporate certain aspects of the CICA's Canadian Performance Reporting Board report entitled "Management's Discussion and Analysis: Guidance on Preparation and Disclosure", as recommended by some of the commenters. For example, the general instruction to the MD&A now explains that the MD&A should describe the issuer "through the eyes of management", and that part of the purpose of the MD&A is to give investors an opportunity to assess trends in the issuer's business operations.

- An instruction has been added directing issuers to prepare the MD&A using plain language principles. To be useful to investors, MD&A must be understandable. One of the best ways to make the MD&A understandable is for it to be in plain language.

- The MD&A is now required to be dated, so that readers will know when the disclosure in the MD&A was prepared. The MD&A must also be current such that it will not be misleading when filed.

- The MD&A has been revised to provide additional guidance for resource issuers when they are discussing the results of their operations.

- The discussion of off-balance sheet transactions has been revised to clarify what information is required, by separating it out of the discussion of capital resources, and placing it in its own section in the MD&A.

- The requirements relating to transactions with related parties have been simplified. Disclosure that would only duplicate GAAP, without supplementing or enhancing the disclosure in the financial statements, has been removed.

- The MD&A has been expanded to require more detailed disclosure of critical accounting estimates. The topic of accounting estimates was previously referred to in the MD&A under the heading "Critical Accounting Policies". The requirement is not applicable to venture issuers. These changes are consistent with requirements in the United States.

- Venture issuers have been exempted in the MD&A from the requirement to provide information on contractual obligations. This recognizes the disproportionate burden of providing this information for venture issuers, and is consistent with the disclosure requirement in the United States, where small businesses are also exempted.

- The requirement to discuss changes in accounting policies has been revised to require issuers to also discuss the initial adoption of accounting policies during the year.

Form 51-102F3 Material Change Report

No significant changes were made to the Material Change Report.

Form 51-102F4 Business Acquisition Report

- Section 2.2 has been amended to clarify what the date of acquisition is for accounting purposes. This will make the Form more understandable for non-accountant readers.

- Section 2.4, which required disclosure of "material obligations" has been deleted. We agreed with commenters that felt it was unclear when this section could apply, and that it did not add any meaningful disclosure to the BAR.

- Item 3 has been clarified to require information other than financial statements, as required in Part 8 of the Rule, to be included in the BAR. Oil and gas issuers are required in Part 8 to provide operating statements rather than financial statements.

Form 51-102F5 Information Circular

- The Form has been amended to permit incorporation by reference of previously filed documents. This will prevent the circular from becoming unnecessarily cumbersome due to the volume, and reduce duplicative reporting for issuers.

- Issuers must disclose the bankruptcies of proposed directors, and any penalties, sanctions, or bankruptcies of companies that the proposed directors were directors or executive officers of. We believe this is relevant information for securityholders to have when they are deciding how to vote on the election of directors.

- Disclosure is now required in table format of aggregate indebtedness to the issuer of directors and executive officers. This supplements the disclosure of indebtedness under securities purchase programs and other programs. Item 10 *Indebtedness of Directors and Executive Officers* in the Form has been revised to clarify what is required to be disclosed. The content of Item 10 has not been substantively revised. The amendments are intended to make the Form more understandable for reporting issuers, and the required information more reader-friendly for securityholders.

- In the section relating to disclosure of restructuring transactions that involve issuing or exchanging securities, the requirement to include prospectus form disclosure has been amended to:

    - delete the qualifier that disclosure be provided "in sufficient detail to enable reasonable securityholders to form a reasoned judgment" - the standard is simply prospectus-form disclosure;

    - expand the requirement to include prospectus level disclosure to significant acquisitions where securities are being issued and an information circular delivered;

    - to exempt Capital Pool Companies (CPCs) from the requirement to include prospectus level disclosure where they comply with the policies and forms of the TSX Venture Exchange (TSXV).

These changes were largely made in response to comments received. In particular, we agreed with commenters that said that the qualifier in the prospectus-level disclosure made the required level of disclosure unclear. We also agreed that CPCs that comply with the policies and forms of the TSXV should not also have to comply with item 14.2 of the Form. This reflects the active role of the TSXV in establishing disclosure standards for Qualifying Transactions.

- The requirement for issuers to disclose how securityholders may request copies of the financial statements and MD&A has been removed. This requirement is no longer necessary, as issuers will be required to send the request form discussed above to their securityholders.

Form 51-102F6 Executive Compensation Form

- References in the Executive Compensation Form to "restricted shares" have been changed to "restricted stock". This avoids confusion with the term defined in the Rule, and parallels the terminology used for similar purposes by the SEC. "Restricted stock" is defined in section 3870 of the Handbook as shares that are subject to restrictions on resale. This would apply to shares that are subject to escrow or other similar resale restrictions.

- We now use plain language in the Executive Compensation Form.

The Policy

- The Policy has been amended to reflect the changes to the Rule described above. In particular:

    - the portions of the Policy that dealt with GAAP and GAAS requirements have been deleted, as they are now contained in the companion policy to NI 52-107 - instead, the Policy now directs reporting issuers to NI 52-107;

    - guidance has been added relating to the definitions of "reverse takeover" and "disagreement" in the Rule;

    - the discussion of auditor review of interim financial statements now includes a discussion of the requirement to disclose if a review has not been done;

    - guidance has been added, including an appendix, to assist issuers in applying the change in year-end provisions in the Rule;

    - guidance has been added for venture issuers without significant revenue on how to comply with the requirement to provide a breakdown of expenses; and

    - issuers are instructed where to send a notice of a restructuring transaction.

- The Policy clarifies that the Rule does not apply to investment funds.

- The Policy now contains a discussion that the outstanding share data required in the MD&A must be disclosed as of the latest practicable date. The Policy states that the latest practicable date should be current, as close as possible to the date of filing of the MD&A. This ensures that the information in the MD&A is as current as possible, but gives the issuer sufficient time to finalize the MD&A, have it approved by the board of directors, and print it, without having to continuously update the outstanding share data.

- The Policy has been revised to provide further guidance on how to apply the significance tests, including the optional significance tests, for business acquisitions in the Rule. The Policy also now includes information on how to apply the significance test in the case of step-by-step acquisitions.

- Reporting issuers that intend to publish earnings measures other than those prescribed by GAAP are now referred to CSA Staff Notice 52-303.

APPENDIX B

SUMMARY OF COMMENTS AND CSA RESPONSES

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SUMMARY OF COMMENTS AND CSA RESPONSES

Part I Background

On June 21, 2002 the CSA published for comment National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102 or the Rule) and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102). The comment period expired on September 19, 2002. The CSA received submissions from the 34 commenters identified in Schedule 1.

The CSA have considered the comments received and thank all commenters for providing their comments.

The questions contained in the CSA Notice to NI 51-102 (the original Notice) and the comments received in response to them are summarized below. The item numbers below correspond to the question numbers in the original Notice. Below the comments that respond to specific questions in the original Notice, we have summarized numerous other comments on proposed NI 51-102.

The section references in this summary are to the sections in NI 51-102 as originally published. The section numbers in square parentheses are the corresponding section references in the current draft of NI 51-102.

The comments and responses relating to NI 71-102 are set out as an appendix to the Notice and Request for Comment on NI 71-102. The comments and responses relating to matters now included in proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) are set out as an appendix to the Notice and Request for Comment on NI 52-107.

Part II National Instrument 51-102 *Continuous Disclosure Obligations*

Comments in response to questions in original Notice

1. Criteria for determining financial statement filing deadlines

Question: *The Rule uses TSE non-exempt company criteria to identify issuers subject to shortened filing deadlines for annual and interim financial statements and MD&A. Those criteria include having net tangible assets of at least $7.5 million, or in the case of oil and gas companies, proved developed reserves of at least $7.5 million. These criteria mean that the more stringent 90 and 45 day filing deadlines will apply to Canada's most senior issuers, many of which are currently subject to the same filing deadlines in the United States. They are different from the market value threshold that is proposed to trigger the AIF filing requirement in the Rule, in recognition of the fact that an issuer's market value is not always an appropriate way to assess its ability to prepare financial disclosure within shorter times.*

(a) Is it appropriate to use TSE non-exempt company criteria to determine deadlines for filing financial statements? If not, why not, and what other criteria should we consider?

One commenter agreed that the CSA should use criteria that are already in common use and that are administered closely by a regulatory body, such as the TSX non-exempt company criteria, TSX initial listing criteria or other widely recognized criteria. However, the commenter considered that only issuers that are actually classified by TSX as non-exempt, not those that merely satisfy the criteria, should be subject to the shortened deadlines.

Seven commenters felt that the criteria are not appropriate for the following reasons:

- The TSX assigns "exempt"/"non-exempt" status at the time of listing and does not review the status annually so an issuer retains that status unless it is suspended and delisted.
- Over 320 exempt issuers have market capitalizations below $75 million, which could suggest they don't have the necessary resources to meet the compressed deadlines.
- It is not clear how non-TSX listed issuers would apply the test.
- It would be impossible for non-TSX listed issuers to determine whether they are "non-exempt", since the TSX exercises some discretion in deciding whether or not to award the designation.
- The Rule would be simpler and easier to use if there were no cross-references to other legislation, rules or policies.
- Many issuers that are TSE-exempt would not generally be regarded as senior issuers and may encounter difficulties in meeting the earlier deadlines.

- It is more appropriate to use a market value test. Six of the commenters suggested using the $75 million market value test from National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101).

Response: The CSA agree with using criteria that are already in common use and that the "non-exempt" company criteria is not the most appropriate. The Rule has been amended to determine deadlines for filing financial statements, and for other purposes discussed in the Notice and Request for Comment this appendix is appended to (the current Notice), based on whether or not the issuer is a "venture issuer". The Rule defines a venture issuer as an issuer that is not listed on the Toronto Stock Exchange (TSX), the New York Stock Exchange, the American Stock Exchange, the Pacific Exchange, the NASDAQ National Market, the NASDAQ SmallCap Market, or a stock exchange outside of Canada and the United States. This test will provide transparency to the market, as well as certainty to issuers and investors.

***Question:** (b) Is your view affected by the fact that some issuers that are eligible to use the short form prospectus regime in NI 44-101 would have 120 days to file annual financial statements?*

Two commenters stated that an issuer eligible to use NI 44-101 should not have 120 days to file annual financial statements.

Response: Given the proposed definition of "venture issuer", we would generally not expect that an issuer would meet the definition and also be eligible to use NI 44-101. As the instances of this occurring would be rare, we do not believe it overrides the benefit of using the same threshold for all continuous disclosure purposes.

***Question:** (c) Is your view affected by the fact that the SEC has proposed imposing even shorter filing deadlines than the ones we have proposed, for issuers that have a public float of US$75 million and are therefore eligible to use the US short form prospectus regime? Why?*

Several commenters supported moving to a market value or public float test for financial statement filing deadlines. See the response to question 1(d) below. Several commenters also expressed concern about the SEC's shortened filing deadlines. See the responses to question 3 below.

***Question:** (d) Is the $75 million criteria that is used in the Rule as one of the triggers of the AIF requirement, and in NI 44-101 for short form prospectus eligibility, appropriate?*

Seven commenters expressed support for using this threshold, assuming a tiered system is put in place. One commenter would supplement the $75 million market value test with the "small business" limits of $10 million in assets and revenue.

Response: The CSA believe that industry would benefit from having a threshold for continuous disclosure purposes that is transparent, certain and easy to apply. Accordingly, the venture issuer test has been applied in most instances in which the Rule has differing requirements depending on the category of issuer.

Refer to "Criteria for Identifying Small Issuers" and "Approach to Regulation of Small Issuers" below for more comments on the thresholds for determining financial statement and other disclosure filing deadlines.

2. Elimination of requirement to deliver financial statements

***Question:** As noted [in the original Notice] under "Summary of Significant Changes to Existing CD Requirements", the Rule will eliminate mandatory delivery of financial statements and MD&A to all securityholders. Issuers will only be obligated to deliver copies of these documents to securityholders that request them. Issuers will have to disclose annually in their AIFs and information circulars that the financial statements and MD&A are available without charge and how to obtain them. Do you agree with this approach? Why or why not? What approach would you suggest?*

Thirteen commenters supported this approach.

One commenter said that the CSA should not eliminate mandatory delivery of financial statements and MD&A for the following reasons:

- it would result in significant job losses in the financial printing sector;
- it will not protect the environment since securityholders will print the documents on home or office printers; and
- it would replace a proven communications vehicle with a "passive" electronic source.

Three commenters said that reporting issuers should be required to ask securityholders if and how they want to receive disclosure documents and what types of documents they want to receive. One of those commenters said that, at a minimum, securityholders should be asked if and how they want to receive financial statements and MD&A, and, in the absence of a

response, delivery should continue until the investor requests a change in the delivery process. Another one of those commenters suggested that the request should be made as part of the annual proxy process, and the requirements should contemplate modern investor communication technology.

Response: The CSA agree that mandatory delivery of financial statements to all securityholders, whether or not they wish to receive them, is inappropriate. At the same time, we agree with the suggestion that reporting issuers should consult their securityholders as to their wishes. For that reason, we are maintaining our proposal to require delivery only on request, but requiring that reporting issuers provide their securityholders with a request form each year. This approach reflects advancements in technology and communication (including SEDAR) since the introduction of the requirement to deliver. It will also eliminate the unnecessary paper delivery of information, by requiring delivery only to securityholders that indicate they want paper copies.

One commenter said that if the CSA eliminate mandatory delivery of financial statements, there may no longer be any obligation to deliver financial statements to beneficial owners of securities. This is contrary to the policy objective of National Instrument 54-101 *Communication with Beneficial Owners of Securities* (NI 54-101).

Response: We have amended the Rule to specify that financial statements and MD&A must be delivered to both registered and beneficial owners of securities, upon request.

One commenter said that the CSA should adopt the "access equals delivery" approach suggested by the Ontario Securities Commission's Five-Year Review Committee.

Response: The CSA believe that the requirement in the Rule to only deliver financial statements and MD&A on request is an adequate substitute for the access equals delivery proposal. Shareholders will likely only request copies of the financial statements and MD&A if they do not have convenient Internet access or are unable or unwilling to download or print disclosure from the Internet. It would not be appropriate to apply an "access equals delivery" approach to those shareholders.

Two commenters suggested that information about availability of documents should be communicated more frequently than annually, and in more materials than just AIFs and information circulars. Quarterly materials, issuer websites and new releases about financial results should include this information too. One commenter suggested that issuers should be required to disclose that disclosure documents are available electronically on SEDAR or at corporate websites.

Response: The Rule has been revised to require issuers to ask their securityholders annually if they wish to receive copies of the financial statements and MD&A. Since issuers will be contacting their securityholders regarding the availability of documents, it is not necessary to require further disclosure in any of the issuer's disclosure documents.

One commenter said that the Companion Policy to NI 54-101 should clarify the requirements for the annual shareholders' meetings, to reconcile with the new filing deadlines, the requirements for board review, and the elimination of mandatory delivery.

Response: We have amended the Rule to clarify that delivery of financial statements or MD&A must be by the later of the filing deadline for the financial statements or MD&A requested, and 10 days after the receipt of the request. The CSA do not believe clarification is necessary in NI 54-101. We will monitor the system, once implemented, to determine if clarification would be helpful.

See the additional comments set out under the heading "4.12 Delivery of Financial Statements" below.

3. SEC developments

Question: *Under the heading "Recent SEC Developments" [in the original Notice], we identify SEC Releases that propose changes to corporate disclosure requirements for SEC registrants. Should we change the Rule to reflect the proposed SEC requirements?*

General comments

Four commenters responded in the negative, stating that the CSA places too much importance on SEC rules. The commenters felt the CSA should decide what is appropriate for our unique Canadian markets, and especially for small issuers.

One commenter suggested that the Rule should be changed to reflect recent SEC developments in the area of disclosure of social and environmental policies and risks.

Response: The CSA agree that not all of the disclosure requirement changes made by the SEC are appropriate in Canada, particularly for venture issuers. The CSA have considered the changes and have adopted certain ones that they feel will

enhance Canada's disclosure regime (see "Summary of Changes to the Proposed Instrument" in the current Notice). Other changes may be considered separately as part of the CSA's continuing review of the US Sarbanes-Oxley Act.

Filing deadlines for financial statements

One commenter felt the CSA should adopt the SEC deadlines. Three commenters suggested that, if the CSA makes this change, there should a transition period like the SEC transition period.

One commenter noted that the final SEC rule for acceleration of periodic report filing dates applies only to US domestic reporting companies, and Canadian SEC registrants are excluded. Because the Rule will result in consistency between the reporting time frames of Canadian SEC and non-SEC issuers, no further reduction of reporting time frames is necessary.

One commenter said that the CSA should not reduce filing deadlines to 60 and 35 days without doing a cost benefit analysis. Nine commenters said that the CSA should not adopt the shorter filing deadlines for some or all of the following reasons:

- Shorter deadlines would create undue pressures on auditors and issuers.
- Small issuers would be affected more than large issuers.
- The shorter filing deadlines may compromise the reliability and accuracy of the information released into the marketplace.
- Shorter deadlines would make it very difficult for many senior issuers and their auditors to cope with changes to Canadian and US accounting standards.

Response: The CSA have decided not to adopt the SEC's new 60 and 35 day deadlines for annual and interim financial statements. See the specific comments on sections 4.2 and 4.5 below.

Current report requirements

With respect to the SEC proposal to require enhanced disclosure of loans to directors and officers, one commenter felt the CSA should coordinate its approach with other ongoing initiatives to harmonize Canadian and US requirements. There should be exemptions from the disclosure requirement for directors and officers of lending institutions.

Response: The proposals in SEC Release No. 33-8090 regarding enhanced disclosure of arrangements with directors and officers and trading by those persons have been overtaken by the Sarbanes-Oxley Act, which contains a ban on loans and loan guarantees for officers and directors. The CSA have not adopted a similar ban. Instead, the information circular form (Form 51-102F5) continues to require disclosure of indebtedness of directors and executive officers, other than routine indebtedness. The definition of "routine indebtedness" will result in disclosure not being required for loans made by lending institutions, where the terms are consistent with loans made on substantially the same terms as made to persons other than full-time employees.

Critical accounting policies disclosure

One commenter suggested that there is room to improve critical accounting estimates disclosure. Typical disclosure in financial statements under Handbook 1508 has become rather "boilerplate". MD&A provides a better medium for a description of the complexities entailed in making critical estimates and a discussion of their effect on the financial results.

One commenter said that SEC Release 33-8098, which requires detailed disclosure of critical accounting estimates, duplicates many existing GAAP disclosure requirements. The CSA should not duplicate GAAP requirements.

One commenter supported a requirement in the Rule to discuss critical accounting policies in the MD&A, as it allows the investors to assess the degree of judgement made in management's choice or use of accounting policies. The commenter also supported changing the Rule to reflect the proposed SEC changes, as the commenter believes the SEC changes will enhance risk assessment by requiring disclosure about critical accounting estimates and the initial adoption of accounting policies that have material effect.

Response: The CSA agree that the MD&A should disclose information about critical accounting estimates and the adoption of accounting policies. We disagree that GAAP requirements would be "overlapped" by providing this disclosure, as the information will provide a narrative supplement to the disclosure in the financial statements. We have revised the critical accounting policies disclosure in the MD&A from the 2002 Proposal to require disclosure of information about critical accounting estimates.

See the comments on MD&A below as well.

4. Combination of financial statement and MD&A filings

***Question**: We are considering amending the Rule so that financial statements and MD&A would have to be filed at the same time, as one filing. MD&A contains important discussion of financial statement disclosure, and is already subject to the same filing deadlines as financial statements. Should we combine financial statement and MD&A filing requirements?*

Four commenters indicated we should combine financial statement and MD&A filing requirements. It was unclear whether these commenters would prefer to combine financial statements and MD&A into one document or simply have them filed at the same time. Six commenters said that financial statements and MD&A should be filed at the same time.

Two commenters said that, since MD&A can take longer to prepare than financial statements, combining the filings may delay the release or filing of financial information. All that should matter is that both documents are filed within the deadlines. One of the commenters noted that, if combined filings delay the filing of audited and approved annual financial statements, it exacerbates the problem of companies releasing fourth quarter financial information long before the annual statements are approved by the board and filed. It would also create the perception that the financial statements are incomplete without MD&A.

One commenter suggested that, if a securityholder requests either financial statements or MD&A, the issuer should have to deliver both.

Response: The CSA agree with the majority of the commenters who support filing the financial statements and MD&A at the same time. The benefit of having the discussion of the financial statements filed concurrently with the filing of the statements outweighs the concern that completing the MD&A may delay the filing of the financial statements. However the CSA have decided not to combine them into one document, as having them filed at the same time provides the same benefit. Because of the relationship between the financial statements and MD&A, the CSA have also revised the Rule to require the delivery of both the financial statements and MD&A when a shareholder requests delivery of one of them.

5. Disclosure of restructuring transactions in information circulars

***Question**: Item 13.2 [14.2] of Form 51-102F5 Information Circular requires an issuer to provide disclosure regarding restructuring transactions.*

One commenter suggested that the information required under item 13.2 [14.2] of 51-102F5 is important information, but that the form should be more specific regarding the nature of the disclosure required. For example, it should specify if the financial statements need to be audited, and clarify which prospectus items need to be included in the disclosure.

Response: We have removed the qualifier in item 13.2 [14.2] that information from the prospectus form must be included "to the extent necessary to enable a reasonable securityholder to form a reasoned judgment". The form now makes clear that prospectus disclosure is the standard, so it is unnecessary to repeat the specific prospectus requirements in Form 51-102F5.

***Question:** (a) Does the definition of "restructuring transaction" in item 13.2 [14.2] require disclosure about the appropriate classes of transactions? If not, what kinds of transactions should be added or excluded, and why?*

Three commenters said that the definition is acceptable, although one commenter said that arrangements and reorganizations done for tax reasons that do not affect the equity held by current shareholders should be carved out.

Response: We have not provided such an exemption. When a public company is reorganized for tax purposes, securityholders may need complete disclosure to decide if the tax advantages outweigh any disadvantages of the reorganization.

***Question:** (b) Should item 13.2 [14.2] be expanded so that it applies to significant acquisitions of assets in exchange for securities?*

One commenter responded in the affirmative and one in the negative.

Response: The CSA believe that, when securities are being issued in connection with a significant acquisition and an information circular is provided in connection with the transaction, disclosure of significant acquisitions is appropriate, and we have expanded item 13.2 [14.2] to address this.

***Question:** (c) Does item 13.2 [14.2] require disclosure about the appropriate entities for any transaction that is subject to this item? If not, which entities should be added or excluded, and why?*

Two commenters answered in the affirmative.

Question: *(d) The requirement in item 13.2 [14.2] to include disclosure prescribed by the prospectus form is qualified by the words "to the extent necessary to allow a reasonable securityholder to form a reasoned investment decision". Is this clear enough? If not, how could we make the requirement clearer?*

One commenter said that "full, true and plain" disclosure should remain the standard.

Four commenters said that the prospectus form financial statement disclosure requirement should not be qualified by the words "to the extent necessary to allow a reasonable securityholder to form a reasoned investment decision" - the qualification as to financial disclosure will soon lead to an unwarranted disparity in the level of financial statement disclosure in these circulars, which would represent a step backwards from the existing requirements in OSC Rule 54-501.

Three commenters suggested that it is not clear how a preparer of an information circular would identify the disclosure that is not required. Given this lack of clarity, the qualifier should be removed from the final Rule.

Response: The form has been amended to delete the qualifier "to the extent necessary to allow a reasonable securityholder to form a reasoned investment decision". As a result, the prospectus standard of full, true and plain disclosure applies in item 13.2 [14.2].

Question*: (e) Would it be preferable to prescribe a separate form of information circular for certain restructuring transactions (such as reverse takeovers) similar to new CDNX Form 3B Information Required in an Information Circular for a Qualifying Transaction?*

Two commenters said that the CSA should use a prescribed form for disclosure of these transactions. One suggested that the treatment would be similar to SEC Form F-4 or S-4.

One commenter said that no separate forms are required.

Response: The CSA have decided not to prescribe separate forms for different transactions. The form of information circular is designed to encompass disclosure that would be relevant for a wide variety of restructuring transactions, with the disclosure tailored to the circumstances of the issuer and the transaction. By retaining a form with broad application, we avoid creating a number of parallel forms that issuers must consult and compare before determining which to use.

Question: *(f) Should item 13.2 [14.2] specify which disclosure items in the relevant prospectus forms must be given for certain transactions (such as reverse takeovers or issuances of exchangeable shares)?*

Two commenters commented that item 13.2 [14.2] of Form 51-102F5 eliminates the current flexibility that exists for small issuers listed on the TSX Venture Exchange (TSXV), by removing exchange discretion in respect of the disclosure to be included in information circulars, particularly in the context of capital pool companies (CPCs) effecting Qualifying Transactions as well as exchange issuers effecting changes of business or reverse takeovers (RTOs). The commenters suggested that CPCs subject to the CPC Policy and issuers subject to Policy 5.2 of the TSXV Policy Manual should be exempted from the requirements of item 13.2 [14.2] of Form 51-102F5 provided they comply with applicable Exchange Policies and the requisite forms in accordance with TSXV requirements.

Response: We have revised the Rule to exempt CPCs effecting Qualifying Transactions from item 13.2 [14.2] of Form 51-102F5, provided that they comply with applicable TSXV policies and requirements relating to the Qualifying Transaction. We made this change in recognition of the active role of the TSXV in establishing disclosure standards for Qualifying Transactions. The CSA disagree that exchange issuers completing RTOs and changes of business should be exempt from item 13.2 [14.2], as the TSXV does not necessarily impose the same prospectus-form disclosure requirement or review procedures.

6. Significant acquisitions disclosure

Question: *The proposed significance tests for business acquisitions in the Rule were the subject of extensive comments when the prospectus rules were being reformulated. The CSA analyzed the comments and finalized the tests in the prospectus rules. Several commenters said that significant acquisition disclosure should be required in CD, not just in prospectuses. Many commenters expressed the view that Canadian acquisition disclosure rules should parallel the SEC Rules. The significance tests proposed in the Rule are very similar to the SEC Rules and are consistent with the significance tests in the prospectus rules.*

The proposed Rule requires one, two or three years of financial statements depending on whether an acquisition is significant at a 20%, 40% or 50% threshold. Would it be better or worse to have only one threshold for determining significance with a requirement for two years of financial statements when the threshold is met? If you support this approach, what would you suggest as an appropriate threshold and why?

Three commenters agreed with the tests proposed in the Rule, as they are consistent with current prospectus requirements.

One commenter suggested that, unless and until the SEC rules and the prospectus rules are changed, it would support leaving the thresholds unchanged.

Another commenter said that it makes intuitive sense for the extent of financial statement disclosure, in terms of financial years presented, to vary directly with the significance of the acquisition. The commenter pointed out that SEC issuers, including MJDS issuers, may benefit the most from having the disclosure requirements as consistent as possible with SEC requirements. The commenter suggested that if a 30% threshold and a requirement for audited comparative annual financial statements of the acquiree would make it simpler for the small issuers, the commenter would have no objection.

One commenter suggested that there should only be one threshold and that there should be an exemption available for small issuers to allow them to have audited numbers for one year only.

One commenter commented that the 20% threshold is too low in a continuous disclosure environment.

One commenter recommended that financial and non-financial information about business acquisitions that have a material effect on the acquirer's financial condition and future performance, including earnings or cash flows, should be disclosed and made available in a timely manner. However, that commenter was generally opposed to quantitative thresholds and suggested that both quantitative and qualitative factors should be considered in determining whether an acquisition is significant or not.

Four commenters suggested that the BAR requirement is too complex and should not apply to small business acquisitions below the 50% significance level. Three of those commenters also suggested that only one year of financial statements should be required for small business acquisitions.

Response: The CSA agree with the commenters who suggested that the proposed thresholds may be too low for venture issuers. The Rule has been amended to permit venture issuers to test significance at the 40% threshold only and to provide one year of audited annual financial statements for acquisitions that exceed that significance level. All other issuers must test significance at the 20% and 40% thresholds, and provide one year and two years of audited annual financial statements, respectively, for acquisitions that exceed those significance levels. The CSA will consider whether similar changes would be appropriate for the prospectus rules. SEC issuers may still satisfy the BAR requirements in the Rule by filing a copy of their US business acquisition reports, as the US requirements are more onerous. The CSA have retained only the quantitative thresholds, and not added qualitative factors, because of the certainty and transparency they provide.

See the additional comments on Part 8 of the Rule below.

7. Requirement to file material documents

Question: *The Rule requires issuers to file constating documents and other instruments that materially affect the rights of securityholders or create a security. Would an acceptable alternative to filing be to require issuers to describe these documents in their AIFs or information circulars, rather than file them?*

Two commenters said that the documents themselves should be filed.

One commenter suggested that issuers should make their constating documents public, but that requiring issuers to file the other suggested documents may not be efficient. If the document does not constitute a "material change", it would be more appropriate to require a description of the general nature of the document in the AIF. Further, the commenter felt that the nature of documents that must be disclosed is unclear. The Rule should be more specific in this regard. At a minimum, the Rule or Companion Policy (the Policy) should clarify that ordinary commercial agreements are not generally required to be filed.

Three commenters said that a description of these documents in an AIF or information circular is sufficient.

One commenter suggested that there is no benefit to requiring the documents to be filed. They are available from other sources, and other continuous disclosure documents contain relevant information about them in a more easily accessible format. The commenter stated that, if copies of documents must be filed, there should be an exemption for banks because the Bank Act is the charter of a bank.

Response: The CSA agree with the commenters who support the filing of constating documents and other instruments that materially affect the rights of securityholders or create a security. Investors will then have access to the specific terms of the documents. Describing the documents could involve more work for the issuer than simply filing copies of the documents. The Rule has been revised to clarify that only documents creating or materially affecting the rights of securityholders of widely held classes of securities must be filed (see "Request for Comment" in the current Notice), and that agreements entered into the ordinary course of business do not have to be filed.

8. Criteria for identifying small issuers

Question: *The proposed Rule distinguishes small issuers in different ways, for different purposes, as follows:*

- *Issuers that are not "senior issuers" (that are TSX non-exempt) have more time to file their financial statements, MD&A and AIFs than senior issuers (see Criteria for Determining Financial Statement Filing Deadlines for more details);*
- *Issuers that are "small businesses", based on a similar definition to that in the prospectus rules (less than $10 million for each of assets and revenue) are exempt from certain significant acquisition disclosure requirements;*
- *Issuers that are small businesses (less than $10 million for each of assets and revenue) and have a market value not exceeding $75 million are not required to file an AIF;*
- *For the purpose of Form 51-102F6 Statement of Executive Compensation, an "exempt issuer" must have revenue and a market value of less than $25 million.*

Are these ways of identifying small issuers appropriate? Is there one definition that would be appropriate for all purposes? Why or why not?

Seven commenters said that there should be only one dividing line between large and small issuers. Two of the commenters said that a test based on the small business concept (based on assets and revenue) that includes some minimum market capitalization test would be appropriate for all purposes under the Rule.

Three commenters said that the dividing line should be based on a market capitalization test and that the $75 million market value threshold would be appropriate.

One commenter suggested that the small business definition should be based on either the "senior issuer" definition or the dividing line between the TSX and the TSXV.

Two commenters commented that the dividing line should be more than just an arbitrary number and should be based on a demographic of existing reporting issuers.

One commenter suggested that the CSA consider implementing a system similar to the US where there are separate rules for smaller issuers in Regulation S-B.

One commenter requested that the rationale for using different tests for different purposes be clarified.

Two commenters said that a tiered system of financial disclosure, or different treatment for issuers of different sizes, is not appropriate. Investors need to have relevant and timely information about all public companies.

Response: The CSA agree with the commenters who felt there should be only one dividing line. We also believe it important that the dividing line be transparent and easy to understand and apply. The Rule has been amended to define a "venture issuer" as an issuer that is not listed on certain specified senior exchanges or on a foreign exchange. The venture issuer test applies for the purposes of financial statement filing deadlines, calculation of significant acquisitions, an exemption from having to file an AIF, and certain exemptions from executive compensation disclosure.

9. Approach to regulation of small issuers

Question: *The Rule includes some exemptions or alternative means of satisfying certain continuous disclosure requirements for small businesses, as summarized immediately above. The anticipated costs and benefits of the Rule were discussed above [in the original Notice]. We invite comment on whether the cost-benefit analysis might differ for issuers of different sizes. We invite commenters to identify any provisions for which this might be the case, and to provide suggestions for disclosure alternatives that might be more appropriate for specific categories of issuer.*

Nine commenters supported having concessions, exemptions or less detailed requirements for small issuers. Six commenters noted that the costs of complying with securities regulation are disproportionate for small issuers.

Four commenters stated that the proposals do not sufficiently address the differences between small issuers and more senior issuers, including the fact that small issuers are higher risk, are generally under intense cost pressure and lack the resources to satisfy continuous disclosure obligations internally.

Three commenters suggested that a small issuer listed on the TSXV should be exempt from:

- the BAR requirements including Form 51-102F4; and
- item 13.2 [14.2] of Form 51-102F5, which calls for prospectus type disclosure of restructuring transactions in information circulars;

provided that it complies with TSXV policies and requirements.

Two commenters said that a tiered system of financial disclosure, or different treatment for issuers of different sizes, is not appropriate. Investors need to have relevant and timely information about all public companies.

Response: The CSA agree with the majority of the commenters, who consider it appropriate to make distinctions between categories of reporting issuers. The CSA recognize the financial and other resource constraints that venture issuers may be particularly subject to. We believe that the provisions of the Rule applicable specifically to venture issuers, coupled with the new definition of that class, will go far to address their particular needs and constraints without jeopardizing the interests of investors. The Rule provides different treatment for venture issuers, including longer financial statement filing deadlines, an exemption from the requirement to file an AIF, no requirement to prepare a BAR below the 40% significance threshold, and exemptions from executive compensation disclosure requirements in some circumstances. The CSA believe that, even with these exemptions, investors will still have access to timely information about all public companies. The CSA are satisfied that the exemptions for venture issuers balance the needs of investors with the challenges facing those issuers.

10. Cost benefit analysis

***Question**: We believe that the costs and other restrictions on the activities of reporting issuers that will result from the Rule are proportionate to the goal of timely, accurate and efficient disclosure of information about reporting issuers. For more discussion of this, see the section above entitled Summary of Rule and Anticipated Costs and Benefits [in the original Notice]. We are interested in hearing the views of various market participants on any aspect of the costs and benefits of the Rule and we invite your comments specifically on this matter.*

One commenter noted the market demands complete and accurate financial information to be filed as soon as it can possibly be prepared. The proposed rules will help to close the gap between Canadian and US continuous disclosure requirements, but will still fall short of market expectations. The commenter felt the improvements are absolutely necessary and more stringent requirements are inevitable in the foreseeable future.

One commenter said that current and potential shareholders and their financial advisers should best be able to advise as to the proper balance of costs and benefits associated with proposals. Benefits of a new requirement are not easily identified or quantified. Benefits are not always immediate and are therefore often discounted or not considered in the analysis. There are hidden costs of not providing certain corporate and/or financial information.

Seven commenters indicated the CSA should do more research to establish that the benefits of the Rule justify the additional compliance costs. They suggested that the Rule does not adequately recognize the disproportionate cost of compliance to small issuers.

One commenter said that the costs of enhanced disclosure are not justified if issuers do not get immediate access to the markets as contemplated by the British Columbia Securities Commission's Continuous Market Access proposal.

Response: The CSA share the objective of balancing compliance burdens with investor needs, and recognize the particular concerns of venture issuers. For that reason, we are including in the Rule a number of exemptions from, or variations of, requirements for venture issuers, all of which we believe will temper costs of compliance for those issuers while still ensuring that their investors receive timely information important to them.

The CSA are also considering ways to facilitate the cost-effective raising of new capital. We anticipate that the enhanced continuous disclosure provided under the Rule can, in the future, serve as the basis for an "integrated disclosure system" that streamlines securities offering procedures.

11. Credit supporters and exchangeable shares

***Question:** Under the heading "Possible Changes to the Instrument" above [in the original Notice], we discuss certain changes to the Rule relating to credit supporters and exchangeable share issuers that we are considering incorporating into the Rule.*

(a) We describe three options for addressing CD obligations in credit supporter situations. What are your comments on the merits of these three options? If none of them are appropriate, please suggest other options and justify them.

(The three options set out in the original Notice were:

option 1: issuer must provide continuous disclosure about itself and the credit supporter;

option 2: issuer exempt provided it files continuous disclosure about credit supporter;

option 3: credit supporter deemed reporting issuer itself)

One commenter said that option 1 is best. There may be developments that have a significant effect on the issuer that would not be disclosed if only the credit supporter gives disclosure, and there may be developments that are significant to the credit supporter that are irrelevant to the issuer.

One commenter said that credit supporters should have to comply with continuous disclosure obligations.

One commenter said that option 3 is best as it is the most consistent with the US approach.

One commenter said that continuous disclosure requirements should apply to the guarantor in situations where financial statements of the guarantor would be included or incorporated by reference in a prospectus. Any one of the three options presented might be appropriate depending on the circumstances. For example, if the issuer is a substantive operating company and the guarantee serves as little more than a backstop to be relied upon only in the unlikely event that the issuer gets into financial difficulty, the commenter thought the issuer's continuous disclosure should be filed, with periodic supplemental continuous disclosure of the guarantor. If the issuer is a shell company or a conduit, then the issuer's continuous disclosure likely is meaningless and full continuous disclosure of the guarantor should be filed.

Response: The CSA have not made changes to the Rule on this issue. We will give the issue of credit support and disclosure further consideration and determine whether to propose subsequent changes to the Rule or to the rules relating to prospectuses in the future.

Question: *(b) We describe two options for addressing CD obligations in exchangeable share situations. What are your comments on the merits of these options? If neither of them are appropriate, please suggest other options and justify them.*

(The two options set out in the original Notice were:

option 1: exchangeable share issuer is exempt provided it files parent's continuous disclosure documents;

option 2: issuer is exempt but parent must be reporting issuer or SEC issuer and file all of its continuous disclosure documents)

Two commenters said that only the parent should be deemed a reporting issuer and have continuous disclosure obligations. One of those commenters further felt that there should be an exemption for a parent issuer that is a reporting issuer or SEC issuer.

One commenter said that the continuous disclosure (CD) requirements should apply only to the foreign acquirer, based on the requirements for eligible foreign issuers under proposed NI 71-102.

One commenter felt that the parent should be filing CD documents rather than the exchangeable share issuer because information about the parent is more relevant to the shareholder.

Response: The CSA have revised the Rule to exempt an exchangeable share issuer from the continuous disclosure requirements, on the condition that it files its parent's continuous disclosure documents. We do not have the authority to impose continuous disclosure obligations directly on the parent when the parent is not a reporting issuer. This would require legislative amendment. The CSA believe most exchangeable share issuers will choose to use the exemption, rather than preparing separate continuous disclosure materials. As a result, in most circumstances, the parent's record will be available.

Question: *(c) In each of the credit supporter and exchangeable share situations, should we require the credit supporter or parent to comply with all continuous disclosure obligations under the Rule, or should the credit supporter or parent only be required to file certain types of documents concerning the credit supporter, such as financial statements and MD&A?*

Two commenters said that reduced continuous disclosure requirements (e.g., financial statements without GAAP reconciliation, MD&A and certain material change reports involving an acquisition, disposition, or restructurings) for a credit guarantor of securities issued by a substantive operating Canadian company would be appropriate.

One commenter said that full continuous disclosure should be required from parents of exchangeable shares issuers.

One commenter supported the basic concept of requiring the credit supporter or parent company to comply with continuous disclosure obligations, if a security effectively represents an investment in a credit supporter or parent. In that circumstance, the credit supporter or parent should comply with all continuous disclosure obligations.

One commenter suggested that the CSA should get more information as to investors' views about ease of access to the information before exempting the SEC reporting issuers from filing their continuous disclosure documents with the CSA.

Response: As noted under questions (a) and (b) above, the CSA have revised the Rule to exempt an exchangeable share issuer from the continuous disclosure requirements, on the condition that it files copies of all of its parent's continuous disclosure documents. The parent's documents must be filed on SEDAR by the exchangeable share issuer where they will be accessible to the exchangeable share issuer's investors.

Question: *(d) Are there any other situations for which we should consider providing exemptions from the Rule? If so, give details of the situation, how often it occurs and explain why specific exemptions should be given.*

No comments.

Part III Other comments on NI 51-102

The following are additional comments on the Rule. They do not respond to questions posed in the original Notice. The comments generally appear in the same order as the provisions of the Rule they relate to.

General comments

Fourteen commenters expressed general support for the rules, especially the effort to nationally harmonize continuous disclosure requirements.

One commenter expressed support for an enhanced financial reporting system that requires evergreen or continuously updated disclosure of all material and pertinent financial and non-financial information about issuers. This commenter suggested that there should be a single evergreen document rather than a series of independent updates.

Response: The CSA believe that one evergreen document would be too cumbersome for all issuers to maintain. The current system of annual disclosure in an AIF, except for venture issuers, with separate supplementary filings during the year is an adequate substitute. For venture issuers, whose business generally tends to be less developed and therefore less complicated, the current system of discrete filings, which together create a complete picture, is satisfactory.

One commenter suggested that the use in the Rule of different terms, such as material change, materiality and significance, to determine whether public disclosure is warranted is complex and difficult to follow. The proposal should use one principle for determining what should be disclosed based on materiality or significance relative to the reporting issuer's current situation.

Response: A reconsideration of the materiality standard is beyond the scope of this project. Our use of different terms is deliberate, and we have endeavoured to make the meaning clear - for example, by reference to the Handbook concept of materiality, or by specifying the test of "significance" in relation to business acquisitions.

One commenter said that the Rule should require prompt disclosure of voting results following shareholder meetings.

Response: The CSA agree that this is important disclosure for issuers other than venture issuers. A new requirement has been added to the Rule for reporting issuers other than venture issuers to file a report, promptly after a meeting, disclosing voting results.

Part 1 - Definitions

Two commenters said that the Rule should contain definitions that are paramount over the definitions in local securities legislation.

Response: The specific overrides in the Rule have been removed. The Policy provides that, where terms from securities legislation are used in the Rule, the meanings given to the terms in securities legislation are substantially similar to the definitions in the Rule. Where that is not the case, terms in the Rule have been changed to be distinct from the terms used in securities legislation.

One commenter noted that the definition of US GAAP refers to principles that the SEC has identified as having substantial authoritative support. However, it is not clear from this definition what those principles are. United States literature establishes a

hierarchy of sources of acceptable accounting policies in the US. The commenter suggested that it would be appropriate for the definition of US GAAP to refer to this literature.

Response: The CSA believe that US and SEC literature identifies the sources of US GAAP. Issuers who file financial statements prepared in accordance with US GAAP are SEC registrants and are presumed to have sufficient knowledge of what constitutes US GAAP.

Part 4 - Financial statements

4.2 [4.2] Filing deadline for annual financial statements

One commenter supported the accelerated filing deadlines in the Rule. A survey of TSX and TSXV-listed companies showed that a majority did not expect significant problems complying with the new deadlines. The commenter suggested that the shorter deadlines also reduce market risk for investors and reduce the notable difference from US standards, while the elimination of the delivery requirement alleviates pressure on issuers.

Three commenters said that annual financial statement filing deadline for senior issuers should not be reduced to 90 days for the following reasons:

- Large companies with international operations need at least 110 to 120 days from year end to prepare and mail their annual reports, and 50-55 days to prepare and mail their quarterly reports.
- Shareholders are not demanding more timely release of financial statements.
- Accuracy will be sacrificed for speed.

Five commenters said that the annual financial statement filing deadline for small issuers should not be reduced to 120 days. Among the reasons cited were the following:

- The shortened deadline affects small issuers more because they rely more heavily on their auditors for assistance with their financial statements; the audits cannot commence until close to the deadline.
- Many small issuers have December 31 year ends and their auditors have tax practices that are particularly busy in April, so the deadline is effectively less than 120 days.
- Audits will cost more because small issuers will have to compete with large issuers for audit services; the old deadline left a window for juniors.
- Shareholders are not demanding more timely release of financial statements.
- Analysts are not calling for more timely financial information about small issuers and, in fact, there is little analyst coverage of small issuers.
- Accuracy will be sacrificed for speed.
- For small issuers, timely material change reporting is most important.

Response: The desire of investors for more timely information is not always easily balanced with their desire for heightened reliability. However, we believe that in an environment that increasingly demands, and is capable of furnishing, more timely information, the current filing deadlines are inadequate. We believe that the new filing deadlines, including the different deadlines applicable to venture issuers, reasonably balance the needs for timeliness and reliability.

One commenter expressed concern about the shorter filing deadlines adopted by the SEC, and that sections 4.2 [4.2] and 4.5 [4.4] would effectively impose those same shorter filing deadlines in Canada.

Response: The CSA do not propose to mandate the shorter SEC deadlines for all reporting issuers, but are not persuaded that an issuer that does meet those deadlines in the US should be permitted to delay filing of the same information in Canada. To do so would place Canadian investors at a disadvantage without addressing the commenter's concern about the SEC requirements.

One commenter said that the deadline for small issuers would probably effectively be less than 120 days, but expected that small issuers would be able to comply with it.

Response: No response required.

Two commenters said that there should be a transition period or sufficient advance notice to allow issuers to adjust to the new deadlines.

Two commenters suggested that, if the 120 deadline is retained, small issuers should be given a phase in period to allow an orderly change of year end to some date other than December 31.

Response: The new filing deadlines will not be mandatory for financial years starting before January 1, 2004.

Three commenters suggested that the proposed filing deadlines in the Rule, when read together with National Policy 51 *Change of Year End* (NP 51), lead to certain disclosure gaps, avoidable costs and absurd results in some RTO situations. The Policy and NP 51 should be revised to address these problems.

Response: The CSA have expanded the Rule by adding, as section 4.8, requirements that would replace NP 51. See "Summary of Changes to the Proposed Instrument" in the current Notice for a description of these changes.

4.3 [4.5] Approval of audited financial statements

Two commenters suggested that the Rule should clarify the difference between board review and approval of financial statements, if there is one.

Response: The Rule now requires board approval of both annual and interim financial statements.

4.5 [4.4] Filing deadline for interim financial statements

See the discussion under section 4.2 above for the comments on the shorter filing deadlines in general, and the CSA's responses.

One commenter said that 45 days is not enough time for an issuer in the oil industry to prepare interim financial statements if the issuer reports actual oil revenue rather than accruing for it. Oil sales data is not available until 25 days after month end. The accelerated deadline would compel more use of accrued rather than actual revenue. Shareholders would be better served by waiting an additional two weeks and getting actual data.

Response: See our response under section 4.2 above. The CSA recognize that the use of estimates is an integral element of financial statement preparation and do not believe that the possible example cited by the commenter outweighs the benefits of more timely preparation and filing of the financial statements.

4.6 [4.5] Review of interim financial statements

See the discussion under section 4.3 above for comments on the requirement for board approval in general, and the CSA's responses.

Two commenters said that the board of directors should be required to review and approve interim financial statements.

Response: The CSA agree. The Rule has been revised to require board approval of interim financial statements.

Two commenters recommended that the CSA adopt the recommendation in Chapter 14 of the Five-Year Review Committee Draft Report to require interim financial statements to be reviewed by the issuer's external auditors.

Response: The CSA see merit in the recommendation, and we will consider in the future whether mandating auditor review of interim financial statements is appropriate. In the meantime, reporting issuers are encouraged to have their interim financial statements reviewed and the Rule now requires that, if this review is not done, that fact must be disclosed.

4.7 and 4.8 [NI 52-107] Generally accepted accounting principles and auditor's report

See the Notice announcing the publication for comment of NI 52-107 for a summary of the comments received on the Rule in relation to the GAAP and GAAS requirements and the CSA's responses. Those requirements have been removed from the Rule and now all appear in NI 52-107.

4.9 [deleted] Balance sheet line items

One commenter said that the prescribed balance sheet line item disclosure may not be appropriate for all issuers, may conflict with GAAP as it evolves, and may require disclosure of non-material items. The requirement should be revisited.

Response: The CSA agree with this comment and have deleted this requirement.

4.10 [6.3] Additional information for development-stage issuers

One commenter supported the additional disclosure for development-stage issuers required by section 4.10 of the Rule, but was uneasy about the CSA establishing arbitrary quantitative materiality rules. The absolute $25,000 minimum could result in unnecessarily detailed disclosure.

Response: The CSA will continue to require additional disclosure, although the Rule has been revised to permit the disclosure in either the financial statements or the MD&A, and the requirement now applies only to venture issuers that have not had any significant revenues from operations in either of the last two financial years (section 6.3 of the Rule). The CSA have retained the reference to the $25,000 threshold, but it is presented in the Policy as guidance to assist issuers, not an absolute measure of materiality.

4.11 [6.4] Disclosure of outstanding share data

One commenter suggested that the CSA should consider requiring this information to be in MD&A so it is easy to locate.

Response: The CSA have revised the MD&A form to require this disclosure, as it will then be more current than the information that would be provided in the financial statements.

4.12 [4.6] Delivery of financial statements

One commenter suggested that the Rule or Policy should give guidance on what "as soon as practicable" means. For example, the Rule could state that interim or annual statements must be delivered within 60 or 140 days of period end, respectively.

One commenter suggested that the CSA should make it clear that:

- mailing is not required to be concurrent with or in a specified proximity to the filing of financial statements and MD&A, so it is not necessary to delay filing financial statements on SEDAR until such time as they are printed and ready to be mailed;
- no mailing is required until both the financial statements and the MD&A for the period have been filed (so that multiple mailings are not required); and
- in the case of the annual financial statements and MD&A, the "as soon as practicable" standard will be met if the annual financial statements and MD&A are sent to those shareholders who have requested them at the time of and together with the sending of the annual meeting materials.

Response: The Rule, as proposed, will require the financial statements and MD&A to be filed at the same time. The Rule has also been amended to clarify that issuers must deliver financial statements and MD&A by the later of the filing deadline for the financial statements or MD&A requested, and 10 days after the request is received.

4.13 [4.7] Filing of financial statements after becoming a reporting issuer

Two commenters said that financial statements should only be required for periods ending when the issuer is a reporting issuer, not periods with a filing deadline occurring when the issuer is a reporting issuer. Section 4.13 should be revised accordingly.

One commenter suggested that this requirement should be harmonized with the requirements of the Handbook.

One commenter said that this requirement is appropriate with some fine tuning so it functions properly together with NP 51, the different financial statement filing deadlines for senior and smaller issuers, and the Handbook.

One commenter said that the prospectus rules should be amended or there will be a gap in financial disclosure for senior issuers filing IPO prospectuses.

Response: The CSA believe that it is important to the capital markets to have a complete financial record for reporting issuers. Accordingly, the requirement to file financial statements should not commence only for financial periods that end after an issuer

becomes a reporting issuer. The Rule has been revised to ensure no such gap will occur. Issuers that are in the process of becoming reporting issuers will be able to organize their operations to ensure they will be able to file the required statements.

4.14 [4.11] Change of auditor

Two commenters said that the Rule should provide more guidance on the meaning of the term "disagreement".

Response: The definition of "disagreement" in the Rule has been expanded to include a difference of opinion that arises during an auditor's review of a reporting issuer's interim financial statements. Also, guidance has been added to the Policy to indicate that the term disagreement should be interpreted broadly; a disagreement may not involve an argument but a mere difference of opinion, and the subsequent rendering of an unqualified report does not, by itself, remove the necessity for reporting a disagreement.

Three commenters said that the change of auditor rules should be clarified to deal with cases where the auditor declines to stand for reappointment.

Response: We have added a definition of "resignation" to the Rule which includes notification from an auditor of their decision to not stand for reappointment as auditor of the reporting issuer.

One commenter suggested that the proposed requirement for an auditor to state whether or not, to their knowledge, the notice states correctly all information required, is contrary to professions standards in Section 5025 of the Handbook and goes beyond existing National Policy 31 and comparable US requirements. The commenter suggested that the Rule should require the auditor to state in relation to each statement in the notice whether the auditor i) agrees, ii) disagrees and the reasons why, or iii) has no basis to agree or disagree.

Response: We adopted the change recommended by the commenter.

One commenter said that the Rule should be clarified for cases where the timing of the resignation of the former auditor and the appointment of the successor auditor does not permit the filing of a single reporting package.

Response: The Policy explains that, where a termination or resignation of a former auditor and appointment of a successor auditor occur within a short period of time, the issuer may prepare and file one comprehensive notice and reporting package. If timing does not permit, the notice and reporting package requirements must be done in two stages as set out in the Rule. The Rule has been modified so that, if the reporting package requirements must be done in two stages, the former auditor is given an opportunity to update the letter provided at the first stage.

One commenter suggested that the CSA should consider requiring two reporting packages in every case since certain matters are not within the knowledge or the former or successor auditor.

Response: If a termination or resignation of a former auditor and appointment of a successor auditor occur within a short time period, the issuer may prepare and file one comprehensive notice and reporting package. The letters requested from both the former and successor auditors require the auditor to state whether he or she agrees, disagrees, or has no basis to agree or disagree.

Part 5 – AIFs and Form 51-102F1

One commenter said that the AIF should be filed at the same time as the annual financial statements and MD&A.

Response: The CSA have decided not to require the AIF to be filed at the same time as the financial statements and MD&A. When documents are required to be filed at the same time, there is a risk that the filing of some of the documents may be delayed to accommodate the preparation of the other documents. This risk must be weighed against the value of having the documents available at the same time. In the case of financial statements and MD&A, the CSA are satisfied that any delay in the filing of the financial statements while the MD&A is prepared will normally be minimal. As such, the desirability of having the narrative discussion available at the same time as the financial statements outweighs the risk of the delay. However, we believe that the risk of delay if the AIF must also be filed concurrently would be greatly increased, outweighing the advantages of a concurrent filing requirement.

Two commenters recommend if a market capitalization test is used to distinguish between large and small issuers, small issuers should not be exempt from filing an AIF, but the CSA should consider requiring certain simpler disclosure. Two other commenters said that there should be no market capitalization threshold in the AIF exemption for small issuers as AIF disclosure is not useful for those issuers.

Response: The Rule has been changed to no longer use a market capitalization test to define venture issuers. All venture issuers are exempted from the requirement to file an AIF.

One commenter said that the AIF exemption for issuers with a market value of less than $75 million is appropriate. Smaller issuers should only be required to file AIFs where there is an incentive for them to do so, such as the ability to obtain a shorter hold period on privately placed securities under Multilateral Instrument 45-102 *Resale of Securities*.

Response: The CSA agree that AIFs should not be mandatory continuous disclosure for venture issuers.

One commenter said that the requirement for a senior issuer to file its AIF within 90 days of financial year-end will pose serious practical problems for an issuer that normally incorporates a portion of its proxy circular by reference in its AIF.

Response: The CSA believe that 90 days is sufficient time to prepare an AIF. If an issuer feels that incorporating its proxy materials by reference would be advantageous, it can accelerate the preparation of its proxy materials. Otherwise, it may be necessary to repeat some of the information in both the AIF and proxy materials. We are not persuaded that this would justify delaying the filing of the AIF.

One commenter suggested that elements 1, 2, 3 and 5 of the Disclosure Framework in Section 300 of the Canadian Institute of Chartered Accountant's (CICA) Canadian Performance Reporting Board report entitled "Management's Discussion and Analysis: Guidance on Preparation and Disclosure" (the CPRB Report) are worthy of incorporation into the AIF requirements for "foundational" disclosure about the nature and development of the issuer's business. They should replace substantial portions of Items 3 and 4 of Form 44-101F1 and proposed Form 51-102F1.

Response: As discussed below under Part 6 – MD&A and Form 51-102F2, the MD&A form has been amended to add many aspects of the CPRB Report. The CSA are satisfied that duplication between the MD&A and AIF is not warranted.

One commenter suggested that, in Form 51-102F1, the general description of an issuer's business and risk factors disclosure should be broadened to include:

- disclosure of the issuer's social and environmental policies and the steps the issuer is taking to implement them; and
- a description of social and environmental risk factors.

Response: The CSA have revised the AIF form to provide, by way of example, guidance on the types of risk factors to be disclosed. The examples include environmental risk. The CSA expect social and environmental policies will, where appropriate, be reflected in the issuer's discussion of its business in general.

One commenter suggested that it would be helpful to add an instruction for section 4.2 of Form 51-102F1 with some example items such as those in Item 20 of OSC Form 41-501F1, including environmental and health risks, reliance on key personnel, regulatory constraints, economic and/or political conditions.

Response: We have amended the Form 51-102F1 to include the guidance given in the prospectus context.

One commenter recommended accepting an annual report on Form 10-KSB as a form of AIF.

Response: We have made this change for SEC issuers.

One commenter welcomed the narrowing of the scope of disclosure on corporate officers to "executive officers" in the Table of Indebtedness of Senior Officers. The commenter also requested that the references to "officer" in the AIF be changed to "executive officer".

Response: We have made this change.

Part 6 - MD&A and Form 51-102F2

General comments

One commenter suggested that the Rule or Policy should state whether it is permissible for issuers to include GAAP information in MD&A, instead of the financial statements, provided the financial statements include a clear and specific reference to where the audited information can be found in the MD&A.

Response: The CSA are not prepared to permit incorporation by reference in financial statements. The financial statements are core documents that must present, in full, all information required by GAAP. MD&A serves an important, but different purpose,

supplementing and complementing the financial statements. We do not agree that MD&A can substitute for portions of the financial statements.

One commenter expressed support for requiring all issuers to file annual and interim MD&A.

Two commenters expressed support for the requirement that boards must review annual and interim MD&A.

Two commenters suggested that the distinction between "review" and "approval" of MD&A should be clarified.

Response: The Rule now requires board approval of both annual and interim MD&A.

Two commenters said that that MD&A does not provide meaningful disclosure for small issuers, since financial results are often meaningless for these issuers. MD&A will increase costs for small issuers because they will need consultants to prepare it.

Response: The CSA disagree that MD&A is often meaningless for venture issuers. In many jurisdictions, MD&A has been a part of the continuous disclosure record for reporting issuers, including issuers that we propose to classify as venture issuers. The MD&A gives all issuers the opportunity to discuss their financial statements in the context of their business and operations.

Three commenters recommended that the CSA give serious consideration to endorsing the disclosure principles and framework proposed in the CPRB Report. One commenter noted that Canadian SEC issuers that prepare their financial statements in accordance with US GAAP use the CPRB Report in preparing their MD&A.

Response: The CSA have considered the CPRB Report and made some changes to the MD&A form to reflect its recommendations. The CSA considered that certain portions of the CPRB Report were already adequately addressed by the disclosure requirements in the form, and others were not necessary or appropriate for the Rule.

One commenter suggested that issuers should be required to file fourth quarter MD&A concurrent with or as soon as possible after the public release of audited fourth quarter financial statements. Fourth quarter MD&A should not be part of the annual MD&A, so as to give prominence to fourth quarter.

Response: The CSA decided not to require fourth quarter MD&A. The information is useful, and so is a prescribed component of the annual MD&A, but we do not agree that it requires a separate filing, particularly as it would not be accompanied by stand-alone fourth quarter financial statements.

Two commenters said that the CSA should require that, if a security holder requests either financial statements or MD&A, the issuer must deliver both.

Response: The CSA agree and the Rule has been amended to make this a requirement.

Part 1 of Form 51-102F2

Two commenters supported the proposal in item (g) of Part 1 that MD&A should include a discussion of any forward-looking information disclosed in prior MD&A if, in light of intervening events and without that discussion, the earlier disclosure could mislead. However, one of the commenters said that, in view of the importance of this proposal, consideration should be given to embedding it also in Part 2, detailing the content of the MD&A.

Response: The CSA decided it is not necessary to put item (g) of Part 1 into Part 2, as Part 1 applies to the entire form.

One commenter said that the CSA should not require issuers to analyze operations, liquidity and capital resources with respect to known trends, demands, expected fluctuations, commitments, events, risks and uncertainties that issuers reasonably believe affect future performance. This will require too much disclosure, and forecasts are inherently inaccurate.

Response: The CSA disagree. We believe this is fundamental disclosure in MD&A. The purpose of MD&A is for reporting issuers to discuss their financial situations in the context of past performance, and anticipated future events. This necessarily involves forward looking information.

One commenter recommended the CSA clarify the definition of forward-looking information, how it differs from future oriented financial information, and the duty to update.

Response: This issue is beyond the scope of the Rule and will be addressed by the CSA Committee reformulating National Policy 48 Forward Looking Financial Information.

Three commenters noted that the instructions to the MD&A form call for increased forward-looking disclosure, paralleling US requirements, and suggested that there should be "safe-harbours" as in the US.

Response: The CSA proposal for a statutory civil remedy includes a "safe harbour" for forward looking information.

Item 1.4 [1.5] of Form 51-102F2

One commenter suggested that the CSA should provide more guidance on how to comply with the requirements relating to liquidity.

Response: The CSA believe item 1.4 [1.5] gives adequate guidance. This section should be principles based, rather than prescriptive, so management can exercise its judgement.

Item 1.5 [1.7] of Form 51-102F2

One commenter indicated that the additional disclosure requirements in item 1.5 [1.7] of the form pertaining to off-balance sheet arrangements and contractual commitments are necessary.

Response: The CSA agree.

One commenter suggested that the CSA should provide more guidance on how to comply with the requirements relating to capital resources.

Response: The CSA believe that this item gives adequate guidance. This section should be principles based, rather than prescriptive, so management can exercise its judgement.

Item 1.6 [1.8] of Form 51-102F2

One commenter commented regarding the disclosure of transactions with related parties required by item 1.6 [1.8] of the form, and noted that disclosure of economic dependency is required by Handbook Section 3841. The commenter suggested that the CSA should consider the relationship and consistency of the CSA proposal with that standard. If a requirement extending the concept of related party relationships to include broader economic dependency is put in place, the commenter recommended that it be clearly distinguished from the concept of "related parties" defined in the Handbook so as to reduce the likelihood of confusion with financial statement disclosure.

One commenter suggested that item 1.6 [1.8] should require disclosure of the same types of related party transactions as are disclosed in the annual financial statements. The materiality threshold for disclosure of related party transactions in financial statements generally is quite low, and is not dependent upon whether the transactions are recorded at carrying amount or exchange amount.

One commenter suggested that the CSA should provide more guidance on how to comply with the requirements relating to transactions with non-independent parties.

Response: The CSA agree and have revised the MD&A form requirements to require disclosure of transactions with related parties, as defined by the Handbook. We have removed references to disclosure that would only duplicate GAAP without supplementing or enhancing the disclosure in the financial statements.

One commenter recommended the CSA evaluate the disclosure in the Rule regarding special purpose entities against disclosure proposed to be required in a CICA Handbook Accounting Guideline on special purpose entities, and decide if the Rule needs to mandate any disclosure.

Response: We believe the requirement in MD&A to discuss off-balance sheet arrangements will adequately address disclosure relating to special purpose entities.

Item 1.9 [1.11] of Form 51-102F2

One commenter suggested that the proposed requirements in item 1.9 [1.11] regarding critical accounting policies are far too general and brief to be effective. In particular, the requirement to disclose "the likelihood that materially different amounts would be reported under different policies or using different assumptions" is not reasonable or operational.

Response: The CSA agree and have revised the requirement to require disclosure of critical accounting estimates.

One commenter said that the MD&A form should not require critical accounting policies disclosure beyond what financial statement notes are already required to disclose, because management and auditors are in the best position to decide which accounting policies are appropriate for an issuer.

Response: The CSA have revised the requirements to address disclosure of critical accounting estimates, and changes in accounting policies including initial adoption. The CSA believe this is relevant disclosure for investors to understand why management made the decisions it did.

One commenter said that issuers should not be required to review existing critical accounting policies in the MD&A, except where it is important to do so in order to explain material variances or risks, so as to not duplicate disclosure provided in the notes to the financial statements. The CSA should provide guidance regarding what levels of uncertainty and materiality in relation to accounting estimates would trigger a disclosure obligation.

One commenter said that the value of the proposed disclosure on critical accounting estimates is questionable, in that MD&A disclosure of methodology, underlying assumptions and effects on financial disclosure would duplicate existing requirements of GAAP.

Response: The CSA believe that critical accounting estimates is important disclosure for the MD&A, and, by its nature, is material. The CSA expect the MD&A disclosure to supplement the disclosure in the financial statements, not simply duplicate that disclosure. The requirement, including the exemption for venture issuers, is based on a similar SEC requirement. We have also added additional guidance on what must be disclosed under this topic.

Part 2 of Form 51-102F2

One commenter suggested that Part 2 of the MD&A form should require disclosure of non-financial aspects of a business, such as personnel, environmental, social or cultural matters, that are expected to have a material effect on the economic condition and development of the business. This would include disclosure of risk factors, or matters that will adversely affect an issuer's ability to achieve its stated business objectives, including social and environmental risks. This is in keeping with the recommendations of the CPRB Report.

Response: The CSA have proposed changes to Part 1(a) of the MD&A form to provide for disclosure of social, cultural and environmental matters. As noted above, the CSA have considered the CPRB Report and, where appropriate, have also added disclosure from the Report to the form.

Part 7 - Material change reporting

One commenter said that reporting issuers should be required to disclose all material information, rather than material changes, on an ongoing basis.

One commenter said that the "reasonable investor" definition of materiality should replace the market impact test.

Response: Any such fundamental changes would require the various Securities Acts to be amended, which goes beyond the scope of this Rule. The Draft Report of the Ontario Five-Year Review Committee also recommended not changing the requirement from "material change" to "material information".

Two commenters suggested that material change reports should no longer be required because they rarely provide information that was not included in the accompanying press release. However, confidential material change reports should be retained.

Response: The CSA believe that the current requirements to issue a news release disclosing the nature and substance of the change promptly upon its occurrence, followed by a subsequent material change report with more details of the material change, are appropriate. This process gives the issuer additional time to assemble significant facts to put into a material change report that may not have been in the press release.

One commenter noted existing securities law and the Rule allow issuers to file confidential material change reports, and keep certain material information confidential. GAAP requires material changes to be reflected in financial statements, which could negate the issuer's ability to keep information confidential. The commenter felt the Rule should reconcile this conflict.

Response: The provisions in the Rule have not substantively changed local securities laws that currently exist. The CSA are not aware of any circumstances where the concern expressed by the commenter arose. As, typically, confidentiality of material changes is intended to last for only a short period of time, we do not believe this is a widespread issue warranting a change in securities regulation.

Part 8 - Business acquisition report

Concerns with the BAR proposal/Alternative approaches

Three commenters suggested that the costs of the BAR outweigh the benefits.

Response: The Rule has been amended to streamline the BAR requirements by applying two threshold significance tests for issuers other than venture issuers – 20% and 40% - and requiring only two years of audited annual historical financial statements of the acquired business at the 40% significance level or higher. Venture issuers will only be required to assess whether an acquisition is significant at the 40% level, and, if it is, they need only provide one year of audited annual historical financial statements with unaudited comparative statements. The CSA believe that these changes address the concerns that the costs outweigh the benefits.

Three commenters suggested that the current requirement for historical financial statement disclosure is not appropriate as the financial statements may not be available, may not be reliable, or may not have been relevant to management's decision to make the acquisition. Some commenters felt that the relevant disclosure is only due diligence information or the information that the acquirer actually relied on in deciding to make the acquisition – so the disclosure would replicate the thought process of management and the directors. This information may include certain historical financial statements, or may include the information used to determine consideration, raise required funds and verify the integrity of financial information available at the time.

Response: The CSA believe historical financial statement information about the target company required in a BAR is relevant for ongoing secondary market investors, as well as current investors in the issuer. However, to avoid duplication, the Rule has been revised to exempt issuers from the requirement to prepare a BAR where the issuer was subject to and complied with the requirement in item 13.2 [14.2] of Form 51-102F5.

Modify aspects of disclosure requirements

One commenter had concerns about the requirement that financial statements of the acquired business be accompanied by an audit report that does not contain a reservation (except in limited circumstances). If an issuer acquires a business in reliance on unaudited statements, or on statements without a clean audit report, its obligation should be to report that fact in its business acquisition report, not to have the statements audited or the reservation removed.

Response: The purpose of the BAR is to give investors information about a business that a reporting issuer acquires comparable to the information available about the reporting issuer itself. Given that we would not accept a reservation in respect of the reporting issuer's own financial statements, we do not believe it would be appropriate to permit a reservation in respect of the financial statements of an acquired business.

One commenter said that the significance tests should only be based on balance sheet measures rather than income statement measures.

Response: The CSA believe that income statement is often a major indicator of significance for issuers, other than venture issuers. The ability to recalculate significance on more recent financial statements makes the income statement measures even more valid, as the test does not have to be based on out of date information. We recognize that the income test may often not be relevant for venture issuers, and so venture issuers are not required to apply the significance test based on income.

Two commenters agreed the secondary market needs detailed information about significant transactions involving issuers. However, the historical nature of the BAR information (75 days after closing) reduces its value.

Response: The CSA recognize that earlier disclosure can be valuable and so have provided an exemption from the BAR requirements where the information has already been provided in an information circular relating to the transaction. We do not believe it would be appropriate to always require earlier disclosure, given the burden that would place on issuers.

One commenter said that the interaction of the 75 day filing period with the 45 day period in section 8.5(a)(ii) [8.4(1)(a)] of the Rule may result in a difference between the annual financial statements required to be included in a BAR and those that would be included in a prospectus dated concurrently with the BAR (the prospectus rules contain a 90 day deadline). The 120 (75+45) day timeframe is consistent with the SEC's Form 8-K requirements, but if the enhancements in the continuous disclosure rules are designed to lay the groundwork for an integrated disclosure system, it may be more important to harmonize with Canadian prospectus requirements.

Response: The CSA note the comment and will consider it in the context of potential amendments to the prospectus requirements.

Two commenters felt pro forma financial statements can provide meaningful information, but should be limited to balance sheets. Pro forma earnings and cash flow figures have very little predictive value and are inherently unreliable.

Response: The CSA disagree and believe that pro forma earnings figures provide useful information. The pro forma earnings figures illustrate the effect of a transaction on the issuer's financial results of operations by adjusting the issuer's historical financial statements to give effect to the transaction.

Two commenters said that it is largely futile to prepare "carve-out" financial statements for assets purchased from a vendor where there were no separate financial records for the assets. Arbitrary assumptions are required to create various values, and vendors are reluctant to provide meaningful assistance. There is a lack of accepted practice in this area.

Response: The purpose of the BAR is to give investors information on the acquired business comparable to the information available about the reporting issuer itself. The BAR requirements apply to significant business acquisitions, and do not apply to an asset acquisition that is not a business. Although carve-outs necessarily involve assumptions, they are still meaningful and assist in achieving the BAR's purpose. Given that carve-out financial statements have been required under existing securities legislation, we expect that practice in the area will continue to develop.

Three commenters said that the Policy should give more guidance on how to comply with the BAR requirements. In particular the Policy should contain guidance on past practice concerning:

- how related business financial statements were prepared or asked for; and
- how divisional or carve out financial statements were agreed to in difficult circumstances.

Response: The CSA do not believe providing guidance on past practice would be useful, as each acquisition is unique, and past practice is necessarily related to specific fact situations.

One commenter said that the Policy should give more guidance on the financial statement disclosure for "step acquisitions".

Response: The CSA agree and have added guidance on the application of the significance tests for step-by-step acquisitions.

Application to venture issuers

One commenter said that there should be no exemption from the income test for small issuers.

Response: The income test is often not meaningful for venture issuers that are in the development stage or in the first few years of operations. However, for non-venture issuers, income is recognized as a primary measurement of size. For this reason, the CSA believe the exemption from the income test is appropriate for venture issuers.

Five commenters recommended that the BAR requirement not apply to any transaction where the issuer has filed a TSXV-prescribed disclosure document that is acceptable to the TSXV. TSXV documents contain adequate disclosure of acquisitions by TSXV listed companies; the TSXV reviews and approves the transactions, and negotiates "tailor-made" disclosure documents that must be published in advance of the transaction. The BAR is redundant in these cases.

Response: To avoid duplication, the Rule has been amended to exempt issuers from the requirement to prepare a BAR where the BAR disclosure is included in an information circular filed by the issuer relating to the transaction.

One commenter noted the majority of TSXV acquisitions are asset acquisitions. The rule is not tailored to asset acquisitions, and it should be clear that it (or at least the audited historical financial statement requirement) does not apply to them. Four commenters suggested that the Rule or Policy should give more guidance on what constitutes a business. Three of the commenters requested, in particular, guidance for non-producing mining properties or development stage endeavors.

Response: In some circumstances, an acquisition that has been characterized by the parties as an asset acquisition will constitute an acquisition of a business for the purposes of the BAR. Subsection 8.1(2) of the Policy provides guidance of when this may occur. The guidance must be general, as it will be applied to a wide variety of facts.

Two commenters suggested that when a small issuer acquires a business, only the most recent balance sheet of the acquired business should have to be audited, to confirm the net assets being acquired.

Response: The Rule has been revised to require venture issuers to provide only one year of audited financial statements. However, the CSA believe the financial statements as a whole, not just the balance sheet, should be audited. The purpose of the BAR generally is to give investors information on the acquired business comparable to the information available about the reporting issuer itself.

Four commenters said that the BAR requirements do not provide meaningful disclosure for acquisitions of exploration and development stage issuers. For these companies, the relevant information is in press releases and technical reports.

Response: The CSA disagree that the BAR requirements never provide meaningful disclosure for acquisitions of exploration and development stage issuers. Many such issuers will likely be venture issuers, and will only have to assess the significance of the acquisition at the 40% level. At that level, financial statement disclosure of the acquisition is important information for investors to have.

Three commenters suggested that the CSA should provide exemptions from the BAR requirements where the financial statements do not provide useful information, such as an exemption from pro forma income statements where the reporting issuer has no operations.

Response: The CSA do not believe it would be appropriate to provide blanket exemptions from the BAR requirements in the Rule. The circumstances in which an exemption may be appropriate would be limited, and fact-specific. Issuers may apply for an exemption from certain requirements under section 13.1 of the Rule.

Other comments on significant acquisitions requirements

Two commenters felt it was unclear how the BAR requirements apply to acquisitions of joint ventures, which are a common form of business association in the resource sector.

Response: The Rule provides that the term "acquisition" includes an acquisition of an interest in a joint venture. The CSA believe the same principles apply regardless of the structure of the acquired business.

One commenter noted it is unclear what the consequences are if an issuer fails to comply with the BAR requirements because a vendor does not provide the financial information necessary to do so.

Response: The CSA would expect a reporting issuer faced with this problem to consult with the applicable securities regulatory authority or regulator as soon as possible, and, in any event, before the filing deadline for the BAR. In unusual circumstances, an issuer may consider applying for an exemption under section 13.1 of the Rule from certain aspects of the requirements.

One commenter noted item 2.4 [deleted] of the business acquisition report form requires the issuer to "describe any material obligations that must be met to keep any agreement relating to the significant acquisition in good standing". Given that the acquisition transaction will have closed by the time the report is required to be filed, it is unlikely that the acquisition agreement would be required to be kept in good standing. Item 2.4 [deleted] should be clarified to more clearly describe the nature of the information the item is intended to elicit.

Response: The CSA believe that this disclosure item is more relevant to probable acquisitions for which business acquisition disclosure is required in prospectuses. Accordingly, we have amended the form to delete this item.

One commenter noted item 2.6 [2.5] of the business acquisition report obligates the reporting issuer to describe any valuation opinion obtained by the acquired business or by the reporting issuer within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market. In the commenter's view, the requirement is both unnecessary and potentially confusing.

Response: This disclosure is already required in prospectuses (Form 44-101F3, item 11.1(2)). The CSA believe that it can be useful to the marketplace in assessing the potential of the acquired business.

Two commenters suggested that the CSA should eliminate the requirement for the financial statements of the reporting issuer and the acquired business to use the same reporting currency.

Response: The CSA have removed the requirement that historical annual and interim financial statements of a business or related business be presented in the same currency as the issuer's financial statements. NI 52-107 now sets out reporting currency requirements.

One commenter recommended that section 8.7 should include a discussion on acceptable reporting currencies or that the Rule should cross-reference the separate rule on acceptable currency.

Response: The requirement that financial statements of the acquired business be presented in the same currency as the currency used in the reporting issuer's financial statements has been removed. We have added a new section 8.2(13) that deals with currency for the purposes of the significance tests. NI 52-107 now sets out reporting currency requirements.

Comments on significant dispositions requirements

One commenter suggested that the requirement to provide pro forma disclosure of significant dispositions after they have taken place should be dropped. The CICA Accounting Standards Board has exposed for comment a proposed Handbook Section dealing with disclosure of and accounting for significant dispositions within the historical financial statements. The cost allocations and assumptions required to construct pro forma financial statements are likely to make the pro forma presentation more misleading than enlightening.

Pro forma financial statement disclosure of significant dispositions should not be incorporated into an issuer's annual or interim financial statements; they should be incorporated into a BAR within 75 days of the disposition.

Response: The Rule has been revised to remove the requirement to provide disclosure on significant dispositions. Disclosure is now only required on significant acquisitions, as GAAP ensures adequate disclosure of dispositions will be included in the financial statements.

Part 9 - Proxy solicitation and information circulars

One commenter expressed support for the enhanced equity compensation plan disclosure requirements in Form 51-102F5.

One commenter said that the definition of "solicit" in the Rule should be harmonized with the definition of "solicit" in the *Canada Business Corporations Act*, so it is clear that certain communications are not solicitations.

Response: This change would require amendment of the various Securities Acts.

Two commenters said that the Form 51-102F5 should not require disclosure of addresses for personal security reasons.

Response: Form 51-102F5 has been amended to remove the requirement to disclose addresses of directors. Only their province of residence is now required.

One commenter suggested that investor relations officers and consultants should be added to the list of persons deemed not to be proxy solicitors in the instructions to Item 4 [Item 5] of Form 51-102F5.

Response: This has been done.

One commenter welcomed the narrowing of the scope of disclosure on corporate officers to "executive officers" in the Table of Indebtedness of Senior Officers. The commenter also requested that the references to "officer" in the AIF be changed to "executive officer".

Response: This has been done.

Part 10 - Restricted share disclosure requirements

Two commenters said that the Rule should not require restricted share disclosure in each of the information circular, documents required to be sent to securityholders (whether on request or otherwise), and AIFs. The disclosure should only be required in one of these documents.

Response: This change has not been made to the Rule because these documents are provided to differing groups of securityholders at different times, and the CSA believe the readers of those documents need this information at the time each document is required. Also, it should not be difficult for an issuer to reproduce this information in these disclosure documents.

Part IV Companion Policy 51-102CP *Continuous Disclosure Obligations*

Part 3 – Financial statements

One commenter said that section 3.11 [4.1] of the Policy, which states that releasing information from unreviewed/unapproved financial statements is inconsistent with the prior review requirement, should be addressed in the Rule. There is too much pressure for auditors to match the numbers in the press release when the issuer releases them before the financial statements have been appropriately reviewed.

One commenter suggested that the CSA should prohibit the publication of the financial position or results of operations before the board, or where appropriate, the audit committee, has approved the financial statements.

One commenter said that the publication of extracted information by press release should not be permitted before the reporting issuer and its audit committee, board and auditor have substantially completed their work related to the corresponding continuous disclosure report for the period. This concept could be expressed in the form of a requirement calling for the filing of the continuous disclosure report within 48 hours of the press release.

One commenter suggested that the concern about the release of financial information before interim and annual financial statements are approved by the board of directors or audit committee can be addressed through more stringent rules. For example, the Rule could state that annual and/or interim financial information cannot be released until and unless:

- the underlying annual and/or interim financial statements from which the financial information is derived have been reviewed by the board of directors (or audit committee);
- in the case of annual financial statements, the statements have been approved by the board of directors and the auditor's report has been issued; and
- the contents of the press release have been reviewed by the board of directors (or audit committee).

Further, the issuer could be required to file the underlying financial statements and MD&A within a short period of time after the financial information is released.

Response: The CSA believe the guidance provided in section 4.1 of the Policy is sufficient. As the Policy indicates, the CSA place considerable importance on the role of the directors and management to ensure that information is released only after they are satisfied as to its accuracy. A requirement has also been added to the Rule that any press release disclosing information regarding the reporting issuer's results of operations be filed. Securities legislation in certain jurisdictions provides that it is an offence to file any document that contains a misrepresentation.

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APPENDIX C

AMENDMENTS TO NATIONAL INSTRUMENT 44-101 *SHORT FORM PROSPECTUS DISTRIBUTIONS* FORM 44-101F3 AND COMPANION POLICY 44-101CP AND REVOCATION OF FORM 44-101F1 AND FORM 44-101F2

Part 1 Amendments to National Instrument 44-101

1.1 Amendments to Part 1 of NI 44-101 - Part 1 of National Instrument 44-101 is amended by

(a) in section 1.1, deleting the definition of "AIF" and substituting the following:

" "AIF" means an annual information form

(a) in the form of Form 51-102F1,

(b) in the form of Form 44-101F1 *AIF* if the annual information form was filed before NI 51-102 came into force, or

(c) in the form referred to in section 3.4;"

(b) in the definition of "current AIF" in section 1.1, adding ", Form 10-KSB," after the words "Form 10-K", wherever they appear;

(c) in section 1.1, adding immediately after the definition of "foreign GAAS" and immediately before the definition of "44-101 regulator" the following:

" "Form 51-102F1" means Form 51-102F1 *Annual Information Form*;"

(d) in section 1.1, deleting the definition of "MD&A" and substituting the following:

" "MD&A" means the management's discussion and analysis of financial condition and results of operations of an issuer required to be filed under NI 51-102;"

(e) in section 1.1, adding immediately after the definition of "NP47" and immediately before the definition of "participant" the following:

" "NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;"

1.2 Amendments to Part 3 of NI 44-101 - Part 3 of National Instrument 44-101 is amended by

(a) in subsections 3.1(1) and 3.2(1), deleting the words "Form 44-101F1" and substituting "Form 51-102F1";

(b) deleting subsection 3.2(5) and substituting the following

"(5) Upon receipt of a notice from the 44-101 regulator that its renewal AIF is being reviewed, an issuer shall promptly file the renewal AIF again, in all jurisdictions in which the renewal AIF was filed, with the following statement added in bold type to the cover page of the renewal AIF until the issuer is notified that the review has been completed:

This annual information form is currently under review by the provincial and territorial securities regulatory authorities of one or more jurisdictions. Information contained in this form is subject to change."

(c) deleting subsection 3.3(2) and substituting the following

"(2) An issuer that files an AIF shall file an undertaking with the regulator to the effect that, when the securities of the issuer are in the course of a distribution under a preliminary short form prospectus or a short form prospectus, the issuer will provide to any person or company, upon request to the secretary of the issuer,

(a) one copy of the AIF of the issuer, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,

(b) one copy of the comparative financial statements of the issuer for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the issuer that have been filed, if any, for any period after the end of its most recently completed financial year,

(c) one copy of the information circular of the issuer in respect of its most recent annual meeting of shareholders that involved the election of directors, and

(d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under paragraphs (a), (b) or (c)."

(d) deleting section 3.4 and substituting the following

"**3.4 Alternative Forms of AIF** - An issuer that:

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America,

may file an AIF in the form of an annual report or transition report under the 1934 Act on Form 10-K, Form 10-KSB or on Form 20-F."

Part 2 Amendments to National Instrument 44-101 Companion Policy

2.1 Part 8 National Instrument 44-101 Companion Policy is amended by

(a) in subsection 8.1(1), deleting the words "Item 4.2" and substituting "Section 5.3";

(b) in subsections 8.1(1) and 8.1(2), deleting the words "Form 44-101F1 AIF" and substituting "Form 51-102F1";

(c) in subsection 8.1(2), deleting the words "Item 4.2(b)(i)" and substituting "Subsection 5.3(2)";

(d) in subsection 8.1(2), deleting the words ", the cash flows from which service the asset-backed securities"; and

(e) in section 8.2, deleting the words "Item 8 of Form 44-101F1" wherever they appear and substituting "Item 10 of Form 51-102F1".

Part 3 Revocation of Forms 44-101F1 *AIF* and 44-101F2 *MD&A*

3.1 Revocation of Form 44-101F1 *AIF* – Form 44-101F1 *AIF* is revoked.

3.2 Revocation of Form 44-101F2 *MD&A* – Form 44-101F2 *MD&A* is revoked.

Part 4 Amendments to Form 44-101F3 *Short Form Prospectus*

4.1 Item 10 of Form 44-101F3 *Short Form Prospectus* is amended by

(a) deleting the words "under Item 4.3 or 4.4, " in two places, and substituting "under sections 5.4 or 5.5,"; and

(b) deleting "Form 44-101F1" and substituting "NI 51-102F1".

4.2 Item 12 of Form 44-101F3 *Short Form Prospectus* is amended by

(a) deleting subparagraph 12.1(1)7 and substituting the following:

"7. MD&A for the issuer's interim financial statements."

(b) deleting subparagraph 12.1(1)8 and substituting the following:

"8. Except as provided in Item 12.5, information circulars that have been filed after the commencement of the issuer's current financial year."

(c) deleting subparagraph 12.1(3)(a) and substituting the following

"(a) has filed an AIF in a form of current annual report on Form 10-K, Form 10-KSB or Form 20-F under the 1934 Act, as permitted under section 3.4 of National Instrument 44-101 and under NI 51-102."

(d) deleting subparagraph 12.2 4. and substituting the following:

"4. Except as provided in Item 12.5, information circulars."

(e) in clause 13.1(2)(b)(ii), deleting the words "Form 10-K or Form 20-F" and substituting "Form 10-K, Form 10-KSB or Form 20-F".

Part 5 Effective Date

5.1 Effective Date – This Amendment comes into force on •, 2004.

APPENDIX D

AMENDMENT TO
NATIONAL INSTRUMENT 62-103
THE EARLY WARNING SYSTEM AND RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES

Part 1 Amendment to National Instrument 62-103

1.1 Amendment to Part 2 of National Instrument 62-103 – Subsection 2.1(1) in Part 2 of National Instrument 62-103 is amended by deleting the words "section 2.1 of National Instrument 62-102 *Disclosure of Outstanding Share Data*" and substituting "section 6.4 of National Instrument 51-102 *Continuous Disclosure Obligations*".

Part 2 Effective Date

2.1 Effective Date – This Amendment comes into force on •, 2004.

APPENDIX E

RELATED AMENDMENTS TO ONTARIO SECURITIES REGULATION

AND

ADDITIONAL INFORMATION REQUIRED IN ONTARIO

Provisions of Regulation to be Revoked or Amended

1. The Ontario Securities Commission ("the Commission") proposes to revoke the following provisions of the Regulation made under the *Securities Act* (Ontario) (the Act) R.R.O. 1990 Reg. 1015, as am. (the "Regulation"):

   sections 3, 5, 6 and 176 to 181 inclusive; and

   Forms 27, 28 30 and 40.

2. The Commission proposes to amend clause 4(a)(ii) of the Regulation by replacing the reference to Form 27 with a reference to Form 51-102F3.

3. The Commission proposes to amend section 160 of the Regulation by replacing the reference to Form 40 with a reference to Form 39.

Authority for the Rule

The following provisions of the Act provide the Commission with authority to adopt the proposed Rule.

Paragraph 143(1)22 authorizes the Commission to prescribe requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to the requirements under the Act, including requirements in respect of an annual report, an annual information form and supplemental analysis of financial statements.

Paragraph 143(1)23 authorizes the Commission to exempt reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act.

Paragraph 143(1)24 authorizes the Commission to require issuers or other persons and companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 143(1)22 of the Act.

Paragraph 143(1)25 authorizes the Commission to prescribe requirements in respect of financial accounting, reporting and auditing for the purposes of the Act, the regulations and the rules.

Paragraph 143(1)26 authorizes the Commission to prescribe requirements for the validity and solicitation of proxies.

Paragraph 143(1)38 authorizes the Commission to prescribe requirements in respect of reverse take-overs including requirements for disclosure that are substantially equivalent to that provided by a prospectus.

Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules and all documents determined by the regulations or the rules to be ancillary to the documents, including financial statements, proxies and information circulars.

Paragraph 143(1)44 authorizes the Commission to vary the Act to permit or require the use of an electronic or computer-based system for the filing, delivery or deposit of:

i. documents or information required under or governed by the Act, the regulations or rules, and

ii. documents determined by the regulations or rules to be ancillary to documents required under or governed by the Act, the regulations or rules.

Paragraph 143(1)49 authorizes the Commission to vary the Act to permit or require methods of filing or delivery, to or by the Commission, issuers, registrants, security holders or others, of documents, information, notices, books, records, things, orders, authorizations or other communications required under or governed by Ontario securities laws.

Paragraph 143(1)56 authorizes the commission to make rules providing for exemptions from or varying any or all time periods in the Act.

Alternatives Considered

The Instrument contains provisions which are intended to harmonize existing obligations under securities legislation in the jurisdictions. The only alternative to those provisions that the Commission considered was the status quo of having differing requirements in various jurisdictions. The Commission decided to harmonize because the following is one of the fundamental principles that the Commission is to have regard to under section 2.1 of the Act: "The integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes."

The Instrument also includes provisions which either impose additional continuous disclosure obligations or remove existing obligations (the "Additional Provisions") from those presently found under the Act, the Regulation or the rules thereunder. The Commission considered whether to implement the Additional Provisions by local rule. However, the Commission followed the principle quoted above and determined to implement the Additional Provisions in the Instrument.

6.1.2 National Instrument 51-102 Continuous Disclosure Obligations

NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

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NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation[1]

In this Instrument:

"acquisition of related businesses" means the acquisition of two or more businesses if:

(a) the businesses were under common control or management before the acquisitions were completed;

(b) each acquisition was conditional upon the completion of each other acquisition; or

(c) the acquisitions were contingent upon a single common event;

"AIF" means a completed Form 51-102F1 *Annual Information Form* or, in the case of an SEC issuer, either a completed Form 51-102F1 or an annual report or transition report under the 1934 Act on Form 10-K, Form 10-KSB or on Form 20-F;

"asset-backed security" means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to securityholders;

"board of directors" means, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report;*

"class", in respect of a security, includes a series of a class;

"common share" means an equity share to which is attached voting rights exercisable in all circumstances, irrespective of the number or percentage of shares owned, that are not less, per share, than the voting rights attached to any other shares of an outstanding class of shares of the reporting issuer;

"date of acquisition" means the date of acquisition as determined for accounting purposes under the Handbook;

"equity security" or "equity share" means any security or share, as the case may be, of a reporting issuer that carries a residual right to participate in earnings of the reporting issuer and, on the liquidation or winding-up of the reporting issuer, in its assets;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"executive officer" of a reporting issuer means an individual who at any time during the year was:

(a) a chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(b) a vice-chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(c) the president of the reporting issuer;

(d) a vice-president of the reporting issuer in charge of a principal business unit, division or function including sales, finance or production;

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1 National Instrument 14-101 *Definitions* defines certain terms that are used in more than one national or multilateral instrument.

(e) an officer of the reporting issuer or any of its subsidiaries who performed a policy-making function in respect of the reporting issuer; or

(f) any other person who performed a policy-making function in respect of the reporting issuer;

"form of proxy" means a document in written or printed form containing the information required under section 9.4 that, on completion and execution by or on behalf of a securityholder, becomes a proxy;

"group scholarship plan" means a scholarship plan the securities of which entitle the beneficiaries, who are designated in connection with the acquisition of the securities that have the same year of maturity, to a scholarship award proportionate to the value of the securities in respect of which they are designated, on or after maturity of the securities;

"income from continuing operations" means income or loss, adjusted to exclude discontinued operations, extraordinary items, and net income taxes;

"information circular" means a completed Form 51-102F5 *Information Circular*;

"informed person" means, in relation to a reporting issuer:

(a) every director or executive officer of a reporting issuer;

(b) every director or executive officer of a company that is itself an informed person or subsidiary of a reporting issuer;

(c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all voting securities of the reporting issuer for the time being outstanding other than voting securities held by the person or company as underwriter in the course of a distribution; and

(d) a reporting issuer where it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities;

"inter-dealer bond broker" means a person or company that is approved by the Investment Dealers Association under its By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its By-law No. 36 and its Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"interim period" means:

(a) a period commencing on the first day of a financial year and ending nine, six or three months before the end of a financial year, or

(b) in the case of a reporting issuer's transition year, a period commencing on the first day of the transition year and ending either:

(i) three, six, nine or twelve months, if applicable, after the end of its old financial year, or

(ii) twelve, nine, six or three months, if applicable, before the end of the transition year,

and in the case of (b)(ii), the first interim period must not exceed four months;

"investee" means an entity that the Handbook recommends be accounted for by the equity method or the proportionate consolidation method;

"investment fund" means a mutual fund, a non-redeemable investment fund or a group scholarship plan;

"marketplace" means:

(a) an exchange,

(b) a quotation and trade reporting system,

(c) a person or company not included in paragraph (a) or (b) that

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

"material change" means, when used in relation to a reporting issuer:

(a) a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer; or

(b) a decision to implement a change referred to in paragraph (a) made by the board of directors or other persons acting in a similar capacity or by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors or such other persons acting in a similar capacity is probable;

"MD&A" means a completed Form 51-102F2 *Management's Discussion & Analysis* or, in the case of an SEC issuer, either a completed Form 51-102F2 or management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K or item 303 of Regulation S-B under the 1934 Act;

"mineral project" means any exploration, development or production activity in respect of natural, solid, inorganic or fossilized organic material including base and precious metals, coal and industrial minerals;

"new financial year" means the financial year of a reporting issuer that immediately follows its transition year;

"non-voting share" means a restricted share that does not carry the right to vote generally, except for a right to vote that is mandated, in special circumstances, by law;

"non-redeemable investment fund" means, an issuer:

(a) whose primary purpose is to invest money provided by its securityholders;

(b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than mutual funds or other non-redeemable investment funds; and

(c) that is not a mutual fund;

"old financial year" means the financial year of a reporting issuer that immediately precedes its transition year;

"preference share" means a share to which is attached a preference or right over the shares of any class of equity shares of the reporting issuer, but does not include an equity share;

"principal obligor" means, for an asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent one-third or more of the aggregate amount owing on all of the financial assets underlying the asset-backed security;

"proxy" means a completed and executed form of proxy by which a securityholder has appointed a person or company as the securityholder's nominee to attend and act for the securityholder and on the securityholder's behalf at a meeting of securityholders;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

"recognized exchange" means:

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange; and

(b) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means:

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"restricted share" means:

(a) an equity share that is not a common share; and

(b) a common share, if any of the following apply:

(i) there is another class of shares that, to a reasonable person, appears to carry a disproportionate vote per share relative to the common share;

(ii) the conditions of a class of common shares, the conditions of other classes of shares, or the reporting issuer's constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of another class of equity shares; or

(iii) there is a second class of equity shares that, to a reasonable person, appears to entitle the owner of shares of that second class to participate in the earnings or assets of the reporting issuer disproportionately relative to the common shares;

"restricted share term" means each of the terms "non-voting shares", "subordinate voting shares" and "restricted voting shares";

"restricted voting share" means a restricted share that carries a right to vote subject to a restriction on the number or percentage of shares that may be voted by one or more persons or companies, except to the extent the restriction is permitted or prescribed by statute and is applicable only to persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians;

"reverse takeover" means a transaction where an enterprise obtains ownership of the securities of another enterprise but, as part of the transaction, issues enough voting securities as consideration that control of the combined enterprise passes to the securityholders of the acquired enterprise;

"reverse takeover acquiree" means the legal parent in a reverse takeover;

"reverse takeover acquirer" means the legal subsidiary whose shareholders control the combined entity as a result of a reverse takeover;

"SEC issuer" means a reporting issuer that:

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America;

"significance tests" means the tests set out in subsections 8.2(2) and (4);

"solicit", in connection with a proxy, includes:

(a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy;

(b) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy;

(c) sending a form of proxy or other communication to a securityholder under circumstances that to a reasonable person will likely result in the giving, withholding or revocation of a proxy; or

(d) sending a form of proxy to a securityholder by management of a reporting issuer;

but does not include:

(e) sending a form of proxy to a securityholder in response to a unsolicited request made by or on behalf of the securityholder; or

(f) performing ministerial acts or professional services on behalf of a person or company soliciting a proxy;

"subject securities" means shares that, if and when issued, will result in an existing class of outstanding equity shares being considered, for the purposes of this Instrument, restricted shares;

"subordinate voting share" means a restricted share that carries a right to vote, if there are shares of another class of shares outstanding that carry a greater right to vote on a per share basis;

"transition year" means the financial year of a reporting issuer in which a change of year-end occurs;

"US GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support and as supplemented by Regulation S-X and Regulation S-B under the 1934 Act; and

"venture issuer" means a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Pacific Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market or a marketplace outside of Canada and the United States of America; where the "applicable time" in respect of:

(a) Parts 4 and 6 of this Instrument and Form 51-102F2, is the end of the applicable financial period;

(b) Parts 5 and 9 of this Instrument and Form 51-102F6, is the end of the most recently completed financial year;

(c) Part 8 of this Instrument and Form 51-102F4, is the date of acquisition; and

(d) Section 11.2 of this Instrument, is the date of the meeting of the securityholders.

PART 2

APPLICATION

2.1 Application

This Instrument does not apply to investment funds unless otherwise expressly stated.

PART 3

LANGUAGE OF DOCUMENTS

3.1 French or English

(1) A person or company must file a document required to be filed under this Instrument in either French or in English.

(2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, a reporting issuer must comply with linguistic obligations and rights prescribed by Québec law.

PART 4

FINANCIAL STATEMENTS

4.1 Annual Financial Statements and Auditor's Report

(1) Subject to subsection 4.8(6), a reporting issuer must file annual financial statements that include:

(a) an income statement, a statement of retained earnings, and a cash flow statement for:

(i) the most recently completed financial year; and

(ii) the period covered by the financial year immediately preceding the most recently completed financial year, if any;

(b) a balance sheet as at the end of each of the periods referred to in paragraph (a); and

(c) notes to the financial statements.

(2) Comparative annual financial statements filed under subsection (1) must be accompanied by an auditor's report.

4.2 Filing Deadline for Annual Financial Statements

The annual financial statements and auditor's report required to be filed under section 4.1 must be filed:

(a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of:

(i) the 90th day after the end of its most recently completed financial year; and

(ii) the date of filing, in a foreign jurisdiction, annual financial statements for its most recently completed financial year; or

(b) in the case of a venture issuer, on or before the earlier of:

(i) the 120th day after the end of its most recently completed financial year; and

(ii) the date of filing, in a foreign jurisdiction, annual financial statements for its most recently completed financial year.

4.3 Interim Financial Statements

(1) A reporting issuer must file:

(a) if it has not completed its first financial year, interim financial statements for the interim periods of the reporting issuer's current financial year other than a period that is less than three months in length; or

(b) if it has completed its first financial year, interim financial statements for the interim periods of the reporting issuer's current financial year.

(2) Subject to subsections 4.7(4), 4.8(7) and (8), the interim financial statements required to be filed under subsection (1) must include:

(a) a balance sheet as at the end of the interim period and a balance sheet as at the end of the immediately preceding financial year, if any;

(b) an income statement, a statement of retained earnings and a cash flow statement, all for the year-to-date interim period and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any;

(c) for interim periods other than the first interim period in a reporting issuer's financial year, an income statement and cash flow statement for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the preceding financial year, if any; and

(d) notes to the financial statements.

(3) Disclosure of Auditor Review of Interim Financial Statements –

(a) If an auditor has not performed a review of the interim financial statements required to be filed, the reporting issuer must disclose this in either:

(i) the notes to the interim financial statements; or

(ii) its interim MD&A or its interim MD&A supplement if one is required under section 6.2.

(b) If an auditor has performed a review of the interim financial statements required to be filed and the auditor has:

(i) expressed a qualified or adverse communication; or

(ii) denied any assurance,

then the reporting issuer must include a written review report from the auditor accompanying the interim financial statements.

(4) If an SEC issuer:

(a) previously filed interim financial statements prepared in accordance with Canadian GAAP for one or more interim periods since its most recently completed financial year for which financial statements have been filed; and

(b) prepares its annual or interim financial statements for the period immediately following the periods referred to in paragraph (a) in accordance with US GAAP as permitted by subsection 4.1(1) of NI 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*,

then the SEC issuer must:

(c) restate the interim financial statements for the periods referred to in paragraph (a) to be prepared in accordance with US GAAP and to comply with the reconciliation requirements set out in Part 4 of NI 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*; and

(d) file the restated financial statements referred to in paragraph (c) by the filing deadline for the financial statements referred to in paragraph (b).

4.4 Filing Deadline for Interim Financial Statements

The interim financial statements required to be filed under section 4.3 must be filed:

(a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of:

(i) the 45th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, interim financial statements for a period ending on the last day of the interim period; or

(b) in the case of a venture issuer, on or before the earlier of:

(i) the 60th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, interim financial statements for a period ending on the last day of the interim period.

4.5 Review and Approval of Financial Statements

The financial statements required to be filed under sections 4.1 and 4.3 must be reviewed by the audit committee, if any, of the board of directors of a reporting issuer and must be approved by the board of directors before the statements are filed.

4.6 Delivery of Financial Statements

(1) Subject to subsection (2), a reporting issuer must send annually a request form to the registered holders and beneficial owners of its securities under which the registered holders and beneficial owners may request a copy of the reporting issuer's annual financial statements and MD&A for the annual financial statements, the interim financial statements and MD&A for the interim financial statements, or both.

(2) For the purpose of sending a request form to beneficial owners of its securities under subsection (1), the reporting issuer must, applying the procedures set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, send the request form to the beneficial owners of its securities other than the beneficial owners that are identified under that instrument as having declined to receive materials.

(3) If a registered holder or beneficial owner requests the reporting issuer's annual or interim financial statements in the request form required in subsection (1), the reporting issuer must send, without charge, a copy of the requested financial statements by the later of:

(a) the filing deadline for the financial statements requested; and

(b) 10 calendar days after the issuer receives the request.

(4) If a reporting issuer is sending financial statements under this section, the reporting issuer must also send, at the same time, the annual or interim MD&A applicable to the financial statements.

(5) A reporting issuer that complies with subsections (1) to (3) is exempt from the requirements of securities legislation in Québec to send its annual report and quarterly report to every registered holder of its securities, other than holders of debt securities, and to the securities regulatory authority.

4.7 Filing of Financial Statements After Becoming a Reporting Issuer

(1) Despite any other provisions of this Part and subject to subsections (2), (3) and (4), the first annual and interim financial statements that a reporting issuer must file under sections 4.1 and 4.3 are the financial statements for the financial year and interim periods immediately following the periods for which financial statements were included in a document filed:

(a) that resulted in the issuer becoming a reporting issuer; or

(b) in respect of a transaction that resulted in the issuer becoming a reporting issuer.

(2) If subsection (1) requires a reporting issuer to file annual financial statements for a financial year that ended prior to the issuer becoming a reporting issuer, the financial statements must be filed on or before the later of 20 days after the issuer becomes a reporting issuer or the filing deadline in section 4.2.

(3) If subsection (1) requires a reporting issuer to file interim financial statements for an interim period that ended prior to the issuer becoming a reporting issuer, the financial statements must be filed on or before the later of 10 days after the issuer became a reporting issuer or the filing deadline in section 4.4.

(4) Despite subsection 4.3(2), a reporting issuer is not required to provide comparative interim financial information for periods that ended prior to the issuer becoming a reporting issuer if:

(a) it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2);

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial statements disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

4.8 Change in Year-End

(1) **Exemption from Change of Year-End Requirements** – An SEC issuer is not required to comply with this section if it:

(a) complies with the requirements of US federal securities law relating to a change of fiscal year; and

(b) files a copy of all filings made under requirements of US federal securities law relating to change of fiscal year promptly after they are filed with the SEC and, in the case of financial statements, no later than the filing deadlines specified in sections 4.2 and 4.4.

(2) **Notice of Change** – If a reporting issuer changes its financial year-end by more than 14 days, it must file a notice containing the information set out in subsection (3) as soon as practicable, and, in any event, not later than the earlier of:

(a) the filing deadline, based on the reporting issuer's old financial year-end, for the next annual or interim financial statements, whichever comes first; or

(b) the filing deadline, based on the reporting issuer's new financial year-end, for the next annual or interim financial statements, whichever comes first.

(3) The notice referred to in subsection (2) must state:

(a) that the reporting issuer has decided to change its year-end;

(b) the reason for the change;

(c) the reporting issuer's old financial year-end;

(d) the reporting issuer's new financial year-end;

(e) the length and ending date of the periods, including the comparative periods, of the interim and annual financial statements to be filed for the reporting issuer's transition year and its new financial year; and

(f) the filing deadlines, specified in sections 4.2 and 4.4, for the interim and annual financial statements for the reporting issuer's transition year.

(4) **Maximum Length of Transition Year** – The length of a transition year cannot exceed 15 months.

(5) **Interim Period Ends Within One Month of Year-End** – Despite subsection 4.3(1)(b), a reporting issuer is not required to file interim financial statements for any period in its transition year that ends within one month:

(a) after the last day of its old financial year; or

(b) before the first day of its new financial year.

(6) **Comparative Financial Information in Annual Financial Statements for New Financial Year** – If a transition year is less than nine months in length, the reporting issuer must include as comparative financial information to its financial statements for its new financial year:

(a) a balance sheet and income statement, a statement of retained earnings and a cash flow statement for its transition year; and

(b) a balance sheet and income statement, a statement of retained earnings and a cash flow statement for its old financial year.

(7) **Comparative Financial Information in Interim Financial Statements if Interim Periods Not Changed in Transition Year** – If interim periods for the reporting issuer's transition year end three, six, nine or twelve months after the end of its old financial year, the reporting issuer must include:

(a) as comparative financial information in its interim financial statements during its transition year, the comparative financial information required by subsection 4.3(2), except if an interim period during the transition year is 12 months in length and the reporting issuer's transition year is longer than 13 months, the comparative financial information must be the balance sheet and income statement, statement of retained earnings and cash flow statement for the 12 month period that constitutes its old financial year; and

(b) as comparative financial information in its interim financial statements during its new financial year:

(i) a balance sheet as at the end of its transition year; and

(ii) the income statement, statement of retained earnings and cash flow statement for the periods in its transition year or old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year.

(8) **Comparative Financial Information in Interim Financial Statements if Interim Periods Changed in Transition Year** – If interim periods for a reporting issuer's transition year end twelve, nine, six or three months before the end of the transition year, the reporting issuer must include:

(a) as comparative financial information in its interim financial statements during its transition year:

(i) a balance sheet as at the end of its old financial year; and

(ii) the income statement, statement of retained earnings and cash flow statement for periods in its old financial year for the same calendar months as, or as close as possible to, the calendar months in the interim period in the transition year;

(b) as comparative financial information in its interim financial statements during its new financial year:

(i) a balance sheet as at the end of its transition year; and

(ii) the income statement, statement of retained earnings and cash flow statement in its transition year or old financial year, or both, as appropriate, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year.

4.9 Change in Corporate Structure

If a reporting issuer is party to an amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or other transaction that will have the effect of changing its continuous disclosure obligations under this Instrument, the issuer must, as soon as practicable, and in any event not later than the deadline for the first filing required by this Instrument following the transaction, deliver a notice stating:

(a) the names of the parties to the transaction;

(b) a description of the transaction;

(c) the effective date of the transaction;

(d) the names of each party that ceased to be a reporting issuer subsequent to the transaction;

(e) the date of the reporting issuer's first financial year-end subsequent to the transaction; and

(f) the periods, including the comparative periods, if any, of the interim and annual financial statements to be filed for the reporting issuer's first financial year subsequent to the transaction.

4.10 Reverse Takeovers

If a reporting issuer must comply with section 4.9 because it was a party to a reverse takeover:

(a) the reporting issuer must comply with section 4.8 unless:

(i) the reporting issuer had the same year-end as the reverse takeover acquirer prior to the transaction; or

(ii) the reporting issuer changes its year-end to be the same as that of the reverse takeover acquirer;

(b) the reverse takeover acquirer's financial statements must be prepared as if the reverse takeover acquirer had always been the reporting issuer and must be filed for all periods subsequent to the date of the financial statements included in the information circular filed in connection with the transaction; and

(c) the reverse takeover acquiree must file the financial statements required by sections 4.1 and 4.3 for all interim and annual periods ending prior to the date of the reverse takeover even if the filing deadline for those financial statements is after the date of the reverse takeover.

4.11 Change of Auditor

(1) **Definitions** - In this section:

"appointment" means, in relation to a reporting issuer, the earlier to occur of

(a) the appointment as its auditor of a different person or company than its former auditor; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of qualified securities to appoint as its auditor a different person or company than its former auditor;

"consultation" means advice provided, whether or not in writing, to a reporting issuer during the relevant period by a successor auditor which the successor auditor concluded was an important factor considered by the reporting issuer in reaching a decision concerning:

(a) the application of accounting principles or policies to a transaction, whether or not the transaction is completed;

(b) an auditor's report on the reporting issuer's financial statements;

(c) audit scope or procedure; or

(d) financial statement disclosure;

"disagreement" means a difference of opinion between personnel of a reporting issuer responsible for finalizing the reporting issuer's financial statements and the personnel of a former auditor responsible for authorizing the issuance of audit reports on the reporting issuer's financial statements or authorizing the communication of the results of the auditor's review of the reporting issuer's interim financial statements, if the difference of opinion:

(a) resulted in a reservation in the former auditor's audit report on the reporting issuer's financial statements for any period during the relevant period;

(b) would have resulted in a reservation in the former auditor's audit report on the reporting issuer's financial statements for any period during the relevant period if the difference of opinion had not been resolved to the former auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the former auditor upon the receipt of further information;

(c) resulted in a qualified or adverse communication or denial of assurance in respect of the former auditor's review of the reporting issuer's interim financial statements for any interim period during the relevant period; or

(d) would have resulted in a qualified or adverse communication or denial of assurance in respect of the former auditor's review of the reporting issuer's interim financial statements for any interim period during the relevant period if the difference of opinion had not been resolved to the former auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the former auditor upon the receipt of further information;

"former auditor" means the auditor of a reporting issuer that is the subject of the most recent termination or resignation;

"qualified securities" means securities of a reporting issuer that carry the right to participate in voting on the appointment or removal of the reporting issuer's auditor;

"relevant information circular" means:

(a) if a reporting issuer's constating documents or applicable law require holders of qualified securities to take action in order to remove the reporting issuer's auditor or to appoint a successor auditor:

(i) the information circular required to accompany or form part of every notice of meeting at which that action is proposed to be taken; or

(ii) the disclosure document accompanying the text of the written resolution provided to holders of qualified securities; or

(b) if paragraph (a) does not apply, the information circular required to accompany or form part of the first notice of meeting to be sent to holders of qualified securities following the preparation of a reporting package concerning a termination or resignation;

"relevant period" means the period commencing at the beginning of the reporting issuer's two most recently completed financial years and ending on the date of termination or resignation;

"reportable event" means a disagreement, a consultation, or an unresolved issue;

"reporting package" means

(a) the documents referred to in clauses (5)(a)(i) and 6(a)(i);

(b) the letter referred to in clause (5)(a)(ii)(B), if received by the reporting issuer; and,

(c) the letter referred to in clause (6)(a)(ii)(B), if received by the reporting issuer;

"resignation" means notification from an auditor to a reporting issuer of the auditor's decision to resign or decline to stand for reappointment;

"successor auditor" means the person or company:

(a) appointed;

(b) that the board of directors have proposed to holders of qualified securities be appointed; or

(c) that the board of directors have decided to propose to holders of qualified securities be appointed;

as the reporting issuer's auditor after the termination or resignation of the reporting issuer's former auditor;

"termination" means, in relation to a reporting issuer, the earlier to occur of:

(a) the removal of its auditor before the expiration of the auditor's term of appointment, the expiration of its auditor's term of appointment without reappointment, or the appointment of a different person or company as its auditor upon expiration of its auditor's term of appointment; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of its qualified securities that its auditor be removed before, or that a different person or company be appointed as its auditor upon, the expiration of its auditor's term of appointment;

"unresolved issue" means any matter that, in the former auditor's opinion, has, or could have, a material impact on the financial statements or audit reports of any financial period during the relevant period, and about which the former auditor has advised the reporting issuer if:

(a) the former auditor was unable to reach a conclusion as to the matter's implications before the date of termination or resignation;

(b) the matter was not resolved to the former auditor's satisfaction before the date of termination or resignation; or

(c) the former auditor is no longer willing to be associated with any of these financial statements;

(2) **Meaning of "Material"** - For the purposes of this section, the term "material" has a meaning consistent with the discussion of the term "materiality" in the Handbook.

(3) **Exemption from Change of Auditor Requirements** - A reporting issuer is not required to comply with this section if:

(a) (i) a termination, or resignation, and appointment occur in connection with an amalgamation, arrangement, takeover or similar transaction involving the reporting issuer or a reorganization of the reporting issuer;

(ii) the termination, or resignation, and appointment have been disclosed in a news release that has been filed or in a disclosure document that has been delivered to holders of qualified securities and filed; and

(iii) no reportable event has occurred;

(b) the change of auditor is required by the legislation under which the reporting issuer exists or carries on its activities; or

(c) the change of auditor arises from an amalgamation, merger or other reorganization of the auditor.

(4) **Exemption From Change of Auditor Requirements – SEC Issuers** - An SEC issuer is not required to comply with this section if it:

(a) complies with the requirements of US federal securities law relating to a change of auditor;

(b) files a copy of all materials required by US federal securities law relating to a change of auditor at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC;

(c) issues and files a news release describing the information disclosed in the materials referred to in paragraph (b), if there are any reportable events; and

(d) includes the materials referred to in paragraph (b) with each relevant information circular.

(5) **Requirements Upon Auditor Termination or Resignation** - Upon a termination or resignation of its auditor, a reporting issuer must:

(a) within 10 days after the date of termination or resignation:

(i) prepare a change of auditor notice in accordance with subsection (7) and deliver a copy of it to the former auditor; and

(ii) request the former auditor to:

(A) review the reporting issuer's change of auditor notice;

(B) prepare a letter, addressed to the applicable regulator or securities regulatory authority, stating, for each statement in the change of auditor notice, whether the auditor (i) agrees, (ii) disagrees, and the reasons why, or (iii) has no basis to agree or disagree; and

(C) deliver the letter to the reporting issuer within 20 days after the date of termination or resignation.

(b) within 30 days after the date of termination or resignation:

(i) have the audit committee of its board of directors or its board of directors review the letter referred to in clause 5(a)(ii)(B) if received by the reporting issuer, and approve the change of auditor notice;

(ii) file a copy of the reporting package with each regulator or securities regulatory authority where it is a reporting issuer;

(iii) deliver a copy of the reporting package to the former auditor;

(iv) if there are any reportable events, issue and file a news release describing the information in the reporting package; and

(c) include with each relevant information circular:

(i) a copy of the reporting package as an appendix; and

(ii) a summary of the contents of the reporting package with a cross-reference to the appendix.

(6) **Requirements upon Auditor Appointment** - Upon an appointment of a successor auditor, a reporting issuer must:

(a) within 10 days after the date of appointment:

(i) deliver a copy of the change of auditor notice prepared in accordance with subsection (7) to the successor auditor and to the former auditor;

(ii) request the successor auditor to:

(A) review the reporting issuer's change of auditor notice;

(B) prepare a letter addressed to the applicable regulator or securities regulatory authority, stating, for each statement in the change of auditor notice, whether the auditor (i) agrees, (ii) disagrees, and the reasons why, or (iii) has no basis to agree or disagree; and

(C) deliver that letter to the reporting issuer within 20 days after the date of appointment; and

(iii) request the former auditor to, within 20 days after the date of appointment:

(A) confirm that the letter referred to in subsection 5(a)(ii)(B) does not have to be updated; or

(B) prepare and deliver to the reporting issuer an updated letter to replace the letter referred to in subsection 5(a)(ii)(B);

(b) within 30 days after the date of appointment:

(i) have the audit committee of its board of directors or its board of directors review the letter referred to in clause 6(a)(ii)(B) if received by the reporting issuer, and approve the change of auditor notice;

(ii) file a copy of the reporting package with each regulator or securities regulatory authority where it is a reporting issuer;

(iii) deliver a copy of the reporting package to the successor auditor and to the former auditor; and

(iv) if there are any reportable events, issue and file a news release disclosing the appointment of the successor auditor.

(7) **Change of Auditor Notice Content** - A change of auditor notice must state:

(a) the date of termination or resignation;

(b) whether the former auditor:

(i) resigned on the former auditor's own initiative or at the reporting issuer's request;

(ii) was removed or is proposed to holders of qualified securities to be removed during the former auditor's term of appointment; or

(iii) was not reappointed or has not been proposed for reappointment;

(c) whether the termination or resignation of the former auditor and any appointment of the successor auditor were considered or approved by the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors;

(d) whether the former auditor's report on any of the reporting issuer's financial statements relating to the relevant period contained any reservation and, if so, a description of each reservation;

(e) if there is a reportable event, the following information:

(i) for a disagreement:

(A) a description of the disagreement;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the disagreement with the former auditor; and

(C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the disagreement and, if not, a description of and reasons for any limitation;

(ii) for a consultation:

(A) a description of the issue that was the subject of the consultation;

(B) a summary of the successor auditor's oral advice, if any, provided to the reporting issuer concerning the issue;

(C) a copy of the successor auditor's written advice, if any, received by the reporting issuer concerning the issue; and

(D) whether the reporting issuer consulted with the former auditor concerning the issue and, if so, a summary of the former auditor's advice concerning the issue;

(iii) for an unresolved issue:

(A) a description of the issue;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the issue with the former auditor; and

(C) whether the reporting issuer authorized the former auditor to respond fully to inquiries by any successor auditor concerning the issue and, if not, a description of and reasons for any limitation; and

(f) if there are no reportable events, a statement to that effect.

(8) **Auditor's Obligations to Report Non-Compliance** - If the successor auditor becomes aware that the required disclosure under this Instrument has not been made by the reporting issuer, the auditor must, within 7 days, advise the reporting issuer in writing and deliver a copy of the letter to the applicable regulator or securities regulatory authority.

PART 5

ANNUAL INFORMATION FORM

5.1 Requirement to file an AIF

A reporting issuer that is not a venture issuer must file an AIF.

5.2 Filing Deadline for an AIF

An AIF required to be filed under section 5.1 must be filed:

(a) subject to paragraph (b), on or before the 90th day after the end of the reporting issuer's most recently completed financial year; and

(b) in the case of a reporting issuer that is an SEC issuer filing its AIF in Form 10-K, Form 10-KSB or Form 20-F, on or before the earlier of:

(i) the date the reporting issuer would be required to file an AIF under paragraph (a); and

(ii) the date the reporting issuer files its Form 10-K, Form 10-KSB or Form 20-F with the SEC.

5.3 Incorporated Documents to be Filed

A reporting issuer that files an AIF must at the same time file copies of all material incorporated by reference in the AIF and not previously filed.

PART 6

MANAGEMENT'S DISCUSSION & ANALYSIS

6.1 Filing of MD&A

(1) Subject to section 6.2, a reporting issuer must file MD&A in respect of its annual and interim financial statements required under Part 4.

(2) The MD&A required to be filed under subsection (1) must be filed by the earlier of:

(a) the filing deadlines for the annual and interim financial statements set out in sections 4.2, 4.4 and 4.7, as applicable; and

(b) the date the reporting issuer files the financial statements under subsections 4.1(1), 4.3(1) or 4.7(1), as applicable.

6.2 Alternative Filing of MD&A and Supplement for SEC Issuers

(1) An SEC issuer filing its annual or interim MD&A prepared in accordance with Item 303 of Regulation S-K or Item 303 of Regulation S-B under the 1934 Act must file:

(a) that document on or before the earlier of:

(i) the date the SEC issuer would be required to file that document under section 6.1; and

(ii) the date the SEC issuer files that document with the SEC; and

(b) at the same time, a supplement prepared in accordance with subsection (2) if the SEC issuer:

(i) has based the discussion in the MD&A on financial statements prepared in accordance with US GAAP; and

(ii) is required by subsection 4.1(2) of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* to provide a reconciliation to Canadian GAAP.

(2) A supplement required under subsection (1) must restate, based on financial information of the reporting issuer prepared in accordance with or reconciled to Canadian GAAP, those parts of the MD&A that:

(a) are based on financial statements of the reporting issuer prepared in accordance with US GAAP; and

(b) would contain material differences if they were based on financial statements of the reporting issuer prepared in accordance with Canadian GAAP.

6.3 Additional Disclosure for Venture Issuers Without Significant Revenues

A reporting issuer that is a venture issuer and that has not had significant revenue from operations in either of the last two financial years, must disclose in its MD&A or in its MD&A supplement, if one is required under section 6.2, for each period covered by that MD&A or MD&A supplement, if such information is not already provided in the financial statements to which such MD&A or MD&A supplement relates, a breakdown of material components of:

(a) exploration and development expenses;

(b) research and development expenses;

(c) administration expenses;

(d) any material expenses not referred to in paragraphs (a) through (c); and

(e) additions to deferred expenditures,

and if the reporting issuer's business primarily involves mineral projects, a breakdown of material components for each material property of the reporting issuer.

6.4 Disclosure of Outstanding Share Data

(1) A reporting issuer must disclose in its MD&A, or in its MD&A supplement if one is required under section 6.2, the designation and number or principal amount of:

(a) each class and series of voting or equity securities of the reporting issuer that is outstanding;

(b) each class and series of securities of the reporting issuer that is outstanding and that are convertible into, or exercisable or exchangeable for, voting or equity securities of the reporting issuer; and

(c) subject to subsection (2), each class and series of voting or equity securities of the reporting issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer.

(2) If the exact number or principal amount of voting or equity securities of the reporting issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer is not determinable, the reporting issuer must disclose the maximum number or principal amount of each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer and, if such maximum number or principal amount is not determinable, the reporting issuer must describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities will be determined.

(3) The disclosure prepared by a reporting issuer under subsections (1) and (2) must be prepared as of the latest practicable date.

6.5 Disclosure of Auditor Review of Interim Financial Statements

If a reporting issuer is required under subsection 4.3(3) to disclose that an auditor has not reviewed its interim financial statements, and has not provided this disclosure in its interim financial statements, the reporting issuer must disclose this in its interim MD&A or in its interim MD&A supplement if one is required under section 6.2.

6.6 Approval of MD&A

The MD&A or MD&A supplement required to be filed under this Part must be reviewed by the audit committee, if any, of the board of directors of a reporting issuer and must be approved by the board of directors before being filed.

6.7 Delivery of MD&A

(1) If a registered holder or beneficial owner requests the reporting issuer's MD&A for the financial statements in the request form required under subsection 4.6(1), the reporting issuer must send, without charge, a copy of the requested MD&A and any MD&A supplement by the later of:

(a) the filing deadline for the MD&A requested; and

(b) 10 calendar says after the issuer receives the request.

(2) If a reporting issuer is sending MD&A under this section, the reporting issuer must also send, at the same time, the annual or interim financial statements applicable to the MD&A.

PART 7

MATERIAL CHANGE REPORTS

7.1 Publication of Material Change

(1) Subject to subsection (3), where a material change occurs in the affairs of a reporting issuer, the reporting issuer shall forthwith issue and file a news release authorized by a senior officer disclosing the nature and substance of the change.

(2) Subject to subsection (3), the reporting issuer shall file a Form 51-102F3 *Material Change Report* of such material change, as soon as practicable, and in any event within 10 days of the date on which the change occurs.

(3) Where:

(a) in the opinion of the reporting issuer, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsections (1) and (2) would be unduly detrimental to the interests of the reporting issuer; or

(b) the material change consists of a decision to implement a change made by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors is probable, and senior management of the reporting issuer has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the reporting issuer,

the reporting issuer may, in lieu of compliance with subsection (1), forthwith file the report required under subsection (2) marked so as to indicate that it is confidential, together with written reasons for non-disclosure.

(4) A reporting issuer is not required to issue a news release or file a material change report in Québec if senior management of the reporting issuer has reasonable grounds to believe that disclosure would be seriously prejudicial to the interests of the issuer and that no transaction in the securities of the issuer has been or will be carried out on the basis of the information not generally known. The reporting issuer must comply with subsections (1) and (2) when the circumstances that justify non-disclosure have ceased to exist.

(5) Where a report has been filed under subsection (3), the reporting issuer shall advise the applicable regulator or securities regulatory authority in writing where it believes the report should continue to remain confidential, within 10 days of the date of filing of the initial report and every 10 days thereafter until the material change is generally disclosed in the manner referred to in subsection (1), or, if the material change consists of a decision of the type referred to in paragraph 3(b), until that decision has been rejected by the board of directors of the reporting issuer.

(6) Although a report has been filed under subsection (3), the reporting issuer shall promptly generally disclose the material change in the manner referred to in subsection (1) upon the reporting issuer becoming aware, or having reasonable grounds to believe, that persons or companies are purchasing or selling securities of the reporting issuer with knowledge of the material change that has not been generally disclosed.

PART 8

BUSINESS ACQUISITION REPORT

8.1 Obligation to File a Business Acquisition Report

(1) In addition to any obligations of reporting issuers under Part 7 of this Instrument, if a reporting issuer completes a significant acquisition it must file a business acquisition report within 75 days after the date of acquisition.

(2) In this Part, the term "acquisition" includes an acquisition of an interest in a business accounted for using the equity method as defined in the Handbook or an acquisition of an interest in a joint venture.

(3) In this Part, and in the definition of "acquisition of related businesses" in section 1.1, the term "business" or "businesses" includes an interest in an oil and gas property.

(4) This Part does not apply to a significant acquisition made by the reporting issuer if the reporting issuer has filed an information circular (either of the issuer or of another person or company) that contains the information and financial statements required by section 14.2 of Form 51-102F5 concerning the acquisition of the business or related businesses, provided that:

(a) the date of acquisition is within 9 months from the date of the information circular; and

(b) between the date of the information circular and the date of acquisition there has been no material change in the terms of the significant acquisition from that disclosed in the information circular.

8.2 Determination of Significance

(1) **Significant Acquisitions** - Subject to subsection (3), for the purposes of this Instrument, an acquisition of a business or related businesses is a significant acquisition:

(a) for a reporting issuer other than a venture issuer if the acquisition satisfies any of the three significance tests set out in subsection (2); and

(b) for a venture issuer if the acquisition satisfies either of the significance tests set out in paragraphs (2)(a) or (b) if "20 percent" is read as "40 percent".

(2) **Required Significance Tests** - The significance tests are:

(a) **The Asset Test**. The reporting issuer's proportionate share of the consolidated assets of the business or related businesses exceeds 20 percent of the consolidated assets of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or the related businesses for the most recently completed financial year of each that ended before the date of the acquisition.

(b) **The Investment Test**. The reporting issuer's consolidated investments in and advances to the business or related businesses as at the date of the acquisition exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer ended before the date of the acquisition, excluding any investments in or advances to the business or related businesses as at that date.

(c) **The Income Test**. The reporting issuer's proportionate share of the consolidated income from continuing operations of the business or related businesses exceeds 20 percent of the consolidated income from continuing operations of the reporting issuer calculated using the audited financial statements of each of the reporting issuer and the business or related businesses for the most recently completed financial year of each ended before the date of acquisition.

(3) **Optional Significance Tests** - Despite subsection (1), if an acquisition of a business or related businesses is significant based on the significance tests in subsection (2):

(a) a reporting issuer other than a venture issuer may re-calculate the significance using the optional significance tests in subsection (4); or

(b) a venture issuer may re-calculate the significance using the optional significance tests in paragraphs (4)(a) or (b) if "20 percent" is read as "40 percent".

(4) The optional significance tests are:

(a) **The Asset Test**. The reporting issuer's proportionate share of the consolidated assets of the business or related businesses, as at the last day of the reporting issuer's most recently completed interim period exceeds 20 percent of the consolidated assets of the reporting issuer, as at the last day of the reporting issuer's most recently completed interim period, without giving effect to the acquisition.

(b) **The Investment Test**. The reporting issuer's consolidated investments in and advances to the business or related businesses as at the date of the acquisition exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed interim period of the reporting issuer ended before the date of the acquisition, excluding any investments in or advances to the business or related businesses as at that date.

(c) **The Income Test**. The income from continuing operations calculated under the following clause (i) exceeds 20 percent of the income from continuing operations calculated under the following clause (ii):

(i) The reporting issuer's proportionate share of the consolidated income from continuing operations of the business or related businesses for the later of:

(A) the most recently completed financial year of the business or related businesses, or

(B) the 12 months ended on the last day of the most recently completed interim period of the business or related businesses.

(ii) The reporting issuer's consolidated income from continuing operations for the later of:

(A) the most recently completed financial year, without giving effect to the acquisition, or

(B) the 12 months ended on the last day of the most recently completed interim period of the reporting issuer, without giving effect to the acquisition.

(5) If a reporting issuer re-calculates the significance of an acquisition of a business or of related businesses under subsection (4) and none of the significance tests in that subsection is met, the acquisition is not a significant acquisition for purposes of this Instrument.

(6) Despite subsection (3), the significance of an acquisition of a business or related businesses may be re-calculated using financial statements for periods that ended subsequent to the date of acquisition only if, subsequent to the date of acquisition, the business or related businesses remained substantially intact, were not significantly reorganized, and no significant assets or liabilities were transferred to other entities.

(7) **Application of the Income Test if a Loss Occurred** - For the purposes of paragraphs (2)(c) and (4)(c), if any of the reporting issuer, the business or the related businesses has incurred a loss, the significance test must be applied using the absolute value of the loss.

(8) **Application of the Income Test if Lower Than Average Income for the Most Recent Year** - For the purposes of paragraphs (2)(c) and clause (4)(c)(ii)(A), if the reporting issuer's consolidated income from continuing operations for the most recently completed financial year was:

(a) positive; and

(b) lower by 20 percent or more than the average consolidated income from continuing operations of the reporting issuer for the three most recently completed financial years,

then the average consolidated income for the three most recently completed financial years may, subject to subsection (10), be substituted in determining whether the significance test set out in paragraph (2)(c) or (4)(c) is satisfied.

(9) **Application of the Optional Income Test if Lower Than Average Income for the Most Recent Year** - For the purpose of clause (4)(c)(ii)(B) if the reporting issuer's consolidated income from continuing operations for the most recently completed 12-month period was:

(a) positive; and

(b) lower by 20 percent or more than the average consolidated income from continuing operations of the reporting issuer for the three most recently completed 12-month periods,

then the average consolidated income for the three most recently completed 12-month periods may, subject to subsection (10), be substituted in determining whether the significance test set out in paragraph (4)(c) is satisfied.

(10) **Lower than Average Income of the Issuer if a Loss Occurred** - If the reporting issuer's consolidated income from continuing operations for either of the two earlier financial periods referred to in subsections (8) and (9) is a loss, the reporting issuer's income from continuing operations for that period is considered to be zero for the purposes of calculating the average consolidated income for the three financial periods.

(11) **Application of Significance Tests – Step-By-Step Acquisitions** - If a reporting issuer has made a "step-by-step" purchase as described in the Handbook such that it increases its investment in a business, then for the purposes of applying subsections (2) and (4):

(a) if the initial investment and one or more incremental investments were made during the same financial year, the investments must be aggregated and tested on a combined basis;

(b) if one or more incremental investments were made in a financial year subsequent to the financial year in which an initial or incremental investment was made and the initial or previous incremental investments are reflected in audited annual financial statements of the reporting issuer previously filed, then the reporting issuer must apply the significance tests on a combined basis to the incremental investments not reflected in audited financial statements of the reporting issuer previously filed; and

(c) if one or more incremental investments were made in a financial year subsequent to the financial year in which the initial investment was made and the initial investment is not reflected in audited annual financial statements of the issuer previously filed, then the reporting issuer must apply the significance tests to the initial and incremental investments on a combined basis.

(12) **Application of Significance Tests** – Related Businesses - In determining whether an acquisition of related businesses is a significant acquisition, related businesses acquired after the ending date of the most recently filed annual audited financial statements of the reporting issuer must be considered on a combined basis.

(13) **Application of Significance Tests** – Accounting Principles and Currency - For the purposes of the significance tests in subsections (2) and (4), financial statements of the business or related businesses must be reconciled to the

accounting principles used to prepare the reporting issuer's financial statements and translated into the same reporting currency.

(14) **Application** of Significance Tests – Use of Unaudited Financial Statements - Despite subsections (2) and (4), the significance of an acquisition of a business or related businesses may be calculated using unaudited financial statements of the business or related businesses that comply with subsection 6.1(1) of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* if the financial statements of the business or related businesses for the most recently completed financial year have not been audited.

8.3 Financial Statement Disclosure for Significant Acquisitions

(1) **Annual Financial Statements** - If an acquisition of a business or related businesses is a significant acquisition under subsections 8.2(1) or 8.2(3), subject to sections 8.5 through 8.9, a business acquisition report must include the following financial statements of each business or related businesses:

(a) an income statement, a statement of retained earnings and a cash flow statement for the periods specified in section 8.4;

(b) a balance sheet as at the date on which each of the periods specified in section 8.4 ended;

(c) notes to the financial statements; and

(d) an auditor's report on the financial statements for each of the periods specified in section 8.4.

(2) **Interim Financial Statements** - Subject to sections 8.5 through 8.9, if a reporting issuer must include financial statements in a business acquisition report under subsection (1), the business acquisition report must include interim financial statements for:

(a) either:

(i) the most recently completed interim period of the business that started the day after the balance sheet date specified in paragraph (1)(b) and ended before the date of acquisition; or

(ii) the period that started the day after the balance sheet date specified in paragraph (1)(b) and ended on a day that is more recent than the ending date of the period in paragraph (i) and is not later than the date of acquisition; and

(b) the comparable period in the preceding financial year of the business.

(3) **Pro Forma Financial Statements** -

(a) If a reporting issuer must include financial statements in a business acquisition report under subsection (1) or (2), the business acquisition report must include:

(i) a pro forma balance sheet of the reporting issuer as at the date of the reporting issuer's most recent balance sheet filed that gives effect, as if they had taken place as at the date of the pro forma balance sheet, to significant acquisitions that have been completed, but are not reflected in the reporting issuer's most recent annual or interim balance sheet;

(ii) a pro forma income statement of the reporting issuer that gives effect to significant acquisitions completed after the ending date of the reporting issuer's most recently completed financial year for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year, for each of the following financial periods:

(A) the reporting issuer's most recently completed financial year for which financial statements are required to have been filed; and

(B) the reporting issuer's most recently completed interim period that ended after the period in clause (A) for which financial statements are required to have been filed;

(iii) pro forma earnings per share based on the pro forma financial statements referred to in clause (ii);

(iv) a compilation report accompanying the pro forma financial statements required under clauses (i) and (ii) signed by the reporting issuer's auditor and prepared in accordance with the Handbook;

(b) where a reporting issuer must include pro forma financial statements under paragraph (a), the following provisions apply:

(i) if the pro forma financial statements give effect to more than one significant acquisition, the pro forma financial statement must separately identify each significant acquisition;

(ii) the reporting issuer must include in the pro forma financial statements a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;

(iii) if the financial year-end of the business differs from the reporting issuer's year-end by more than 93 days, then for purposes of preparing the pro forma income statement for the reporting issuer's most recently completed financial year, an income statement of the business must be constructed for a period of 12 consecutive months ending no more than 93 days before or after the reporting issuer's year-end, by adding the results for a subsequent interim period to a completed financial year of the business and deducting the comparable interim results for the immediately preceding year;

(iv) an audit report is not required for a constructed period referred to in clause (iii);

(v) where a constructed period is required under clause (iii), the pro forma financial statements must clearly disclose the constructed period on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro formas and do not conform with the financial statements for the business included elsewhere in the business acquisition report;

(vi) if a reporting issuer is required to prepare a pro forma income statement for an interim period required by clause (3)(a)(ii)(B), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, a note to the pro forma financial statements must disclose the revenue, expenses, gross profit and income from continuing operations included in each pro forma income statement for the overlapping period.

(4) **Financial Statements of Related Businesses** - If a reporting issuer is required under subsection (1) to include financial statements for more than one business because the significant acquisition involves an acquisition of related businesses, the financial statements required under subsection (1) must be presented separately for each business, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

8.4 Reporting Periods

(1) **Reporting Issuers that are not Venture Issuers** - The periods for which the financial statements are required under subsection 8.3(1) for a reporting issuer that is not a venture issuer as at the date of acquisition must be determined by reference to the significance tests set out in subsections 8.2(2) and 8.2(4) as follows:

(a) Acquisitions significant between 20 percent and 40 percent - If none of the significance tests is satisfied if "20 percent" is read as "40 percent", financial statements must be included for:

(i) the most recently completed financial year of the business ended more than 45 days before the date of acquisition; or

(ii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

(b) Acquisitions significant over 40 percent - If any of the significance tests are satisfied if "20 percent" is read as "40 percent" financial statements must be included for:

(i) each of the two most recently completed financial years of the business ended more than 45 days before the date of acquisition;

(ii) if the business has not completed two financial years, any completed financial year ended more than 45 days before the date of acquisition; or

(iii) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, a financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

(2) **Venture Issuers** - The periods for which the financial statements are required under subsection 8.3(1) for a reporting issuer that is a venture issuer as at the date of acquisition are as follows:

(a) the most recently completed financial year of the business ended more than 45 days before the date of acquisition; or

(b) if the business has not completed one financial year, or the business has completed its first financial year that ended 45 or fewer days before the date of acquisition, the financial period commencing on the date of formation and ending on a date not more than 45 days before the date of acquisition.

8.5 Exemption from Disclosure Requirements for Significant Acquisitions Accounted for Using the Equity Method

A reporting issuer is exempt from the requirements in section 8.3 if:

(a) the acquisition is, or will be, an investment accounted for using the equity method, as that term is defined in the Handbook;

(b) the business acquisition report includes disclosure for the periods for which financial statements are otherwise required under subsection 8.3(1) that:

(i) summarizes information as to the assets, liabilities and results of operations of the business; and

(ii) describes the reporting issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the reporting issuer's share of earnings;

(c) the financial information provided under paragraph (b) for any completed financial year:

(i) has been derived from audited financial statements of the business; or

(ii) has been audited; and

(d) the business acquisition report:

(i) identifies the financial statements referred to in clause (c)(i) from which the disclosure provided under paragraph (b) has been derived; or

(ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and

(iii) discloses that the audit opinion with respect to the financial statements referred to in clause (i), or the financial information referred to in clause (ii), was issued without a reservation.

8.6 Exemptions from Disclosure Requirements for Significant Acquisitions if More Recent Statements Included

(1) If under paragraph 8.4(1)(b) a reporting issuer is required to provide financial statements of a business for two completed financial years, a reporting issuer may omit the financial statements for the oldest financial year, if audited financial statements of the business are included for a financial year ended 45 days or less before the date of acquisition.

(2) If under paragraph 8.4(1)(b) a reporting issuer is required to provide financial statements of a business for two completed financial years, a reporting issuer may omit the financial statements for the oldest financial year if:

(a) audited financial statements are included in the business acquisition report for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under paragraph 8.4(1)(b);

(b) the business is not seasonal; and

(c) the reporting issuer has not included audited financial statements in the business acquisition report for a period of less than 12 months using the exemption set out in section 8.7.

(3) A reporting issuer is exempt from the requirement in subsection 8.3(2) to provide interim financial statements if the reporting issuer includes annual audited or unaudited financial statements of the business for a financial year ended 45 days or less before the date of acquisition.

8.7 Exemption from Disclosure Requirements for Significant Acquisitions if Financial Year End Changed

If under section 8.4 a reporting issuer is required to provide financial statements of a business acquired for two completed financial years and the business changed its financial year end during either of the financial years required to be included, the reporting issuer may include financial statements for the transition period in satisfaction of the financial statements for one of the years, provided that the transition period is at least nine months.

8.8 Exemption from Comparatives if Financial Statements Not Previously Prepared

A reporting issuer is not required to provide comparative information for interim financial statements required under subsection 8.3(2) for the business acquired if:

(a) it is impracticable to present prior-period information on a basis consistent with the most recently completed interim period of the acquired business;

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial statements disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

8.9 Exemption for Acquisition of an Interest in an Oil and Gas Property

A reporting issuer is exempt from the requirements in section 8.3 if:

(a) the significant acquisition is:

(i) an acquisition of a business that is an interest in an oil and gas property; or

(ii) an acquisition of related businesses that are interests in oil and gas properties;

(b) the reporting issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required under this Part because those financial statements do not exist or because the reporting issuer does not have access to those financial statements;

(c) the acquisition does not constitute a reverse takeover;

(d) the business or related businesses did not, immediately before the time of completion of the acquisition, constitute a "reportable segment" of the vendor, as defined in the Handbook;

(e) in respect of the business or related businesses, for each of the financial years for which financial statements would, but for this section, be required under section 8.4, the business acquisition report includes:

(i) an operating statement, accompanied by a report of an auditor, presenting for the business or related businesses at least the following:

(A) gross revenue;

(B) royalty expenses;

(C) production costs; and

(D) operating income;

(ii) a description of the property or properties and the interest acquired by the reporting issuer; and

(iii) disclosure of the annual oil and gas production volumes from the business or related businesses; and

(f) the business acquisition report discloses:

(i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the reporting issuer or to the vendor of the person who prepared the estimates; and

(ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under clause (f)(i).

8.10 Exemption for Step-By-Step Acquisitions

Despite section 8.4, a reporting issuer is exempt from the requirements to file financial statements, other than pro forma financial statements, in a business acquisition report if the reporting issuer has made a step-by-step acquisition and the acquired business has been consolidated in the reporting issuer's most recent annual financial statements that have been filed.

PART 9

PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 Sending of Proxies and Information Circulars

(1) If management of a reporting issuer gives or intends to give notice of a meeting to its registered holders of voting securities management must, at the same time as or before giving that notice, send to each registered holder of voting securities who is entitled to notice of the meeting a form of proxy for use at the meeting.

(2) Subsection (1) applies, adapted as required, to a meeting of holders of debt securities of a reporting issuer in Québec, whether called by management of the reporting issuer or by the trustee of the debt securities.

(3) Subject to section 9.2, a person or company that solicits proxies from registered holders of voting securities of a reporting issuer must:

(a) in the case of a solicitation by or on behalf of management of a reporting issuer, send with the notice of meeting to each registered securityholder whose proxy is solicited an information circular; or

(b) in the case of any other solicitation, concurrently with or before the solicitation, send an information circular to each registered securityholder whose proxy is solicited.

9.2 Exemptions

(1) Subsection 9.1(3) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(2) Paragraph 9.1(3)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.

(3) For the purposes of subsection (2) and notwithstanding the provisions in Québec, two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

9.3 Filing of Information Circulars and Proxy-Related Material

Every person or company that is required under this Instrument to send an information circular or form of proxy to registered securityholders of a reporting issuer must promptly file a copy of the information circular, form of proxy and all other material required to be sent by the person or company in connection with the meeting to which the information circular or form of proxy relates.

9.4 Content of Form of Proxy

(1) Every form of proxy sent or delivered to securityholders of a reporting issuer by a person or company soliciting proxies must indicate in bold-face type whether or not the proxy is solicited by or on behalf of the management of the reporting

issuer, provide a specifically designated blank space for dating the form of proxy and specify the meeting in respect of which the proxy is solicited.

(2) Either an information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must:

(a) indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company if any, designated in the form of proxy; and

(b) contain instructions as to the manner in which the securityholder may exercise the right referred to in paragraph (a).

(3) If a form of proxy sent to securityholders of a reporting issuer contains a designation of a named person or company as nominee, it must provide an option for the securityholder to designate in the form of proxy some other person or company as the securityholder's nominee.

(4) A form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors.

(5) A form of proxy of a reporting issuer may confer discretionary authority with respect to each matter referred to in subsection (4) as to which a choice is not so specified if the form of proxy or the information circular states in bold-face type how the securities represented by the proxy will be voted in respect of each matter or group of related matters.

(6) A form of proxy must provide an option for the securityholder to specify that the securities registered in the name of the securityholder must be voted or withheld from voting in respect of the appointment of an auditor or the election of directors.

(7) Either an information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must state that:

(a) the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for; and

(b) if the securityholder specifies a choice under subsection (4) or (6) with respect to any matter to be acted upon, the securities will be voted accordingly.

(8) A form of proxy of a reporting issuer may confer discretionary authority with respect to:

(a) amendments or variations to matters identified in the notice of meeting; and

(b) other matters which may properly come before the meeting;

if,

(c) the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time prior to the time the solicitation is made that any such amendments, variations or other matters are to be presented for action at the meeting; and

(d) a specific statement is made in the information circular or in the form of proxy that the proxy is conferring such discretionary authority.

(9) No form of proxy of a reporting issuer may confer authority to vote:

(a) for the election of any person as a director of a reporting issuer unless a bona fide proposed nominee for such election is named in the information circular; or

(b) at any meeting other than the meeting specified in the notice of meeting or any adjournment thereof.

PART 10

RESTRICTED SHARE DISCLOSURE REQUIREMENTS

10.1 Content and Dissemination of Disclosure Documentation

(1) Except as otherwise provided in this Instrument, if a reporting issuer has outstanding restricted shares, or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted shares or subject securities, each document referred to in subsection (2) must:

(a) refer to restricted shares using a term that includes the appropriate restricted share term;

(b) not refer to shares by a term that includes "common", or "preference" or "preferred", unless the shares are common shares or preference shares, respectively;

(c) describe any restrictions on the voting rights of restricted shares;

(d) describe the rights to participate, if any, of holders of restricted shares if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares;

(e) state the percentage of the aggregate voting rights attached to the reporting issuer's securities that are represented by the class of restricted shares; and

(f) if holders of restricted shares have no right to participate if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted shares, contain a statement to that effect in bold-face type.

(2) Subsection (1) applies to the following documents except as provided in subsections (3) and (8):

(a) an information circular;

(b) a document required by this Instrument to be delivered upon request by a reporting issuer to any of its securityholders; and

(c) an AIF prepared by a reporting issuer.

(3) Despite subsection (2), annual financial statements, interim financial statements and MD&A or other accompanying discussion by management of those financial statements are not required to include the details referred to in paragraphs (1)(c), (d) and (f).

(4) Each reference to restricted shares in any document not referred to in subsection (2) that a reporting issuer sends to its securityholders must include the appropriate restricted share term.

(5) A reporting issuer must not refer, in any of the documents described in subsection (4), to shares by a term that includes "common" or "preference" or "preferred", unless the shares are common shares or preference shares, respectively.

(6) If a reporting issuer sends a document to all holders of any class of its equity shares the document must also be sent by the reporting issuer at the same time to the holders of its restricted shares.

(7) A reporting issuer that is required by this Instrument to arrange for, or voluntarily makes arrangements for, delivery of the documents referred to in subsection (6) to the beneficial owners of any shares of a class of equity shares registered in the name of a registrant, must make similar arrangements for delivery of the documents to the beneficial owners of shares of a class of restricted shares registered in the name of a registrant.

(8) Despite paragraph (1)(b) and subsection (5), a reporting issuer may, in one place only in a document referred to in subsection (2) or (4), describe the restricted shares by the term used in the constating documents of the reporting issuer, to the extent that term differs from the appropriate restricted share term, if the description is not on the front page of the document and is in the same type face and type size as that used generally in the document.

10.2 Exemptions for Certain Reporting Issuers

(1) The provisions of section 10.1 do not apply to:

(a) shares that carry a right to vote subject to a restriction on the number or percentage of shares that may be voted or owned by persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians, but only to the extent of the restriction; and

(b) shares that are subject to a restriction, imposed by any law governing the reporting issuer, on the level of ownership of the shares by any person, company or combination of persons or companies, but only to the extent of the restriction.

PART 11

ADDITIONAL FILING REQUIREMENTS

11.1 Additional Filing Requirements

(1) A reporting issuer must file a copy of any material:

(a) that it sends to more than 50% of the securityholders of a class of securities held by more than 50 securityholders; or

(b) in the case of an SEC issuer, that it files with or furnishes to the SEC, including material filed as exhibits to other documents, if the material contains information that has not been included in disclosure already filed in a jurisdiction by the SEC issuer.

(2) A reporting issuer must file the material referred to in subsection (1) on the same date as, or as soon as practicable after, the earlier of:

(a) the date on which the reporting issuer sends the material to its securityholders; or

(b) the date on which the reporting issuer files or furnishes the material to the SEC.

11.2 Change of Status Report

A reporting issuer must file a notice promptly after the occurrence of either of the following:

(a) the reporting issuer becomes a venture issuer; or

(b) the reporting issuer ceases to be a venture issuer.

11.3 Voting Results

A reporting issuer that is not a venture issuer must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon:

(a) a brief description of the matter voted upon and the outcome of the vote; and

(b) if the vote was conducted by ballot, the number or percentage of votes cast (which includes votes cast both in person and by proxy) for, against or withheld from each such vote.

11.4 Financial Information

A reporting issuer must file a copy of any news release issued by it that discloses information regarding its results of operations or financial condition for a financial year or interim period.

PART 12

FILING OF MATERIAL DOCUMENTS

12.1 Filing of Certain Material Documents

(1) Unless previously filed, a reporting issuer must file copies of the following documents, and any amendments to the following documents:

(a) articles of incorporation, amalgamation, continuation or any other constating or establishing documents of the issuer;

(b) by-laws or other corresponding instruments currently in effect;

(c) any shareholder or voting trust agreements that can reasonably be regarded as material to an investor in securities of the reporting issuer;

(d) any shareholders' rights plans or other similar plans; and

(e) any other contracts including indentures, excluding contracts entered into in the ordinary course of business, of the issuer or a subsidiary of the issuer that create or materially affect the rights or obligations of securityholders where the class of security is held by more than 50 securityholders, if those contracts can reasonably be regarded as material to an investor in securities of the reporting issuer.

(2) The documents required in subsection (1) must be filed:

(a) either:

(i) as an attachment to the reporting issuer's AIF required to be filed under section 5.1, if the document was made or adopted prior to the date of the issuer's AIF; or

(ii) if the reporting issuer is not required to file an AIF under section 5.1, as a separate filing to be made within 120 days after the end of the issuer's most recently completed financial year, if the document was made or adopted prior to the end of the issuer's most recently completed financial year; and

(b) as an attachment to the reporting issuer's material change report in Form 51-102F3 if the making of the document constitutes a material change for the issuer.

PART 13

EXEMPTIONS

13.1 Exemptions from this Instrument

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

13.2 Existing Exemptions

(1) A reporting issuer that was eligible to rely on an exemption, waiver or approval granted to it by a regulator or securities regulatory authority relating to continuous disclosure requirements of securities legislation or securities directions existing immediately before this Instrument came into force is entitled to rely upon such exemption, waiver or approval from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the earlier exemption, waiver or approval.

(2) A reporting issuer must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of:

(a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and

(b) the requirement under prior securities legislation or securities directions in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

13.3 Exemption for Certain Exchangeable Security Issuers

(1) In this section:

"designated exchangeable security" means an exchangeable security which provides the holder of such security with economic and voting rights which are, as nearly as practicable (except for tax implications), equivalent to those provided by the underlying security;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase, or of the parent issuer to cause the purchase of, an underlying security;

"exchangeable security issuer" means an issuer of exchangeable securities;

"parent issuer" in relation to an exchangeable security issuer means the issuer of the underlying securities; and

"underlying security" means a security of a parent issuer issued or transferred, or to be issued or transferred, on the exchange of an exchangeable security.

(2) The requirements of this Instrument do not apply to an exchangeable security issuer so long as:

(a) the parent issuer is the direct or indirect beneficial owner of all the issued and outstanding voting securities of the exchangeable security issuer;

(b) the parent issuer:

(i) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(ii) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America;

(c) the exchangeable security issuer does not issue any securities, other than:

(i) designated exchangeable securities;

(ii) securities issued to the parent issuer; or

(iii) debt securities issued to the parent issuer or to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions;

(d) the exchangeable security issuer files copies of all documents the parent issuer is required to file with the SEC, concurrently with such filing by the parent issuer;

(e) the exchangeable security issuer concurrently sends, or causes to be concurrently sent, to all holders of designated exchangeable securities, in the manner and at the time required by U.S. federal securities laws and any marketplace on which securities of the parent issuer are listed or quoted, all disclosure materials that are sent to holders of the underlying securities;

(f) the parent issuer is in compliance with the requirements of U.S. federal securities laws and any marketplace on which the securities of the parent issuer are listed or quoted in respect of making public disclosure of material information on a timely basis and immediately issues in Canada and files any press release that discloses a material change in its affairs;

(g) the exchangeable security issuer issues in Canada a press release and files a material change report in accordance with Part 7 of this Instrument for all material changes in respect of the affairs of the exchangeable security issuer that are not also material changes in the affairs of its parent issuer; and

(h) the parent issuer includes in all mailings of proxy solicitation materials to holders of designated exchangeable securities a clear and concise statement explaining the reason for the mailed material relating solely to the parent issuer and the statement indicates that the designated exchangeable securities are the economic equivalent to the underlying securities and describes the voting rights associated with the designated exchangeable securities.

(3) The insider reporting requirement and the requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders* will not apply to any insider of an exchangeable security issuer in respect of securities of the exchangeable security issuer so long as:

(a) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning the parent issuer before the material facts or material changes are generally disclosed;

(b) the insider is not an insider of the parent issuer in any capacity other than by virtue of being an insider of the exchangeable security issuer;

(c) the parent issuer is the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the exchangeable security issuer;

(d) the parent issuer:

(i) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(ii) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America; and

(e) the exchangeable security issuer does not issue any securities, other than:

(i) designated exchangeable securities;

(ii) securities issued to the parent issuer; or

(iii) debt securities issued to the parent issuer or to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions.

PART 14
EFFECTIVE DATE AND TRANSITION

14.1 Effective Date

This Instrument comes into force on •, 2004.

14.2 Transition

Unless otherwise stated, the provisions of this Instrument concerning:

(a) annual financial statements and MD&A, apply for financial years beginning on or after •, 2004[2];

(b) interim financial statements and MD&A, apply for interim periods in financial years beginning on or after •, 2004;

(c) AIFs, apply in respect of financial years beginning on or after •, 2004;

(d) all other disclosure obligations under this Instrument, apply from and after •, 2004; and

(e) business acquisition reports, apply to significant acquisitions if the initial legally binding agreement relating to the acquisition was entered into on or after •, 2004.

2 The date this Instrument is expected to become effective.

FORM 51-102F1

ANNUAL INFORMATION FORM

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FORM 51-102F1

ANNUAL INFORMATION FORM

Part 1 – General Instructions and Interpretation

(a) What is an AIF?

An AIF (annual information form) is required to be filed annually by certain companies under Part 5 of National Instrument 51-102. An AIF is a disclosure document intended to provide material information about your company and its business up to a point in time. This disclosure is supplemented throughout the year by subsequent continuous disclosure filings including press releases, material change reports, business acquisition reports, financial statements and management discussion and analysis. Your AIF describes your company, its operations and prospects, risks and other external factors that impact your company specifically.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Focus on Material Information

Focus your AIF on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material. However, you must disclose all corporate and individual cease trade orders, bankruptcies, penalties and sanctions in accordance with Item 10 of this Form.

(d) What is Material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(e) Incorporating Information by Reference

You may incorporate information in your AIF by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your AIF. Unless the referenced document or excerpt has already been filed, you must file it with your AIF. You must also disclose that the document is on SEDAR at www.sedar.com.

(f) Date of Information

Unless otherwise specified in this Form, the information in your AIF must be presented as at the last day of your company's most recently completed financial year. For information presented as at any date other than the last day of your company's most recently completed financial year, specify the relevant date in the disclosure.

Your AIF should be current such that it will not be misleading when filed.

(g) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(h) Plain Language

Write the AIF so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(i) Special Purpose Vehicles

If your company is a special purpose vehicle, you may have to modify the disclosure items in this Form to reflect the special purpose nature of your company's business.

(j) Numbering and Headings

The numbering, headings and ordering of items included in this Form are intended as guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(k) Include Subsidiaries and Investees

All references to your company in Items 4, 5, 6, 12, 13, 15 and 16 of this Form apply to both your company, its subsidiaries and investees.

(l) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

Part 2 – Content of AIF

Item 1: Cover Page

1.1 Date

Specify the date of your AIF. The date must be no earlier than the date of the auditor's report on the financial statements for your company's most recently completed financial year.

You must file your AIF within 10 days of the date of the AIF.

1.2 Revisions

If you revise your company's AIF after you have filed it, identify the revised version as a "revised AIF".

Item 2: Table of Contents

2.1 Table of Contents

Include a table of contents.

Item 3: Corporate Structure

3.1 Name, Address and Incorporation

(1) State your company's full corporate name or, if your company is an unincorporated entity, the full name under which it exists and carries on business, and the address(es) of your company's head and registered office.

(2) State the statute under which your company is incorporated, continued or organized or, if your company is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of your company.

3.2 Intercorporate Relationships

Describe, by way of a diagram or otherwise, the intercorporate relationships among your company and its subsidiaries. For each subsidiary state:

(a) the percentage of votes attaching to all voting securities of the subsidiary that are beneficially owned, controlled or directed, by your company;

(b) the percentage of each class of restricted shares of the subsidiary that is beneficially owned, controlled or directed, by your company; and

(c) where it was incorporated or continued.

INSTRUCTION

You may omit a particular subsidiary if, at the most recent financial year-end of your company,

(i) the total assets of the subsidiary do not exceed 10 per cent of the consolidated assets of your company;

(ii) the sales and operating revenues of the subsidiary do not exceed 10 per cent of the consolidated sales and operating revenues of your company; and

(iii) the conditions in paragraphs (i) and (ii) would be satisfied if you

(A) aggregated the subsidiaries that may be omitted under paragraphs (i) and (ii), and

(B) changed the reference in those paragraphs from 10 per cent to 20 per cent.

Item 4: General Development of the Business

4.1 Three Year History

Describe how your company's business has developed over the last three completed financial years. Include only events, such as acquisitions or dispositions, or conditions that have influenced the general development of the business. If your company produces or distributes more than one product or provides more than one kind of service, describe the products or services. Also discuss changes in your company's business that you expect will occur during the current financial year.

4.2 Significant Acquisitions

(1) **General** - Disclose

(a) any significant acquisition completed by your company during its most recently completed financial year for which financial statement disclosure is required under Part 8 of National Instrument 51-102, other than significant acquisitions for which your company has already filed a Form 51-102F4; and

(b) by cross-reference, any Forms 51-102F4 filed by your company since you filed your previous AIF.

(2) **Details** - Under subsection (1) include particulars of

(a) the nature of the assets acquired;

(b) the date of each significant acquisition;

(c) the consideration, both monetary and non-monetary, paid or to be paid by your company;

(d) how the significant acquisition will impact the operating results and financial position of your company;

(e) any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian marketplace to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used; and

(f) whether the transaction is with an informed person, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

Item 5: Describe the Business

5.1 General

(1) Describe the business of your company and its operating segments that are reportable segments as those terms are used in the Handbook. For each reportable segment include:

(a) **Summary** - For products or services,

(i) their principal markets;

(ii) distribution methods;

(iii) for each of the two most recently completed financial years, as dollar amounts or as percentages, the revenues for each category of products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from

A. sales to customers, other than investees, outside the consolidated entity,

B. sales or transfers to investees, and

C. sales or transfers to controlling shareholders;

(iv) if not fully developed, the stage of development of the products or services and, if the products are not at the commercial production stage

A. the timing and stage of research and development programs;

B. whether your company is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and

C. the additional steps required to reach commercial production and an estimate of costs and timing.

(b) **Production and Services** – The actual or proposed method of production and, if your company provides services, the actual or proposed method of providing services.

(c) **Leases or Mortgages** – A description of the payment terms, expiration dates and terms of any renewal options of any leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is not at arm's length with your company.

(d) **Specialized Skill and Knowledge** – A description of any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to your company.

(e) **Competitive Conditions** – The competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position.

(f) **New Products** – If you have publicly announced the introduction of a new product, the status of the product.

(g) **Components** – The sources, pricing and availability of raw materials, component parts or finished products.

(h) **Intangible Properties** – The importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks.

(i) **Cycles** – The extent to which the business of the segment is cyclical or seasonal.

(j) **Economic Dependence** – A description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements of goods, services or raw materials or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends.

(k) **Changes to Contracts** – A description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

(l) **Environmental Protection** – The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of your company in the current financial year and the expected effect in future years.

(m) **Employees** – The number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful in order to understand the business.

(n) **Foreign Operations** – Describe the dependence of your company and any segment upon foreign operations.

(o) **Lending** – With respect to your company's lending operations, disclose the investment policies and lending and investment restrictions.

(2) **Bankruptcy, etc.** - Disclose the nature and results of any bankruptcy, receivership or similar proceedings against your company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by your company or any of its subsidiaries, within the three most recently completed financial years and up to the date of the AIF.

(3) **Reorganizations** - Disclose the nature and results of any material reorganization of your company or any of its subsidiaries within the three most recently completed financial years or proposed for the current financial year.

(4) **Social and Environmental Policies** – Describe your company's social and environmental policies and the steps your company is taking to implement them.

5.2 Risk Factors

Disclose risk factors relating to your company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by your company, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be most likely to influence an investor's decision to purchase securities of your company. Risks should be disclosed in the order of their seriousness. If there is a risk that securityholders of your company may become liable to make an additional contribution beyond the price of the security, disclose that risk.

5.3 Companies with Asset-backed Securities Outstanding

If your company had asset-backed securities outstanding that were distributed under a prospectus, disclose:

(1) **Payment Factors** - A description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities.

(2) **Underlying Pool of Assets** - For the three most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, information on the underlying pool of financial assets relating to

(a) the composition of the pool as of the end of each financial year or partial period;

(b) income and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(c) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(d) servicing and other administrative fees; and

(e) any significant variances experienced in the matters referred to in paragraphs (a), (b), (c), or (d).

(3) **Investment Parameters** - The investment parameters applicable to investments of any cash flow surpluses.

(4) **Payment History** - The amount of payments made during the three most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of your company outstanding.

(5) **Acceleration Event** - The occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities.

(6) **Principal Obligors** - The identity of any principal obligors for the outstanding asset-backed securities of your company, the percentage of the underlying pool of financial assets represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K, Form 10-KSB or Form 20-F in the United States.

INSTRUCTIONS

(i) Present the information requested under subsection (2) in a manner that enables a reader to easily determine the status of the events, covenants, standards and preconditions referred to in subsection (1).

(ii) If the information required under subsection (2)

(A) is not compiled specifically on the underlying pool of financial assets, but is compiled on a larger pool of the same assets from which the securitized assets are randomly selected such that the performance of the larger pool is representative of the performance of the pool of securitized assets, or

(B) in the case of a new company, where the underlying pool of financial assets will be randomly selected from a larger pool of the same assets such that the performance of the larger pool will be representative of the performance of the pool of securitized assets to be created,

then a company may comply with subsection (2) by providing the information required based on the larger pool and disclosing that it has done so.

5.4 Companies With Mineral Projects

For companies with a mineral project, disclose the following information for each property material to your company:

(1) **Property Description and Location**

(a) The area (in hectares or other appropriate units) and the location of the property.

(b) The nature and extent of your company's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.

(c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.

(d) All environmental liabilities to which the property is subject.

(e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailing ponds, waste deposits and important natural features and improvements.

(f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and if the permits have been obtained.

(2) **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

(a) The means of access to the property.

(b) The proximity of the property to a population centre and the nature of transport.

(c) To the extent relevant to the mining project, the climate and length of the operating season.

(d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites.

(e) The topography, elevation and vegetation.

(3) **History**

(a) The prior ownership and development of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.

(b) If your company acquired a property within the three most recently completed financial years or during the current financial year from, or intends to acquire a property from, an informed person or promoter of your

company or an associate or affiliate of an informed person or promoter, the name and address of the vendor, the relationship of the vendor to your company, and the consideration paid or intended to be paid to the vendor.

(c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in paragraph (b).

(4) **Geological Setting** - The regional, local and property geology.

(5) **Exploration** - The nature and extent of all exploration work conducted by, or on behalf of, your company on the property, including

(a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;

(b) an interpretation of the exploration information;

(c) whether the surveys and investigations have been carried out by your company or a contractor and if by a contractor, the name of the contractor; and

(d) a discussion of the reliability or uncertainty of the data obtained in the program.

(6) **Mineralization** - The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.

(7) **Drilling** - The type and extent of drilling, including the procedures followed and an interpretation of all results.

(8) **Sampling and Analysis** - The sampling and assaying including

(a) description of sampling methods and the location, number, type, nature, spacing or density of samples collected;

(b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;

(c) a discussion of the sample quality and whether the samples are representative and of any factors that may have resulted in sample biases;

(d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and

(e) quality control measures and data verification procedures.

(9) **Security of Samples** - The measures taken to ensure the validity and integrity of samples taken.

(10) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including

(a) the quantity and grade or quality of each category of mineral resources and mineral reserves;

(b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and

(c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.

(11) **Mining Operations** - For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.

(12) **Exploration and Development** - A description of your company's current and contemplated exploration or development activities.

INSTRUCTIONS

(i) Disclosure regarding mineral exploration development or production activities on material properties must comply with and is subject to the limitations set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects. You must use the appropriate terminology to describe mineral reserves and mineral resources. You must base your disclosure on a technical report, or other information, prepared by or under the supervision of a qualified person.

(ii) In giving the information required under section 5.4 include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.

5.5 Companies with Oil and Gas Activities

If your company is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) or in extracting hydrocarbons from shale, tar sands or coal, disclose the following information:

(1) **Reserves Data and Other Information**

(a) In the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial year, disclose that information as at your company's most recently completed financial year-end.

(b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for the most recently completed financial year for which MD&A is provided.

(c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of National Instrument 51-101 in respect of material changes that occurred after your company's most recently completed financial year-end.

(2) **Report of Qualified Independent Evaluator** - Include with the disclosure under subsection (1) the report of a qualified evaluator, referred to in Item 2 of section 5.1 of National Instrument 51-101, on the reserves data included in the disclosure required under paragraph (1)(a) above.

(3) **Report of Management** - Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* that refers to the information disclosed under subsection (1).

INSTRUCTION

The information presented in response to section 5.5 must be in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 6: Selected Consolidated Financial Information

6.1 Annual Information

Provide the following financial data derived from your company's financial statements for each of the three most recently completed financial years:

(a) Net sales or total revenues.

(b) Income from continuing operations, in total and on a per-share and diluted per-share basis.

(c) Net income or loss, in total and on a per-share and diluted per-share basis.

(d) Total assets.

(e) Total long-term financial liabilities.

(f) Cash dividends declared per-share for each class of share.

Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of your business, and any other information your company believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

INSTRUCTION

Indicate the accounting principles that the financial data has been prepared in accordance with, the reporting currency and, if the underlying financial statements have been reconciled to Canadian GAAP, provide a cross-reference to the reconciliation that is found in the notes to the financial statements.

6.2 Dividends

(1) Describe any restriction that could prevent your company from paying dividends.

(2) Disclose your company's current dividend policy and any intended change in dividend policy.

Item 7: Description of Capital Structure

7.1 General Description of Capital Structure

Describe your company's capital structure. State the description or the designation of each class of authorized security, and describe the material characteristics of each class of authorized security, including voting rights, provisions for exchange, conversion, exercise, redemption and retraction, dividend rights and rights upon dissolution or winding-up.

INSTRUCTION

This Item requires only a brief summary of the provisions that are material from a securityholder's standpoint. The provisions attaching to different classes of securities do not need to be set out in full. This information should include the disclosure required in subsection 10.1(1) of National Instrument 51-102.

7.2 Constraints

If there are constraints imposed on the ownership of securities of your company to ensure that your company has a required level of Canadian ownership, describe the mechanism, if any, by which the level of Canadian ownership of the securities is or will be monitored and maintained.

7.3 Ratings

If one or more ratings, including provisional ratings, has been received from one or more rating organizations for securities of your company that are outstanding and the rating or ratings continue in effect, disclose:

(a) each security rating, including a provisional rating, received from an approved rating organization;

(b) for each rating disclosed under paragraph (a), the name of the approved rating organization that has assigned the rating;

(c) a definition or description of the category in which each approved rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the approved rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization; and

(g) any announcement made by an approved rating organization that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

Item 8: Market for Securities

8.1 Trading Price and Volume

(1) For each class of securities of your company that is traded or quoted on a Canadian marketplace, identify the marketplace and the price ranges and volume traded or quoted on the Canadian marketplace on which the greatest volume of trading or quotation generally occurs.

(2) If a class of securities of your company is not traded or quoted on a Canadian marketplace, identify the foreign marketplace and the price ranges and volume traded or quoted on the foreign marketplace on which the greatest volume of trading or quotation generally occurs.

(3) Provide the information required under subsections (1) and (2) on a monthly basis for each month or, if applicable, partial months of the most recently completed financial year.

8.2 Prior Sales

For each class of securities of your company that is outstanding but not listed or quoted on a marketplace, state the price at which securities of the class have been sold during the most recently completed financial year by your company and the number of securities of the class sold.

Item 9: Escrowed Securities

9.1 Escrowed Securities

(1) State, in substantially the following tabular form, the number of securities of each class of your company held, to your company's knowledge, in escrow, and the percentage that number represents of the outstanding securities of that class.

Escrowed Securities		
Designation of Class	Number of Securities held in Escrow	Percentage of Class

(2) In a note to the table, disclose the name of the escrow agent, if any, and the date of and conditions governing the release of the securities from escrow.

INSTRUCTION

For the purposes of this Item, escrow includes a pooling agreement.

Item 10: Directors and Officers

10.1 Name, Occupation and Security Holding

(1) List the name and province of residence of each director and executive officer of your company and indicate their respective positions and offices held with your company and their respective principal occupations during the five preceding years.

(2) State the period or periods during which each director has served as a director and when his or her term of office will expire.

(3) State the number and percentage of securities of each class of voting securities of your company or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised, by all directors and executive officers of your company as a group.

(4) Identify the members of each committee of the board.

(5) If the principal occupation of a director or executive officer of your company is acting as an officer of a person or company other than your company, disclose that fact and state the principal business of the person or company.

INSTRUCTION

For the purposes of subsection (3), securities of subsidiaries of your company that are beneficially owned, directly or indirectly, or controlled or directed, by directors or executive officers through ownership or control or direction over securities of your company, do not need to be included.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

(1) If a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company is, as at the date of the AIF, or within the 10 years before the date of the AIF:

(a) has been a director or executive officer of any company (including your company) that:

(i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;

(ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder, state the fact.

(2) Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

(3) Despite subsection (2), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

INSTRUCTION

The disclosure required by subsections (1) and (2) also applies to any personal holding companies of any of the persons referred to in subsections (1) and (2).

10.3 Conflicts of Interest

Disclose particulars of existing or potential material conflicts of interest between your company or a subsidiary of your company and any director or officer of your company or a subsidiary of your company.

Item 11: Promoters

11.1 Promoters

For a person or company that as of the date of your company's AIF is, or has been within the two years immediately preceding the date of the AIF, a promoter of your company or of a subsidiary of your company, state:

(a) the person or company's name;

(b) the number and percentage of each class of voting securities and equity securities of your company or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;

(c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from your company or from a subsidiary of your company, and the nature and amount of any assets, services or other consideration therefor received or to be received by your company or a subsidiary of your company; and

(d) for an asset acquired within the two years before the date of your company's AIF, or to be acquired, by your company or by a subsidiary of your company from a promoter:

(i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined;

(ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with your company, the promoter, or an associate or affiliate of your company or of the promoter; and

(iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

Item 12: Legal Proceedings

12.1 Legal Proceedings

Describe any legal proceedings to which your company is a party or of which any of its property is the subject and any such proceedings known to your company to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, whether the proceedings are being contested, and the present status of the proceedings.

INSTRUCTION

No information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten per cent of the current assets of your company and your company's subsidiaries on a consolidated basis. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the amount involved in the other proceedings must be included in computing the percentage.

Item 13: Interest of Management and Others in Material Transactions

13.1 Interest of Management and Others in Material Transactions

Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years that has materially affected or will materially affect your company:

(a) any director or executive officer of your company;

(b) a principal shareholder of your company; and

(c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

INSTRUCTIONS

(i) The materiality of an interest is to be determined on the basis of the significance of the information to investors in light of all the circumstances of the particular case. The importance of the interest to the person having the interest, the relationship of the parties to the transaction with each other and the amount involved are among the factors to be considered in determining the significance of the information to securityholders.

(ii) This Item does not apply to any interest arising from the ownership of securities of your company if the securityholder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities or all other holders of the same class of securities who are resident in Canada.

(iii) Give a brief description of the material transactions. Include the name of each person or company whose interest in any transaction is described and the nature of the relationship to your company.

(iv) For any transaction involving the purchase of assets by or sale of assets to your company or a subsidiary of your company, state the cost of the assets to the purchaser, and the cost of the assets to the seller if acquired by the seller within three years before the transaction.

(v) No information is required by this Item for a transaction if:

(a) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;

(b) the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction;

(c) the transaction involves services as a bank or other depository of funds, a transfer agent, registrar, trustee under a trust indenture or other similar services; or

(d) the transaction does not involve remuneration for services and the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than ten per cent of any class of equity securities of another company that is party to the transaction and the transaction is in the ordinary course of business of your company or your company's subsidiaries.

(vi) Describe all transactions not excluded above that involve remuneration (including an issuance of securities), directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, direct or indirect, of less than ten per cent of any class of equity securities of another company furnishing the services to your company or your company's subsidiaries.

Item 14: Transfer Agents and Registrars

14.1 Transfer Agent and Registrar

State the name of your company's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of each class of securities.

Item 15: Material Contracts

15.1 Material Contracts

Give particulars of every contract, other than a contract entered into in the ordinary course of business, that can reasonably be regarded as material to an investor in securities of your company and that was entered into within the two years before the date of the AIF. State a reasonable time and place at which the executed contracts, or copies of them, may be inspected.

INSTRUCTION

(i) Set out a complete list of all contracts for which particulars must be given under section 15.1, indicating those that are disclosed elsewhere in the AIF. Particulars need only be provided for those contracts that do not have the particulars given elsewhere in the AIF.

(ii) Particulars of contracts should include the dates of, parties to, consideration provided for in, and general nature of, the contracts.

Item 16: Interests of Experts

16.1 Names of Experts

Name each person or company:

(a) who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by your company during, or relating to, your company's most recently completed financial year; and

(b) whose profession or business gives authority to the statement, report or valuation made by the person or company.

16.2 Interests of Experts

(1) Disclose all direct, indirect or beneficial interests in any securities or other property of your company or of one of your associates or affiliates:

(a) held by an expert named in section 16.1 when that expert prepared the statement, report, or valuation referred to in paragraph 16.1(a);

(b) received by an expert named in section 16.1 after the time specified in paragraph 16.2(1)(a); or

(c) to be received by an expert named in section 16.1.

(2) For the purposes of subsection (1), if the person's or company's interest in the securities represents less than one per cent of your outstanding securities of the same class, a general statement to that effect is sufficient.

(3) If a person or a director, officer or employee of a person or company referred to in subsection (1) is or is expected to be elected, appointed or employed as a director, officer or employee of your company or of any associate or affiliate of your company, disclose the fact or expectation.

INSTRUCTIONS

(i) Your company may be required by other securities legislation to obtain the consent of an expert before referring to the expert's opinion, for example National Instrument 43-101 Standards of Disclosure for Mineral Projects and National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(ii) Section 16.2 does not apply to:

(a) auditors of a business acquired by your company provided they have not or will not be appointed as your company's auditor subsequent to the acquisition; and

(b) your company's predecessor auditors, if any, for periods when they were not your company's auditor.

(iii) Section 16.2 does not apply to direct, indirect or beneficial interests held through mutual funds.

Item 17: Additional Information

17.1 Additional Information

(1) Disclose that additional information relating to your company may be found on SEDAR at www.sedar.com.

(2) Include a statement to the effect that additional information including directors' and officers' remuneration and indebtedness, principal holders of your company's securities, securities authorized for issuance under equity compensation plans and interests of informed persons in material transactions, if applicable, is contained in your company's information circular for its most recent annual meeting of securityholders that involved the election of directors and that additional financial information is provided in your company's financial statements and MD&A for its most recently completed financial year.

Item 18: Additional Disclosure for Companies Not Sending Information Circulars

18.1 Additional Disclosure

For companies that are not required to distribute a Form 51-102F5 to any of their securityholders, disclose the information required under Items 5 - 12 of Form 51-102F5, as modified below:

Form 51-102F5 Reference	Modification
Item 6 - Voting Securities and Principal Holders of Voting Securities	Include the disclosure specified in section 6.1 without regard to the phrase "entitled to be voted at the meeting". Do not include the disclosure specified in sections 6.3 and 6.4. Include the disclosure specified in section 6.5.
Item 7 – Election of Directors	Disregard the preamble of section 7.1. Include the disclosure specified in section 7.1 without regard to the word "proposed" throughout. Do not include the disclosure specified in section 7.3.
Item 8 – Executive Compensation	Include this disclosure.
Item 9 – Securities Authorized for Issuance under Equity Compensation Plans	Include this disclosure.
Item 10 – Indebtedness of Directors and Executive Officers	Include the disclosure specified throughout; however, replace the phrase "date of the information circular" with "date of the AIF" throughout.
Item 11 – Interests of Informed Persons in Material Transactions	Include this disclosure.
Item 12 – Appointment of Auditor	Name the auditor. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.
Item 13 – Management Contracts	Include this disclosure.

FORM 51-102F2

MANAGEMENT'S DISCUSSION & ANALYSIS

Table of Contents

FORM 51-102F2

MANAGEMENT'S DISCUSSION & ANALYSIS

Part 1 — General Instructions and Interpretation

(a) What is MD&A?

MD&A provides an opportunity to explain to your shareholders and other investors how your company performed during the period covered by the financial statements, along with your company's financial condition and future prospects. MD&A describes your company through the eyes of management.

MD&A should help current and prospective investors to understand what the financial statements show and do not show, important trends and risks that have shaped the past, and trends and risks that are reasonably likely to shape the future.

Your MD&A must discuss material information that may not be fully reflected in the financial statements. Some examples are environmental, social or cultural matters, legal proceedings, contingent liabilities and defaults under debt, off-balance sheet financing arrangements or other contractual obligations.

Your MD&A should be designed:

- to provide a narrative explanation of your company's financial statements that enables investors to see your company through the eyes of management;
- to improve overall financial disclosure and provide the context within which financial statements should be analyzed; and
- to provide information about the quality, and potential variability, of your company's earnings and cash flow, to assist investors in ascertaining the likelihood that past performance is indicative of future performance.

MD&A should complement and supplement your financial statements, but does not form part of your financial statements.

(b) What Must You Discuss?

You must discuss your company's results of operations, financial condition, liquidity and capital resources. The discussion should be balanced, openly reporting bad news as well as good news. In preparing the MD&A, take into account information available up to the date of the MD&A.

Your MD&A should be current such that it will not be misleading when filed.

(c) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(d) Explain Your Analysis

Explain the nature of and reasons for changes in your company's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand trends, events, transactions or expenditures.

(e) Focus on Material Information

Focus your MD&A on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material.

(f) What is Material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(g) Forward-Looking Information

You are encouraged to provide forward-looking information provided you have a reasonable basis for making the statements. Preparing your MD&A necessarily involves some degree of prediction or projection. For example, MD&A requires a discussion of known trends or uncertainties that have had or that your company reasonably expects will have favourable or unfavourable effects on net sales or revenues or income or loss from continuing operations. However, MD&A does not require that your company provide a detailed forecast of future revenues, income or loss or other information.

All forward-looking information must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, your material assumptions and appropriate risk disclosure and cautionary language.

You must discuss any forward-looking information disclosed in MD&A for a prior period which in light of intervening events and absent further explanation, may be misleading. Forward looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained. Your timely disclosure obligations might also require you to issue a news release and file a material change report.

(h) Development-Stage Issuers

If your company is a development-stage issuer focus your discussion and analysis of results of operations on expenditures and progress towards achieving your business objectives and milestones. Your company is a development-stage issuer if it is devoting substantially all of its efforts to establishing a new business and its planned principal operations have not commenced.

(i) Reverse Takeover Transactions

When an acquisition is accounted for as a reverse takeover, the MD&A should be based on the reverse takeover acquirer's financial statements for the period.

(j) Foreign Accounting Principles

If your company's primary financial statements have been prepared using accounting principles other than Canadian GAAP and a reconciliation is provided, your MD&A must focus on the primary financial statements.

(k) Resource Issuers

If your company has mineral projects, your disclosure must comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, including ensuring all scientific and technical disclosure is based on a technical report or other information prepared by or under the supervision of a qualified person.

If your company has oil and gas activities, your disclosure must comply with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

(l) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(m) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

(n) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of the local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(o) Plain Language

Write the MD&A so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

Part 2 – Content of MD&A

Item 1 — Annual MD&A

1.1 Date

Specify the date of your MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the financial statements for your company's most recently completed financial year.

1.2 Analyze your Overall Performance

Provide an analysis of your company's financial condition, results of operations and cash flows. Compare your company's performance in the most recently completed financial year to the prior year's performance. Analyze and compare at least the following:

(a) operating segments that are reportable segments as those terms are used in the Handbook or other parts of your business if:

  (i) any part of the business has a disproportionate effect on revenues, income or cash needs;

  (ii) there are any legal or other restrictions on the flow of funds from one part of your company's business to another; or

  (iii) known trends, demands, commitments, events or uncertainties within a part of the business are reasonably likely to have an effect on the business as a whole;

(b) industry and economic factors affecting your company's performance;

(c) why changes have occurred or expected changes have not occurred in your company's financial condition and results of operations; and

(d) the effect of discontinued operations on current operations.

INSTRUCTIONS

(i) When explaining changes in your company's financial condition and results, include an analysis of the impact on your continuing operations of any asset acquisition, disposition, write-off, abandonment or other similar transaction.

(ii) Financial condition includes your company's financial position (as shown on the balance sheet) and other factors that may affect your company's liquidity and capital resources.

(iii) Include information for a period longer than two financial years if it will help the reader to better understand a trend.

1.3 Summary of Quarterly Results

Provide the following information in summary form for each of the eight most recently completed quarters at the end of the most recently completed financial year:

(a) Net sales and total revenues;

(b) Income from continuing operations; and

(c) Net income or loss.

Discuss the factors that have caused variations over the quarters.

INSTRUCTIONS

(i) You do not have to provide information for a quarter prior to your company becoming a reporting issuer if your company has not prepared quarterly financial statements for those quarters.

(ii) Present the information in (b) and (c) in total and on a per-share and diluted per-share basis, as required by the Handbook.

1.4 Results of Operations

Discuss your analysis of your company's operations for the most recently completed financial year including:

(a) net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

(b) any other significant factors that caused changes in net sales or total revenues;

(c) cost of sales or gross profit;

(d) for issuers in the development stage or issuers that have significant projects that have not yet generated operating revenue, explain the nature of the project(s) under development, the status of the project(s) under development, expenditures made and how these relate to anticipated timing and costs to complete the project(s) under development;

(e) for resource issuers with producing mines, identify milestones such as mine expansion plans, productivity improvements, or plans to develop a new deposit;

(f) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;

(g) known trends, commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance including net sales, total revenue and income from continuing operations;

(h) effect of inflation and specific price changes on your company's net sales and total revenues and on income from continuing operations;

(i) a comparison in tabular form of disclosure you previously made about how your company was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones; and

(j) unusual or infrequent events or transactions.

INSTRUCTIONS

(i) For sections 1.2, 1.3 and 1.4, consider identifying, discussing and analyzing the following factors:

(A) changes in customer buying patterns, including changes due to new technologies and changes in demographics;

(B) changes in selling practices, including changes due to new distribution arrangements or a reorganization of a direct sales force;

(C) changes in competition, including an assessment of the issuer's resources, strengths and weaknesses relative to those of its competitors;

(D) the impact of exchange rates;

(E) changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;

(F) changes in production capacity, including changes due to plant closures and work stoppages;

(G) changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenues;

(H) changes in the terms and conditions of service contracts;

(I) the progress in achieving previously announced milestones; and

(J) for resource issuers with producing mines, changes in production throughput, head-grade, cut-off grade, metallurgical recovery and any expectation of future changes.

(ii) Your discussion under paragraph 1.4(d) should include:

(A) any decision points reached or expected to be reached;

(B) any change in strategy or priority in advancing the project(s) under development;

(C) any factors that have affected the value of the project(s) under development such as change in commodity prices, land use, political or environmental issues; and

(D) if your company has exploration projects, an analysis of any exploration results and how they have impacted the technical merit of a mineral project, whether positive or negative.

1.5 Liquidity

Provide an analysis of your company's liquidity including:

(a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(b) trends or expected fluctuations in your company's liquidity, taking into account demands, commitments, events or uncertainties;

(c) its working capital requirements;

(d) liquidity risks associated with financial instruments;

(e) if your company has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

(f) balance sheet conditions or income or cash flow items that may affect your company's liquidity;

(g) legal or practical restrictions on the ability of subsidiaries to transfer funds to your company and the effect these restrictions have had or may have on the ability of your company to meet its obligations; and

(h) defaults or arrears or anticipated defaults or arrears on:

(i) dividend payments, interest or principal payment on debt;

(ii) debt covenants during the most recently completed financial year; and

(iii) redemption or retraction or sinking fund payments;

and how your company intends to cure the default or arrears.

INSTRUCTIONS

(i) In discussing your company's ability to generate sufficient amounts of cash and cash equivalents you should describe sources of funding and the circumstances that could affect those sources that are reasonably likely to occur. Examples of circumstances that could affect liquidity would be market or commodity price changes, economic downturns, defaults on guarantees and contractions of operations.

(ii) In discussing trends or expected fluctuations in your company's liquidity and liquidity risks associated with financial instruments you should discuss:

(A) provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment. Examples of such situations would be provisions linked to credit rating, earnings, cash flows or share price; and

(B) circumstances that could impair your company's ability to undertake transaction considered essential to operations. Examples of such circumstances would be the inability to maintain investment grade credit rating, earnings per-share, cash flow or share price.

(iii) In discussing your company's working capital requirements you should discuss situations where your company must maintain significant inventory to meet customers' delivery requirements or any situations involving extended payment terms.

(iv) *In discussing your company's balance sheet conditions or income or cash flow items you should present a summary, in tabular form, of contractual obligations including payments due for each of the next five years and thereafter. The summary and table do not have to be provided if your company is a venture issuer. An example of a table that can be adapted to your company's particular circumstances follows:*

Contractual Obligations	***Payments Due by Period***				
	Total	***Less than 1 year***	***1 - 3 years***	***4 - 5 years***	***After 5 years***
Long Term Debt					
Capital Lease Obligations					
Operating Leases					
Purchase Obligations [1]					
Other Long Term Obligations [2]					
Total Contractual Obligations					

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1 "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on your company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

2 "Other Long Term Obligations" means other long-term liabilities reflected on your company's balance sheet.

The tabular presentation may be accompanied by footnotes to describe provisions that create, increase or accelerate obligations, or other details to the extent necessary for an understanding of the timing and amount of your company's specified contractual obligations.

1.6 Capital Resources

Provide an analysis of your company's capital resources including:

(a) commitments for capital expenditures as of the date of your company's financial statements including:

(i) the amount, nature and purpose of these commitments;

(ii) the expected source of funds to meet these commitments;

(iii) expenditures not yet committed but required to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(b) known trends or expected fluctuations in your company's capital resources, including expected changes in the mix and relative cost of these resources; and

(c) sources of financing that your company has arranged but not yet used.

INSTRUCTIONS

(i) *Capital resources are financing resources available to your company and include debt, equity and any other financing arrangements that you reasonably consider will provide financial resources to your company.*

(ii) *In discussing your company's commitments you should discuss any exploration and development, or research and development expenditures required to maintain properties or agreements in good standing.*

1.7 Off-Balance Sheet Arrangements

Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial condition, results of operations, liquidity or capital resources of your company.

In your discussion of off-balance sheet arrangements you should discuss their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments. Your discussion should include:

(A) a description of the other contracting party(ies);

(B) the effects of terminating the arrangement;

(C) the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement;

(D) the nature and amounts of any other obligations or liabilities arising from the arrangement that could require your company to provide funding under the arrangement and the triggering events or circumstances that could cause them to arise; and

(E) any known event, commitment, trend or uncertainty that may effect the availability or benefits of the arrangement (including any termination) and the course of action that management has taken, or proposes to take, in response to any such circumstances.

INSTRUCTIONS

(i) Contingent liabilities arising out of litigation, arbitration or regulatory actions are not considered to be off-balance sheet arrangements.

(ii) Disclosure of off-balance sheet arrangements should cover the most recently completed financial year. However, the discussion should address changes from the previous year where such discussion is necessary to understand the disclosure.

(iii) The discussion need not repeat information provided in the notes to the financial statements. However, the discussion should clearly cross-reference to specific information in the relevant notes and integrate the substance of the notes into the discussion in a manner that details the significance of the information not included.

1.8 Transactions with Related Parties

Discuss all transactions involving related parties as defined by the Handbook.

INSTRUCTION

In discussing your company's transactions with related parties, your discussion should include both qualitative and quantitative characteristics that are necessary for an understanding of the transactions' business purpose and economic substance. You should discuss:

(A) the relationship and identify the related person or entities;

(B) the business purpose of the arrangement;

(C) the recorded amount of the transaction and the measurement basis used; and

(D) any ongoing contractual or other commitments resulting from the arrangement.

1.9 Fourth Quarter

Discuss and analyze fourth quarter events or items that affected your company's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of your company's business and dispositions of business segments.

1.10 Proposed Transactions

Discuss the expected impact on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if your company's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

INSTRUCTION

You do not have to disclose this information if, under section 7.1 of National Instrument 51-102, your company has filed a Form 51-102F3 Material Change Report regarding the transaction on a confidential basis and the report remains confidential.

1.11 Critical Accounting Estimates

If your company is not a venture issuer, provide an analysis of your company's critical accounting estimates. Your analysis should:

(a) identify and describe each critical accounting estimate used by your company including:

  (i) a description of the accounting estimate;

  (ii) the methodology used in determining the critical accounting estimate;

  (iii) the assumptions underlying the accounting estimate that relate to matters highly uncertain at the time the estimate was made;

  (iv) any known trends, commitments, events or uncertainties that you reasonably believe will materially affect the methodology or the assumptions described; and

  (v) if applicable, why the accounting estimate is reasonably likely to change from period to period and have a material impact on the financial presentation;

(b) explain the significance of the accounting estimate to your company's financial condition, changes in financial condition and results of operations and identify the financial statement line items affected by the accounting estimate;

(c) quantify the changes in overall financial performance and financial statement line items if you assume that the accounting estimate was to change by using either:

  (i) reasonably likely changes in the material assumptions; or

  (ii) the upper and lower ends of the range of estimates from which the recorded estimate was selected;

(d) discuss changes made to critical accounting estimates during the past two financial years including the reasons for the change and the quantitative effect on your company's overall financial performance and financial statement line items; and

(e) identify the segments of your company's business the accounting estimate affects and discuss the accounting estimate on a segment basis, if your company operates in more than one segment.

INSTRUCTION

An accounting estimate would be a critical accounting estimate only if:

(A) it requires your company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made; and

(B) different estimates that your company could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on your company's financial condition, changes in financial condition or results of operations.

1.12 Changes in Accounting Policies including Initial Adoption

Discuss and analyze any changes in your company's accounting policies including:

(a) for any accounting policies that you expect to adopt subsequent to the date of your company's financial statement, including changes you expect to make voluntarily and those due to a change in an accounting standard or a new accounting standard that you do not have to adopt until a future date, you should:

(i) describe the new standard, the date you are required to adopt it and, if determined, the date you plan to adopt it;

(ii) disclose the methods of adoption permitted by the accounting standard and the method you expect to use;

(iii) discuss the expected impact on the financial statements, or if applicable, a statement that you cannot reasonably estimate the impact;

(iv) discuss the potential impact on your business, for example technical violations or default of debt covenants or changes in business practices; and

(b) for any accounting policies that you have initially adopted during the most recently completed financial year, you should:

(i) describe the events or transactions that gave rise to the initial adoption of an accounting policy;

(ii) describe the accounting principle that has been adopted and the method of applying that principle;

(iii) discuss the impact resulting from the initial adoption of the accounting policy on your company's financial condition, changes in financial condition and results of operations;

(iv) if your company is permitted a choice among acceptable accounting principles:

(A) explain that you had made a choice among acceptable alternatives;

(B) identify the alternatives;

(C) describe why you made the choice that you did; and

(D) discuss the impact, where material, on your company's financial condition, changes in financial condition and results of operations under the alternatives not chosen; and

(v) if no accounting literature exists that covers the accounting for the events or transactions giving rise to your initial adoption of the accounting policy, explain your decision regarding which accounting principle to use and the method of applying that principle.

INSTRUCTION

You do not have to present the discussion under paragraph (b) for the initial adoption of accounting policies resulting from the adoption of new accounting standards.

1.13 Financial Instruments and Other Instruments

For financial instruments and other instruments:

(a) discuss the nature and extent of your company's use of, including relationships among, the instruments and the business purposes that they serve;

(b) describe and analyze the risks associated with the instruments;

(c) describe how you manage the risks in (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;

(d) disclose the financial statement classification and amounts of income, expenses, gains and losses associated with the instrument; and

(e) discuss the significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period,

and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

INSTRUCTIONS

(i) "Other instruments" are instruments that may be settled by the delivery of non-financial assets. A commodity futures contract is an example of an instrument that may be settled by delivery of non-financial assets.

(ii) Your discussion under paragraph (a) should enhance a reader's understanding of the significance of recognized and unrecognized instruments on your company's financial position, results of operations and cash flows. The information should also assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments. Also discuss the relationship between liability and equity components of convertible debt instruments.

(iii) For purposes of paragraph (c), if your company is exposed to significant price, credit or liquidity risks, consider providing a sensitivity analysis or tabular information to help readers assess the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing your company's exposure to price risk.

(iv) For purposes of paragraph (d), disclose and explain the income, expenses, gains and losses from hedging activities separately from other activities.

1.14 Other MD&A Requirements

Your MD&A must also provide the information required in the following sections of National Instrument 51-102:

(a) Section 6.3 – Additional Disclosure for Venture Issuers without Significant Revenue;

(b) Section 6.4 – Disclosure of Outstanding Share Data; and

(c) Section 10.1 – Content and Dissemination of Disclosure Documentation.

Item 2 — Interim MD&A

2.1 Date

Specify the date of your interim MD&A.

2.2 Interim MD&A

Interim MD&A must update your company's annual MD&A for all disclosure required by Item 1. This disclosure must include:

(a) a discussion of your analysis of:

  (i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;

  (ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;

  (iii) any seasonal aspects of your company's business that affect its financial condition, results of operations or cash flows; and

(b) a comparison of your company's interim financial condition to your company's financial condition as at the most recently completed financial year-end.

INSTRUCTION

(i) For the purposes of paragraph (b), you may assume the reader has access to your annual MD&A. You do not have to duplicate the discussion and analysis of financial condition in your annual MD&A. For example, if economic and industry factors are substantially unchanged you may make a statement to this effect.

(ii) For the purposes of subparagraph (a)(i), you should generally give prominence to the current quarter.

(iii) *In discussing your company's balance sheet conditions or income or cash flow items for an interim period, you do not have to present a summary, in tabular form, of all known contractual obligations as contemplated under section 1.5. Instead, you should disclose material changes in the specified contractual obligations during the interim period that are outside the ordinary course of your company's business.*

(iv) *Interim MD&A prepared in accordance with Item 2 is not required for your company's fourth quarter as relevant fourth quarter content should be contained in your company's annual MD&A prepared in accordance with Item 1 (e.g. see section 1.9).*

2.3 Other MD&A Requirements

Your MD&A must also provide the information required in National Instrument 51-102, section 6.5 – Disclosure of Auditor Review.

FORM 51-102F3

MATERIAL CHANGE REPORT

Part 1 – General Instructions and Interpretation

(a) Confidentiality

If this Report is filed on a confidential basis, state in block capitals "CONFIDENTIAL" at the beginning of the Report.

(b) Use of "Company"

Wherever this Form uses the word "company" the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Numbering and Headings

The numbering, headings and ordering of the items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(d) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(e) Plain Language

Write the Report so that readers are able to understand it. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

Part 2 – Content of Material Change Report

Item 1: Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

Item 2: Date of Material Change

State the date of the material change.

Item 3: News Release

State the date and method(s) of dissemination of the news release issued under section 7.1 of National Instrument 51–102.

Item 4: Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

Item 5: Full Description of Material Change

Supplement the summary required under Item 4 with sufficient disclosure to enable a reader to appreciate the significance and impact of the material change without having to refer to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

Some examples of significant facts relating to the material change include: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the issuer or its subsidiaries. Specific financial forecasts would not normally be required.

Other additional disclosure may be appropriate depending on the particular situation.

INSTRUCTIONS

If your company is engaged in oil and gas activities or in extracting hydrocarbons from shale, tar sands or coal, the disclosure under Item 5 must also satisfy the requirements of Part 6 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 6: Reliance on subsection 7.1(3) of National Instrument 51-102

If this Report is being filed on a confidential basis in reliance on subsection 7.1(3) of National Instrument 51-102, state the reasons for such reliance.

INSTRUCTION

Refer to subsections 7.1(5) and (6) of National Instrument 51-102 concerning continuing obligations in respect of reports filed pursuant to subsection 7.1(3) of National Instrument 51-102.

Item 7: Omitted Information

State whether any information has been omitted on the basis that it is confidential information.

In a separate letter to the applicable regulator or securities regulatory authority marked "Confidential" provide the reasons for your company's omission of confidential significant facts in the Report in sufficient detail to permit the applicable regulator or securities regulatory authority to determine whether to exercise its discretion to allow the omission of these significant facts.

INSTRUCTIONS

In certain circumstances where a material change has occurred and a Report has been or is about to be filed but subsection 7.1(3) or 7.1(5) of National Instrument 51-102 is not or will no longer be relied upon, your company may nevertheless believe one or more significant facts otherwise required to be disclosed in the Report should remain confidential and not be disclosed or not be disclosed in full detail in the Report.

Item 8: Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 9: Date of Report

Date the Report.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Part 1 – General Instructions and Interpretation

(a) What is a Business Acquisition Report?

Your company must file a Business Acquisition Report after completing a significant acquisition. See Part 8 of National Instrument 51-102. The Business Acquisition Report describes the significant businesses acquired by your company and the effect of the acquisition on your company.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations including partnerships, trusts and other unincorporated business entities.

(c) Focus on Relevant Information

When providing the disclosure required by this Form, focus your discussion on information that is relevant to an investor, analyst or other reader.

(d) Incorporating Material By Reference

Attach the financial statements required by Item 3 of this Form. You may incorporate information required by this Form by reference to another document other than a news release or material change report filed in respect of the significant acquisition. Clearly identify the referenced document, or any excerpt of it, that you incorporate into this Report. Unless the referenced document or excerpt has already been filed, you must file it with this Report.

(e) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(f) Plain Language

Write this Report so that readers are able to understand it. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(g) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

Part 2 – Content of Business Acquisition Report

Item 1: Identity of Company

1.1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

1.2 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the significant acquisition and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 2: Details of Acquisition

2.1 Nature of Business Acquired

Describe the nature of the business acquired.

2.2 Date of Acquisition

State the date of acquisition used for accounting purposes. For accounting purposes, the date of acquisition is one of the following two dates, whichever is applicable:

(a) the date the net assets or equity interests are received, and the consideration given; or

(b) the date of the written agreement that provides that control of the acquired enterprise transferred to the acquirer, subject only to those conditions required to protect the interests of the parties involved, or the date specified in the written agreement that such control is to be transferred.

2.3 Consideration

Disclose the type and amount of consideration, both monetary and non-monetary, paid or payable by your company in connection with the significant acquisition, including contingent consideration. Identify the source of funds used by your company for the acquisition, including a description of any financing associated with the acquisition.

2.4 Effect on Financial Position

Describe any plans or proposals for material changes in your business affairs or the affairs of acquired business which may have a significant effect on the results of operations and financial position of your company. Examples would include any proposal to liquidate the business, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the business with any other business organization or to make any material changes to your business or the business acquired such as changes in corporate structure, management or personnel.

2.5 Prior Valuations

Describe in sufficient detail any valuation opinion obtained by the acquired business or your company within the last 12 months required under securities legislation or a requirement of a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used.

2.6 Parties to Transaction

State whether the transaction is with an informed person, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

2.7 Date of Report

Date the Report.

Item 3: Financial Statements

Include the financial statements or other information required by Part 8 of National Instrument 51-102.

FORM 51-102F5

INFORMATION CIRCULAR

Table of Contents

FORM 51-102F5

INFORMATION CIRCULAR

Part 1 — General Instructions and Interpretation

(a) Timing of Information

The information required by this Form 51-102F5 must be given as of a specified date not more than thirty days prior to the date you first send the information circular to any securityholder of the issuer.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Incorporating Information by Reference

You may omit information that was contained in another information circular, notice of meeting or form of proxy sent to the same persons or companies whose proxies were solicited in connection with the same meeting, as long as you clearly identify the particular document containing the information.

In addition, you may incorporate information in the information circular by reference to another document filed by the issuer. Clearly identify the referenced document or any excerpt of it that you incorporate into the information circular. You must also disclose that the document is on SEDAR at www.sedar.com and that, upon request, you will promptly, and in any event prior to the meeting for which proxies are being solicited, provide a copy of any such document free of charge to a securityholder of the issuer.

(d) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of the local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(e) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

(f) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(g) Tables and Figures

Where practicable and appropriate, present information in tabular form. State all amounts in figures.

(h) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers. You may also omit information that is not known to the person or company on whose behalf the solicitation is made and that is not reasonably within the power of the person or company to obtain if you briefly state the circumstances that render the information unavailable.

Part 2 — Content

Item 1— Date

Specify the date of the Form.

Item 2 — Revocability of Proxy

State whether the person or company giving the proxy has the power to revoke it. If any right of revocation is limited or is subject to compliance with any formal procedure, briefly describe the limitation or procedure.

Item 3 — Persons Making the Solicitation

3.1 If solicitation is made by or on behalf of the management of the issuer, state this. Name any director of the issuer who has informed the management in writing that he or she intends to oppose any action intended to be taken by the management and indicate the action that he or she intends to oppose.

3.2 If a solicitation is made other than by or on behalf of the management of the issuer, state this and give the name of the person or company by whom, or on whose behalf, it is made.

3.3 If the solicitation is to be made other than by mail, describe the method to be employed. If the solicitation is to be made by specially engaged employees or soliciting agents, state,

(a) the parties to and material features of any contract or arrangement for the solicitation, and

(b) the cost or anticipated cost thereof.

3.4 State who has borne or will bear, directly or indirectly, the cost of soliciting.

Item 4 — Proxy Instructions

4.1 The information circular or the form of proxy to which the information circular relates must indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company, if any, designated in the form of proxy and must contain instructions as to the manner in which the securityholder may exercise the right.

4.2 The information circular or the form of proxy to which the information circular relates must state that the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for and that, if the securityholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

Item 5 — Interest of Certain Persons or Companies in Matters to be Acted Upon

Briefly describe any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons or companies in any matter to be acted upon other than the election of directors or the appointment of auditors:

(a) if the solicitation is made by or on behalf of the management of the issuer, each person who has been a director or executive officer of the issuer at any time since the beginning of the issuer's last financial year;

(b) if the solicitation is made other than by or on behalf of the management of the issuer, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;

(c) each proposed nominee for election as a director of the issuer; and

(d) each associate or affiliate of any of the persons or companies listed in (a) – (c).

INSTRUCTIONS

(i) The following persons and companies are deemed to be persons or companies by whom or on whose behalf the solicitation is made (collectively, "solicitors" or individually a "solicitor"):

(A) any member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;

(B) any person or company who contributes, or joins with another to contribute, more than $250 to finance the solicitation of proxies; or

(C) any person or company who lends money, provides credit, or enters into any other arrangements, under any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the issuer provided that this clause does not include a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.

(ii) Subject to (i), the following persons and companies are deemed not to be solicitors:

(A) any person or company retained or employed by a solicitor to solicit proxies or any person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;

(B) any person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations, investor relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;

(C) any person regularly employed as an officer or employee of the issuer or any of its affiliates; or

(D) any officer or director of or any person regularly employed by any solicitor.

Item 6 — Voting Securities and Principal Holders of Voting Securities

6.1 For each class of voting securities of the issuer entitled to be voted at the meeting, state the number of securities outstanding and the particulars of voting rights for each class.

6.2 For each class of restricted shares, provide the information required in subsection 10.1(1) of National Instrument 51-102.

6.3 Give the record date as of which the securityholders entitled to vote at the meeting will be determined or particulars as to the closing of the security transfer register, as the case may be, and, if the right to vote is not limited to securityholders of record as of specified record date, indicate the conditions under which securityholders are entitled to vote.

6.4 If action is to be taken with respect to the election of directors and if the securityholders or any class of securityholders have the right to elect a specified number of directors or have cumulative or similar voting rights, include a statement of such rights and state briefly the conditions precedent, if any, to the exercise thereof.

6.5 If, to the knowledge of the issuer's directors or executive officers, any person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10 per cent or more of the voting rights attached to any class of voting securities of the issuer, name each person or company and state:

(a) the approximate number of securities beneficially owned, directly or indirectly, or controlled or directed by each such person or company, and

(b) the percentage of the class of outstanding voting securities of the issuer represented by the number of voting securities so owned, controlled or directed.

Item 7 — Election of Directors

7.1 If directors are to be elected, provide the following information, in tabular form to the extent practicable, for each person proposed to be nominated for election as a director and each other person whose term of office as a director will continue after the meeting.

(a) State the name and province of residence of each director and proposed director.

(b) State the period or periods during which each director has served as a director and when the term of office for each director and proposed director will expire.

(c) Identify the members of each committee of the board.

(d) State the present principal occupation, business or employment of each director and proposed director. Give the name and principal business of any company in which any such employment is carried on. Furnish similar information as to all of the principal occupations, businesses or employments of each proposed director within the five preceding years, unless the proposed director is now a director and was elected to the present term of

office by a vote of securityholders at a meeting, the notice of which was accompanied by an information circular.

(e) Where a director or proposed director has held more than one position in the issuer, or a parent or subsidiary, state only the first and last position held.

(f) State the number of securities of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, or controlled or directed by each proposed director.

(g) If securities carrying 10 per cent or more of the voting rights attached to all voting securities of the issuer or of any of its subsidiaries are beneficially owned, directly or indirectly, or controlled or directed by any proposed director and the proposed director's associates or affiliates:

(i) state the number of securities of each class of voting securities beneficially owned, directly or indirectly, or controlled or directed by the associates or affiliates; and

(ii) name each associate or affiliate whose security holdings are 10 per cent or more.

7.2 If a proposed director is, or within the 10 years before the date of the Form:

(a) has been a director or executive officer of any company that:

(i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;

(ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, state the fact.

7.3 If any proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the issuer acting solely in such capacity, name the other person or company and describe briefly the arrangement or understanding.

Item 8 — Executive Compensation

Include in this information circular a completed Form 51-102F6 *Statement of Executive Compensation*.

Item 9 — Securities Authorized for Issuance Under Equity Compensation Plans

9.1 In the tabular form under the caption set out, provide the information specified in section 9.2 as of the end of the issuer's most recently completed financial year with respect to compensation plans (including individual compensation arrangements) under which equity securities of the issuer are authorized for issuance, aggregated as follows:

(a) all compensation plans previously approved by securityholders; and

(b) all compensation plans not previously approved by securityholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders			
Equity compensation plans not approved by securityholders			
Total			

9.2 Include in the table the following information as of the end of the issuer's most recently completed financial year for each category of equity compensation plan described in section 9.1:

(a) The number of securities to be issued upon the exercise of outstanding options, warrants and rights (column (a));

(b) The weighted-average exercise price of the outstanding options, warrants and rights disclosed under subsection 9.2(a) (column (b)); and

(c) Other than securities to be issued upon the exercise of the outstanding options, warrants and rights disclosed in subsection 9.2(a), the number of securities remaining available for future issuance under the plan (column (c)).

9.3 For each compensation plan under which equity securities of the issuer are authorized for issuance and that was adopted without the approval of securityholders, describe briefly, in narrative form, the material features of the plan.

INSTRUCTIONS

(i) Provide disclosure with respect to any compensation plan and individual compensation arrangement of the issuer (or parent, subsidiary or affiliate of your company) under which equity securities of the issuer are authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services as described in section 3870 "Stock-based Compensation and Other Stock-based Payments" of the Handbook. No disclosure is required regarding any plan, contract or arrangement for the issuance of warrants or rights to all securityholders of the issuer on a pro rata basis (such as a rights offering).

(ii) If more than one class of equity security is issued under the issuer's compensation plans, aggregate plan information for each class of security.

(iii) You may aggregate information regarding individual compensation arrangements with the plan information required under subsections 9.1(a) and (b), as applicable.

(iv) You may aggregate information regarding a compensation plan assumed in connection with a merger, consolidation or other acquisition transaction pursuant to which the issuer may make subsequent grants or awards of its equity securities with the plan information required under subsections 9.1(a) and (b), as applicable. Disclose on an aggregated basis in a footnote to the table the information required under subsections 9.2(a) and (b) with respect to any individual options, warrants or rights assumed in connection with a merger, consolidation or other acquisition transaction.

(v) To the extent that the number of securities remaining available for future issuance disclosed in column (c) includes securities available for future issuance under any compensation plan or individual compensation arrangement other than upon the exercise of an option, warrant or right, disclose the number of securities and type of plan separately for each such plan in a footnote to the table.

(vi) *If the description of an equity compensation plan set forth in the issuer's financial statements contains the disclosure required by section 9.3, a cross-reference to the description satisfies the requirements of section 9.3.*

(vii) *If an equity compensation plan contains a formula for calculating the number of securities available for issuance under the plan, including, without limitation, a formula that automatically increases the number of securities available for issuance by a percentage of the number of outstanding securities of the issuer, describe this formula in a footnote to the table.*

Item 10 — Indebtedness of Directors and Executive Officers

10.1 Aggregate Indebtedness

Aggregate Indebtedness ($)		
Purpose	To the Issuer or its Subsidiaries	To Another Entity
(a)	(b)	(c)
Share purchases		
Other		

(1) Complete the above table for the aggregate indebtedness outstanding as at a date within thirty days before the date of the information circular entered into in connection with:

(a) a purchase of securities; and

(b) all other indebtedness.

(2) Report separately the indebtedness to:

(a) the issuer or any of its subsidiaries (column (b)); and

(b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries (column (c)),

of all officers, directors, employees and former officers, directors and employees of the issuer or any of its subsidiaries.

(3) "Support agreement" includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

10.2 Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Most Recently Completed Financial Year] ($)	Amount Outstanding as at [the date of the Form] ($)	Financially Assisted Securities Purchases During [Most Recently Completed Financial Year] (#)	Security for Indebtedness	Amount Forgiven During [Most Recently Completed Financial Year] ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Securities Purchase Programs						
Other Programs						

(1) Complete the above table for each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the issuer, each proposed nominee for election as a director of the issuer, and each associate of any such director, executive officer or proposed nominee,

(a) who is, or at any time since the beginning of the most recently completed financial year of the issuer has been, indebted to the issuer or any of its subsidiaries, or

(b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the issuer or any of its subsidiaries,

and separately disclose the indebtedness for security purchase programs and all other programs.

(2) Note the following:

Column (a) – disclose the name and principal position of the borrower. If the borrower was, during the year, but no longer is a director or executive officer, state that fact. If the borrower is a proposed nominee for election as a director, state that fact. If the borrower is included as an associate, describe briefly the relationship of the borrower to an individual who is or, during the year, was a director or executive officer or who is a proposed nominee for election as a director, name that individual and provide the information required by this subparagraph for that individual.

Column (b) – disclose whether the issuer or a subsidiary of the issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding.

Column (c) – disclose the largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year.

Column (d) – disclose the aggregate amount of indebtedness outstanding as at a date within thirty days before the date of the information circular.

Column (e) – disclose separately for each class or series of securities, the sum of the number of securities purchased during the last completed financial year with the financial assistance (security purchase programs only).

Column (f) – disclose the security for the indebtedness, if any, provided to the issuer, any of its subsidiaries or the other entity (security purchase programs only).

Column (g) – disclose the total amount of indebtedness that was forgiven at any time during the last completed financial year.

(3) Supplement the above table with a summary discussion of:

(a) the material terms of each incidence of indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including:

(i) the nature of the transaction in which the indebtedness was incurred;

(ii) the rate of interest;

(iii) the term to maturity;

(iv) any understanding, agreement or intention to limit recourse; and

(v) any security for the indebtedness;

(b) any material adjustment or amendment made during the most recently completed financial year to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding. Forgiveness of indebtedness reported in column (g) of the above table should be explained; and

(c) the class or series of the securities purchased with financial assistance or held as security for the indebtedness and, if the class or series of securities is not publicly traded, all material terms of the securities, including the provisions for exchange, conversion, exercise, redemption, retraction and dividends.

10.3 No disclosure need be made under this Item of indebtedness that has been entirely repaid on or before the date of the information circular or of routine indebtedness.

"Routine indebtedness" means indebtedness described in any of the following clauses:

(i) If an issuer makes loans to employees generally:

(A) loans made on terms no more favourable than the terms on which loans are made by the issuer to employees generally, and

(B) the amount at any time during the last completed financial year remaining unpaid under the loans to any one director, executive officer or proposed nominee together with his or her associates does not exceed $25,000.

(ii) Loans to a director or executive officer who is a full-time employee of the issuer:

(A) that are fully secured against the residence of the borrower, and

(B) the amount of which in total does not exceed the annual salary of the borrower.

(iii) If the issuer makes loans in the ordinary course of business, a loan made to a person or company other than a full-time employee of the issuer:

(A) on substantially the same terms, including those as to interest rate and security, as are available when a loan is made to other customers of the issuer with comparable credit; and

(B) with no more than usual risks of collectibility.

(iv) Loans arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons, if the repayment arrangements are in accord with usual commercial practice.

Item 11 — Interest of Informed Persons in Material Transactions

Describe briefly and, where practicable, state the approximate amount of any material interest, direct or indirect, of any informed person of the issuer, any proposed director of the issuer, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the issuer's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the issuer or any of its subsidiaries.

INSTRUCTIONS:

(i) Briefly describe the material transaction. State the name and address of each person or company whose interest in any transaction is described and the nature of the relationship giving rise to the interest.

(ii) For any transaction involving the purchase or sale of assets by or to the issuer or any subsidiary, otherwise than in the ordinary course of business, state the cost of the assets to the purchaser and the cost of the assets to the seller, if acquired by the seller within two years prior to the transaction.

(iii) This Item does not apply to any interest arising from the ownership of securities of the issuer where the securityholder receives no extra or special benefit or advantage not shared on a proportionate basis by all holders of the same class of securities or by all holders of the same class of securities who are resident in Canada.

(iv) Include information as to any material underwriting discounts or commissions upon the sale of securities by the issuer where any of the specified persons or companies was or is to be an underwriter in a contractual relationship with the issuer with respect to securities or is an associate or affiliate of a person or company that was or is to be such an underwriter.

(v) No information need be given in answer to this Item for any transaction or any interest in that transaction where,

(A) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;

(B) the interest of the specified person in the transaction is solely that of director of another company that is a party to the transaction;

(C) the transaction involves services as a bank or other depositary of funds, transfer agent, registrar, trustee under a trust indenture or other similar services; or

(D) the transaction does not directly or indirectly, involve remuneration for services, and

(1) the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company that is a party to the transaction,

(2) the transaction is in the ordinary course of business of the issuer or its subsidiaries, and

(3) the amount of the transaction or series of transactions is less than 10 per cent of the total sales or purchases, as the case may be, of the issuer and its subsidiaries for the most recently completed financial year.

(vi) Provide information for transactions not excluded above which involve remuneration, directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company furnishing the services to the issuer or its subsidiaries.

Item 12 — Appointment of Auditor

Name the auditor of the issuer. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.

If action is to be taken to replace an auditor, provide the information required under section 4.11 of National Instrument 51-102.

Item 13 — Management Contracts

If management functions of the issuer or of its subsidiaries are to any substantial degree performed other than by the directors or executive officers of the issuer or subsidiary:

(a) give details of the agreement or arrangement under which the management functions are performed, including the name and address of any person or company who is a party to the agreement or arrangement or who is responsible for performing the management functions;

(b) give the names and provinces of residence of the informed persons of any person or company with which the issuer or subsidiary has any such agreement or arrangement and, if the following information is known to the directors or executive officers of the issuer, give the names and provinces of residence of any person or company that would be an informed person of any person or company with which the issuer or subsidiary has any such agreement or arrangement if the person were an issuer;

(c) for any person or company named under paragraph (a) state the amounts paid or payable by the issuer and its subsidiaries to the person or company since the commencement of the most recently completed financial year and give particulars; and

(d) for any person or company named under paragraph (a) or (b) and their associates or affiliates, give particulars of,

(i) any indebtedness of the person, company, associate or affiliate to the issuer or its subsidiaries that was outstanding, and

(ii) any transaction or arrangement of the person, company, associate or affiliate with the issuer or subsidiary,

at any time since the start of the issuer's most recently completed financial year.

INSTRUCTIONS:

(i) Do not refer to any matter that is relatively insignificant.

(ii) In giving particulars of indebtedness, state the largest aggregate amount of indebtedness outstanding at any time during the period, the nature of the indebtedness and of the transaction in which it was incurred, the amount of the indebtedness presently outstanding and the rate of interest paid or charged on the indebtedness.

(iii) *Do not include as indebtedness amounts due from the particular person for purchases subject to usual trade terms, for ordinary travel and expense advances and for other similar transactions.*

Item 14 — Particulars of Matters to be Acted Upon

14.1 If action is to be taken on any matter to be submitted to the meeting of securityholders other than the approval of financial statements, briefly describe the substance of the matter, or related groups of matters, except to the extent described under the foregoing items, in sufficient detail to enable reasonable securityholders to form a reasoned judgment concerning the matter. Without limiting the generality of the foregoing, such matters include alterations of share capital, charter amendments, property acquisitions or dispositions, reverse takeovers, amalgamations, mergers, arrangements or reorganizations and other similar transactions.

14.2 If the action to be taken is in respect of a significant acquisition or a restructuring transaction under which securities are to be changed, exchanged, issued, or distributed, the information circular must include information sufficient to enable a reasonable securityholder to form a reasoned judgment concerning the nature and effect of the significant acquisition or restructuring transaction and the expected resulting entity or entities. This information must include the disclosure (including financial statement disclosure) for each entity, securities of which are being changed, exchanged, issued, or distributed, and for each entity that would result from the significant acquisition or restructuring transaction, prescribed by the form of prospectus that the entity would be eligible to use for a distribution of securities in the jurisdiction. For the purposes of this section 14.2, a restructuring transaction means a reverse takeover, amalgamation, merger, arrangement or reorganization or other similar transaction, but does not include a subdivision, consolidation, or other transaction that only affects the number of securities of a class that are outstanding. If the action is to be taken on a matter that is a reverse takeover, disclosure in this Item must include disclosure prescribed by the appropriate prospectus form for the reverse takeover acquirer.

14.3 If the matter is one that is not required to be submitted to a vote of securityholders, state the reasons for submitting it to securityholders and state what action management intends to take in the event of a negative vote by the securityholders.

14.4 Section 14.2 does not apply to a Form 51-102F5 that is sent to holders of voting securities of a reporting issuer soliciting proxies otherwise than on behalf of management of the reporting issuer (a "dissident circular"), unless the sender of the dissident circular is proposing a significant acquisition or restructuring transaction involving the reporting issuer and the sender, under which securities of the sender, or an affiliate of the sender, are to be distributed or transferred to securityholders of the reporting issuer. However, a sender of a dissident circular shall include in the dissident circular the disclosure required by section 14.2 if the sender of the dissident circular is proposing a significant acquisition or restructuring transaction under which securities of the sender or securities of an affiliate of the sender are to be changed, exchanged, issued or distributed.

14.5 Section 14.2 does not apply to a Form 51-102F5 that is prepared in connection with a Qualifying Transaction for an issuer that is a CPC (as such terms are defined in the TSX Venture Exchange policy on Capital Pool Companies) provided that the issuer complies with the policies and requirements of the TSX Venture Exchange in respect of that Qualifying Transaction.

Item 15 — Restricted Shares

15.1 If the action to be taken involves a transaction that would have the effect of converting or subdividing, in whole or in part, existing shares into restricted shares, or creating new restricted shares, the information circular must also include, as part of the minimum disclosure required, a detailed description of:

(a) the voting rights attached to the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, and the voting rights, if any, attached to the shares of any other class of shares of the issuer that are the same or greater on a per share basis than those attached to the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

(b) the percentage of the aggregate voting rights attached to the issuer's securities that are represented by the class of restricted shares;

(c) any significant provisions under applicable corporate and securities law, in particular whether the restricted shares may or may not be tendered in any takeover bid for securities of the reporting issuer having voting rights superior to those attached to the restricted shares, that do not apply to the holders of the restricted shares that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, but do apply to the holders of another class of equity shares, and the

extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted shares; and

(d) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted shares that are the subject of the transaction either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity shares of the issuer and to speak at the meetings to the same extent that holders of equity shares are entitled.

15.2 If holders of restricted shares do not have all of the rights referred to in section 15.1, the detailed description referred to in section 15.1 must include, in bold-face type, a statement of the rights the holders do not have.

Item 16 — Additional Information

16.1 Disclose that additional information relating to the issuer is on SEDAR at www.sedar.com.

16.2 Include a statement that financial information is provided in the issuer's comparative financial statements and MD&A for its most recently completed financial year.

FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

Table of Contents

FORM 51-102F6

STATEMENT OF EXECUTIVE COMPENSATION

Item 1— General Instructions and Interpretation

1.1 The purpose of this Form is to provide disclosure of all compensation earned by certain executive officers and directors in connection with office or employment by the issuer or a subsidiary of the issuer.

1.2 Issuers should prepare the Form in the prescribed format. A table or column of a table may be omitted if it is not applicable.

1.3 Definitions. For the purposes of this Form:

"Chief Executive Officer" or "CEO" means an individual(s) who served as chief executive officer of the issuer or acted in a similar capacity during the most recently completed financial year;

"long-term incentive plan" or "LTIP" means a plan providing compensation intended to motivate performance over a period greater than one financial year. LTIPs do not include option or SAR plans or plans for compensation through restricted stock or restricted stock units;

"measurement period" means the period beginning at the "measurement point" which is established by the market close on the last trading day before the beginning of the issuer's fifth preceding financial year, through and including the end of the issuer's most recently completed financial year. If the class or series of securities has been publicly traded for a shorter period of time, the period covered by the comparison may correspond to that time period;

"Named Executive Officers" or "NEOs" means the following individuals:

(a) each CEO;

(b) each of the issuer's four most highly compensated executive officers, other than the CEO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds $100,000; and

(c) any additional individuals for whom disclosure would have been provided under (b) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year-end;

"normal retirement age" means normal retirement age as defined in a pension plan or, if not defined, the earliest time at which a plan participant may retire without any benefit reduction due to age;

"options" includes all options, share purchase warrants and rights granted by the issuer or its subsidiaries as compensation for employment services or office. An extension of an option or replacement grant is a grant of a new option. Also, options includes any grants made to a NEO by a third party or a non-subsidiary affiliate of the issuer in respect of services to the issuer or a subsidiary of the issuer;

"plan" includes, but is not limited to, any arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, restricted stock or restricted stock units, performance units and performance shares, similar instruments may be received or purchased. It excludes the Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that are available generally to all salaried employees (e.g. does not discriminate in scope, terms or operation in favour of executive officers or directors);

"replacement grant" means the grant of an option or SAR reasonably related to any prior or potential cancellation of an option or SAR;

"repricing" of an option or SAR means the adjustment or amendment of the exercise or base price of a previously awarded option or SAR. Any repricing occurring through the operation of a formula or mechanism in, or applicable to, the previously awarded option or SAR equally affecting all holders of the class of securities underlying the option or SAR is excluded; and

"stock appreciation right" or "SAR" means a right, granted by an issuer or any of its subsidiaries as compensation for employment services or office to receive cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

1.4 In preparing this Form:

(a) Determination of Most Highly Compensated Executive Officers. The determination of the issuer's most highly compensated executive officers is based on the total annual salary and bonus of each executive officer during the most recently completed financial year.

(b) Change in Status of an NEO During the Financial Year. If the NEO served in that capacity during any part of a financial year for which disclosure is required, disclose all of his or her compensation for the full financial year.

(c) Exclusion of Executive Officer Due to Unusual Compensation or Compensation for Foreign Assignment. In limited circumstances, the issuer can exclude disclosure of an individual, other than a CEO, who is one of the four most highly compensated executive officers. Factors to consider in determining to exclude an individual are:

(i) a payment or accrual of an unusually large amount of cash compensation (such as bonus or commission) that is not part of a recurring arrangement and is unlikely to continue; or

(ii) the payment of additional amounts of cash compensation for increased living expenses due to an assignment outside of Canada.

(d) All Compensation Covered. This Form requires disclosure of all plan and non-plan compensation for each NEO and director covered by Item 11. Except as expressly provided, no amount, benefit or right reported as compensation for a financial year need be reported as compensation for any subsequent fiscal year.

(e) Sources of Compensation. Compensation to officers and directors must include compensation from the issuer and its subsidiaries. Also, any compensation under an understanding or agreement existing among any of the issuer, its subsidiaries or an officer or director of the issuer or its subsidiary and another entity, for the primary purpose of the other entity compensating the officer or director for employment services or office, must be included in the appropriate compensation category.

(f) Compensation Furnished to Associates. Any compensation to an associate, under an understanding or agreement among any of the issuer, its subsidiaries or another entity and an officer or director of the issuer or its subsidiary for the primary purpose of the issuer, its subsidiary or the other entity compensating the officer or director for employment services or office, must be included in the appropriate compensation category.

Item 2 — Summary Compensation Table

2.1 Summary Compensation Table

NEO Name and Principal Position (a)	Year (b)	Annual Compensation			Long-Term Compensation			All Other Compensation ($) (i)
					Awards		Payouts	
		Salary ($) (c)	Bonus ($) (d)	Other Annual Compen-sation ($) (e)	Securities Under Options/ SARs Granted (#) (f)	Restricted Stock or Restricted Stock Units ($) (g)	LTIP Payouts ($) (h)	
CEO	XXX3 XXX2 XXX1							
A	XXX3 XXX2 XXX1							
B	XXX3 XXX2 XXX1							
C	XXX3							

NEO Name and Principal Position (a)	Year (b)	Annual Compensation			Long-Term Compensation			All Other Compensation ($) (i)
					Awards		Payouts	
		Salary ($) (c)	Bonus ($) (d)	Other Annual Compen-sation ($) (e)	Securities Under Options/ SARs Granted (#) (f)	Restricted Stock or Restricted Stock Units ($) (g)	LTIP Payouts ($) (h)	
	XXX2 XXX1							
D	XXX3 XXX2 XXX1							

1. Complete this table for each of the NEOs for the issuer's three most recently completed financial years. Note the following:

- Columns (c) and (d) – include any cash or non-cash base salary and bonus earned by the NEO. For non-cash compensation, disclose the fair market value of the compensation at the time the compensation is earned. Amounts deferred at the election of a NEO must be included in the financial year in which earned. If the amount of salary and/or bonus earned in a given financial year is not calculable, that fact must be disclosed in a footnote and the amount must be disclosed in the subsequent financial year in the column for the financial year in which earned.

- Any salary or bonus earned in a covered year that was foregone, at the election of a NEO, under a program of the issuer under which non-cash compensation may be received in lieu of a portion of annual compensation, need not be included in the salary or bonus columns. Instead, the issuer may disclose the non-cash compensation in the appropriate column for that year (i.e. columns (f), (g) and (i)). If the election was made under a LTIP and therefore is not reportable at the time of grant in this table, a footnote must be added to the salary or bonus column disclosing this fact and referring to Table 3.1.

- Commissions can be treated as salary or bonus. Issuers can add a footnote to the table to indicate that such amounts are paid under a commission arrangement and disclose details of the arrangement in the compensation committee report (Item 9).

- Column (e) – disclose all other compensation of the NEO that is not properly categorized as salary or bonus, including:

  (a) Perquisites and other personal benefits, securities or property, unless the aggregate amount of such compensation is less than $50,000 and 10 per cent of the total of the annual salary and bonus of the NEO for the financial year. Generally, a perquisite is a benefit that is not available to all employees. Examples of perquisites are:

  - Car allowance
  - Car lease
  - Cars
  - Corporate aircraft
  - Club membership
  - Financial assistance to provide education to children of the executives
  - Financial counselling

  The following are not considered perquisites and thus need not be reported:

  - Contributions to professional dues
  - CPP

- Dental
- Employee relocation plans available to all employees
- Group life benefits available to all employees
- Long-term benefits available to all employees
- Medical

Each perquisite or other personal benefit exceeding 25 per cent of the total perquisites and other personal benefits reported for an NEO must be identified by type and amount in a footnote to column (e). Perquisites and other personal benefits must be valued on the basis of the aggregate incremental cost to the issuer and its subsidiaries;

(b) The above-market portion of all interest, dividends or other amounts paid concerning securities, options, stock appreciation rights (SARs), loans, deferred compensation or other obligations issued to an NEO during the financial year or payable during that period but deferred at the election of the NEO. Above-market or preferential means a rate greater than the rate ordinarily paid by the issuer or its subsidiary on securities or other obligations having the same or similar features issued to third parties. Any above-market portion not reported in column (e) should be reported in column (i);

(c) Earnings on LTIP compensation or dividend equivalents paid during the financial year or payable during that period but deferred at the election of the NEO;

(d) Amounts reimbursed during the financial year for the payment of taxes;

(e) The difference between the price paid by a NEO for a security of the issuer or its subsidiaries that was purchased from the issuer or its subsidiaries and the fair market value of the security at the time of purchase, unless the discount was available generally, either to all security holders or to all salaried employees of the issuer;

(f) The imputed interest benefits from loans provided to, or debts incurred on behalf of, the NEO by the issuer and its subsidiaries as computed in accordance with the *Income Tax Act* (Canada); and

(g) The amounts of loan or interest obligations of the NEO to the issuer, its subsidiaries or third parties that were serviced or settled by the issuer or its subsidiaries without the substitution of an obligation to repay the amount to the issuer or subsidiaries in its place.

- Column (f) - includes the number of securities under option (with or without tandem SARs) and, separately, the number of securities subject to freestanding SARs. The figures in this column for the most recent fiscal year should equal those reported in Table 4.1, column (b). These figures are not cumulative.
- If at any time during the most recently completed financial year the issuer repriced options or freestanding SARs previously awarded to an NEO, disclose the repriced options or SARs as new options or SARs grants in column (f).
- Column (g) - includes the dollar value (net of consideration paid by the NEO) of any restricted stock or restricted stock units (calculated by multiplying the closing market price of the issuer's unrestricted stock on the date of grant by the number of stock or stock units awarded).
- In a footnote to units column (g) disclose:
  - the number and value of the aggregate holdings of restricted stock and restricted stock units at the end of the most recently completed financial year;
  - for any restricted stock or restricted stock unit that will vest, in whole or in part, in less than three years from the date of grant, the total number of securities awarded and the vesting schedule; and

- whether dividends or dividend equivalents will be paid on the restricted stock and restricted stock units disclosed in the column.

- Column (h) – includes the dollar value of all payouts under LTIPs.

- Awards of restricted stock or restricted stock units that are subject to performance-based conditions prior to vesting may be disclosed as LTIP awards under column (i) instead of under column (g). If this approach is selected, once the restricted stock or restricted stock unit vests, it must be reported as an LTIP payout in column (h).

- If any specified performance target, goal or condition to payout was waived regarding any amount included in LTIP payouts, disclose this fact in a footnote to the column (h).

- Column (i) – must include, but is not limited to:

- the amount paid, payable or accrued to a NEO for:

  (i) the resignation, retirement or other termination of the NEO's employment with the issuer or a subsidiary of the issuer; or

  (ii) a change in control of the issuer or a subsidiary of the issuer or a change in the NEO's responsibilities following such a change in control.

- The dollar value of the above-market portion of all interest, dividends or other amounts earned during the financial year, or calculated with respect to that period, excluding amounts that are paid during that period, or payable during that period at the election of the NEO that were reported as other annual compensation in column (e). See the description for column (e), point (b) for an explanation of the above market portion.

- The dollar value of amounts earned on LTIP compensation during the financial year, or calculated with respect to that period, and dividend equivalents earned during that period except that amounts paid during that period, or payable during that period at the election of the NEO must be reported as other annual compensation in column (e).

- Annual contributions or other allocations by the issuer or its subsidiaries to vested and unvested defined contribution plans, employee savings plans or stock purchase plans. These benefits are not considered to be perquisites due to their all-inclusive nature.

- The dollar value of any insurance premium paid by, or on behalf of, the issuer or its subsidiaries during the financial year with respect to term life insurance for the benefit of a NEO. If there is an arrangement or understanding, whether formal or informal, that the NEO has received or will receive or be allocated an interest in any cash surrender value under the insurance policy, either:

  (i) the full dollar value of the remainder of the premiums paid by, or on behalf of, the issuer or its subsidiaries; or

  (ii) if the premiums will be refunded to the issuer or its subsidiaries on termination of the policy, the dollar value of the benefit to the NEO of the remainder of the premium paid by, or on behalf of, the issuer or its subsidiaries during the financial year. This benefit must be determined for the period, projected on an actuarial basis, between payment of premium and the refund.

- The same method of reporting under this paragraph must be used for each NEO. If the issuer changes methods of reporting from one year to the next, that fact and the reason for the change must be disclosed in a footnote to column (i).

- The following need not be reported in column (i):

  (i) LTIP awards and amounts received on exercise of options and SARs; and

  (ii) Information on defined benefit and actuarial plans.

2. The $100,000 threshold only applies to the most recent fiscal year in determining the NEOs.

3. If, during any of the financial years covered by the table, the issuer or its subsidiaries did not employ an NEO for the entire financial year, disclose this fact and the number of months the NEO was so employed during the year in a footnote to the table.

4. If during any of the financial years covered by the table, an NEO was compensated by a non-subsidiary affiliate of the issuer, disclose in a note to the table:

   (a) the amount and nature of such compensation; and

   (b) whether the compensation is included in the compensation reported in the table.

5. Information with respect to a financial year-end prior to the most recently completed financial year-end need not be provided if the issuer was not a reporting issuer at any time during such prior financial year.

Item 3 — LTIP Awards Table

3.1 LTIP—Awards In Most Recently Completed Financial Year

NEO Name (a)	Securities, Units or Other Rights (#) (b)	Performance or Other Period Until Maturation or Payout (c)	Estimated Future Payouts Under Non-Securities-Price-Based Plans		
			Threshold ($ or #) (d)	Target ($ or #) (e)	Maximum ($ or #) (f)
CEO					
A					
B					
C					
D					

1. Complete Table 3.1 for each LTIP award made to the NEOs during the most recently completed financial year. Note the following:

   - Column (b) – Include the number of securities, units or other rights awarded under any LTIP and, if applicable, the number of securities underlying any such unit or right.
   - Columns (d) to (f) - For plans not based on stock price, the dollar value of the estimated payout or range estimated payouts under the award (threshold, target and maximum amount), whether such award is denominated in stock or cash.
   - Threshold is the minimum amount payable for a certain level of performance under the plan.
   - Target is the amount payable if the specified performance target(s) is reached. An issuer should provide a representative amount based on the previous financial year's performance if the target award is not determinable.
   - Maximum is the maximum payout possible under the plan.

2. Describe in a footnote to the table, the material terms of any award, including a general description of the formula or criteria applied in determining the amounts payable. Issuers are not required to disclose confidential information that would adversely affect the issuer's competitive position.

3. A tandem grant of two instruments, only one of which is under an LTIP, need be reported only in the table applicable to the other instrument.

Item 4 — Options and SARs

4.1 Option/SAR Grants During The Most Recently Completed Financial Year

NEO Name (a)	Securities, Under Options/SARs Granted (#) (b)	Per cent of Total Options/ SARs Granted to Employees in Financial Year (c)	Exercise or Base Price ($/Security) (d)	Market Value of Securities Underlying Options/ SARs on the Date of Grant ($/Security) (e)	Expiration Date (f)
CEO					
A					
B					
C					
D					

1. Complete Table 4.1 for individual grants of options to purchase or acquire securities of the issuer or any of its subsidiaries (whether or not in tandem with SARs) and freestanding SARs made during the most recently completed financial year to each of NEO. Note the following:

- The information must be presented for each NEO in groups according to each issuer and class or series of security underlying the options or SARs granted and within these groups in reverse chronological order. For each grant, disclose in a footnote the issuer and the class or series of securities underlying the options or freestanding SARs granted.
- If more than one grant of options or freestanding SARs was made to a NEO during the most recently completed financial year, a separate row must be used to provide the particulars of each grant. However, multiple grants during a single financial year to a NEO can be aggregated if each grant was made on the same terms (eg. exercise price, expiration date and vesting thresholds, if any).
- A single grant of options or freestanding SARs must be reported as separate grants for each tranche with a different exercise or base price, expiration date or performance-vesting threshold.
- Each material term of the grant, including but not limited to the date of exercisability, the number of SARs, dividend equivalents, performance units or other instruments granted in tandem with options, a performance-based condition to exercisability, a re-load feature or a tax-reimbursement feature must be disclosed in a footnote to the table.
- Options or freestanding SARs granted in an option repricing transaction must be disclosed.
- If the exercise or base price is adjustable over the term of an option or freestanding SAR in accordance with a prescribed standard or formula, include in a footnote to the table, a description of the standard or formula.
- If any provision of an option or SAR (other than an anti-dilution provision) could cause the exercise or base price to be lowered, a description of the provision and its potential consequences must be included in a footnote to the table.
- In determining the grant date market value of the securities underlying options or freestanding SARs, use either the closing market price or any other formula prescribed under the option or SAR plan. For options or SARs granted prior to the establishment of a trading market in the underlying securities, the initial offering price may be used.

4.2 Aggregated Option/SAR Exercises During The Most Recently Completed Financial Year And Financial Year-End Option/SAR Values

NEO Name (a)	Securities, Acquired on Exercise (#) (b)	Aggregate Value Realized ($) (c)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable (d)	Value of Unexercised in-the-Money Options/SARs at FY-End ($) Exercisable/ Unexercisable (e)
CEO				
A				
B				
C				
D				

1. Complete Table 4.2 for each exercise of options (or tandem SARS) and freestanding SARs during the most recently completed financial year by each NEO and the financial year-end value of unexercised options and SARs, on an aggregated basis. Note the following:

   - Column (c) - the aggregate dollar value realized upon exercise. The dollar value is equal to column (b) times the difference between the market value of the securities underlying the options or SARs at exercise or financial year-end, respectively, and the exercise or base price of the options or SARs.
   - Column (d) - the total number of securities underlying unexercised options and SARs held at the end of the most recently completed financial year, separately identifying the exercisable and unexercisable options and SARs.
   - Column (e) - the aggregate dollar value of in-the-money, unexercised options and SARs held at the end of the financial year, separately identifying the exercisable and unexercisable options and SARs. The dollar value is calculated the same way as in column (c). Options or freestanding SARs are in-the-money at financial year-end if the market value of the underlying securities on that date exceeds the exercise or base price of the option or SAR.

Item 5 — Option and SAR Repricings

5.1 Table of Option and SAR Repricings

NEO Name (a)	Date of Repricing (b)	Securities Under Options/SARs Repriced or Amended (#) (c)	Market Price of Securities at Time of Repricing or Amendment ($/Security) (d)	Exercise Price at Time of Repricing or Amendment ($/Security) (e)	New Exercise Price ($/Security) (f)	Length of Original Option Term Remaining at Date of Repricing or Amendment (g)

1. Complete Table 5.1 if at any time during the most recently completed financial year, the issuer has repriced downward any options or freestanding SARs held by any NEO.

2. State the following information for all downward repricings of options or SARs held by executive officers of the issuer during the shorter of:

   (a) the 10 year period ending on the date of this Form; and

   (b) the period during which the issuer has been a reporting issuer.

3. Information about a replacement grant made during the financial year must be disclosed even if the corresponding original grant was cancelled in a prior year. If the replacement grant is not made at the current market value, describe this fact and the terms of the grant in a footnote to the table.

4. The information must be presented in groups according to issuer and class or series of security underlying options or SARs and within these groups in reverse chronological order.

5. In a narrative immediately before or after this table, explain in reasonable detail the basis for all downward repricings during the most recently completed financial year of options and SARs held by any of the NEOs.

Item 6 — Defined Benefit or Actuarial Plan Disclosure

6.1 Pension Plan Table

Remuneration ($)	Years of Service				
	15	20	25	30	35
125,000					
150,000					
175,000					
200,000					
225,000					
250,000					
300,000					
400,000					
[insert additional rows as appropriate for additional increments]					

1. Disclose Table 6.1 for defined benefit or actuarial plans under which benefits are determined primarily by final compensation (or average final compensation) and years of service. The estimated annual benefits payable upon retirement (including amounts attributable to any defined benefit supplementary or excess pension awards plan) for the specified compensation and years of service should be disclosed .

2. Immediately following the table disclose:

   (a) the compensation covered by the plan(s), including the relationship of the covered compensation to the compensation reported in Table 2.1;

   (b) the current compensation covered by the plan for any NEO whose total compensation differs substantially (by more than 10 per cent) from that set out in the Summary Compensation Table;

   (c) a statement as to the basis upon which benefits are computed (for example; straight-life annuity amounts), and whether or not the benefits listed in the table are subject to any deduction for social security or other offset amount; and

   (d) the estimated credited years of service for each NEO.

3. Compensation disclosed in the table must allow for reasonable increases in existing compensation levels or, alternately, the issuer may present, as the highest compensation level in the table, an amount equal to 120 per cent of the amount of covered compensation of the most highly compensated of the NEOs.

4. For defined benefit or actuarial plans under which benefits are not determined primarily by final compensation (or average final compensation) and years of service, state in narrative form:

   (a) the formula by which benefits are determined; and

   (b) the estimated annual benefits payable upon retirement at normal retirement age for each of the NEOs.

Item 7 — Termination of Employment, Change in Responsibilities and Employment Contracts

7.1 Describe the terms and conditions, including dollar amounts, of each of the following contracts or arrangements:

   (a) Any employment contract between the issuer or its subsidiaries and an NEO; and

(b) Any compensatory plan or arrangement, where the amount involved, including periodic payments or instalments, exceeds $100,000, to be received from the issuer or its subsidiaries, with respect to a NEO, if such plan or arrangement results or will result from:

(i) the resignation, retirement or any other termination of the NEO's employment with the issuer and its subsidiaries;

(ii) a change of control of the issuer or any of its subsidiaries of the issuer; or

(iii) a change in the NEO's responsibilities following a change-in-control.

Item 8 — Composition of the Compensation Committee

8.1 If any compensation is reported in Items 2 to 6 for the most recently completed financial year, under the caption "Composition of the Compensation Committee", identify each member of the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of any such committee, the entire board of directors) during the most recently completed year. Also, indicate each committee member who:

(a) was, during the financial year, an officer or employee of the issuer or any of its subsidiaries;

(b) was formerly an officer of the issuer or any of its subsidiaries;

(c) had or has any relationship that requires disclosure by the issuer under Form 51-102F5 *Information Circular,* Item 10 "Indebtedness of Directors and Executive Officers" and Item 11 "Interest of Informed Persons in Material Transactions";

(d) was an executive officer of the issuer and also served as a director or member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another issuer, one of whose executive officers served either:

(i) on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of the issuer; or

(ii) as a director of the issuer.

8.2 If a committee member who signs Item 9 "Report on Executive Compensation" is not a member under this Item during the year, then disclose the change in membership as well as any of the relationships described in section 8.1, if any.

Item 9 — Report on Executive Compensation

9.1 If any compensation is reported in Items 2 to 6 for the most recently completed financial year, describe under the caption "Report on Executive Compensation" the policies of the compensation committee or other board committee performing equivalent functions, or in the absence of any such committee then of the entire board of directors of the issuer, during the most recently completed financial year, for determining compensation of executive officers. Boilerplate language should be avoided.

9.2 This report should include a discussion of:

(a) the relative emphasis of the issuer on cash compensation, options, SARs, securities purchase programs, restricted stock, restricted stock units and other incentive plans, and annual versus long-term compensation;

(b) whether the amount and terms of outstanding options, SARs, restricted stock and restricted stock units were taken into account when determining whether and how many new option grants would be made;

(c) the specific relationship of the issuer's performance to executive compensation, and, in particular, describing each measure of the issuer's performance, whether quantitative or qualitative, on which executive compensation was based and the weight assigned to each measure, e.g. percentage ranges; and

(d) the waiver or adjustment of the relevant performance criteria and the bases for the decision if an award was made to a NEO under a performance-based plan despite failure to meet the relevant performance criteria. For example, an issuer should explain how bonuses are earned and why they were awarded this period, if applicable.

9.3 The report should state the following information about each CEO's compensation:

(a) the bases for the CEO's compensation for the most recently completed financial year, including the factors and criteria upon which the CEO's compensation was based and the relative weight assigned to each factor;

(b) the competitive rates, if compensation of the CEO was based on assessments of competitive rates, with whom the comparison was made, the nature of, and the basis for, selecting the group with which the comparison was made and at what level in the group the compensation was placed. Disclose if different competitive standards were used for different components of the CEO's compensation; and

(c) the relationship of the issuer's performance to the CEO's compensation for the most recently completed financial year, describing each measure of issuer's performance, whether quantitative or qualitative, on which the CEO's compensation was based and the weight assigned to each measure, e.g. percentage ranges.

9.4 The report must be made over the name of each member of the issuer's compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors). If the board of directors modified or rejected in any material way any action or recommendation by the committee with respect to decisions in the most recently completed financial year, the report should indicate this fact, explain the reasons for the board's action and be made over the name of all members of the board.

9.5 In the event of a dissenting committee member, a report need not be made over the name of the dissenting member; however, the report must identify the dissenting member and the reasons provided to the committee for the dissent.

9.6 Disclosure of target levels with respect to specific quantitative or qualitative performance-related factors considered by the committee (or board), or any factors or criteria involving confidential information is not required.

9.7 If compensation of executive officers is determined by different board committees, a joint report may be presented indicating the separate committee's responsibilities and members of each committee or alternatively separate reports may be prepared for each committee.

Item 10 — Performance Graph

10.1 If any compensation is reported in response to Items 2 to 6 for the most recently completed financial year, immediately after Item 9, provide a line graph called "Performance Graph" comparing:

(a) the yearly percentage change in the issuer's cumulative total shareholder return on each class or series of equity securities that are publicly traded, as measured in accordance with section 10.2, with

(b) the cumulative total return of a broad equity market index assuming reinvestment of dividends, that includes issuers whose securities are traded on the same exchange or are of comparable market capitalization, provided that, if the issuer is within the S&P/TSX Composite Index, the issuer must use the total return index value of the S&P/TSX Composite Index.

10.2 The yearly percentage change in an issuer's cumulative total shareholder return on a class or series of securities must be measured by dividing:

(a) the sum of:

(i) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment; and

(ii) the difference between the price for the securities of the class or series at the end and the beginning of the measurement period, by

(b) the price for the securities of the class or series at the beginning of the measurement period.

At the measurement point, which is the beginning of the measurement period, the closing price must be converted into a fixed investment of $100 in the issuer's securities (or in the securities represented by a given index), with cumulative returns for each subsequent financial year measured as a change from that investment.

10.3 In preparing the required graphic comparisons:

(a) use, to the extent feasible, comparable methods of presentation and assumptions for the total return calculations, provided that, if the issuer constructs its own peer group index under section 10.5(b), the same methodology must be used in calculating both the issuer's total return and that of the peer group index;

(b) assume the reinvestment of dividends into additional securities of the same class or series at the frequency with which dividends are paid on the securities during the applicable financial year; and

(c) each financial year should be plotted with points showing the cumulative total return as of that point. The value of the investment as of each point plotted on a given return line is the number of securities held at that point multiplied by the then-prevailing security price.

10.4 The issuer must present information for the issuer's last five financial years, and may choose to graph a longer period but the $100 measurement point remains the same. A period shorter than five years may be used if the class or series of securities forming the basis for the comparison has been publicly traded for a shorter time period.

10.5 The issuer also may elect to include in the graph a line charting the cumulative total return, assuming reinvestment of dividends, of:

(a) a published industry or line-of-business index which is any index that is prepared by a party other than the issuer or its affiliate and is accessible to the issuer's securityholders, provided that, an issuer may use an index prepared by it or its affiliate if such index is widely recognized and used;

(b) peer issuer(s) selected in good faith. If the issuer does not select its peer issuers on an industry or line-of-business basis, the issuer must disclose the basis for its selection; or

(c) issuer(s) with similar market capitalization(s), but only if the issuer does not use a published industry or line-of-business index and does not believe it can reasonably identify a peer group. If the issuer uses this alternative, the graph must be accompanied by a statement of the reasons for this selection.

10.6 If the issuer uses peer issuer comparisons or comparisons with issuers with similar market capitalizations, the identity of those issuers must be disclosed and the returns of each component issuer of the group must be weighted according to the respective issuer's market capitalization at the beginning of each period for which a return is indicated.

10.7 Any election by an issuer to use an additional index under section 10.5 is considered to apply in respect of all subsequent financial years unless abandoned by the issuer in accordance with this section. In order to abandon the index, the issuer must have, in the information circular or annual filing for the financial year immediately preceding the most recently completed financial year:

(a) stated its intention to abandon the index;

(b) explained the reason(s) for this change; and

(c) compared the issuer's total return with that of the elected additional index.

10.8 Issuers may include comparisons using performance measures in addition to total return, such as return on average common shareholders' equity, so long as the issuer's compensation committee (or other board committee performing equivalent functions or in the absence of any such committee the entire board of directors) describes the link between that measure and the level of executive compensation in the report required by Item 9.

Item 11 — Compensation of Directors

11.1 Disclose the following under the "Compensation of Directors" heading:

(a) any standard compensation arrangements, stating amounts, earned by directors of the issuer for their services as directors from the issuer and its subsidiaries during the most recently completed financial year, including any additional amounts payable for committee participation or special assignments;

(b) any other arrangements, stating the amounts paid and the name of the director, under which directors were compensated for their services as directors from the issuer and its subsidiaries during the most recently completed financial year; and

(c) any other arrangements, stating the amounts paid and the name of the director, under which directors of the issuer were compensated for services as consultants or experts, by the issuer and its subsidiaries during the most recently completed financial year.

11.2 If information required by Item 11.1 is provided in response to another item of this Form, a cross-reference to where the information is provided satisfies Item 11.1.

Item 12 — Unincorporated Issuers

12.1 Unincorporated issuers must report:

(a) a description of and amount of fees or other compensation paid by the issuer to individuals acting as directors or trustees of the issuer for the most recently completed financial year; and

(b) a description of and amount of expenses reimbursed by the issuer to such individuals as directors or trustees during the most recently completed financial year.

12.2 The information required by this Item may be disclosed in the issuer's annual financial statements instead.

Item 13 — Venture Issuers

13.1 A venture issuer may omit the disclosure required by Items 5, 6, 8, 9 and 10. A venture issuer must, in a narrative that accompanies the table required by Item 4.1, disclose which grants of options or SARs result from repricing and explain in reasonable detail the basis for the repricing.

Item 14 — Issuers Reporting in the United States

14.1 Except as provided in section 14.2, SEC issuers may satisfy the requirements of this Form by providing the information required by Item 402 "Executive Compensation" of Regulation S-K under the 1934 Act.

14.2 Section 14.1 is not available to an issuer that, as a foreign private issuer, satisfies Item 402 of Regulation S-K by providing the information required by Items 6.B "Compensation" and 6.E.2 "Share Ownership" of Form 20-F under the 1934 Act.

COMPANION POLICY 51-102CP TO NATIONAL INSTRUMENT 51-102

CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1 – INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose

(1) National Instrument 51-102 *Continuous Disclosure Obligations* (the "Instrument") sets out disclosure requirements for all issuers, other than investment funds, that are reporting issuers in one or more Canadian jurisdictions.

(2) The purpose of this Companion Policy (the "Policy") is to help you understand how the provincial and territorial regulatory authorities interpret or apply certain provisions of the Instrument. This Policy includes explanations, discussion and examples of various parts of the Instrument.

1.2 Filing Obligations

Reporting issuers must file continuous disclosure documents under the Instrument only in the local jurisdictions in which they are a reporting issuer.

1.3 Corporate Law Requirements

Reporting issuers are reminded that they may be subject to requirements of corporate law that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may require the delivery of annual financial statements to shareholders.

1.4 Definitions

(1) **General** – Many of the terms for which the Instrument or Forms prescribed by the Instrument provide definitions are defined somewhat differently in the applicable securities legislation of several local jurisdictions. A term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires.

For instance, the terms "form of proxy", "proxy", "recognized quotation and trade reporting system", "solicit", "equity security", "published market" and "material change" are defined in local securities legislation of most jurisdictions. The provincial and territorial regulatory authorities consider the meanings given to these terms in securities legislation to be substantially similar to the definitions set out in the Instrument.

(2) **Asset-backed security** – Section 1.7 of Companion Policy 44-101CP provides guidance for the definitions of "asset-backed securities" and "principal obligor". In addition, section 8.1 of Policy 44-101CP outlines the views of provincial and territorial regulatory authorities with respect to disclosure items in the AIF for issuers of asset-backed securities.

(3) **Directors and Executive Officers** – Where the Instrument or any of the Forms use the term "directors" or "executive officers", a reporting issuer that is not a corporation must refer to the definitions in securities legislation of "director" and "officer". The definition of "officer" may include any individual acting in a capacity similar to that of an officer of a company. Similarly, the definition of "director" typically includes a person acting in a capacity similar to that of a director of a company. Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with the Instrument and the Forms.

(4) **Reverse Takeover** – The definition of reverse takeover is based upon the definition in the Handbook. The Handbook adds further clarification that, although legally the enterprise that issued the securities is regarded as the parent or continuing enterprise, the enterprise whose former securityholders now control the combined enterprise is treated as the acquirer for accounting purposes. As a result, for accounting purposes, the issuing enterprise is deemed to be a continuation of the acquirer and the acquirer is deemed to have acquired control of the assets and business of the issuing enterprise in consideration for the issue of capital.

1.5 Plain Language Principles

We believe that plain language will help investors understand your disclosure so that they can make informed investment decisions. You can achieve this by:

- using short sentences

- using definite everyday language
- using the active voice
- avoiding superfluous words
- organizing the document in clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure
- not relying on boilerplate wording
- avoiding abstract terms by using more concrete terms or examples
- avoiding multiple negatives
- using technical terms only when necessary and explaining those terms
- using charts, tables and examples where it makes disclosure easier to understand.

1.6 Signature and Certificates

Reporting issuers are not required by the Instrument to sign or certify documents filed under the Instrument. Whether or not a document is signed or certified, it is an offence under securities legislation to make a false or misleading statement in any required document.

PART 2 – FOREIGN ISSUERS AND INVESTMENT FUNDS

2.1 Foreign Issuers

National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* provides relief for eligible foreign reporting issuers from certain continuous disclosure and other obligations, including certain obligations contained in the Instrument.

2.2 Investment Funds

Section 2.1 of the Instrument states that the Instrument does not apply to investment funds. Investment funds should look to securities legislation of the local jurisdiction including, when implemented, National Instrument 81-106 *Investment Fund Continuous Disclosure* to find the continuous disclosure requirements applicable to them.

PART 3 - FINANCIAL STATEMENTS

3.1 Annual Financial Statements

For the purposes of the Instrument, unless otherwise expressly provided, references to a financial year apply irrespective of the length of that year and the first financial year of a reporting issuer commences on the date of its incorporation or organization and ends at the close of that year.

3.2 Filing Deadline for Annual Financial Statements and Auditor's Report

Section 4.2 of the Instrument sets out filing deadlines for annual financial statements. While section 4.2 of the Instrument does not address the auditor's report date, reporting issuers are encouraged to file their annual financial statements as soon as practicable after the date of the auditor's report. The delivery obligations set out in section 4.6 of the Instrument are not tied to the filing of the financial statements.

3.3 Auditor Involvement with Interim Financial Statements

(1) The board of directors of a reporting issuer, in discharging its responsibilities for ensuring the reliability of interim financial statements, should consider engaging an external auditor to carry out a review of such financial statements.

(2) Subsection 4.3(3) and section 6.5 of the Instrument require a reporting issuer to disclose if an auditor has not performed a review of the interim financial statements or has performed a review and expressed a qualified or adverse communication or denied any assurance. No positive statement is required when an auditor has performed a review and provided an unqualified communication.

(3) Where a reporting issuer's annual financial statements are audited in accordance with Canadian GAAS, the terms "review" and "written review report" used in subsection 4.3(3) and section 6.5 of the Instrument refer to the auditor's review of and report on interim financial statements using standards for a review of interim financial statements by the auditor as set out in the Handbook. Where the reporting issuer's financial statements are audited in accordance with other than Canadian GAAS, the corresponding review standards should be used.

3.4 Comparative Interim Financial Information After Becoming a Reporting Issuer

Section 4.7(4) of the Instrument provides that a reporting issuer does not have to provide comparative financial information when it first becomes a reporting issuer if it complies with specific requirements. This exemption is meant to apply to an issuer that was, before becoming a reporting issuer, a private entity and that is unable to prepare the comparative financial information because it is impracticable to do so.

3.5 Change in Year-End

Appendix A to this Policy is a chart outlining the financial statement filing requirements under section 4.8 of the Instrument if a reporting issuer changes its financial year-end.

3.6 Change in Corporate Structure

Section 4.9 of the Instrument requires a reporting issuer to deliver a notice if the issuer has been party to certain restructuring transactions. That notice should be delivered to the securities regulatory authority or regulator in the applicable jurisdictions at the addresses set out in section 12.1 of this Policy.

3.7 Change of Auditor

The term "disagreement" defined in subsection 4.11(1) should be interpreted broadly. A disagreement may not involve an argument, but rather, a mere difference of opinion. Also, where a difference of opinion occurs that meets the criteria in item (b) of the definition of "disagreement", and the issuer reluctantly accepts the auditor's position in order to obtain an unqualified report, a reportable disagreement may still exist. The subsequent rendering of an unqualified report does not, by itself, remove the necessity for reporting a disagreement.

Subsection 4.11(5) of the Instrument requires a reporting issuer, upon a termination or resignation of its auditor, to prepare a change of auditor notice, have the audit committee or board of directors approve the notice, file the reporting package with the applicable regulator or securities regulatory authority in each jurisdiction where it is a reporting issuer, and if there are any reportable events, issue and file a news release describing the information in the reporting package. Subsection 4.11(6) of the Instrument requires the reporting issuer to perform these procedures upon an appointment of a successor auditor. Where a termination or resignation of a former auditor and appointment of a successor auditor occur within a short period of time, it may be possible for a reporting issuer to perform the procedures described above required by both 4.11(5) and 4.11(6) concurrently and meet the timing requirements set out in those subsections. In other words, the reporting issuer would prepare only one comprehensive notice and reporting package.

3.8 Acceptable Accounting Principles, Auditing Standards and Reporting Currency

Any financial statements required to be filed under the Instrument must comply with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency.*

3.9 Delivery of Financial Statements

Section 4.6 of the Instrument requires reporting issuers to send a request form to the registered holders and beneficial owners of their securities. The registered holders and beneficial owners may use the request form to request a copy of the reporting issuer's annual financial statements and related MD&A, interim financial statements and related MD&A, or both. Reporting issuers are only required to deliver financial statements and MD&A to the registered holders and beneficial owners that request them. The Instrument does not prescribe when the request form must be sent, or how it must be returned to the reporting issuer.

The method that a reporting issuer chooses for the return of the request form should not result in beneficial owners that are "objecting beneficial owners" under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a*

Reporting Issuer being required to disclose their ownership information. For example, objecting beneficial owners should be permitted to return the request form to the reporting issuer through their intermediaries.

PART 4 – DISCLOSURE OF FINANCIAL INFORMATION

4.1 Disclosure of Financial Results

Section 4.5 of the Instrument requires that annual and interim financial statements be reviewed by a company's audit committee (if any) and approved by the board of directors before filing. We believe that extracting information from financial statements that have not been approved by the board and releasing that information to the marketplace in a news release is inconsistent with the prior review requirement. Also see National Policy 51-201 *Disclosure Standards.*

4.2 Non-GAAP Earnings Measures

Reporting issuers that intend to publish earnings measures other than those prescribed by GAAP should refer to CSA Staff Notice 52-303 *Non-GAAP Earnings Measures* for a discussion of staff expectations concerning the use of non-GAAP measures.

PART 5 – AIF

5.1 Additional and Supporting Documentation

Any material incorporated by reference in an AIF is required under section 5.3 of the Instrument to be filed with the AIF unless the material has been previously filed. When a reporting issuer using SEDAR files a previously unfiled document with its AIF, the reporting issuer should ensure that the document is filed under the appropriate SEDAR filing type and document type specifically applicable to the document, rather than generic type "Documents Incorporated by Reference". For example, a reporting issuer that has incorporated by reference an information circular in its AIF and has not previously filed the circular should file the circular under the "Management Proxy Materials" filing subtype and the "Management proxy/information circular" document type.

PART 6 – MD&A

6.1 Additional Information for Venture Issuers Without Significant Revenue

Section 6.3 of the Instrument requires certain venture issuers to provide in their annual or interim MD&A or MD&A supplement (unless the information is included in their interim and annual financial statements), a breakdown of material components of expenses and additions to deferred expenditures. A component of expenses or additions to deferred expenditures is generally considered to be a material component if it exceeds the greater of:

(a) 20% of the total amount of the class; and

(b) $25,000.

While the Instrument requires breakdowns only for expenses and additions to deferred expenditures recorded for each period covered by the MD&A or MD&A supplement, reporting issuers are encouraged to provide information about operating results, cash flow, and deferred expenditures on a cumulative from inception basis.

6.2 Disclosure of Outstanding Share Data

Section 6.4 of the Instrument requires disclosure of information relating to the outstanding shares of the reporting issuer as of the latest practicable date. The "latest practicable date" should be current, as close as possible, to the date of filing of the MD&A. Disclosing the number of shares outstanding at the period end is generally not sufficient to meet this requirement.

PART 7 – ELECTRONIC DELIVERY OF DOCUMENTS

7.1 Electronic Delivery of Documents

Any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with Québec Staff Notice, *The Delivery of Documents by Electronic Means*, in Québec, and National Policy 11-201 *Delivery of Documents by Electronic Means*, in the rest of Canada.

PART 8 - BUSINESS ACQUISITION REPORTS

8.1 Obligations to File a Business Acquisition Report

(1) **Financial Statement Disclosure of Significant Acquisitions** – Appendix B to this Policy is a chart outlining the key obligations for financial statement disclosure of significant acquisitions in a business acquisition report. Reporting issuers are reminded that National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* prescribes the accounting principles, auditing standards and reporting currency that must be used to prepare and audit the financial statements required by Part 8 of the Instrument.

(2) **Acquisition of a Business** – A reporting issuer that has made a significant acquisition must include in its business acquisition report certain financial statements of each business acquired. The term "business" should be evaluated in light of the facts and circumstances involved. We generally consider that a separate entity, a subsidiary or a division is a business and that in certain circumstances a smaller component of a company may also be a business, whether or not the business previously prepared financial statements. In determining whether an acquisition constitutes the acquisition of a business, a reporting issuer should consider the continuity of business operations, including the following factors:

(a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and

(b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the reporting issuer instead of remaining with the vendor after the acquisition.

8.2 Significance Tests

(1) **Nature of Significance Tests** – Subsection 8.2(2) of the Instrument sets out the required significance tests for determining whether an acquisition of a business by a reporting issuer is a "significant acquisition". The first test measures the assets of the acquired business against the assets of the reporting issuer. The second test measures the reporting issuer's investments in and advances to the acquired business against the assets of the reporting issuer. The third test measures the income from continuing operations of the acquired business against the income from continuing operations of the reporting issuer. If any one of these three tests is satisfied at the prescribed level, the acquisition is considered "significant" to the reporting issuer. The test must be applied as at the time of the acquisition using the most recent annual audited financial statements of the reporting issuer and the business. These tests are similar to requirements of the SEC and provide issuers with certainty that if an acquisition is not significant at the time of the acquisition, then no business acquisition or report will be required to be filed.

(2) **Business uses Accounting Principles other than those used by the Reporting Issuer** – Subsection 8.2(13) of the Instrument provides that where the financial statements of the business or related businesses are prepared in accordance with accounting principles other than those used in reporting issuer's financial statements, for purposes of applying the significance tests, the relevant financial statements for the business or related businesses must be reconciled. It is unnecessary for the reconciliation to be audited for the purpose of the test.

(3) **Acquisition of a Previously Unaudited Business** – Section 8.2 of the Instrument requires the significance of an acquisition to be determined using the most recent audited financial statements of the reporting issuer and the business acquired. However, if the financial statements of the business or related businesses for the most recently completed financial year were not audited, subsection 8.2(14) of the Instrument permits use of the unaudited financial statements for the purpose of applying the significance tests. If the acquisition is determined to be significant, then the annual financial statements required by subsection 8.3(1) of the Instrument must be audited.

(4) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsections 8.2(2) and (4) of the Instrument is whether the reporting issuer's consolidated investments in and advances to the business or related businesses exceed a specified percentage of the consolidated assets of the reporting issuer. In applying this test, the "investments in" the business should be determined using the total cost of the purchase, as determined by generally accepted accounting principles, including consideration paid or payable and the costs of the acquisition. If the acquisition agreement includes a provision for contingent consideration, for the purpose of applying the test, the contingent consideration should be included in the total cost of the purchase unless the likelihood of payment is considered remote at the date of the acquisition. In addition, any payments made in connection with the acquisition which would not constitute purchase consideration but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services.

(5) **Application of the Significance Tests When the Financial Year Ends are Non-Coterminous** – Subsection 8.2(2) of the Instrument requires the significance of a business acquisition to be determined using the most recent audited financial statements of both the reporting issuer and the acquired business. For the purpose of applying the tests under this subsection, the year-ends of the reporting issuer and the acquired business need not be coterminous. Accordingly, neither the audited financial statements of the reporting issuer nor those of the business should be adjusted for the purposes of applying the significance tests. However, if the acquisition of a business is determined to be significant and *pro forma* income statements are required by subsection 8.3(3) of the Instrument and, if the business' year-end is more than 93 days before the reporting issuer's year-end, the business' reporting period required under clause 8.3(3)(b)(iii) of the Instrument should be adjusted to reduce the gap to 93 days or less. Refer to subsection 8.7(3) of this Policy for further guidance.

8.3 Optional Significance Tests

(1) **Optional Significance Tests – Decrease in Significance** – The optional significance tests under subsection 8.2(3) and (4) of the Instrument have been included to recognize the possible growth of a reporting issuer between the date of its most recently completed year-end and the date of acquisition and the corresponding potential decline in significance of the acquisition to the reporting issuer. If the significance of an acquisition increases at the second date under subsection 8.2(4), only the financial statements required for the level of significance calculated by the required significance tests under subsection 8.2(2) of the Instrument must be included in the business acquisition report. Applying the optional significance tests at the second date is not intended to increase the level of significance of an acquisition and thereby the number of years of financial statements included in a business acquisition report.

(2) **Availability of the Optional Significance Tests** – The optional significance tests at the second date are available to all reporting issuers. However, depending on how or when a reporting issuer integrates the acquired business into its existing operations and the nature of post-acquisition financial records it maintains for the acquired business, it may not be possible for a reporting issuer to apply the optional significance test at the second date.

(3) **Optional Investment Test** – If an acquisition is determined under subsection 8.2(2) of the Instrument to be significant, a reporting issuer has the option under subsections 8.2(3) and (4) of the Instrument of applying optional significance tests using more recent financial statements than those used for the required significance tests in subsection 8.2(2). For the purpose of applying the optional investment test under paragraph 8.2(4)(b) of the Instrument, the reporting issuer's investments in and advances to the business should be as at the date of the acquisition and not as at the date of the reporting issuer's financial statements used to determine its consolidated assets for the optional investment test.

8.4 Financial Statements of Related Businesses

Subsection 8.3(4) of the Instrument requires that if a reporting issuer includes in its business acquisition report financial statements for more than one related business, separate financial statements must be presented for each business except for the periods during which the businesses were under common control or management, in which case the reporting issuer may present the financial statements on a combined basis. Although one or more of the related businesses may be insignificant relative to the others, separate financial statements of each business for the same number of periods required must be presented. Relief from the requirement to include financial statements of the least significant related business or businesses may be granted depending on the facts and circumstances.

8.5 Application of the Significance Tests for Step-By-Step Acquisitions

Subsection 8.2(11) of the Instrument explains how the significance test should be applied when the reporting issuer increases its investment in a business by way of a step-by-step acquisition as discussed in the Handbook. If the reporting issuer acquired an interest in the business in a previous year and that interest is reflected in the most recent audited financial statements of the reporting issuer filed, then the issuer should determine the significance of only the incremental investment in the business which is not reflected in the reporting issuer's most recent audited financial statements filed.

8.6 Preparation of Divisional and Carve-out Financial Statements

(1) **Interpretations** – In this section of this Policy, unless otherwise stated:

(a) a reference to "a business" includes a division or some lesser component of another business acquired by a reporting issuer that constitutes a significant acquisition; and

(b) the term "parent" refers to the vendor from whom the reporting issuer purchased a business.

(2) **Acquisition of a Division** - As discussed in subsection 8.1(2) of this Policy, the acquisition of a division of a business and in certain circumstances, a lesser component of a person or company, may constitute an acquisition of a business

for purposes of the Instrument, whether or not the subject of the acquisition previously prepared financial statements. To determine the significance of the acquisition and comply with the requirements for financial statements in a business acquisition report under Part 8 of the Instrument, financial statements for the business must be prepared. This section provides guidance on preparing these financial statements.

(3) **Divisional and Carve-Out Financial Statements** – The terms "divisional" and "carve-out" financial statements are often used interchangeably although a distinction is possible. Some companies maintain separate financial records and financial statements for a business activity or unit that is operated as a division. Financial statements prepared from these financial records are often referred to as "divisional" financial statements. In other circumstances, no separate financial records for a business activity are maintained; they are simply consolidated with the parent's records. In these cases, if the parent's financial records are sufficiently detailed, it is possible to extract or "carve-out" the information specific to the business activity in order to prepare separate financial statements of that business. Financial statements prepared in this manner are commonly referred to as "carve-out" financial statements. The guidance in this section applies to the preparation of both divisional and carve-out financial statements unless otherwise stated.

(4) **Preparation of Divisional and Carve-Out Financial Statements**

(a) When complete financial records of the business acquired have been maintained, those records should be used for preparing and auditing the financial statements of the business. For the purposes of this section, it is presumed that the parent maintains separate financial records for its divisions.

(b) When complete financial records of the business acquired do not exist, carve-out financial statements should generally be prepared in accordance with the following guidelines:

(i) *Allocation of Assets and Liabilities* – A balance sheet should include all assets and liabilities directly attributable to the business.

(ii) *Allocation of Revenues and Expenses* – Income statements should include all revenues and expenses directly attributable to the business. Some fundamental expenditures may be shared by the business and its parent in which case the parent's management must determine a reasonable basis for allocating a share of these common expenses to the business. Examples of such common expenses include salaries, rent, depreciation, professional fees, general and administration.

(iii) *Calculation of Income and Capital Taxes* – Income and capital taxes should be calculated as if the entity had been a separate legal entity and filed a separate tax return for the period presented.

(iv) *Disclosure of Basis of Preparation* – The financial statements should include a note describing the basis of preparation. If expenses have been allocated as discussed in paragraph (b)(ii), the financial statements should include a note describing the method of allocation for each significant line item, at a minimum.

(5) **Statements of Assets Acquired, Liabilities Assumed and Statements of Operations** – When it is impracticable to prepare carve-out financial statements of a business, a reporting issuer may be required to include in its business acquisition report an audited statement of assets acquired and liabilities assumed and a statement of operations of the business. The statement of operations should exclude only those indirect operating costs not directly attributable to the business, such as corporate overhead. If indirect operating costs were previously allocated to the business and there is a reasonable basis of allocation, they should not be excluded.

8.7 Preparation of Pro Forma Financial Statements Giving Effect to Significant Acquisitions

(1) **Objective and Basis of Preparation** – The objective of pro forma statements is to illustrate the impact of a transaction on a reporting issuer's financial position and results of operations by adjusting the historical financial statements of the reporting issuer to give effect to the transaction. Accordingly, the pro forma financial statements should be prepared on the basis of the reporting issuer's financial statements as already filed. No adjustment should be made to eliminate extraordinary items or discontinued operations.

(2) **Pro Forma Balance Sheet and Income Statements** – Subsection 8.3(3) of the Instrument does not require a pro forma balance sheet to be prepared to give effect to significant acquisitions that are reflected in the reporting issuer's most recent annual or interim balance sheet filed under the Instrument.

(3) **Non-coterminous Year-ends** - Where the financial year-end of a business differs from the reporting issuer's year-end by more than 93 days, clause 8.3(3)(b)(iii) requires an income statement for the business to be constructed for a period

of 12 consecutive months. For example, if the constructed reporting period is 12 months and ends on June 30, the 12 months should commence on July 1 of the immediately preceding year; it should not begin on March 1st of the immediately preceding year with three of the following 15 months omitted, such as the period from October 1 to December 31, since this would not be a consecutive 12 month period.

(4) **Effective Date of Adjustments** - For the pro forma income statements included in a business acquisition report, the acquisition and the adjustments should be computed as if the acquisition had occurred at the beginning of the reporting issuer's most recently completed financial year and carried through the most recent interim period presented, if any. However, one exception to the preceding is that adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the purchase price allocation arising from giving effect to the acquisition as if it occurred on the date of the reporting issuer's most recent balance sheet filed.

(5) **Acceptable Adjustments** – Pro forma adjustments should be limited to those that are directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable.

(6) **Multiple Acquisitions** – If the pro forma financial statements give effect to more than one acquisition, the pro forma adjustments may be grouped by line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

8.8 Relief from the Requirement to Audit Operating Statements of an Oil and Gas Property

The applicable securities regulatory authority or regulator may exempt a reporting issuer from the requirement to include the report of an auditor on the operating statements referred to in section 8.9 of the Instrument if, during the 12 months preceding the date of the acquisition, the average daily production of the property is less than 20 percent of the total average daily production of the vendor for the same or similar periods, and:

(a) the reporting issuer provides written submissions prior to the deadline for filing the business acquisition report which establishes to the satisfaction of the appropriate regulator, that despite reasonable efforts during the purchase negotiations, the reporting issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

(b) the purchase agreement includes representations and warranties by the vendor that the amounts presented in the operating statement agree to the vendor's books and records; and

(c) the reporting issuer discloses in the business acquisition report its inability to obtain an audited operating statement, the reasons therefor, the fact that the representations and warranties referred to in paragraph (b) have been obtained, and a statement that the results presented in the operating statement may have been materially different if the statement had been audited.

For the purpose of determining average daily production when production includes both oil and natural gas, production may be expressed in barrels of oil equivalent using the conversion ratio of 6000 cubic feet of gas to one barrel of oil.

8.9 Exemptions From Requirement for Financial Statements in a Business Acquisition Report

(1) **Exemptions** – We are of the view that relief from the financial statement requirements of Part 8 of the Instrument should be granted only in unusual circumstances not related to cost or the time involved in preparing and auditing the financial statements. Reporting issuers seeking relief from the financial statement or audit requirements of Part 8 must apply for the relief before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief.

(2) **Conditions to Exemptions** – If relief is granted from the requirements of Part 8 of the Instrument to include audited financial statements of an acquired business or related businesses, conditions will likely be imposed, such as a requirement to include audited divisional or partial income statements or divisional statements of cash flow, or an audited statement of net operating income for a business.

(3) **Exemption from Comparatives if Financial Statements Not Previously Prepared** – Section 8.8 of the Instrument provides that a reporting issuer does not have to provide comparative financial information for an acquired business in a business acquisition report if it complies with specific requirements. This exemption is meant to apply to an acquired business that was, before the acquisition, a private entity and that the reporting issuer is unable to prepare the comparative financial information for because it is impracticable to do so.

(4) **Exemption from Including Two Years** – Relief may be granted from the requirement to include financial statements of an acquired business or related businesses for two years in a business acquisition report in some situations that may include the following:

(a) the business's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is required to be filed, that the reporting issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and

(ii) disclose in the business acquisition report the fact that the historical accounting records have been destroyed and cannot be reconstructed;

(b) the business has recently emerged from bankruptcy and current management of the business and the reporting issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to:

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is filed that the reporting issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful;

(ii) disclose in the business acquisition report the fact that the business has recently emerged from bankruptcy and current management of the business and the reporting issuer are denied access to the historical accounting records;

(c) the business has undergone a fundamental change in the nature of its business or operations affecting the majority of its operations and all, or substantially all, of the executive officers and directors of the company have changed. The evolution of a business or progression of a development cycle will not be considered to be a fundamental change in a reporting issuer's business or operations. Relief from the requirement to include audited financial statements of the business for the year in which the change in operations occurred, or for the most recently completed financial year if the change in operations occurred during the business's current financial year, generally will not be granted.

8.10 Unaudited Comparatives in Annual Financial Statements of an Acquired Business

Where sections 8.3, 8.4(1)(a) and 8.4(2) of the Instrument require audited financial statements for the most recently completed financial year of the business, we would generally expect the financial statements to include comparatives which may be unaudited.

PART 9 – PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 Delivery to Beneficial Owners of Securities

Reporting issuers are reminded that National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* prescribes certain procedures relating to the delivery of materials, including forms of proxy, to beneficial owners of securities and related matters.

PART 10 – ADDITIONAL FILING REQUIREMENTS

10.1 Additional Filing Requirements

Section 11.1(1)(b) of the Instrument requires a document to be filed only if it contains information that has not been included in disclosure already filed by the reporting issuer. For example, if a reporting issuer has filed a material change report under the Instrument and the Form 6-K filed by the reporting issuer with the SEC discloses the same information, whether in the same or a different format, there is no requirement to file the Form 6-K under the Instrument.

PART 11 – EXEMPTIONS

11.1 Prior Exemptions and Waivers

Section 13.2 of the Instrument essentially allows a reporting issuer, in certain circumstances, to continue to rely upon an exemption or waiver from continuous disclosure obligations obtained prior to the Instrument coming into force if the exemption or waiver relates to a substantially similar provision in the Instrument and the reporting issuer provides written notice to the securities regulatory authority or regulator of its reliance on such exemption or waiver. Upon receipt of such notice, the securities regulatory authority or regulator, as the case may be, will review it to determine if the provision of the Instrument referred to in the notice is substantially similar to the provision from which the prior exemption or waiver was granted. The written notice should be sent to each jurisdiction where the prior exemption or waiver is relied upon. Contact addresses for these notices are:

Alberta Securities Commission
4th Floor
300 – 5th Avenue S.W.
Calgary, Alberta
T2P 3C4
Attention: Director, Capital Markets

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Attention: Financial Reporting

Manitoba Securities Commission
1130 – 405 Broadway
Winnipeg, Manitoba
R3C 3L6
Attention: Filings Department

Office of the Administrator, New Brunswick
P.O. Box 5001
133 Prince William Street, Suite 606
Saint John, NB
E2L 4Y9
Attention: Minister of Finance

Securities Commission of Newfoundland
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's, NFLD
A1B 4J6
Attention: Director of Securities

Department of Justice, Northwest Territories
Legal Registries
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Director, Legal Registries

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9
Attention: Corporate Finance

Department of Justice, Nunavut
Legal Registries Division
P.O. Box 1000 – Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Director, Legal Registries Division

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Manager, Continuous Disclosure, Corporate Finance

Registrar of Securities, Prince Edward Island
P.O. Box 2000
95 Rochford Street, 5th Floor,
Charlottetown, PEI
C1A 7N8
Attention: Registrar of Securities

Commission des valeurs mobilières du Québec
800 Square Victoria, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3
Attention: Directrice des marchés des capitaux

Saskatchewan Financial Services Commission – Securities Division
6th Floor,
1919 Saskatchewan Drive
Regina, SK S4P 3V7
Attention: Deputy Director, Corporate Finance

Registrar of Securities, Government of Yukon
Corporate Affairs J-9
P.O. Box 2703
Whitehorse, Yukon
Y1A 5H3
Attention: Registrar of Securities

APPENDIX A

EXAMPLES OF FILING REQUIREMENTS FOR CHANGES IN THE YEAR END

The following examples assume the old financial year ended on December 31, 20X0

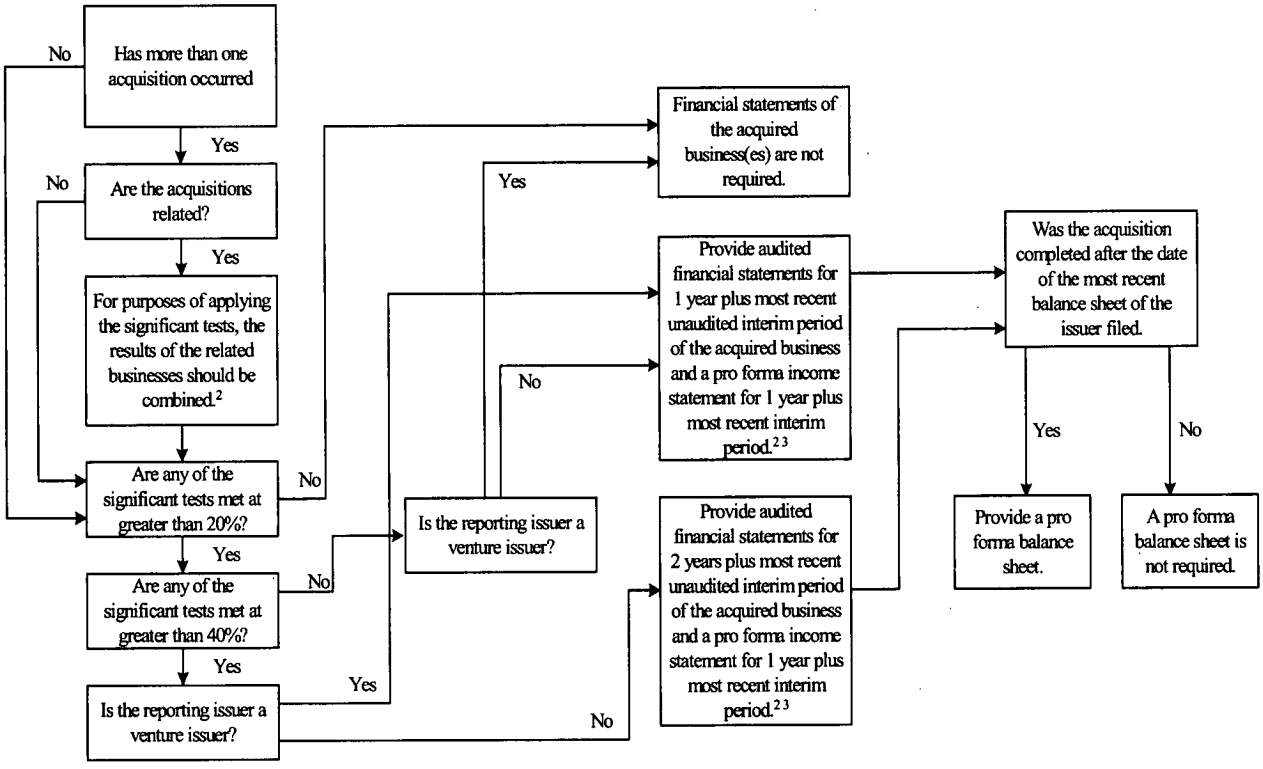
Transition Year	Comparative Annual Financial Statements to Transition Year	New Year End	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to New Financial Year
Up to 3 months							
2 months ended 2/28/X1	12 months ended 12/31/X0	2/28/X2	2 months ended 2/28/X1 and 12 months ended 12/31/X0 *	Not applicable	Not applicable	3 months ended 5/31/X1 6 months ended 8/31/X1 9 months ended 11/30/X1	3 months ended 6/30/X0 6 months ended 9/30/X0 9 months ended 12/31/X0
Or							
14 months ended 2/28/X2	12 months ended 12/31/X0	2/28/X3	14 months ended 2/28/X2	3 months ended 3/31/X1 6 months ended 6/30/X1 9 months ended 9/30/X1 12 months ended 12/31/X1	3 months ended 3/31/X0 6 months ended 6/30/X0 9 months ended 9/30/X0 12 months ended 12/31/X0	3 months ended 5/31/X2 6 months ended 8/31/X2 9 months ended 11/30/X2	3 months ended 6/30/X1 6 months ended 9/30/X1 9 months ended 12/31/X1
				or			
				2 months ended 2/28/X1 5 months ended 5/31/X1 8 months ended 8/31/X1 11 months ended 11/30/X1	3 months ended 3/31/X0 6 months ended 6/30/X0 9 months ended 9/30/X0 12 months ended 12/31/X0	3 months ended 5/31/X2 6 months ended 8/31/X2 9 months ended 11/30/X2	3 months ended 6/30/X1 6 months ended 9/30/X1 9 months ended 12/31/X1
4 to 6 months							
6 months ended 6/30/X1	12 months ended 12/31/X0	6/30/X2	6 months ended 6/30/X1 and 12 months ended 12/31/X0 *	3 months ended 3/31/X1	3 months ended 3/31/X0	3 months ended 9/30/X1 6 months ended 12/31/X1 9 months ended 3/31/X2	3 months ended 9/30/X0 6 months ended 12/31/X0 9 months ended 3/31/X1
7 or 8 months							
7 months ended 7/31/X1	12 months ended 12/31/X0	7/31/X2	7 months ended 7/31/X1 and 12 months ended 12/31/X0 *	3 months ended 3/31/X1	3 months ended 3/31/X0	3 months ended 10/31/X1 6 months ended 1/31/X2 9 months ended 4/30/X1	3 months ended 9/30/X0 6 months ended 12/31/X0 9 months ended 3/31/X1

Transition Year	Comparative Annual Financial Statements to Transition Year	New Year End	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to New Financial Year
				or			
				4 months ended 4/30/X1	3 months ended 3/31/X0	3 months ended 10/31/X1 6 months ended 1/31/X2 9 months ended 4/30/X1	3 months ended 9/30/X0 6 months ended 12/31/X0 10 months ended 4/30/X1
9 to 11 months							
10 months ended 10/31/X1	12 months ended 12/31/X0	10/31/X2	10 months ended 10/31/X1	3 months ended 3/31/X1 6 months ended 6/30/X1	3 months ended 3/31/X0 6 months ended 6/30/X0	3 months ended 1/31/X2 6 months ended 4/30/X2 9 months ended 7/31/X2	3 months ended 12/31/X0 6 months ended 3/31/X1 9 months ended 6/30/X1
				or			
				4 months ended 4/30/X1 7 months ended 7/31/X1	3 months ended 3/31/X0 6 months ended 6/30/X0	3 months ended 1/31/X2 6 months ended 4/30/X2 9 months ended 7/31/X2	3 months ended 12/31/X0 6 months ended 3/31/X1 9 months ended 6/30/X1

* Balance sheet required only at the transition year end date

APPENDIX B

BUSINESS ACQUISITIONS DECISION CHART FOR DETERMINING FINANCIAL STATEMENTS REQUIRED IN A BUSINESS ACQUISITION REPORT[1]



Notes:

1 This decision chart provides general guidance and should be read in conjunction with National Instrument 51-102 and Companion Policy 51-102CP.

2 If an acquisition of related businesses constitutes a significant acquisition when the results of the related businesses are combined, the required financial statements shall be provided for each of the related businesses, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

3 As an alternative to the most recent interim period, financial statements for the acquired business may be provided for the period that started the day after the business' most recent annual balance sheet and ended on a day that is more recent than the ending date of the most recent interim period otherwise required and is not later than the date of acquisition.

6.1.3 Notice and Request for Comment - Proposed OSC Rule 51-801 and Companion Policy 51-801CP, Proposed Amendments to OSC Rule 56-501 and to Commission Form 41-501F1, Proposed Revocation of OSC Rules 51-501, 52-501, 54-501 and 62-102, and Proposed Rescission of Companion Policy 51-501CP, Companion Policy 52-501CP, Commission Policy 52-601, and Commission Policy 51-603

NOTICE AND REQUEST FOR COMMENT

CHANGES TO PROPOSED ONTARIO SECURITIES COMMISSION ("COMMISSION") RULE 51-801 *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS* AND COMPANION POLICY 51-801CP *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS*

PROPOSED AMENDMENTS TO COMMISSION RULE 56-501 *RESTRICTED SHARES AND TO COMMISSION FORM 41-501F1*

PROPOSED REVOCATION OF
COMMISSION RULE 51-501 *AIF & MD&A*
COMMISSION RULE 52-501 *FINANCIAL STATEMENTS*
COMMISSION RULE 54-501 *PROSPECTUS DISCLOSURE AND*
COMMISSION RULE 62-102 *DISCLOSURE OF OUTSTANDING SHARE DATA*

AND

PROPOSED RESCISSION OF
COMPANION POLICY 51-501CP TO COMMISSION RULE 51-501 *AIF & MD&A,*
COMPANION POLICY 52-501CP TO COMMISSION RULE 52-501 *FINANCIAL STATEMENTS,*
COMMISSION POLICY 52-601 *APPLICATIONS FOR EXEMPTIONS FROM PREPARATION AND MAILING OF INTERIM FINANCIAL STATEMENTS, ANNUAL FINANCIAL STATEMENTS AND PROXY SOLICITATION MATERIAL,* AND
COMMISSION POLICY 51-603 *RECIPROCAL FILINGS*

Introduction

The Commission is publishing for comment a revised version of proposed Commission Rule 51-801 *Implementing National Instrument* 51-102 *Continuous Disclosure Obligations* (the "Proposed Implementing Rule").

Substance and Purpose

The Proposed Implementing Rule is a local Ontario rule implementing proposed National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") in Ontario. Proposed Companion Policy 51-801CP to the proposed Implementing Rule (the "Proposed Companion Policy") provides information relating to the manner in which the Commission interprets or applies certain provisions of the Proposed Implementing Rule and NI 51-102. The Proposed Implementing Rule and the Proposed Companion Policy are together referred to as the Implementing Instrument.

Background

On June 21, 2002 we published for comment the first version of NI 51-102 and the Proposed Implementing Instrument (the 2002 Proposal). For additional background information on the 2002 Proposal, as well as a detailed summary of its contents, please refer to the notice that was published with those versions.

On the same date as publication of this Notice, the Canadian Securities Administrators (CSA) are publishing for comment a revised version of NI 51-102. For a summary of the changes made to NI 51-102, please refer to the CSA Notice and Request for comment regarding NI 51-102.

Comments

We received no comments on the Implementing Instrument that was part of the 2002 Proposal.

Summary of Changes to the Proposed Implementing Rule

No material changes have been made to the Proposed Companion Policy that was published with the 2002 Proposal.

After further considering the Proposed Implementing Rule, we are proposing a number of amendments to it.

The following sections have all been added to the Implementing Rule since the 2002 Proposal: 3.3., 3.4, 3.5, 3.7, 3.8, 3.11, 3.12 and 3.13. Each of these sections provide exemptions from certain requirements of the Act. NI 51-102 includes certain requirements that are also dealt with in the Act. This is a result of the Commission's goal to produce one harmonized rule for continuous disclosure obligations applicable to reporting issuers in all jurisdictions. The Act cannot be amended at this time to remove provisions which essentially duplicate those found in NI 51-102. Accordingly, these new sections of the Implementing Rule exempt reporting issuers from certain provisions of the Act if an issuer complies with specified provisions of NI 51-102. These new exemptions will also mean that issuers who need relief from a requirement that is essentially duplicated in both the Act and NI 51-102 will not have to apply for relief from both provisions.

Section 3.9 of the Implementing Rule is also new. It exempts issuers from subsection 81(2) of the Act, which is the requirement to make an annual filing in lieu of an information circular (Form 28). Form 51-102F1 (the AIF) requires supplementary disclosure (very similar to the disclosure required in Form 28) from issuers that do not distribute information circulars. Issuers that are not required to distribute information circulars and are exempt from filing an AIF will not have to provide the disclosure that is currently required in Form.

Subsection 4.2 (2) of the Implementing Rule has also been added since the 2002 Proposal. This would amend item 8.5 of Form 41-501F1 *Information Required in a Prospectus*, to require that MD&A be prepared in accordance with Form 51-102F2.

Anticipated Costs and Benefits

We believe that the considerations set out in the notice accompanying the 2002 Proposal that justify any incremental costs of NI 51-102 are still valid.

Authority

Paragraph 143(1) 22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use by reporting issuers of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1) 23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII of the Act. Paragraph 143(1) 24 authorizes the Commission to require issuers or other persons and companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 143(1) 22 of the Act. Paragraph 143(1) 25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1) 26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1) 27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part IX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities or reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1) 38 authorizes the Commission to prescribe requirements in respect of reverse take-overs including requirements for disclosure that are substantially equivalent to that provided by a prospectus. Paragraph 143(1) 39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1) 44 authorizes the Commission to vary the Act to permit or require the use of an electronic or computer-based system for the filing, delivery or deposit of: i) documents or information required under or governed by the Act, the regulations or rules, and ii) documents determined by the regulations or rules to be ancillary to documents required under or governed by the Act, the regulations or rules. Paragraph 143(1) 49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1) 56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Request for Comments

Interested parties are invited to make written submissions on the changes to the Proposed Implementing Rule or to Part 8 of Form 41-501. Submissions received by August 19, 2003 will be considered. Submissions should be addressed to:

John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-2318
e-mail jstevenson@osc.gov.on.ca

If you are not sending your comments by e-mail, please send a diskette containing your comments (in Windows format, Word).

We cannot keep submissions confidential because securities legislation requires that a summary of the written comments received during the comment period be published.

Questions may be referred to any of:

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-8252
e-mail: jpeters@osc.gov.on.ca

Irene Tsatsos
Senior Accountant, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Fax: (416) 593-8252
e-mail: itsatsos@osc.gov.on.ca

Text of Proposed Rule

The text of the Proposed Implementing Rule and Proposed Companion Policy follow.

6.1.4 OSC Rule 51-801, Implementing National Instrument 51-102 Continuous Disclosure Obligations

ONTARIO SECURITIES COMMISSION RULE 51-801

IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS

PART 1 – DEFINITIONS

1.1 DEFINITIONS

(1) In this Rule, "NI 51-102" means "National Instrument 51-102 *Continuous Disclosure Obligations*".

(2) Each term used in this Rule that is defined or interpreted in Part 1 of NI 51-102 has the meaning ascribed to it in that Part.

PART 2 – APPLICATION

2.1 APPLICATION

This Rule does not apply to investment funds.

PART 3 — INTERRELATIONSHIP WITH LEGISLATION

3.1 ANNUAL FINANCIAL STATEMENTS - CONTENT

(1) The financial statements required under section 78 of the Act must include the statements, balance sheet and notes described in subsection 4.1(1) of NI 51-102.

(2) Sections 4.2, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 apply to financial statements and auditor's reports required under section 78 of the Act as if any reference to section 4.1 in sections 4.2, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 is a reference to section 78 of the Act.

(3) This section applies for financial years beginning on or after •, 2004[1].

3.2 INTERIM FINANCIAL STATEMENTS - CONTENT

(1) The financial statements required under subsection 77(1) of the Act must include the statements, balance sheet and notes described in section 4.3 of NI 51-102.

(2) Sections 4.4, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 apply to financial statements required under subsection 77(1) of the Act as if any reference to section 4.3 in sections 4.4, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 is a reference to subsection 77(1) of the Act.

(3) This section applies for interim periods in financial years beginning on or after •, 2004[1].

3.3 FILING ANNUAL FINANCIAL STATEMENTS – EXEMPTION

Section 78 of the Act does not apply to a reporting issuer that complies with sections 4.1, 4.2, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 for financial years beginning on or after • 2004[1].

3.4 FILING INTERIM FINANCIAL STATEMENTS – EXEMPTION

Subsection 77(1) of the Act does not apply to a reporting issuer that complies with sections 4.3, 4.4, 4.5, 4.7, 4.8 and 4.10 of NI 51-102 for interim periods in financial years beginning on or after •, 2004[1].

3.5 DELIVERING FINANCIAL STATEMENTS - EXEMPTION

Section 79 of the Act does not apply to a reporting issuer that complies with section 4.6 of NI 51-102 in the case of (a) annual financial statements for financial years beginning on or after •, 2004[1], and (b) interim financial statements for interim periods in financial years beginning on or after •, 2004[1].

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1 To be made consistent with section 14.2 of NI 51-102.

3.6 MATERIAL CHANGE REPORTS - FORM

Except as otherwise provided in National Instrument 71-101 *The Multijurisdictional Disclosure System* and in National Instrument 71-102 *Continuous Disclosure and other Exemptions Relating to Foreign Issuers,* every report required under subsection 75(2) of the Act must be a completed Form 51-102F3 except that the reference in Item 3 of Form 51-102F3 to subsection 7.1(1) of NI 51-102 shall be read as referring to subsection 75(1) of the Act and references in Items 6 and 7 of Form 51-102F3 to subsections 7.1(3), 7.1(5) or 7.1(6) of NI 51-102 shall be read as referring to subsections 75(3), 75(4) or 75(5), respectively, of the Act.

3.7 ISSUANCE OF MATERIAL CHANGE NEWS RELEASE – EXEMPTION

Subsection 75(1) of the Act does not apply to a reporting issuer that complies with subsection 7.1(1) of NI 51-102, from and after • 2004[1].

3.8 FILING MATERIAL CHANGE REPORT – EXEMPTION

Subsection 75(2) of the Act does not apply to a reporting issuer that complies with subsection 7.1(2) of NI 51-102, from and after • 2004[1].

3.9 ANNUAL FILING - EXEMPTION

Reporting issuers other than investment funds are exempt from subsection 81(2) of the Act from and after • 2004[1].

3.10 INFORMATION CIRCULARS - FORM

Except as otherwise provided in National Instrument 71-101 *The Multijurisdictional Disclosure* System and in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers,* an information circular referred to in clause (a) or (b) of subsection 86(1) of the Act must be a completed Form 51-102F5.

3.11 FILING INFORMATION CIRCULAR – EXEMPTION

Subsection 81(1) of the Act does not apply to a reporting issuer that complies with section 9.3 of NI 51-102, from and after • 2004[1].

3.12 SOLICITATION OF PROXIES – EXEMPTION

Section 85 of the Act does not apply to a reporting issuer that complies with subsection 9.1(1) of NI 51-102, from and after • 2004[1].

3.13 SENDING INFORMATION CIRCULAR – EXEMPTION

Section 86 of the Act does not apply to a reporting issuer that complies with subsection 9.1(3) of NI 51-102, from and after • 2004[1].

PART 4 – REVOCATIONS AND AMENDMENTS OF RULES

4.1 REVOCATION OF RULES

(1) Ontario Securities Commission Rule 51-501 *AIF & MD&A* is revoked.

(2) Ontario Securities Commission Rule 52-501 *Financial Statements* is revoked.

(3) Ontario Securities Commission Rule 54-501 *Prospectus Disclosure* in *Information Circulars* is revoked.

(4) Ontario Securities Commission Rule 62-102 *Disclosure of Outstanding Share Data* is revoked.

4.2 AMENDMENTS TO RULES

(1) **Amendments to Rule 56-501**

Ontario Securities Commission Rule 56-501 *Restricted Shares* is amended as follows:

(a) by deleting subsection 1.2(2);

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1 To be made consistent with section 14.2 of NI 51-102.

(b) by deleting section 2.1; and

(c) by deleting the words "and an information circular concerning a proposed reorganization" in subsection 2.3(1).

(2) **Amendments to Item 8.5 of Form 41-501F1 *Information Required in a Prospectus***

Item 8.5 of Form 41-501F1 is amended by:

(a) in subsection(1), deleting the words "Form 44-101F2" and substituting "Form 51-102F2 and;

(b) deleting subsection (5) and substituting the following:

"(5) Include MD&A for the interim financial statements of the issuer included in the prospectus, prepared in accordance with Form 51-102F2."

PART 5 – EFFECTIVE DATE

5.1 EFFECTIVE DATE

This Rule comes into force on •.

COMPANION POLICY 51-801CP - TO ONTARIO SECURITIES COMMISSION RULE 51-801 *IMPLEMENTING NATIONAL INSTRUMENT 51-102 CONTINUOUS DISCLOSURE OBLIGATIONS*

1.1 **Introduction -** The purpose of this Companion Policy is to provide information relating to the manner in which the Ontario Securities Commission (the "Commission") interprets or applies certain provisions of Commission Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* (the "Implementing Rule") and National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102").

1.2 **Interrelationship between NI 51-102 and the Securities Act Ontario (the "Act")** – NI 51-102 is intended to provide a single source of harmonized continuous disclosure obligations for reporting issuers other than investment funds. As a result, NI 51-102 sometimes repeats (without any substantive change) certain requirements that are also dealt with in the Act under Parts XVIII *Continuous Disclosure* and Part XIX *Proxies and Proxy Solicitation*[1]. In addition NI 51-102, through the Implementing Rule, varies or adds to some of the requirements contained in Parts XVIII and XIX of the Act. The cumulative effect of NI 51-102 and the Implementing Rule is that NI 51-102 supersedes the requirements applicable to reporting issuers (other than investment funds) found in Parts XVIII and XIX (other than sections 76 and 87 of the Act, the subject matter of which are not dealt with in NI51-102). Reporting issuers can and should therefore refer to NI 51-102 in place of the requirements contained in Parts XVIII and XIX of the Act (other than sections 76 and 87).

1 For example, section 75 of Part XVIII of the Act is essentially repeated in NI 51-102.

6.1.5 Notice and Request for Comment - Changes to Proposed National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers, and Companion Policy 71-102CP Continuous Disclosure and Other Exemptions Relating to Foreign Issuers (Second Publication)

NOTICE AND REQUEST FOR COMMENT

CHANGES TO PROPOSED NATIONAL INSTRUMENT 71-102 *CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS*, AND COMPANION POLICY 71-102CP *CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS* (SECOND PUBLICATION)

Introduction

We, the Canadian Securities Administrators (CSA), have developed a nationally harmonized set of continuous disclosure (CD) requirements for reporting issuers, other than investment funds. The Notice and Request for Comment on Changes to Proposed National Instrument 51-102 *Continuous Disclosure Obligations* provides information about the proposed rule (the CD Rule).

Concurrently, we developed a nationally harmonized set of exemptions from CD and other requirements for eligible foreign reporting issuers. An eligible foreign reporting issuer is a reporting issuer, other than an investment fund, that is incorporated outside of Canada, except an issuer that has more than 50 percent of its voting shares held in Canada and one or more of the following is true: the majority of its directors and officers are Canadian residents, more than 50 percent of its assets are in Canada, or the business is principally administered in Canada. These exemptions will ease compliance for foreign issuers and increase their access to Canadian capital markets.

The exemptions are contained in a proposed rule, National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Rule). Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the Policy) provides guidance on interpreting the Rule. We are publishing revised versions of the Rule and the Policy for further comment.

The Rule is expected to be adopted as a rule in each of Alberta, Manitoba, Ontario and Nova Scotia, as a commission regulation in Saskatchewan and Québec, and as a policy in all other jurisdictions represented by the CSA. British Columbia is publishing the Rule for comment under its rule-making process but has not yet determined whether it will adopt the Rule, in whole or in part. Please refer to the BC Notice published concurrently in British Columbia on this point.

Substance and Purpose

The Rule provides broad relief from the requirements of the CD Rule for two sub-categories of eligible foreign reporting issuers - SEC foreign issuers and designated foreign issuers - on the condition that they comply with the CD requirements of the SEC or a designated foreign jurisdiction. It also exempts SEC foreign issuers and designated foreign issuers from certain other requirements of Canadian securities legislation, including insider reporting and early warning, that are not contained in the CD Rule.

US-incorporated issuers will be able to rely on either the Rule or the exemptions already available to them under National Instrument 71-101 *The Multijurisdictional Disclosure System* (MJDS), or both. The Policy identifies the significant differences between the exemptions in the Rule and in MJDS.

Eligible foreign reporting issuers that have obtained discretionary exemptive relief from CD requirements will need to examine that relief in light of the grandfathering provisions in the CD Rule and consider whether they need new or additional relief. The exemptions in the Rule are in addition to any discretionary relief that foreign issuers may continue to rely on.

The Rule does not relieve foreign issuers that electronically file under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR), or their insiders, from the insider reporting requirements included in National Instrument 55-102 *System for Electronic Disclosure by Insiders* (SEDI).

The Rule does not relieve foreign issuers from the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or proposed National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities.*

We have previously published proposed National Instrument 81-106 *Investment Fund Continuous Disclosure* for comment. This instrument will cover the CD obligations of investment funds, including foreign investment funds.

Purpose and Summary of the Companion Policy

The purpose of the Policy is to assist users in understanding and applying the Rule and to explain how certain provisions of the Rule will be interpreted or applied. It contains discussions, explanations and examples primarily relating to:

- the interrelationship between the Rule and MJDS;
- the manner of calculating the number of voting securities owned by residents of Canada for the purposes of the definition of "eligible foreign reporting issuer";
- the availability of exemptions from insider reporting requirements;
- electronic delivery of documents;
- the applicability of NI 43-101 and NI 51-101; and
- the availability of other exemptions and applying for exemptive relief.

Background

On June 21, 2002 we published for comment the first versions of the Rule and Policy (the 2002 Proposal). For additional background information on the 2002 Proposal, as well as a detailed summary of its contents, please refer to the notice that was published with those versions.

We recently published proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) and a related companion policy for comment. The portions of the Rule that addressed generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) have been removed, and inserted into NI 52-107. See Notice and Request for Comment on Proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* for information on NI 52-107.

Summary of Written Comments Received by the CSA

We received a total of 34 submissions on the 2002 Proposal and the CD Rule. A summary of the comments on the 2002 Proposal together with our responses, except for the comments and responses relating to matters now included in NI 52-107, is contained in Appendix A to this notice. The comments and our responses relating to the CD Rule are set out as an appendix to Notice and Request for Comment on Changes to Proposed National Instrument 51-102 *Continuous Disclosure Obligations*. The comments and our responses to items relating to GAAP/GAAS requirements are set out as an appendix to Notice and Request for Comment on Proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

After reviewing the comments and further considering the Rule and Policy, we are proposing a number of amendments to the 2002 Proposal.

Summary of Changes to the Proposed Rule

The Rule

Part 1 Definitions and Interpretation

- In response to comments received, we have expanded the definition of *AIF* to include a Form 10-KSB filed under the 1934 Act. Although the Form 10-KSB does not require identical disclosure to our AIF, we believe its requirements are adequate as an alternative form of AIF for those issuers entitled to use the Form 10-KSB in the United States.
- We have added definitions of "board of directors", "class", "executive officer", "interim period", "old financial year" and "transition year". These terms were either used in the Rule, but previously not defined, or have become necessary because of the other changes to the Rule discussed below. The definitions are consistent with the definitions in the CD Rule. In addition, a definition has been added for "US market requirements" to simplify the various references in the Rule to the requirements of the US exchange or Nasdaq that may be applicable to the reporting issuer.
- We have added a definition of "NI 52-107", and the definitions of "US GAAP" and "US GAAS" have been deleted, because the GAAP and GAAS requirements that were in the Rule have been deleted. Reporting issuers are referred to NI 52-107 to determine the accounting principles and auditing standards they must comply with.

Part 2 Language of Documents

- Eligible foreign reporting issuers filing a translated document must now attach a certificate as to the accuracy of the translation to the document, rather than file the certificate separately. This will ensure that any investor reviewing the document will have the certificate without having to locate it as a separate filing.

Part 3 Filing and Sending of Documents

- Issuers are now required to send copies of documents sent to their shareholders under the requirements of a foreign jurisdiction to shareholders resident in the local jurisdiction. The reference to the addresses of the securityholders as shown on the books of the issuer has been deleted, as it is inconsistent with the intention that issuers will send documents to their Canadian securityholders in the same manner as they are sent to their foreign securityholders.

Part 4 SEC Foreign Issuers

- We have amended portions of Part 4 to require SEC foreign issuers to comply with NI 52-107 when they file financial statements. Previously, SEC foreign issuers were required to comply with the GAAP and GAAS requirements that were set out in the 2002 Proposal. Since these requirements have all been moved to NI 52-107, the references have been updated.

- The exemptions in section 4.4 are designed to permit SEC foreign issuers to satisfy all of the requirements in the CD Rule relating to annual reports, AIFs, business acquisitions reports and MD&A by using their foreign documents. Accordingly, we have revised section 4.4 to clarify that the exemptions for SEC foreign issuers apply to the requirements to prepare and deliver certain CD documents, as well as the requirement to file the documents.

- Sections 4.3 and 4.4 have also been revised to require an SEC foreign issuer to send documents to its securityholders in the local jurisdiction, in the manner and at the same time as they are sent under US requirements. We believe that securityholders in the local jurisdiction should receive the same information as securityholders in the foreign jurisdiction.

- We now refer issuers to the definition of "going private transaction and related party transaction" in the local jurisdiction. This clarifies where issuers can find the definitions, as these terms are not defined in the Rule.

- The exemption for SEC foreign issuers from the change of auditor requirements has been deleted, as it duplicates an exemption for SEC issuers in the CD Rule, which all SEC foreign issuers would be able to rely on.

Part 5 Designated Foreign Issuers

- A new section 5.2 has been added that requires designated foreign issuers to disclose at least once a year that they are a designated foreign issuer and the name of their foreign regulatory authority. This provides notice to securityholders in Canada that they should not expect to receive the same materials they receive from other issuers.

- The requirement in section 5.2(c), now numbered 5.3(c), has been revised to require a designated foreign issuer to file a copy of any document disclosing material information that is disseminated to the public. This expands the original requirement to only file a document if the document is filed with or furnished to a foreign regulatory authority. This ensures investors have access to all relevant information about the issuer that the issuer has disseminated.

- Sections 5.3 and 5.4 of the 2002 Proposal, now numbered as sections 5.4 and 5.5, have been revised to require a designated foreign issuer to send documents to its securityholders in the local jurisdiction, in the manner and at the same time as they are sent under the foreign disclosure requirements. We believe that securityholders in the local jurisdiction should receive the same information as securityholders in the foreign jurisdiction.

- The exemptions in section 5.4, now numbered section 5.5, are designed to permit designated foreign issuers to satisfy all of the requirements in the CD Rule relating to annual reports, AIFs, business acquisitions reports and MD&A by using their foreign documents. Accordingly, we have revised section 5.5 to clarify that the exemptions for designated foreign issuers apply to the requirements to prepare and deliver certain CD documents, as well as the requirement to file the documents.

- We now refer issuers to the definition of "going private transaction and related party transaction" in the local jurisdiction. This clarifies where issuers can find the definitions, as these terms are not defined in the Rule.

- An exemption has been added for designated foreign issuers from the requirements relating to a notice of a change in year-end, as the CD Rule has been amended to add this requirement. Similar to the other exemptions given in the Rule to designated foreign issuers, as long as the issuer complies with its foreign disclosure requirements, and files a copy of its filings, it will be able to rely on the exemption in Canada.

Part 7 Accounting Principles and Auditing Standards for Eligible Foreign Issuers

- This Part has been deleted, as the GAAP and GAAS requirements are now contained in NI 52-107. We decided that, instead of duplicating acceptable accounting principles and auditing standards in the Rule, the CD Rule, and the proposed national long form prospectus instrument, National Instrument 41-102 *General Prospectus Requirements*, which has not yet been published for comment, it would be beneficial to issuers and their advisors to set out all of the requirements for accounting principles, auditing standards and reporting currency in one national instrument.

The Policy

Part 1 General

- The portions of the Policy relating to accounting principles and auditing standards have been deleted as they are now addressed under NI 52-107 and its companion policy. In addition, a cross-reference to NI 52-107 has been added.

Part 4 Restricted Shares

- Part 4 has been deleted and replaced with a discussion of electronic delivery of documents. The discussion of restricted share treatment was deleted, as the exemption in the Rule was self-explanatory. The new discussion of electronic delivery of documents provides information on policies and staff notices that deal with the option of electronic delivery.

Part 5 Resource Issuers

- Part 5 has been expanded. It is now called *Exemptions Not Included*, and includes a section pointing out that designated foreign issuers do not have an exemption in the Rule from the requirement to deliver a notice if they are party to an amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or similar transaction. We do not propose to provide an exemption from this requirement, as we consider it important to know of any transaction that will have the effect of changing the continuous disclosure obligations under NI 51-102.

Part 6 Accounting Principles and Auditing Standards for Eligible Foreign Issuers

- This Part and its related appendices have been deleted. This discussion is now contained in the companion policy to NI 52-107.
- A new Part 6 *Exemptions* has been added. This Part:
    - clarifies that the exemptions in the Rule are in addition to other exemptions that may be available in the legislation;
    - discusses that issuers may be able to rely on a previously granted exemption, waiver or approval, and refers issuers to the relevant section in the CD Rule relating to this issue;
    - advises that an issuer that cannot rely on the exemptions under the Rule can apply for relief from the requirements of the CD Rule; and
    - notes that SEC foreign issuers can rely on the exemptions for SEC issuers in the CD Rule.

Anticipated Costs and Benefits

The benefits provided by the Rule are the reduction of duplicative regulation and the consequent increased access to Canadian capital markets by foreign issuers.

The Rule imposes no material costs on foreign issuers, but rather is intended to reduce costs and duplicative regulation.

Related Amendments

Ontario Amendments

In conjunction with this Notice and Request for Comment, the Ontario Securities Commission proposes the rescission of OSC Policy 7.1, the related rules and order. Appendix B contains further information in this regard.

The Ontario Securities Commission is separately publishing for comment proposed Rule 71-802 which is the local rule implementing the Rule in Ontario.

Unpublished Materials

In proposing the Rule, we have not relied on any significant unpublished study, report, or other written materials other than the self-assessments prepared by IOSCO members of compliance with *Objectives and Principles of Securities Regulation* published by IOSCO in September 1998.

Possible Changes to Instrument

Certain members of the CSA expect to publish Multilateral Instrument 52-108 *Auditor Oversight*, Multilateral Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings* and Multilateral Instrument 52-110 *Audit Committees* for comment in 2003. If these instruments are adopted, we may have to revise the Policy. We will monitor the instruments to determine if changes will be required.

Request for Comments

We welcome your comments on the changes to, or this version of proposed, National Instrument 71-102, the companion policy, and related amendments.

Please submit your comments in writing on or before August 19, 2003. If you are not sending your comments by email, a diskette containing the submissions (in Windows format, Word) should also be forwarded.

Address your submission to all of the CSA member commissions, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Newfoundland and Labrador Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Deliver your comments **only** to the two addresses that follow. Your comments will be forwarded to the remaining CSA member jurisdictions.

Rosann Youck, Chair of the Continuous Disclosure Harmonization Committee
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e-mail : consultation-en-cours@cvmq.com

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

Questions

Please refer your questions to any of:

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The text of the proposed Rule follows or can be found elsewhere on a CSA member website.

June 20, 2003.

APPENDIX A

SUMMARY OF COMMENTS AND CSA RESPONSES

Table of Contents

SUMMARY OF COMMENTS AND CSA RESPONSES

Part I Background

On June 21, 2002 the CSA published for comment National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102). The comment period expired on September 19, 2002. The CSA received submissions from a total of 34 commenters identified in Schedule 1.

The CSA have considered the comments received and thank all commenters for providing their comments.

The questions contained in the CSA Notice to NI 71-102 (the Notice) and the comments received in response to them are summarized below. The item numbers below correspond to the question numbers in the Notices. Below the comments that respond to specific questions in the Notice, we have summarized several other comments relating to proposed NI 71-102.

Part II Comments in Response to CSA Notice

1. Costs and Benefits

Question: *What is your assessment of the costs and benefits of the Rule [NI 71-102]?*

One commenter said there will be significant cost savings due to acceptable reporting basis change, but there will also be a significant cost with respect to comparability.

Response: The CSA acknowledge that the method of comparing issuers that use Canadian GAAP to issuers that do not use, or reconcile to, Canadian GAAP will require adjustment in light of NI 71-102. However, the CSA believe this adjustment is appropriate where issuers either use International Accounting Standards, which the International Organization of Securities Commissions (IOSCO) has recommended be accepted, or have a de minimis *connection to Canada, such as a designated foreign issuer.*

2. Designated Foreign Issuers

Question: *Have we included the appropriate countries in the definition of "designated foreign jurisdiction"? If not, please explain in detail why any countries should be added or removed, with reference to the laws of that country.*

One commenter commented that the designated foreign jurisdictions are adequate as currently listed.

One commenter asked how these 15 jurisdictions were selected and why other jurisdictions, which might be viewed as having equivalent or better frameworks in place, were excluded as designated foreign jurisdictions. For example, Norway merits as much as some of the countries noted for inclusion as a designated foreign jurisdiction. The commenter suggested there should be allowances in the final Rule for including other countries as designated foreign jurisdictions as the Commissions become more knowledgeable about practices in other countries. Another commenter suggested that South Korea should be included in the list.

Response: The CSA developed the list of 15 jurisdictions based on a number of factors, including: the CSA's experience gained from participation in IOSCO and other international organizations, staff's familiarity with requirements of certain jurisdictions arising from work relating to specific issuers, and the self-assessments (where available) prepared by IOSCO members of compliance with the Objectives and Principles of Securities Regulation published by IOSCO. We undertook research in certain areas where we thought this was appropriate. As a practical matter, we considered our list of countries against the list of countries from which our foreign issuers tend to come.

The fact that we have not included certain jurisdictions does not necessarily reflect any CSA position as to whether those jurisdictions have adequate GAAP and continuous disclosure requirements in light of the purposes and principles of our Securities Acts. We simply do not have the necessary degree of familiarity we require to make this determination for countries such as Norway and South Korea. We are continuing to study these requirements. At a future time, we may amend NI 71-102 to change the list of designated foreign jurisdictions.

3. 10% Threshold for Use of Foreign GAAP

Question: *Should we use the threshold of having not more than 10 percent equity security ownership in Canada for determining which foreign issuers may file financial statements prepared in accordance with the accounting principles accepted in the designated foreign jurisdiction, without a reconciliation to Canadian GAAP? If not, what threshold would be appropriate?*

One commenter said that, even with the threshold, there should at least be a transitional requirement to provide a reconciliation to Canadian GAAP rather than simply changing the accounting principles used.

Response: The CSA disagree in circumstances where there is a de minimis *connection to Canada, such as is the case for foreign issuers under NI 71-102. In those cases, the CSA believe the cost outweighs the benefit of requiring the reconciliation.*

4. 10% Threshold for Designated Foreign Issuer Status

Question: *Should we use the threshold of having not more than 10 percent equity security ownership in Canada for determining which foreign issuers may satisfy Canadian CD requirements by complying with the requirements of a designated foreign jurisdiction? If not, what threshold would be appropriate?*

One commenter commented that the 10% threshold is appropriate.

Response: This threshold has been retained in NI 71-102.

5. Exemption from NI 43-101 and NI 51-101

Question: Do you agree that foreign issuers should not be exempt from the disclosure requirements of NI 43-101 and NI 51-101? Why or why not?

One commenter agreed that they should not be exempt, as there are no significant issues that should allow them to receive this exemption.

Part III Other Comments on NI 71-102

One commenter commented that the definitions of eligible foreign issuer, designated foreign issuer and SEC foreign issuer were unclear.

Response: The definition of "eligible foreign issuer" has been revised to clarify it. We believe the other definitions are clear, particularly for the issuers that would be considered "designated foreign issuers" or "SEC foreign issuers".

One commenter said NI 71-102 would be less complex by stating that all documents must be filed, then listing exceptions.

Response: NI 71-102 is exemptive in nature. The filing requirements are set out in NI 51-102, with the exemptions in NI 71-102. Absent NI 71-102, all issuers would be subject to NI 51-102, which does set out all of the documents that must be filed. This is consistent with the CSA's approach to other exemptive instruments.

Certain commenters commented that designated foreign issuers should be required to provide reconciliation to Canadian GAAP if their financial statements are prepared in accordance with some other basis of accounting in order to provide comparability between domestic and foreign financial statements.

Response: Before deciding to accept financial statements prepared based on foreign accounting principles, the CSA reviewed the overall level of the continuous disclosure regime in the foreign jurisdiction. Where there is a de minimis *connection to Canada, such as is the case for designated foreign issuers under NI 71-102, and where the foreign regime provides overall satisfactory continuous disclosure, the CSA believe the cost outweighs the benefit of requiring a reconciliation to Canadian GAAP.*

One commenter suggested, in relation to the relief for eligible foreign issuers, that Canadian advisors may not have a sound understanding of the accounting principles in the foreign country – which may lead to incomplete and inaccurate reconciliation. Special regulatory attention may be necessary in these situations.

Response: Where an issuer intends to rely on the exemptions in NI 71-102, it is the responsibility of the issuer and its advisor to satisfy themselves that they can meet the conditions in, and obligations of, the exemptions. Relief for eligible foreign issuers does not imply a lesser scope or degree of regulatory review of the issuer's disclosure. The issuer would still be subject to regulatory review of its disclosure, and enforcement of its disclosure obligations.

SCHEDULE 1 TO APPENDIX A
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APPENDIX B

ADDITIONAL INFORMATION REQUIRED IN ONTARIO, NOTICE OF PROPOSED RESCISSION OF OSC POLICY 7.1, THE RELATED ORDER AND RULES AND REQUEST FOR COMMENT AND RELATED AMENDMENTS TO ONTARIO SECURITIES REGULATION (SECOND PUBLICATION)

Authority for the Rule

Paragraph 143(1)36 of the *Securities Act* (Ontario) (the "Act") which authorizes the Ontario Securities Commission (the "Commission") to make rules varying the Act for foreign issuers to facilitate, among other things, compliance with requirements applicable or relating to reporting issuers and the making of going private transactions and related party transactions where the foreign issuers are subject to requirements of the laws of other jurisdictions that the Commission considers are adequate in light of the purposes and principles of the Act provides the Commission with the authority to make the Rule.

The following provisions of the Act also provide the Commission with authority to make the Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1)23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII of the Act. Paragraph 143(1)25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1)26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1)27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part XIX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities of reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1)28 authorizes the Commission to make rules regulating take-over bids, issuer bids, insider bids, going private transactions and related party transactions, including early warning provisions. Paragraph 143(1)30 authorizes the Commission to make rules providing for exemptions from any requirement of Part XXI (Insider Trading and Self-Dealing) of the Act. Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1)49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1)56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Alternatives Considered

The Commission considered whether to rescind OSC Policy 7.1, the Order and the Rules (each as defined below) and rely upon the continuous disclosure regime created by National Instrument 71-101 *The Multijurisdictional Disclosure System* and that contemplated by CSA Notice 95/04 outlining the proposed Foreign Issuer Prospectus and Continuous Disclosure System or amend the Act or make a rule to create a separate foreign issuer continuous disclosure regime. The Commission determined to reformulate OSC Policy 7.1, the Order and the Rules as a rule in a substantially simplified form. Initially, the Commission published proposed Rule 72-502 *Continuous Disclosure and other Exemptions Relating to Foreign Issuers* for comment on October 12, 2001. However, as noted in the Notice and Request for Comment for proposed National Instrument 71-102 published on June 21, 2002, it was determined that it would be preferable to publish the Rule for comment on a national basis rather than proceeding with a local rule in Ontario.

Notice of Proposed Rescission of OSC Policy 7.1, the Related Order and Rules

In Ontario, the Rule would replace Ontario Securities Commission Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers ("OSC Policy 7.1"), and the Order *In the Matter of Certain Reporting Issuers* (1980) OSCB 54, as amended (the "Order"). The Order was amended by the Rules *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 6304, (2000), 23 OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 3699, which in turn incorporated the deemed rule of the same name, (1980) OSCB 166 (the "First Rule"), *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 151, (2000), 23 OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 3699, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 1913 and *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6435, (1999), 22 OSCB 151, (2000), 23 OSCB 289, (2000), 23 OSCB 8244 and (2002), 25 OSCB 3699, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 3247 (defined collectively as the "Rules"). *In the*

Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, which in turn incorporated the deemed rule of the same name (1985), 8 OSCB 2915, which related to prompt offering qualifying system eligible issuers expired on December 31, 2000.

OSC Policy 7.1 and the Order created seven categories of reporting issuers, granted exemptions from certain continuous disclosure and other requirements and set out the Commission's interpretation with respect to the exemptions provided under Part XVIII, Part XIX and Part XXI of the Act. The scope of OSC Policy 7.1 and the Order was both domestic and foreign issuers.

The scope of the Rule is limited to foreign issuers. The exemptions granted to Canadian domestic issuers by Policy 7.1, the Order and the Rules are no longer necessary given the harmonization of disclosure requirements and regulations among jurisdictions and in light of the publication for comment of the CD Rule.

Notice of the proposed rescission of Policy 7.1, the Order and Rules was first given on June 21, 2002, (2002) 25 OSCB 3829. No comments were received. However, since we are republishing NI 71-102 for comment again, we are once again providing an opportunity to comment on the proposed rescission of Policy 7.1, the Order and Rules.

Regulation Sections to be Amended

The Commission proposes to amend section 161 of the Regulation 1015 R.R.O. 1990 (the "Regulation") to refer to the Rule rather than the First Rule.

The Commission also proposes to amend subsection 203.2(1) of the Regulation to refer to the Rule in order to create an exemption to the requirement contained in that provision.

In our first publication for comment, we also proposed to amend subsection 1(4) of the Regulation. This will be done as described in the notice and request for comment for proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, which has been recently published.

Request for Comments on the Proposed Rescission of OSC Policy 7.1, the Related Order and Rules

Interested parties are invited to make written submissions with respect to the proposed rescission of OSC Policy 7.1, the related Order and Rules. Submissions received by August 19, 2003 will be considered. Submissions should be addressed to:

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If you are not sending your comments by e-mail, please send a diskette containing your comments (in Windows format, Word).

We cannot keep submissions confidential because securities legislation requires that a summary of the written comments received during the comment period be published.

Proposed Rescission of OSC Policy 7.1, the Order and the Rules

OSC Policy 7.1 will be rescinded on the date that the Rule comes into force. The text of the proposed rescission of the Order and the Rules follows.

RESCISSION OF ONTARIO SECURITIES COMMISSION ORDER
IN THE MATTER OF PARTS XVII AND XX OF THE *SECURITIES ACT*

AND

IN THE MATTER OF CERTAIN REPORTING ISSUERS

AND

ONTARIO SECURITIES COMMISSION RULES
IN THE MATTER OF CERTAIN REPORTING ISSUERS

PART 1 RESCISSION

1.1 Rescission - The following instruments are rescinded

(a) Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers (1980), OSCB 54, as amended,

(b) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1218, as amended by (1999), 22 OSCB 151, (2000), OSCB 289, (2000), 23 OSCB 8244 and (2002) 25 OSCB 3699, that incorporates by reference the deemed rule (1980), OSCB 166, as amended,

(c) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289, (2000), 23 OSCB 8244 and (2002) 25 OSCB 3699, that incorporates by reference the deemed rule (1984), 7 OSCB 1913, as amended; and

(d) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997), 20 OSCB 1219, as amended by (1999), OSCB 151, (2000), OSCB 289, (2000), OSCB 8244 and (2002) 25 OSCB 3699, that incorporates by reference the deemed rule (1984), 7 OSCB 3247 as amended.

PART 2 EFFECTIVE DATE

2.1 Effective Date - This rescission comes into force on the date that National Instrument 71-102 comes into force.

6.1.6 National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NATIONAL INSTRUMENT 71-102

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

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NATIONAL INSTRUMENT 71-102

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

PART 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation[1]

(1) A term used in this Instrument and defined in the securities statute of the local jurisdiction has the meaning given to it in that statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern insider reporting or take-over and issuer bids; or (b) the context otherwise requires.

(2) Subject to subsection (1), in this Instrument:

"AIF" means a completed Form 51-102F1 *Annual Information Form* or, in the case of an SEC foreign issuer, either a completed Form 51-102F1 or an annual report or transition report under the 1934 Act on Form 10-K or Form 10-KSB, or on Form 20-F;

"board of directors" means, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report*;

"class", in respect of a security, includes a series of a class;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

"designated foreign issuer" means an eligible foreign reporting issuer:

(a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act;

(b) that is subject to foreign disclosure requirements; and

(c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed 10 per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

"designated foreign jurisdiction" means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

"eligible foreign reporting issuer" means a reporting issuer, other than an investment fund, that is not incorporated or organized under the laws of Canada or a jurisdiction of Canada, except an issuer that satisfies the following conditions:

(a) outstanding voting securities carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada; and

(b) any one or more of the following is true:

(i) the majority of the executive officers or directors of the issuer are residents of Canada;

(ii) more than 50 per cent of the assets of the issuer are located in Canada; or

(iii) the business of the issuer is administered principally in Canada;

"equity security" means any security of an issuer that carries a residual right to participate in earnings of the issuer and, on the liquidation or winding-up of the issuer, in its assets;

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1 National Instrument 14-101 *Definitions* defines certain terms that are used in more than one national or multilateral instrument.

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"executive officer" of a reporting issuer means an individual who at any time during the year was:

(a) a chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(b) a vice-chair of the reporting issuer, if that individual performed the functions of the office on a full-time basis;

(c) the president of the reporting issuer;

(d) a vice-president of the reporting issuer in charge of a principal business unit, division or function including sales, finance or production;

(e) an officer of the reporting issuer or any of its subsidiaries who performed a policy-making function in respect of the reporting issuer; or

(f) any other person who performed a policy-making function in respect of the reporting issuer;

"foreign disclosure requirements" means the requirements to which an eligible foreign reporting issuer is subject concerning the disclosure made to the public, to securityholders of the issuer or to a foreign regulatory authority:

(a) relating to the eligible foreign reporting issuer and the trading in its securities; and

(b) that is made publicly available in the foreign jurisdiction under:

(i) the securities laws of the foreign jurisdiction in which the principal trading market of the eligible foreign reporting issuer is located; or

(ii) the rules of the marketplace that is the principal trading market of the eligible foreign reporting issuer;

"foreign regulatory authority" means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

"group scholarship plan" means a scholarship plan the securities of which entitle the beneficiaries, who are designated in connection with the acquisition of the securities that have the same year of maturity, to a scholarship award proportionate to the value of the securities in respect of which they are designated, on or after maturity of the securities;

"inter-dealer bond broker" means a person or company that is approved by the Investment Dealers Association under its By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its By-Law No. 36 and its Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"interim period" means:

(a) a period commencing on the first day of a financial year and ending nine, six or three months before the end of a financial year; or

(b) in the case of a reporting issuer's transition year, a period commencing on the first day of the transition year and ending either:

(i) three, six, nine or twelve months, if applicable, after the end of its old financial year; or

(ii) twelve, nine, six or three months, if applicable, before the end of the transition year,

and in the case of (b)(ii), the first interim period must not exceed four months;

"investment fund" means a mutual fund, a non-redeemable investment fund or a group scholarship plan;

"marketplace" means:

(a) an exchange;

(b) a quotation and trade reporting system;

(c) a person or company not included in paragraph (a) or (b) that:

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

"MD&A" means a completed Form 51-102F2 *Management's Discussion & Analysis* or, in the case of an SEC foreign issuer, either a completed Form 51-102F2 or management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K or Item 303 of Regulation S-B under the 1934 Act;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"Nasdaq" means Nasdaq National Market and Nasdaq SmallCap Market;

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"non-redeemable investment fund" means an issuer:

(a) whose primary purpose is to invest money provided by its securityholders;

(b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than mutual funds or other non-redeemable investment funds; and

(c) that is not a mutual fund;

"old financial year" means the financial year of a reporting issuer that immediately precedes its transition year;

"principal trading market" means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer's most recent financial year that ended before the date the determination is being made;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

"recognized exchange" means:

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange; and

(b) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means:

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"SEC foreign issuer" means an eligible foreign reporting issuer that:

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America;

"SEDI issuer" has the meaning ascribed to that term in National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*;

"transition year" means the financial year of reporting issuer in which a change of year-end occurs;

"TSX" means the Toronto Stock Exchange;

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security; and

"US market requirements" means the requirements of the United States exchange on which the reporting issuer's securities are listed or Nasdaq, as applicable.

1.2 Determination of Canadian Shareholders

(1) For the purposes of section 4.11 and paragraph (c) of the definition of "designated foreign issuer", a reference to equity securities owned, directly or indirectly, by residents of Canada, includes:

(a) the underlying securities that are equity securities of the eligible foreign reporting issuer; and

(b) the equity securities of the eligible foreign reporting issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the eligible foreign reporting issuer.

(2) For the purposes of paragraph (a) of the definition of "eligible foreign reporting issuer", securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the eligible foreign reporting issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer's outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer and Eligible Foreign Reporting Issuer

For the purposes of paragraph (c) of the definition of "designated foreign issuer", paragraph (a) of the definition of "eligible foreign reporting issuer" and section 4.11, the calculation is made:

(a) if the issuer has not completed a financial year since becoming a reporting issuer, at the date that the issuer became a reporting issuer; and

(b) for all other issuers,

(i) for the purpose of financial statement and MD&A filings under this Instrument, on the first day of the most recent financial year or year-to-date interim period for which operating results are presented in the financial statements or MD&A; and

(ii) for the purpose of other continuous disclosure filing obligations under this Instrument, on the first day of the issuer's current financial year.

PART 2
LANGUAGE OF DOCUMENTS

2.1 French or English

(1) A person or company must file a document required to be filed under this Instrument in either French or English.

(2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders of an issuer a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, a reporting issuer must comply with linguistic obligations and rights prescribed by Québec law.

2.2 Filings Prepared in a Language other than French or English

(1) If a person or company files a document that is required to be filed under this Instrument that is a translation of a document prepared in a language other than French or English, the person or company must file the document upon which the translation was based.

(2) An eligible foreign reporting issuer filing a document upon which the translation was based under subsection (1) must attach to the document a certificate as to the accuracy of the translation.

PART 3
FILING AND SENDING OF DOCUMENTS

3.1 Timing of Filing of Documents

A person or company filing a document under this Instrument must file the document at the same time as, or as soon as practicable after, the filing or furnishing of the document to the SEC or to a foreign regulatory authority.

3.2 Sending of Documents to Canadian Securityholders

If a person or company sends a document to holders of securities of any class under US federal securities law, or the laws or requirements of a designated foreign jurisdiction, and that document is required to be filed under this Instrument, then such document must be sent at the same time to holders of securities of that class in the local jurisdiction.

PART 4
SEC FOREIGN ISSUERS

4.1 Amendments and Supplements

Any amendments or supplements to disclosure documents filed by an SEC foreign issuer under this Instrument must also be filed.

4.2 Material Change Reporting

An SEC foreign issuer is exempt from securities legislation requirements relating to disclosure of material changes if the issuer:

(a) complies with the US market requirements for making public disclosure of material information on a timely basis;

(b) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis, if securities of the issuer are not listed on a US exchange or quoted on Nasdaq;

(c) promptly issues in Canada and files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a) or (b);

(d) complies with the requirements of US federal securities law for filing or furnishing current reports to the SEC; and

(e) files the current reports filed with or furnished to the SEC.

4.3 Financial Statements

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of its interim financial statements, and annual financial statements and auditor's reports on annual financial statements if it:

(a) complies with the requirements of US federal securities law relating to interim financial statements, annual financial statements and auditor's reports on annual financial statements;

(b) in the case where securities of the issuer are listed on a US exchange or quoted on Nasdaq, complies with the US market requirements relating to interim financial statements and annual financial statements;

(c) files the interim financial statements, annual financial statements and auditor's reports on annual financial statements filed with or furnished to the SEC, a US exchange or Nasdaq;

(d) sends each document filed under paragraph (c) to securityholders in the local jurisdiction, in the manner and at the time such documents are required to be sent to securityholders of the issuer by US federal securities law; and

(e) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (c).

4.4 Annual Reports, AIFs, Business Acquisition Reports and MD&A

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of annual reports, AIFs, business acquisition reports and MD&A if it:

(a) complies with the requirements of US federal securities law relating to annual reports, quarterly reports, current reports and management's discussion and analysis;

(b) files each annual report, quarterly report, current report and management's discussion and analysis filed with or furnished to the SEC;

(c) sends each document filed under paragraph (b) to securityholders in the local jurisdiction, in the manner and at the time such documents are required to be sent to securityholders of the issuer by US federal securities law; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

4.5 Proxies and Proxy Solicitation by the Issuer and Information Circulars

(1) An SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it:

(a) complies with the requirements of US federal securities law relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to a meeting of securityholders that is filed with or furnished to the SEC;

(c) sends each document filed under paragraph (b) to securityholders in the local jurisdiction in the manner and at the time required by US federal securities law and US market requirements; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

(2) An SEC foreign issuer that:

(a) is a foreign private issuer as defined under Rule 3b-4 under the 1934 Act; and

(b) is required to file reports under section 15(d) of the 1934 Act

satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it complies with the requirements of subsection (1).

4.6 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the SEC foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company complies with the requirements of subsection 4.5(1).

(2) A person or company, other than the SEC foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to an SEC foreign issuer that meets the requirements of paragraphs 4.5(2)(a) and (b) if the person or company complies with subsection 4.5(1).

(3) If a proxy solicitation is made with respect to an SEC foreign issuer by a person or company other than the SEC foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the SEC foreign issuer, the exemption in subsection (1) or (2) is not available, if:

(a) the aggregate published trading volume of the class on the TSX and the TSX Venture Exchange exceeded the aggregate published trading volume of the class on national securities exchanges in the United States of America and Nasdaq:

(i) for the 12 calendar month period before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information disclosed by the SEC foreign issuer in its most recent Form 10-K or Form 10-KSB or Form 20-F filed with the SEC under the 1934 Act demonstrated that paragraph (a) of the definition of "eligible foreign reporting issuer" applied to the SEC foreign issuer; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of "eligible foreign reporting issuer" applies to the SEC foreign issuer.

4.7 Disclosure of Outstanding Share Data

An SEC foreign issuer is exempt from securities legislation requirements relating to disclosure of outstanding share data if the issuer:

(a) reports outstanding share information in compliance with the 1934 Act; and

(b) files a copy of all disclosure of outstanding share data made under the 1934 Act that has not previously been filed.

4.8 Early Warning

A person or company is exempt from the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company:

(a) complies with the requirements of US federal securities law relating to the reporting of beneficial ownership of equity securities of the SEC foreign issuer; and

(b) files each report of beneficial ownership that is filed with the SEC.

4.9 Insider Reporting

The insider reporting requirement does not apply to an insider of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if:

(a) the SEC foreign issuer is not a SEDI issuer;

(b) the insider complies with the requirements of US federal securities law relating to insider reporting; and

(c) the insider files each insider report that is filed with the SEC.

4.10 Communication with Beneficial Owners of Securities

An SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries if the issuer:

(a) complies with the requirements of Rule 14a-13 under the 1934 Act for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

4.11 Going Private Transactions and Related Party Transactions

Securities legislation requirements relating to going private transactions and related party transactions, as those terms are used in securities legislation of the local jurisdiction, do not apply to an SEC foreign issuer carrying out a going private transaction or related party transaction if the total number of equity securities of the SEC foreign issuer owned, directly or indirectly, by residents of Canada, does not exceed 20 per cent, on a diluted basis, of the total number of equity securities of the SEC foreign issuer.

4.12 Restricted Shares

(1) Securities legislation continuous disclosure requirements relating to restricted shares do not apply in respect of SEC foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted shares do not apply in respect of SEC foreign issuers.

PART 5
DESIGNATED FOREIGN ISSUERS

5.1 Amendments and Supplements

Any amendments or supplements to disclosure documents filed by a designated foreign issuer under this Instrument must also be filed.

5.2 Mandatory Annual Disclosure by Designated Foreign Issuer

In order for a designated foreign issuer to rely on this Part, it must, at least once a year, disclose in, or as an appendix to, a document that it is required by foreign disclosure requirements to send to its securityholders and that it sends to its securityholders in Canada:

(a) that it is a designated foreign issuer as defined in this Instrument;

(b) that it is subject to the foreign regulatory requirements of a foreign regulatory authority; and

(c) the name of the foreign regulatory authority referred to in paragraph (b).

5.3 Material Change Reporting

A designated foreign issuer is exempt from securities legislation requirements relating to disclosure of material changes if the issuer:

(a) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis;

(b) promptly issues in Canada and files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a); and

(c) files the documents disclosing the material information filed with or furnished to the foreign regulatory authority or disseminated to the public or securityholders of the issuer.

5.4 Financial Statements

A designated foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of its interim financial statements, annual financial statements and auditor's reports on annual financial statements if it:

(a) complies with the foreign disclosure requirements relating to interim financial statements, annual financial statements and auditor's reports on annual financial statements;

(b) files the interim financial statements, annual financial statements and auditor's reports on annual financial statements required to be filed with or furnished to the foreign regulatory authority;

(c) sends each document filed under paragraph (b) to securityholders in the local jurisdiction, in the manner and at the time such documents are required to be sent to securityholders of the issuer by the foreign disclosure requirements; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.5 Annual Reports, AIFs, Business Acquisition Reports & MD&A

A designated foreign issuer satisfies securities legislation requirements relating to the preparation, filing and delivery of annual reports, AIFs, business acquisition reports and MD&A if it:

(a) complies with the foreign disclosure requirements relating to annual reports, quarterly reports, business acquisitions and management's discussion and analysis;

(b) files each annual report, quarterly report, report in respect of a business acquisition and management's discussion and analysis required to be filed with the foreign regulatory authority;

(c) sends each document filed under paragraph (b) to securityholders in the local jurisdiction, in the manner and at the time such documents are required to be sent to securityholders of the issuer by the foreign disclosure requirements; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.6 Proxies and Proxy Solicitation by the Issuer and Information Circulars

A designated foreign issuer satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it:

(a) complies with the foreign disclosure requirements relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to a meeting of securityholders that is filed with the foreign regulatory authority;

(c) sends each document filed under paragraph (b) to each securityholder in the local jurisdiction, in the manner and at the time required by the foreign disclosure requirements; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.7 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the designated foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to a designated foreign issuer if the person or company satisfies the requirements of section 5.6.

(2) If a proxy solicitation is made with respect to a designated foreign issuer by a person or company other than the designated foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the designated foreign issuer, the exemption in subsection (1) is not available, if:

(a) the aggregate published trading volume of the class on the TSX and the TSX Venture Exchange exceeded the aggregate trading volume on securities marketplaces outside Canada:

(i) for the 12 calendar months before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before the commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information disclosed by the designated foreign issuer in a document filed within the previous 12 months with a foreign regulatory authority, demonstrated that paragraph (a) of the definition of "eligible foreign reporting issuer" applied to the designated foreign issuer; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of "eligible foreign reporting issuer" applies to the designated foreign issuer.

5.8 Disclosure of Outstanding Share Data

A designated foreign issuer is exempt from securities legislation requirements relating to disclosure of outstanding share data if the issuer:

(a) complies with the foreign disclosure requirements relating to disclosure of outstanding share data; and

(b) files each report disclosing outstanding share data that is filed with a foreign regulatory authority.

5.9 Early Warning

A person or company is exempt from the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of a designated foreign issuer if the person or company:

(a) complies with the foreign disclosure requirements relating to reporting of beneficial ownership of equity securities of the designated foreign issuer; and

(b) files each report of beneficial ownership that is filed with the foreign regulatory authority.

5.10 Insider Reporting

The insider reporting requirement does not apply to an insider of a designated foreign issuer if:

(a) the designated foreign issuer is not a SEDI issuer;

(b) the insider complies with the foreign disclosure requirements relating to insider reporting; and

(c) the insider files each insider report that is filed with the foreign regulatory authority.

5.11 Communication with Beneficial Owners of Securities

A designated foreign issuer satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries if the issuer:

(a) complies with foreign disclosure requirements relating to communication with beneficial owners of securities; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

5.12 Going Private Transactions and Related Party Transactions

Securities legislation requirements relating to going private transactions and related party transactions, as those terms are used in securities legislation of the local jurisdiction, do not apply to a designated foreign issuer carrying out a going private transaction or related party transaction.

5.13 Change in Year-End

A designated foreign issuer satisfies securities legislation requirements relating to the notice of a change in year-end if the issuer:

(a) complies with foreign disclosure requirements relating to a change in year-end; and

(b) files a copy of all filings made under foreign disclosure requirements relating to the change in year-end.

5.14 Change of Auditor

A designated foreign issuer satisfies securities legislation requirements relating to a change of auditor if the issuer:

(a) complies with foreign disclosure requirements relating to a change of auditor; and

(b) files a copy of all filings made under foreign disclosure requirements relating to the change of auditor.

5.15 Restricted Shares

(1) Securities legislation continuous disclosure requirements relating to restricted shares do not apply in respect of designated foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted shares do not apply in respect of designated foreign issuers.

PART 6
FOREIGN TRANSITION ISSUERS

6.1 Application

This Part only applies in Ontario.

6.2 Definition

In this section, "foreign transition issuer" means an issuer:

(a) that is not incorporated or organized under the laws of Canada or a jurisdiction of Canada;

(b) that is not an SEC foreign issuer or a designated foreign issuer;

(c) that became a reporting issuer solely by listing securities on the TSX before •, 2004[2];

(d) of which the total number of securities of the class listed on the TSX registered in the names of residents of Canada does not exceed 5 per cent of the total number of issued and outstanding securities of the class; and

(e) of which the total number of holders of securities of the class listed on the TSX registered in the names of residents of Canada does not exceed 300.

6.3 Transitional Exemptions

Until January 1, 2005, a foreign transition issuer is exempt from:

(a) securities legislation requirements to file business acquisition reports, AIFs and MD&A;

(b) securities legislation requirements relating to the preparation and filing of annual financial statements and auditor's reports thereon if the annual financial statements are:

(i) prepared in compliance with the laws of the foreign jurisdiction of incorporation or organization of the issuer, and

(ii) filed not later than the earlier of:

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2 The date this Instrument is expected to become effective.

(A) promptly after they are filed with any other governmental agency or securities market regulatory authority, and

(B) 140 days after the end of the financial year; and

(c) securities legislation requirements relating to the preparation and filing of interim financial statements, if the interim financial statements are:

(i) prepared in compliance with the laws of the foreign jurisdiction of incorporation or organization of the issuer; and

(ii) filed not later than the earlier of:

(A) promptly after they are filed with any other governmental agency or securities market regulatory authority; and

(B) 60 days after the end of the interim period.

PART 7
EFFECTIVE DATE

7.1 Effective Date

This Instrument comes into force on •, 2004.

COMPANION POLICY 71-102CP TO NATIONAL INSTRUMENT 71-102

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

PART 1 – GENERAL

1.1 Introduction and Purpose

(1) National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the "Instrument") provides broad relief from requirements of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") for two sub-categories of eligible foreign reporting issuers – SEC foreign issuers and designated foreign issuers – on the condition that they comply with the continuous disclosure ("CD") requirements of the SEC or a designated foreign jurisdiction. SEC foreign issuers and designated foreign issuers are also exempted from certain other requirements of provincial and territorial securities legislation, including insider reporting and early warning, that are not contained in NI 51-102.

(2) This Companion Policy provides information about how the provincial and territorial securities regulatory authorities interpret the Instrument, and should be read in conjunction with it.

1.2 Other Relevant Legislation

In addition to the Instrument, foreign issuers should consult the following non-exhaustive list of legislation to see how it may apply to them:

(1) Implementing Legislation (the regulation, rule, ruling, order or other instrument that implements the Instrument in each applicable jurisdiction);

(2) NI 51-102;

(3) National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* ("NI 52-107"); and

(4) National Instrument 71-101 *The Multijurisdictional Disclosure System* ("NI 71-101").

1.3 Multijurisdictional Disclosure System

(1) NI 71-101 permits certain US incorporated issuers to satisfy specified Canadian CD requirements by using disclosure prepared in accordance with US requirements. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer, but other instances in which the relief available to a reporting issuer in one instrument differs from the relief available to the reporting issuer under the other instrument. Many issuers that are eligible for an exemption under the Instrument will be ineligible to rely on NI 71-101 and vice versa. For example, the Instrument defines a class of "SEC foreign issuers". Not all US issuers referred to in NI 71-101 are SEC foreign issuers and not all SEC foreign issuers are US issuers.

(2) An eligible US issuer may choose to use an exemption in the Instrument or NI 71-101. For example, section 17.1 of NI 71-101 grants an exemption from the insider reporting requirement to an insider of a US issuer that has securities registered under section 12 of the 1934 Act if the insider complies with the requirements of US federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. This relief goes beyond the exemption provided by section 4.9 of the Instrument which is not available to insiders of a SEDI issuer as defined in National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* and requires that the insider of the SEC foreign issuer file with the applicable regulator or securities regulatory authority each insider report that is filed with the SEC.

1.4 Exemptions May Not Require Disclosure

Most of the exemptions in the Instrument are only available to a person or company that complies with a particular aspect of either US federal securities laws or the laws of a designated foreign jurisdiction. If those laws do not require the issuer to disclose, file or send any information, for example, because the issuer may rely on an exemption under those laws, then the issuer is not required to disclose, file or send any information in order to rely on the exemption contained in the Instrument.

PART 2 – DEFINITIONS

2.1 Calculation of Voting Securities Owned by Residents of Canada

In order to qualify for any of the exemptions contained in the Instrument, other than the relief for "foreign transition issuers" in Part 6, the issuer in question must be an "eligible foreign reporting issuer". The definition of eligible foreign reporting issuer is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of "eligible foreign reporting issuer", it is the CSA's view that, in determining the outstanding voting securities that are owned, directly or indirectly, by residents of Canada, an issuer should:

(a) use reasonable efforts to determine securities held by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada;

(b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports; and

(c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

The determination of the percentage of securities of the foreign issuer owned by residents of Canada should be made in the same manner for the purposes of paragraph (d) of the definition of "designated foreign issuer" and paragraph (d) of the definition of "foreign transition issuer" in section 6.2 of the Instrument. This method of calculation differs from that of NI 71-101, which only requires a calculation based on the address of record. Accordingly, some SEC foreign issuers may qualify for exemptive relief under NI 71-101 but not under the Instrument.

PART 3 – INSIDER REPORTS

3.1 Requirement to File Insider Reports on SEDI

Insiders of foreign issuers who voluntarily file under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* are required to file insider reports electronically under SEDI. The Instrument does not provide an exemption from filing insider reports in the form required by provincial and territorial securities legislation if the foreign issuer is a SEDI filer. However, under NI 71-101 an insider of an eligible U.S. issuer, as defined NI 71-101, is exempt from the insider reporting requirement if the insider complies with U.S. federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. Consequently, insiders of NI 71-101 eligible issuers are also exempt from the requirement to file insider reports on SEDI.

Insiders of a foreign issuer that does not file under SEDAR, and who are therefore eligible to file insider reports under section 4.9 or 5.10 of the Instrument, must file the foreign form of insider report in paper form.

PART 4 – ELECTRONIC DELIVERY OF DOCUMENTS

4.1 Electronic Delivery of Documents

Any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with Québec Staff Notice, *The Delivery of Documents by Electronic Means*, in Québec, and National Policy 11-201 *Delivery of Documents by Electronic Means*, in the rest of Canada.

PART 5 – EXEMPTIONS NOT INCLUDED

5.1 Resource Issuers - Standards of Disclosure for Mineral Projects and Oil and Gas Activities

The Instrument does not provide an exemption from National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Issuers are reminded that those National Instruments apply to SEC foreign issuers and designated foreign issuers.

5.2 Designated Foreign Issuers

The Instrument does not provide an exemption for designated foreign issuers from the requirement in section 4.9 of NI 51-102. A designated foreign issuer must deliver a notice if it has been a party to an amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or other transaction that will have the effect of changing its continuous disclosure obligations under NI 51-102.

PART 6 – EXEMPTIONS

6.1 Exemptions

(1) The exemptions contained in the Instrument are in addition to any exemptions that may be available to an issuer under any other applicable legislation.

(2) Issuers that have been given an exemption, waiver or approval by a regulator or securities regulatory authority before the Instrument and NI 51-102 came into effect, may be entitled to continue to rely on that exemption, waiver or approval. Issuers should refer to section 13.2 of NI 51-102 to determine in what circumstances the prior exemption, waiver or approval is available and what the reporting issuer must do to continue to rely on it.

(3) If an issuer wishes to seek exemptive relief from NI 51-102 or other requirements of provincial and territorial securities legislation on grounds similar but not identical to those permitted under the Instrument, the issuer should apply for this relief under the exemptive provisions of NI 51-102, or other provincial and territorial securities legislation, as the case may be.

6.2 Exemptions for SEC Foreign Issuers

NI 51-102 contains exemptions for SEC issuers from certain requirements in NI 51-102, such as change in year-end and change of auditor. SEC foreign issuers under the Instrument will also meet the definition of SEC issuers under NI 51-102, and so will be able to rely on the exemptions in NI 51-102.

6.1.7 Notice and Request for Comment - Proposed Rule 71-802, Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

NOTICE AND REQUEST FOR COMMENT

PROPOSED RULE 71-802 IMPLEMENTING NATIONAL INSTRUMENT 71-102 CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

Introduction

The Commission is publishing for comment a revised version of proposed Commission Rule 71-802 *Implementing National Instrument* 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the "Proposed Implementing Rule").

Substance and Purpose

The Proposed Implementing Rule is a local Ontario rule implementing National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* ("NI 71-102") in Ontario. The Proposed Implementing Rule contains exemptions from certain provisions of the *Securities Act* (Ontario) (the "Act") and rules made under the Act that are necessary in order to implement NI 71-102.

Background

On June 21, 2002 we published for comment the first version of NI 71-102 and the Proposed Implementing Rule (the 2002 Proposal). For additional background information on the 2002 Proposal, as well as a detailed summary of its contents, please refer to the notice that was published with those versions.

On the same date as publication of this Notice, the Canadian Securities Administrators (CSA) are publishing for comment a revised version of NI 71-102. For a summary of the changes made to NI 71-102, please refer to the CSA Notice and Request for comment regarding NI 71-102.

Comments

We received no comments on the Proposed Implementing Rule that was part of the 2002 Proposal.

Summary of Changes to the Proposed Implementing Rule

No material changes have been made to the Proposed Implementing Rule.

Authority

Paragraph 143(1)36 of the Act, which authorizes the Ontario Securities Commission (the "Commission") to make rules varying the Act for foreign issuers to facilitate, among other things, compliance with requirements applicable or relating to reporting issuers and the making of going private transactions and related party transactions where the foreign issuers are subject to requirements of the laws of other jurisdictions that the Commission considers are adequate in light of the purposes and principles of the Act, provides the Commission with the authority to make the Proposed Implementing Rule.

The following provisions of the Act also provide the Commission with authority to make the Proposed Implementing Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1)23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act. Paragraph 143(1)25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1)26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1)27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part XIX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities of reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1)28 authorizes the Commission to make rules regulating take-over bids, issuer bids, insider bids, going private transactions and related party transactions, including early warning provisions. Paragraph 143(1)30 authorizes the Commission to make rules providing for exemptions from any requirement of Part XXI (Insider Trading and Self-Dealing) of the Act. Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content,

execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1)49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1)56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Anticipated Costs and Benefits

For a summary of the anticipated costs and benefits of NI 71-102 see CSA Notice and Request for Comment regarding NI 71-102.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Implementing Rule. Submissions received by August 19, 2003 will be considered. Submissions should be addressed to the Commission at the following address:

John Stevenson
Secretary to the Commission
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593- 2318
e-mail: jstevenson@osc.gov.on.ca

If you are not sending your comments by e-mail, please send a diskette containing your comments (in Windows format, Word).

We cannot keep submissions confidential because securities legislation requires that a summary of the written comments received during the comment period be published.

Questions may be referred to:

David Coultice
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
(416) 204-8979
e-mail: dcoultice@osc.gov.on.ca

Joanne Peters
Senior Legal Counsel, Continuous Disclosure
Ontario Securities Commission
20 Queen Street West, Suite 800, Box 55
Toronto, Ontario M5H 3S8
(416) 593-8134
e-mail: jpeters@osc.gov.on.ca

Text of Proposed Rule

The text of the Proposed Implementing Rule follows.

6.1.8 Rule 71-802, Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

RULE 71-802

IMPLEMENTING
NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

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ONTARIO SECURITIES COMMISSION
RULE 71-802

IMPLEMENTING
NATIONAL INSTRUMENT 71-102
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation

(1) In this Rule

"NI 51-102" means National Instrument 51-102 Continuous Disclosure Obligations;

"NI 62-103" means National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues;

"NI 71-102" means National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;

"Rule 51-801" means Rule 51-801 Implementing National Instrument 51-102 Continuous Disclosure Obligations; and

"Rule 56-501" means Rule 56-501 Restricted Shares.

(2) Each term used in this Rule that is defined or interpreted in Part 1 of NI 71-102 has the meaning ascribed to it in that Part.

PART 2 SEC FOREIGN ISSUERS

2.1 Material Change Reporting - Section 7.1 and paragraph 12.1(1)(b) of NI 51-102 and section 3.4 of Rule 51-801 do not apply to an SEC foreign issuer that complies with section 4.2 of NI 71-102.

2.2 Annual Reports, AIFs, Business Acquisition Reports and MD&A - Subsection 12.1(1) of NI 51-102 does not apply to an SEC foreign issuer that complies with section 4.4 of NI 71-102.

2.3 Early Warning - A person or company is exempt from sections 101 and 102 of the Act and the requirements of NI 62-103 in respect of securities of an SEC foreign issuer if the person or company complies with section 4.8 of NI 71-102.

2.4 Going Private Transactions and Related Party Transactions

(1) Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions does not apply to an SEC foreign issuer carrying out a going private transaction or related party transaction if the total number of equity securities of the SEC foreign issuer owned, directly or indirectly by residents of Canada does not exceed 20 per cent, on a diluted basis, of the total number of equity securities of the SEC foreign issuer as at the first day of its current financial year.

(2) Despite subsection (1), if the SEC foreign issuer has not completed a financial year since becoming a reporting issuer, the calculation in subsection (1) is made at the date that the issuer became a reporting issuer.

2.5 Restricted Shares- Section 10.1 of NI 51-102 and Part 3 of Rule 56-501 do not apply in respect of an SEC foreign issuer.

PART 3 DESIGNATED FOREIGN ISSUERS

3.1 Material Change Reporting - Section 7.1 and paragraph 12.1(1)(b) of NI 51-102 and section 3.4 of Rule 51-801 do not apply to a designated foreign issuer that complies with section 5.3 of NI 71-102

3.2 Annual Reports, AIFs, Business Acquisition Reports and MD&A - Subsection 12.1(1) of NI 51-102 does not apply to a designated foreign issuer that complies with section 5.5 of NI 71-102.

3.3 **Early Warning** - A person or company is exempt from sections 101 and 102 of the Act and the requirements of NI 62-103 in respect of securities of a designated foreign issuer if the person or company complies with section 5.9 of NI 71-102.

3.4 **Restricted Shares** - Section 10.1 of NI 51-102 and Part 3 of Rule 56-501 do not apply in respect of a designated foreign issuer.

PART 4 EFFECTIVE DATE

4.1 **Effective Date** - This Rule comes into force on the date NI 71-102 comes into force.

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
20-May-2003	RoyNat Inc.	1059709 Ontario Limited - Debentures	1,200,000.00	1,200,000.00
10-Jun-2003	13 Purchasers	1245 Lorimar Limited Partnership - Limited Partnership Units	1,500,000.00	1,500.00
30-May-2003	40 Purchasers	Alternum Capital Hedge Facility LP - Units	666,879.54	65,760.00
27-May-2003 02-Jun-2003	25 Purchasers	Biogan International, Inc. - Special Warrants	155,555.26	5,185,179.00
04-Jun-2003	MCE Capital Corporation	Canadian Country Club Communities Ltd. - Notes	980,000.00	1,000,000.00
10-Jun-2003 Bonds	The Canada Life Assurance Company	Caressant-Care Nursing and Retirement Homes Limited-	13,412,341.83	2.00
06-Jun-2003	Inter Capital Corporation	Cloakware Corporation - Shares	1,356,699.78	819,672.00
04-Jun-2003	Waterloo Tech Capital L.P. and Waterloo Ventures Inc.	Covarity Inc. - Common Shares	650,000.00	8,125,000.00
01-May-2003 31-May-2003	7 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	945,140.02	83,778.00
05-Jan-2003 31-May-2003	4 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	59,685.66	5,476.00
01-May-2003 31-May-2003	46 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	1,032,401.99	93,249.00
04-Jun-2003	35 Purchasers	Crowflight Minerals Inc. - Units	789,000.00	986,250.00
30-May-2003	9 Purchasers	Dexit Inc. - Common Shares	650,000.00	325,000.00
09-Jun-2003	11 Purchasers	Euston Capital Corp. - Common Shares	43,200.00	14,400.00
02-Jun-2004	7 Purchasers	Everton Resources Inc. - Units	135,000.00	675,000.00

30-May-2003	EdgeStone Capital Equity Partners;Inc.	Farley Windows Inc. - Convertible Debentures	2,000,000.00	2,000,000.00
05-Jun-2003	25 Purchasers	Geomaque Explorations Ltd. - Common Shares	6,000,067.77	108,864,868.00
03-Jun-2003	3 Purchasers	Granite Partners II Limited Partnership - Limited Partnership Units	750,000.00	750,000.00
06-Jun-2003	17 Purchasers	Great Northern Exploration Ltd. - Common Shares	5,589,000.00	1,620,000.00
05-Jun-2003 06-Jun.2003	11 Purchasers	Heritage Explorations Ltd. - Units	2,375,000.00	5,125,000.00
04-Jun-2003 10-Jun-2003	5 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	66,000.00	22,000.00
05-Jun-2003	8 Purchasers	Jazz Air Inc. - Bonds	9,582,520.78	9,582,521.00
30-May-2003	8 Purchasers	Jilbey Gold Exploration Ltd. - Units	95,700.00	319,000.00
31-May-2003	12 Purchasers	Kingwest Avenue Portfolio - Units	228,700.00	15,297.00
01-Jun-2003	Lancaster Balanced Fund II	Lancaster Canadian Equity Fund - Trust Units	1,000,000.00	77,587.00
03-Jun-2003	Canada Life Isurance Company;Sun Life Assurance Company of Canada	Lantic Sugar Limited - Debentures	40,000,000.00	40,000,000.00
05-Jun-2003	3 Purchasers	Longitude Fund Limited Partnership - Units	0.00	10,050.00
30-May-2003	4 Purchasers	LymphoSign Inc. - Common Shares	2,000,000.30	8,102,566.00
23-May-2003	CER Investment Fund II	Mayfield Suites Hotel Mississauga Limited Partnership - Limited Partnership Units	1,387,000.00	33.00
23-May-2003	CER Investment Fund II	Mayfield Suites Hotel Mississauga Limited Partnership - Limited Partnership Units	513,000.00	12.00
06-Jun-2003	Colin E. Abernethy	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
06-Jun-2003	Suzanne Tremblay	Microsource Online, Inc. - Common Shares	1,200.00	200.00
06-Jun-2003	Leo Klein	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
06-Jun-2003	Pino Di Stefano	Microsource Online, Inc. - Common Shares	3,000.00	500.00
05-Jun-2003	Ronol Investemts Inc.	Microsource Online, Inc. - Common Shares	24,000.00	4,000.00

05-Jun-2003	Trung Tran	Microsource Online, Inc. - Common Shares	3,000.00	500.00
05-Jun-2003	Jeff Scott	Microsource Online, Inc. - Common Shares	1,200.00	200.00
13-Jun-2003	Brian Blakeley	Microsource Online, Inc. - Common Shares	2,100.00	350.00
13-Jun-2003	David Pettigrew	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
13-Jun-2003	Paul Commanda	Microsource Online, Inc. - Common Shares	3,000.00	500.00
13-Jun-2003	Sean Rodrigue	Microsource Online, Inc. - Common Shares	1,200.00	200.00
13-Jun-2003	Ali M. Usman	Microsource Online, Inc. - Common Shares	1,800.00	300.00
05-Jun-2003	Jan Pilat	Microsource Online, Inc. - Units	1,800.00	300.00
30-May-2003	Patrick Gilligan	Milano Investments Limited Partnership - Limited Partnership Units	59,943.71	1.00
30-May-2003	Creststreet Power Holdings Limited;Creststreet 2002 Limited Partnership	Mount Copper Wind Power Energy Inc. - Preferred Shares	267,712.00	262,185.00
11-Jun-2003	3 Purchasers	MSW Energy Holdings LLC/MSE Energy Finance Co., Inc. - Notes	2,027,050.00	9.00
31-May-2003	Crescent Road Productions Limited	Performance Market Neutral Fund - Limited Partnership Units	30,000.00	21.00
04-Jun-2003	4 Purchasers	Staples, Inc. - Common Shares	498,696.00	26,400.00
23-May-2003	Alice Somann and Gert Somann;James Gordon Hall	StarLegacy Financial Group Inc. - Common Shares	350,000.00	687,500.00
02-Jun-2003	31 Purchasers	The 55 School Board Trust - Debentures	479,164,350.00	479,500,000.00
02-Jun-2003	Toronto Dominion Bank	The Allstate Corporation - Notes	3,981,040.00	4,000,000.00
02-Jun-2003	Ian W. and Catherine A. Delaney	The Alpha Fund - Limited Partnership Units	500,000.00	4.00
30-May-2003	Ontario Teachers' Pension Plan Board	The Drake Absolute Return Fund, Ltd. - Shares	20,527,500.00	15,000.00
03-Jun-2003	The Bank of Nova Scotia;The Manufacturers Life Insurance Company	The Enterprise Capital FI LP II - Limited Partnership Units	85,000,000.00	340.00
03-Jun-2003	32 Purchasers	The Enterprise Capital LP II - Limited Partnership Units	19,890,000.00	82.00
03-Jun-2003	Canada Pension Plan Investment Board	The Enterprise Capital Trust II - Trust Units	75,000,000.00	300.00

23-May-2003	CER Investment Fund II	The Lodge at Kanaaskis Limited Partnership - Limited Partnership Units	2,422,000.00	215.00
23-May-2003	CER Investment Fund II	The Mountain Inn at Ribbon Creek Limited Partnership - Limited Partnership Units	378,000.00	80.00
03-Jun-2003	Bank of Montreal	The Republic of Korea - Notes	3,981,640.00	4,000,000.00
05-Jun-2003 Shares	8 Purchasers	Utilicor Technologies Inc. -	450,000.00	450.00
30-May-2003 Common Shares	21 Purchasers	Vensearch Capital Corp. -	489,500.00	1,958,000.00
30-May-2003 Units	Janne M. Duncan	Vertex Balanced Fund - Trust	15,000.00	1,288.00
30-May-2003	4 Purchasers	Vertex Fund - Trust Units	87,656.25	3,329.00
06-Jun-2003	MRF 2003 Limited Partnership	Veteran Resources Inc. - Flow-Through Shares	500,250.00	667,000.00
02-Jun-2003	4 Purchasers	VR Interactive Corporation - Units	180,000.00	1,800,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
22-May-2003	Investor Group Trust Co. Ltd. as Tru	Pangeo Pharma Inc. - Common Shares		200,000.00

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

Seller	Security	Number of Securities
Douglas O. Vandekerkhove	ACD Systems International Inc. - Common Shares	20,000.00
Viceroy Resource Corporation	Channel Resources Ltd. - Common Shares	7,076,850.00
Glen R. Estill	EMJ Data Systems Ltd. - Common Shares	9,334.00
Conrad M. Black	Hollinger Inc. - Preferred Shares	1,611,039.00
Kalimantan Investment Corporation	Kalimantan Gold Corporation Limited - Common Shares	2,266,695.00
CPC Communications Inc.	Peace Arch Entertainment Group Inc. - Shares	287,919.00
Andrew J. Malion	Spectra Inc. - Common Shares	750,000.00

IPOs, New Issues and Secondary Financings

Issuer Name:
Barrick Gold Corporation
Barrick Gold Inc., formerly Homestake Canada Inc.
Type and Date:
Preliminary Shelf Prospectuses dated June 17, 2003
Receipted on June 17, 2003
Offering Price and Description:
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #551569 & 551556

Issuer Name:
Borealis Retail Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated June 11, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
Borealis Real Estate Management Inc.
Project #548000

Issuer Name:
BTel Split Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 13, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
$ * - * Capital Shares
* Preferred Shares
Price: $ * per Capital Share
$* per Preferred Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Promoter(s):
RBC Dominion Securities Inc.
Project #550802

Issuer Name:
Canadian Oil Sands Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated June 13, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
$151,145,000.00 - 4,300,000 Trust Units Price: $35.15 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
RBC Capital Markets
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
HSBC (Canada) Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corp.
FirstEngery Capital Corp.
Peters & Co. Limited
Raymond James Ltd.
Promoter(s):
-
Project #550966

Issuer Name:
CI Canadian Investment Sector Fund
CI International Sector Fund
CI Global Small Companies Fund
CI Explorer Fund
CI Canadian Investment Fund
CI American Growth Fund
CI American Value Fund
CI Global Bond Fund
CI Money Market Fund
CI Global RSP Fund
CI Global Bond RSP Fund
CI Canadian Bond Fund
CI Global Fund
CI International Value Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 11, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
(Class I and W Units, Sector A and F Shares)
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #550627

Issuer Name:
Clarica Canadian Diversified Fund
Clarica Canadian Blue Chip Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 11, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
Class Z Units
Class A Units
Front-end Units and DSC Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #550417

Issuer Name:
Empower Technologies Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated June 9, 2003
Mutual Reliance Review System Receipt dated June 11, 2003
Offering Price and Description:
Minimum: $1,400,000
Maximum: $2,000,000
Minimum: 4,000,000 Units
Maximum: 5,714,286 Units
Price: $0.35 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Paul Leung
Project #549790

Issuer Name:
Industrial Alliance Capital Trust
Industrial Alliance Insurance and Financial Services Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectuses dated June 16, 2003
Mutual Reliance Review System Receipt dated June 16, 2003
Offering Price and Description:
$ * - Industrial Alliance Trust Securities - Series A (IATS - Series A)
Price: $1,000 per IATS - Series A
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #551266 & 551260

Issuer Name:
Premium Income Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 12, 2003
Mutual Reliance Review System Receipt dated June 16, 2003
Offering Price and Description:
$ * $ *
* Preferred Shares (Maximum) * Class A Shares (Maximum)
Prices: $* per Preferred Share and $ * per Class A Share
Minimum Purchase: 100 Preferred Shares or 100 Class A Shares
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Raymond James Ltd.
First Associates Investments Inc.
Mulvihill Capital Management Inc.
Promoter(s):
Mulvihill Capital Management Inc.
Project #550969

Issuer Name:
RBC Adviser Global High Yield Fund
Royal Canadian Short-Term Income Fund
Royal Select Conservative Portfolio
Royal Select Growth Portfolio
Royal Select Balanced Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 13, 2003
Mutual Reliance Review System Receipt dated June 17, 2003
Offering Price and Description:
Series A and F Units
Underwriter(s) or Distributor(s):
Royal Mutual Funds Inc.
RBC Dominion Securities Inc.
Royal Mutual Funds Inc.
Promoter(s):
RBC Funds Inc.
Project #551038

Issuer Name:
SAHELIAN GOLDFIELDS INC.
Type and Date:
Preliminary Prospectus dated June 13, 2003
Receipted on June 17, 2003
Offering Price and Description:
$115,000.00 - 46,000,000 Units Issuable Upon the Exercise of Special Warrants previously issued Price: $0.0025 per Special Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #551534

Issuer Name:
Signature Corporate Bond Fund
Signature Corporate Bond Sector Fund
Landmark Canadian Fund
Signature Select Canadian Fund
Signature Canadian Balanced Fund
Harbour Growth & Income Fund
Signature Divided Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated June 11, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
Class F, I, X, Y, W, and Z Units; Sector A and F Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Mutual Funds Inc.
Project #550702

Issuer Name:
TELUS Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Shelf Prospectus dated June 13, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
$3,000,000,000.00 - Debt Securities Preferred Shares Non-Voting Shares Common Shares Warrants to Purchase Equity Securities Warrants to Purchase Debt Securities Share Purchase Contracts Share Purchase or Equity Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #550854

Issuer Name:
TransAlta Power, L.P.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated June 16, 2003
Mutual Reliance Review System Receipt dated June 16, 2003
Offering Price and Description:
$ *
* Subscription Receipts, each representing the right to receive one Unit and one Warrant
Price: $ * per Subscription Receipt
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #551000

Issuer Name:
Alliance Pipeline Limited Partnership
Principal Regulator - Alberta
Type and Date:
Final Shelf Prospectus dated June 12, 2003
Mutual Reliance Review System Receipt dated June 12, 2003
Offering Price and Description:
Alliance Pipeline Limited Partnership $500,000,000 Senior Notes
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #548238

Issuer Name:
Arctic Glacier Income Fund
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated June 17, 2003
Mutual Reliance Review System Receipt dated June 17, 2003
Offering Price and Description:
$25,175,000.00 - 2,650,000 Units - Common Shares Subordinated Notes @ $9.50
Underwriter(s) or Distributor(s):
TD Securities Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #549433

Issuer Name:
Bell Canada
Principal Regulator - Quebec
Type and Date:
Final Shelf Prospectus dated June 13, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
$3,000,000,000.00 - Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #549324

Issuer Name:
Brandes Global Equity Fund
Brandes RSP Global Equity Fund
Brandes Global Balanced Fund
Brandes RSP Global Balanced Fund
Brandes International Equity Fund
Brandes RSP International Equity Fund
Brandes Global Small Cap Equity Fund
Brandes Emerging Markets Equity Fund
Brandes U.S. Equity Fund
Brandes RSP U.S. Equity Fund
Brandes U.S. Small Cap Equity Fund
Brandes Canadian Equity Fund
Brandes Canadian Balanced Fund
Brandes Canadian Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 11, 2003
Mutual Reliance Review System Receipt dated June 12, 2003
Offering Price and Description:
Class A Units, Class F Units, Class L Units and Class I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brandes Investment Partners & Co.
Project #536310

Issuer Name:
Burgeonvest Hirsch Opportunistic Canadian Fund
Burgeonvest Hirsch Opportunistic Tactical Allocation Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 9, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
Units @ Net Asset Value per Unit
Underwriter(s) or Distributor(s):
Burgeonvest Securities Limited
Burgeonvest Securities Limited
Promoter(s):
-
Project #533613

Issuer Name:
CMP 2003 Resource Limited Partnership
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 5, 2003 to the Prospectus dated March 27, 2003
Mutual Reliance Review System Receipt dated June 11, 2003
Offering Price and Description:
$1,000 Per Unit
$5,000,000 (minimum)
$125,000,000 (maximum)
125,000 Limited Partnership Units
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
First Associates Investments Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Promoter(s):
Dynamic CMP Funds VI Management Inc.
Project #514258

Issuer Name:
Inter Pipeline Fund (formerly Koch Pipelines Canada, L.P.)
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 16, 2003
Mutual Reliance Review System Receipt dated June 16, 2003
Offering Price and Description:
$92,250,000.00 - 15,000,000 Class A Units @ $6.35/Class A Unit =
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #549297

Issuer Name:
Middlefield Index Income Class
Middlefield Resource Class
Middlefield U.S. Equity Class
Middlefield Global Technology Class
Middlefield Canadian Balanced Class
Middlefield Equity Index Plus Class
Middlefield Income Plus Class
Middlefield Enhanced Yield Fund
Middlefield Money Market Fund
Middlefield Growth Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 13, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Middlefield Securities Limited
Middlefield Securities Limited
Promoter(s):
-
Project #538091

Issuer Name:
N-45° First CMBS Issuer Corporation
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated June 12, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
Commercial Mortgage-Backed Bonds Series 2003-1
$523,352,000 (Approximate)
$200,000,000 principal amount of [3.830]% Class A-1 Bonds, due May 15, 2008
$278,574,000 principal amount of [4.636]% Class A-2 Bonds, due March 15, 2013
$8,396,000 principal amount of [5.098]% Class B Bonds, due March 15, 2013
$16,792,000 principal amount of [5.440]% Class C Bonds, due September 15, 2013
$19,590,000 principal amount of [6.730]% Class D Bonds, due September 15, 2013
$559,735,881 notional amount of Class IO Bonds (interest only), due December 15, 2016
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Merrill Lynch Canada Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
Laurentian Bank Securities Inc.
Canaccord Capital Corporation
Promoter(s):
Hypothèques CDPQ Inc.
Project #544423

Issuer Name:
Oil Sands Split Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 13, 2003
Mutual Reliance Review System Receipt dated June 16, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Raymond James Ltd.
Desjardins Securities Inc.
First Associates Investments Inc.
FirstEnergy Capital Corp.
HSBC Securities (Canada) Inc.
Peters & Co. Limited
Promoter(s):
RBC Dominion Securities Inc.
Project #529382

Issuer Name:
Pembina Pipeline Income Fund
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated June 11, 2003
Mutual Reliance Review System Receipt dated June 12, 2003
Offering Price and Description:
7.35% Convertible Unsecured Subordinated Debentures Due December 31, 2010
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Promoter(s):
-
Project #548580

Issuer Name:
Taranis Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated June 10, 2003
Mutual Reliance Review System Receipt dated June 13, 2003
Offering Price and Description:
Offering up to 3,428,572 Units @$.35/Unit to a maximum of $1,200,000
Underwriter(s) or Distributor(s):
Northern Securities Inc.
Promoter(s):
John J. Gardiner
Project #531109

Issuer Name:
Viscount RSP U.S. Index Pool
Viscount RSP International Equity Pool
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 6, 2003 to the Final Simplified Prospectuses and Annual Information Forms dated February 19, 2003
Mutual Reliance Review System Receipt dated June 12, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Dynamic Mutual Funds Ltd.
Project #508273

Issuer Name:
Working Ventures Canadian Fund Inc.
Working Ventures Opportunity Fund Inc. (formerly Working Ventures II Technology Fund Inc.)
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 6, 2003 to the Final Prospectuses dated January 20, 2003
Mutual Reliance Review System Receipt dated June 12, 2003
Offering Price and Description:
Class A Shares
Offering: Net Asset Value per Class A Share
Underwriter(s) or Distributor(s):
Working Ventures Investment Services Inc.
GrowthWorks (WVIS) Ltd.
Promoter(s):
-
Project #501388

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Amaranth Advisors (Canada) ULC Attention: Manousos Vourkoutiotis 161 Bay Street, 31st Floor Toronto ON M5J 2S1	Investment Counsel & Portfolio Manager Limited Market Dealer	Jun 11/03
New Registration	R.M. Venditti Investment Management Inc. Attention: Raymond Mario Venditti 193 Westbridge Drive, Box 648 Kleinburg ON L0J 1C0	Investment Counsel & Portfolio Manager	Jun 11/03
New Registration	Avenue Investment Management Inc. Attention: Paul Gardner 4950 Yonge Street Suite 2200 North York ON M2N 6K1	Investment Counsel & Portfolio Manager	Jun 11/03
New Registration	Catalyst Group Inc. Attention: Paris Aden 2695 North Sheridan Way Suite 102 Mississauga ON L5K 2N6	Limited Market Dealer	Jun 18/03
Change in Category (Categories)	Optifund Investments Inc./Placements Optifonds Inc. Attention: Richard Robert Mandel 200 Avenue Des Commandeurs Levis QC G6V 6R2	From: Mutual Fund Dealer To: Mutual Fund Dealer Limited Market Dealer	Jun 12/03
Change of Name	Friedberg Mercantile Group Ltd. 181 Bay Street Suite 250 P.O. Box 866 Toronto ON M5J2T3	From: Friedberg Mercantile Group To: Friedberg Mercantile Group Ltd.	Jun 10/03
Change of Name	UBS Financial Services Inc. 1285 Avenue of The Americas New York NY 10019	From: UBS Painwebber Inc. To: UBS Financial Services Inc.	May 15/03

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Exemption of Trades Pursuant to Market Marker Obligations from the Payment of Regulation Fees - Notice of Commission Approval

MARKET REGULATION SERVICES INC.
EXEMPTION OF TRADES PURSUANT TO MARKET MARKER OBLIGATIONS FROM THE PAYMENT OF REGULATION FEES

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved a proposal from Market Regulation Services Inc. (RS) to exempt trades pursuant to market maker obligations from the payment of regulation fees (Fee Exemption) subject to the following terms and conditions:

- RS removes TSX Venture Odd Lot Dealers from the proposal and the fee exemption is revised to apply only to market makers that perform a regulatory function;
- RS provides details which will be set forth in the Notice of Approval of the regulatory function that is performed by the Toronto Stock Exchange (TSX) market makers;
- RS confirms that these market makers contribute to reducing RS' costs overall (which, in turn, is a benefit to all marketplace participants due to the current fee model based on volume) and such statement will be set forth in the Notice of Approval;
- RS confirms that the market maker fees in question are *de minimis*;
- RS reviews the market maker fee exemption the earlier of: (1) within 12 months from the date of approval or (2) upon changes to the TSX market maker system (including those currently under consideration); and
- The fee exemption will expire within 14 months unless the Commission approves the continuation of the fee on the basis that RS has established through its review that the exemption is fair considering the regulatory contribution of market makers.

In addition, the Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission and Commission des valeurs mobilieres du Quebec approved the Fee Exemption subject to terms and conditions.

A copy and description of the Fee Exemption was published for comment on February 28, 2003 at (2003), 26 OSCB 1969. Sixteen comment letters were received. A summary of the comments received and a notice prepared by RS is attached to this notice.

13.1.2 RS Exemption of Trades Pursuant to Market Marker Obligations from the Payment of Regulation Fees

RS MARKET INTEGRITY NOTICE
June 20, 2003
No. 2003-013

EXEMPTION OF TRADES PURSUANT TO MARKET MAKER OBLIGATIONS FROM PAYMENT OF REGULATION FEES

Summary

On February 28, 2003, Market Regulation Services Inc. ("RS") circulated Market Integrity Notice 2003-004 with respect to a proposal to exempt trades made on a marketplace pursuant to Market Maker Obligations from the payment of the Regulation Fee charged by RS (the "Exemption"). The securities regulatory authorities in Alberta, British Columbia, Manitoba, Ontario and Quebec (the "Recognizing Regulators") have approved the Exemption subject to certain amendments and conditions, including:

- the exemption be limited to Market Makers who are:
  - obligated to provide both a reasonably continuous two-sided market and to execute trades in amounts less than a specified minimum number, and
  - required to perform a regulatory function;
- RS will undertake a review of the exemption upon the introduction of changes to the market making system on the Toronto Stock Exchange ("TSX") and, in any event, not later than May 31, 2004; and
- the exemption will expire on July 31, 2004 unless the Recognizing Regulators have approved a continuation of the exemption on the basis that the review undertaken by RS establishes that the exemption is fair considering the regulatory contribution of Market Makers.

Implementation of the Exemption

Presently, RS assesses a Regulation Fee on all trades executed on the TSX and TSX Venture Exchange ("TSX VE"). The Regulation Fee is assessed against each Participant based on their percentage of overall adjusted volume of trading on marketplaces regulated by RS. If a trade involves more than 30,000 units of a security, the excess volume is not included in either the Participant's volume or the overall volume of RS-regulated marketplaces. Each month each Participant will be assessed a percentage of the RS monthly budget that is equal to their percentage of the adjusted trade volume. (In RS Notice 2003-002 dated May 30, 2003, RS announced that effective May 1, 2003, the amount of the monthly budget to be recovered was reduced 10% from $1.59 million to $1.43 million).

Effective June 1, 2003, trades pursuant to Market Maker Obligations will be excluded from a Participant's volume and the overall adjusted volume of RS-regulated marketplaces for the purposes of calculating the Regulation Fee. The volume on the other side of any trade involving a Market Maker will be included in the calculation of overall volume. This change in the method of calculation of the Regulation Fee will be reflected in the invoice distributed to Participants in early July.

Performance of Market Making Obligations and Regulatory Functions

The Universal Market Integrity Rules ("UMIR") define "Market Maker Obligations" as obligations imposed by the rules of a recognized exchange (an "Exchange") or a recognized quotation and trade reporting system (a "QTRS") on a member or user or a person employed by a member or user to guarantee:

- a two-sided market for a particular security on a continuous or reasonably continuous basis; and
- the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as designated by the marketplace.

In accordance with this definition and the conditions attached by the Recognizing Regulators, the Exemption will only be available to Market Makers who perform:

- both the function of providing a two-sided market and the execution of orders for less than a minimum number of units; and
- a regulatory function.

In the view of RS, the presence of the obligation to provide a continuous or reasonably continuous two-sided market assists in maintaining a fair and orderly market which is one of the cornerstones of market integrity. The inclusion of the requirement of maintaining a two-sided market as part of the Market Maker Obligation contributes to a reduction of the overall cost of regulating trading on that marketplace and to minimizing the cost of regulation of all marketplaces. For example, in 2002, approximately 6.65% of trades on the TSX VE (which does not have a market making system requiring a two-sided market) generated an anomalous alert to be monitored by surveillance as compared to approximately 0.41% of trades on the TSX (which imposes an obligation on Market Makers to maintain a two-sided market).

Under the rules of the TSX, each listed security is assigned to either a registered trader ("RT") or a Specialist. For their stocks of responsibility, the RTs and Specialists perform functions which meet the definition of Market Maker Obligations. For their stocks of responsibility, an RT or Specialist is expected to notify the TSX and RS of:

- any unusual situation, rumour, activity, price change or transaction; and
- any "anomalous" orders.

Given the knowledge of the RT or Specialist with respect to trading patterns in their stocks of responsibilities, the RT or Specialist is performing a "quasi-regulatory" function by bringing these matters to the attention of the TSX and RS. In particular, RTs and Specialists are frequently the first to notice and the first to inform RS of a number of trading anomalies including:

- potential short sale violations;
- potential illegal trading activity prior to a financing;
- sudden lack of orders in an issue (which may be indicative of undisclosed material information impacting on the market);
- problems related to timely disclosure or selective disclosure by issuers; and
- questionable trades generally (including possible client-principal trade violations or "offside" trades in related securities such as convertible or exchangeable issues.

All trades made in stocks of assigned responsibility on the TSX by RTs and Specialists in accordance with their Market Maker Obligations will be exempt from the payment of the Regulation Fee under the Exemption. The Exemption includes all trades automatically generated by the trading system to fulfil odd lot and Minimum Guaranteed Fill obligations and to satisfy RT participation. It also includes trades resulting from RT orders in the book (and marked "R" in accordance with the requirements of TSX order designations) pursuant to their obligation to maintain a two-sided market.

Odd Lot Dealers on the TSX VE do not have an obligation to maintain a continuous or reasonably continuous two-sided market. For this reason, trades by Odd Lot Dealers on the TSX VE will not qualify for the Exemption.

The Canadian Trading and Quotation System ("CNQ") has been recognized as a QTRS but will not commence trading operations until July of 2003. Under the trading rules of CNQ, one or more market makers may be appointed to make a market in a quoted security. Pursuant to the rules of CNQ, Market Makers will have an obligation to report to both CNQ and RS any unusual trading or order-entry patterns and RS will have the ability to request additional reports or information from Market Makers. Not all securities that are quoted may have a market maker appointed. A market maker for a particular security will have an obligation to quote a continuous two-sided market within agreed upon spread goals. Trades undertaken on CNQ as principal by a Market Maker pursuant to their Market Maker Obligations will qualify for the Exemption. Trades handled on CNQ by a Market Maker as agent for another dealer or a client will not qualify for the Exemption.

Review of the Exemption

In adopting the Exemption, the Board of Directors of RS stated that the appropriateness of the Exemption should be reviewed by the Board of Directors:

- annually as part of the review of the Regulation Fee Model; and
- upon RS being retained as the regulation services provider by any marketplace that will not have a market making system.

In approving the Exemption, the Recognizing Regulators required that a review of the Exemption be undertaken upon the introduction of changes to the market making system on the TSX and, in any event, not later than May 31, 2004. In this regard, the review will consider whether there are any significant changes in the volume of trading undertaken by Market Makers as a

result of the Exemption or the changes to the market making system. The TSX published the proposed amendments to its rules to provide for market making reform as Notice to Participant Organizations 2003-011 on January 17, 2003 and in the OSC Bulletin at (2003) 26 OSCB 275. These proposed amendments are awaiting approval by the Ontario Securities Commission.

The review of the appropriateness of the Exemption will encompass the contribution that Market Makers are making to the market. The review must also determine whether Regulation Fees have been allocated on an equitable basis among marketplaces and marketplace participants and must balance the need of RS to satisfy its responsibilities without creating barriers to access.

If RS provides services to a marketplace other than the monitoring of orders and trades for compliance with UMIR, RS charges the marketplace a separate fee based on the estimate of time and cost in providing such services. Periodically, RS will review these additional charges to ensure that they are fair and reasonable and cover the actual cost of providing the services.

Expiry of the Exemption

The Exemption for Market Makers will expire on July 31, 2004 unless each of the Recognizing Regulators approves a continuation of the exemption. In determining whether the Exemption should be extended, the Recognizing Regulators will consider whether the review of the exemption undertaken by RS has established that the Exemption is fair considering the regulatory contribution of Market Makers.

Financial Impact of the Exemption

Based on trading volumes for market makers as provided by the TSX for periods during 2002, it is estimated that Market Makers paid Regulation Fees of approximately $850,000 to $925,000 during the fiscal year of RS ending February 28, 2003 in respect of trades in their stocks of responsibility. Based on this information, it is anticipated that the Regulation Fee would increase approximately 4.2% for a Participant that is not a Specialist and has no RTs. For such Participants, the impact of the Exemption would be offset by the 10% reduction in Regulation Fees announced in RS Notice 2003-002 that was effective May 1, 2003.

Responses to the Request for Comments

In response to the Request for Comments on the proposed Exemption set out in Market Integrity Notice 2003-004, RS received 16 comment letters of which 12 supported the proposal and 4 opposed the proposal. The comments received have been summarized in Appendix "A".

Questions

Questions concerning this notice may be directed to:

James E. Twiss,
Senior Counsel,
Market Surveillance,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Telephone: 416.646.7277
Fax: 416.646.7265
e-mail: james.twiss@regulationservices.com

ALEXANDER DASCHKO
VICE PRESIDENT, OPERATIONS,
GENERAL COUNSEL AND SECRETARY

APPENDIX "A"

COMMENTS IN RESPONSE TO PROPOSAL TO EXEMPT TRADES PURSUANT TO MARKET MAKER OBLIGATIONS FROM THE PAYMENT OF REGULATION FEES

Commentator	Support/ Oppose	Specific Comments	Response to Comment
BMO Nesbitt Burns Inc. [1, 2]	Oppose	Market makers provide a benefit that translates into revenues for the TSX that is recognized by the TSX through their market maker trading fee exemption and RS should not "reward the market makers for their contribution to TSX". Quasi-regulatory functions of RTs are equally applicable to all participants. RTs are already benefiting from a fee model based solely on volume as RTs would have borne a higher cost under the initial "fee model" proposed by RS that was a function of the number of transactions and volume. Not every ATS will benefit from market making activities conducted on the TSX (e.g. an ATS devoted to "block" trading). All participants (including market makers) should be subject to the same Regulation Fee structure. As the TSX moves the market making function to firms from RTs, the regulatory costs should form part of the cost structure just as they do for any other principal trading activity. The introduction of the market making reforms at the TSX will cause "considerable upheaval in the market making community" and, as such, it is premature to implement the exemption. Suggest deferral to the end of 2003 with a new round of comments from participants.	While all registrants have reporting obligations, the obligations of RTs are specifically addressed in TSX Rules and are substantially in excess of any general requirements. Any fee model must balance "fairness" with administrative efficiency for RS, marketplaces and Participants. The addition of "transactions" as a component of the model would shift the burden to market makers because of their odd lot and MGF responsibilities. However, the addition of "value" would have the opposite effect. The stated preference has been for a fee model which is comparatively easy to both understand and to calculate. Unless the ATS is trading only foreign exchange-traded securities, equity securities must be listed on an exchange or QTRS in order to be able to trade on an ATS. Given the contribution of market makers to the price discovery mechanism (continuous two-sided market with set spread goals) that will help to establish price parameters that would govern block trades on an ATS that was devoted simply to trading blocks of listed or quoted securities.
Canadian Trading and Quotation System Inc.	Support	Given that most of the companies that are likely to be quoted on CNQ are relatively small, market makers will play a crucial role in providing liquidity for public investors. Market makers will be responsible for alerting RS to any unusual or suspicious trading in their stocks of responsibility. Agree that trades by a CNQ market maker acting as agent for a client or another dealer should not benefit from the exemption.	The approved rules of CNQ impose certain obligations directly on Market Makers. Under Rule 4-115, a Market Maker shall immediately notify RS of any unusual trading or order-entry patterns. In addition, a Market Maker shall comply with any additional requirement as may be prescribed by either CNQ or RS. A Market Maker must also make such reports to CNQ or RS or prescribed or requested by RS.
CIBC World Markets	Oppose	In order to be independent RS must treat all market participants equally. All market participants have an implicit responsibility to report other firms that do not comply with applicable regulatory requirements. As market makers perform a much more limited role in today's market, other participants would be forced to make up the financial difference without obtaining a corresponding benefit. While UMIR provides differential treatment for market makers, if any further recognition is warranted those who have a vested interest such as the TSX and its Participating Organizations should provide it.	The Regulation Fee presently provides a cap on block trades of 30,000 units of a security or more that tends to "favour" large dealers and the senior markets (e.g. approximately 25.6% of the volume on the TSX is exempt under the cap as compared to 18.6% on the TSX Venture Exchange). As market makers are involved in relatively few block trades, it would be possible to characterize the "block exemption" as imposing a 25.6% increase in Regulation Fees on Registered Traders on the TSX. The regulatory obligations on market makers are specifically set out in the rules of the marketplace and failure to perform the functions could result in disciplinary action.

Commentator	Support/ Oppose	Specific Comments	Response to Comment
Dundee Securities Corporation [1] Jones, Gable & Company Limited [1] Raymond James Ltd. [1, 2] The Jitney Group Inc. [1]	Support	All market participants benefit from market making activity, and therefore, should share the cost of the reallocation of the Regulation Fee in proportion to their trading volume. Impact of the proposed change is relatively small. Market makers provide liquidity and limit volatility and all market participants benefit from this activity. Penny increments has eroded profitability for market makers and if fewer firms are willing to provide such services there will be negative consequences for price discovery, liquidity, volatility control and competition. If market making activities decline, small investors that rely on the continuous market will become more disadvantaged relative to institutional investors who rely on the upstairs market.	Profitability of market making activities should not, in and of itself, be a determining factor in whether an exemption should be provided from the Regulation Fee. However, the hallmark of market integrity is the existence of a "fair and orderly market". Market makers contribute to existence of an orderly market.
First Energy Capital Corp.	Oppose	Firms that engage in market making activities may be able to improve the pricing on trades for their clients. Market making can result in a steady income stream for a firm together with increased trading statistics. To increase the cost of regulation for non-market making firms is not only fundamentally unfair, but it creates the perception of bias in favour of the TSX Inc. Participating organizations of the TSX Venture Exchange should not bear the cost of regulation of market makers on the TSX Inc.	In the view of RS, market makers contribute to the regulation of the market by performing regulatory or "quasi-regulatory" functions in addition to those imposed on other traders. The existence of the requirement to maintain a two-sided market on a continuous or reasonably continuous basis reduces the number of alerts which have to be monitored in the surveillance function. For example, in 2002, approximately 6.68% of trades on the TSX Venture Exchange generated an anomalous alert to be monitored by surveillance as compared to approximately 0.41% of trades on the TSX.
Global Securities Inc.	Oppose	If trades effected by market makers under market maker obligation should be "exempted" from the Regulation Fee, then there would be no regulation fee in the first place on such trades and there should be no "cost" to recoup from the remaining Participants.	The cost of providing regulation to the overall marketplace is fixed by the monthly RS budget. The question is then how to recover that cost from participants in a manner that is fair while at the same time being simple to understand and to calculate. Providing an "exemption" to one class of participant or type of trade does not reduce the cost of regulation.
Hampton Securities Limited [1]	Support	A few independent firms are being burdened with a disproportionate share of the costs of regulation, due solely to their responsibilities to provide liquidity. In an increasingly competitive environment, it is now cheaper to trade Canadian stocks in the U.S. Suggests that the allocation model for Regulation Fees uses a model similar to that of the Canadian Investors Protection Fund to spread the costs more evenly among market participants. (Concurs in the views of Dundee et. al. as above.)	(See response to Dundee Securities Corporation above.)
Independent Trading Group [1]	Support	Historically, RTs were exempt from trading fees on the TSX (and trading fees included the cost of regulation). The Regulation Fee acts as a surtax on trading activity as the fee is volume-based. The fee acts as a disincentive to trading activity and consequently reduces liquidity. The imposition of the fee is particularly unfair in respect of odd lots and MGFs.	Prior to the demutualization of the TSX, the cost of regulation was included in the trading fee paid by dealers and RTs were exempt from the payment of trading fees in respect of their stocks of responsibility. Odd lot and MGF trades are automatically generated by the trading systems of the marketplaces and the RT has no discretion as to the timing or price at which such trades are made.

Commentator	Support/ Oppose	Specific Comments	Response to Comment
W.D. Latimer Co. Limited [1, 2]	Support	All market participants benefit from market making activity, and therefore, should share the cost of the reallocation of the Regulation Fee in proportion to their trading volume. Market makers provide liquidity and limit volatility and all market participants benefit from this activity. Penny increments has eroded profitability for market makers and if fewer firms are willing to provide such services there will be negative consequences for price discovery, liquidity, volatility control and competition. If market making activities decline, small investors that rely on the continuous market will be negatively impacted.	(See response to Dundee Securities Corporation above.)
National Bank Financial [1]	Support	Historically, Registered Traders were exempt from trading fees (which included the cost of regulation. Waiving of fees for a trader who has certain obligations in favour of the marketplace can not be characterized as a "subsidy". Originally covered as one of three reforms presented as a package including caps on block trades and a monthly cost recovery mechanism. The other two reforms were of benefit to larger dealers and the RT exemption of benefit to smaller dealers.	(See response to Independent Trading Group above.)
Registered Traders' Group	Support	Market makers provide a "public good" to the marketplace and that the only equitable way to support this is for all marketplace participants to contribute directly thereby avoiding possible "regulatory cost arbitrage". Market makers are the only marketplace participants whose trading patterns are mandated – principally to contribute to the price discovery mechanism. Market maker trading should be easier to monitor given the unique markers attached to orders. Regulation Fee model should be seen as evolutionary such that the market maker exemption can be modified or terminated as deemed appropriate.	The preference of RS is maintain a regulatory fee that does not vary based on the marketplace on which the trading occurs. The Regulation Fee should not be a factor in determining the marketplace on which an order is entered or a trade is made.
TD Securities Inc.	Support	While in general agreement with the proposal, takes issue with the non-performing RTs who fail to address performance related issues. Would not provide an exemption from the Regulation Fee when performance standards have not been met.	Each marketplace will impose performance standards on its market makers. Similarly, each marketplace will determine the ramifications for failure to adhere to those performance standards including possible revocation of market maker status.

Commentator	Support/ Oppose	Specific Comments	Response to Comment
TSX Markets	Support	Prior to 2000, the cost of regulation was recovered as part of the trading fee on the TSX. When a separate regulation fee was introduced, the exemption for market makers was "inadvertently dropped". The Regulation Fee schedule has already been modified twice and these changes involved cost transfer of much greater magnitude among market participants. Market Makers ensure that the market functions in a more predictable, less volatile manner, which in turn makes the job of regulating the market less arduous, and implicitly lower the cost of regulation.	A continuous two-side market is less susceptible to manipulation or to unusual price volatility that may have implications for the ability to obtain "best execution" of client orders. While marketplaces that do not have a market making system may be able to trade listed securities and quoted securities at a "better price" trades will not occur outside of the "best bid price" and "best ask price" on all marketplaces. The obligation on the Market Maker to maintain a two-sided market ensures the "fairness" of those prices.

Summary: Support – 12 comment letters Oppose – 4 comment letters

1 Indicates a Commentator who employed Registered Traders with market making assignments on the Toronto Stock Exchange as of September 30, 2002.

2 Indicates a Commentator who acts as an Odd Lot Dealer on the TSX Venture Exchange as of September 30, 2002.

13.1.3 IDA Notice to Public: Settlement Hearing in the Matter of Stuart Gordon Smith

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: SETTLEMENT HEARING

IN THE MATTER OF STUART GORDON SMITH

June 17, 2003 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing has been scheduled before a panel of the Ontario District Council of the Association in respect of matters for which Stuart Gordon Smith may be disciplined by the Association.

The hearing is to consider a Settlement Agreement entered into between Staff of the
Enforcement Department and Mr. Smith, who was at all material times a Managing Director and head trader in the Equity Capital department of CIBC World Markets Inc., a Member of the Association.

The hearing is scheduled to commence at 10:30 a.m. (or shortly thereafter) on July 17, 2003, at 155 University Avenue, Suite 302, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed on Mr. Smith, the Association will issue a bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed, and a summary of the facts. Copies of the Association bulletin and the settlement agreement will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

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

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

13.1.4 IDA Notice to Public: Settlement Hearing in the Matter of Peregrine Financial Group Canada Inc.

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: RE-SCHEDULED SETTLEMENT HEARING

IN THE MATTER OF PEREGRINE FINANCIAL GROUP CANADA INC.

June 17, 2003 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing has been rescheduled before a panel of the Ontario District Council of the Association in respect of matters for which Peregrine Financial Group Canada Inc. may be disciplined by the Association.

The hearing is to consider a Settlement Agreement entered into between Staff of the Enforcement Department and Peregrine Financial Group Canada Inc.

The hearing is now scheduled to commence at 9:30 a.m. (or shortly thereafter) on July 17, 2003, at 155 University Avenue, Suite 302, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed on Peregrine Financial Group Canada Inc., the Association will issue a bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed, and a summary of the facts. Copies of the Association bulletin and the settlement agreement will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Wise Capital Management Inc. - cl. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

June 10, 2003

Borden Ladner Gervais

Attention: Leslie Erlich

Re: Wise Capital Management Inc.
Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) for approval to act as trustee Application No. 334/03

Further to the application dated May 27, 2003 (the Application) filed on behalf of Wise Capital Management Inc. (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* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Wise Capital Pooled Funds established from time to time and managed by the Applicant.

"Robert W. Davis" "Harold P. Hands"

25.2 Consents

25.2.1 Thistletown Capital Inc. - ss. 4(b) of Reg. 289 of the OBCA

Headnote

Consent given to an OBCA corporation to continue under the laws of Alberta.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am.
Business Corporations Act (Alberta) R.S.A. 2000, c. B-9.

Regulations Cited

Regulation made under the Business Corporation Act, Ont. Reg. 289/00, ss. 4(b).

IN THE MATTER OF
ONT. REG. 289/00 (THE "REGULATION") MADE UNDER THE BUSINESS CORPORATIONS ACT, R.S.O. 1990, c. B.16 (the "OBCA")

AND

IN THE MATTER OF
THISTLETOWN CAPITAL INC.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Thistletown Capital Inc. (the "Applicant") to the Ontario Securities Commission (the "Commission") requesting the consent of the Commission to continue into another jurisdiction pursuant to subsection 4(b) of the Regulation;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation existing under the OBCA by virtue of its amalgamation thereunder on October 3, 2000. Thistletown's registered office is located at 161 Bay Street, Suite 384, Toronto, Ontario M5J 2S1.

2. The Applicant is an offering corporation under the provisions of the OBCA and a reporting issuer within the meaning of the *Securities Act* (Ontario) (the "Act").

3. The Applicant proposes to make an application to the Director under the OBCA pursuant to section 181 of the OBCA (the "Application to Continuance") for authorization to continue under the *Business Corporations Act* (Alberta) (the "ABCA").

4. Pursuant to clause 4(b) of the Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission.

5. The authorized capital of the Corporation consists of an unlimited number of common shares of which approximately 7,225,259 common shares are outstanding; an unlimited number of special shares, issuable in series, none of which are currently outstanding; and an unlimited number of preferred shares issuable in series, none of which are outstanding.

6. The Applicant's issued and outstanding common shares are listed for trading on the TSX Venture Exchange.

7. The Applicant is not in default of any requirements of the Act or the regulations or rules promulgated thereunder.

8. The Applicant is not a party to any proceeding, or to the best of its knowledge, information or belief, any pending proceeding under the Act.

9. The Applicant currently intends to continue to be a reporting issuer under the Act.

10. The Applicant's continuance under the provisions of the ABCA was approved at a special meeting of shareholders of the Applicant held on June 11, 2003.

11. The continuance is proposed to be made in order for the Applicant to conduct its business and affairs in accordance with the provisions of the ABCA.

12. The material rights, duties and obligations of a corporation existing under the ABCA are substantially similar to those of a corporation governed by the OBCA.

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

THE COMISSION HEREBY CONSENTS to the continuance of the Applicant as a corporation under the ABCA.

June 17, 2003.

"Paul M. Moore" "Robert W. Davis"

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