The Ontario Securities Commission

OSC Bulletin

October 24, 2003

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

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

OCTOBER 24, 2003

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

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

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

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

SCHEDULED OSC HEARINGS

DATE: TBA	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
DATE: TBA	**Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation** s. 127 E. Cole in attendance for Staff Panel: TBA
October 27, 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** **John Craig Dunn (Motion)** s. 127 K. Manarin in attendance for Staff Panel: HLM/MTM/ST * BMO settled Sept. 23/02 + April 29, 2003
November 3-10, 12 and 14-21, 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: HLM/MTM/ST * BMO settled Sept. 23/02 + April 29, 2003

February 19, 2004 to March 10, 2004 **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

May 2004 **Gregory Hyrniw and Walter Hyrniw**

s. 127

Y. Chisholm in attendance for Staff

Panel: TBA

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

Philip Services Corporation

Robert Walter Harris

Andrew Keith Lech

S. B. McLaughlin

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

1.1.2 Notice of Commission Approval – Amendment to MFDA Rule 2.8.3 Regarding Rates of Return

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)
NOTICE OF COMMISSION APPROVAL
AMENDMENT TO MFDA RULE 2.8.3
REGARDING RATES OF RETURN

The Ontario Securities Commission approved amendments to MFDA Rule 2.8.3 regarding rates of return. In addition, the Alberta Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved and the British Columbia Securities Commission did not object to the amendment. The proposed amendment clarifies that, when a client account or group of accounts were open for less than twelve months, the rate of return showing on any client communication from an MFDA member firm must be the total rate of return since account opening. A copy and description of these amendments were published on July 11, 2003 at (2003) 26 OSCB 5458. No comments were received.

1.1.3 Notice of Commission Approval – Amendments to MFDA Rule 2.12 – Transfers of Account

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)
NOTICE OF COMMISSION APPROVAL
AMENDMENTS TO MFDA
RULE 2.12 REGARDING TRANSFERS OF ACCOUNT

The Ontario Securities Commission approved amendments to MFDA Rule 2.12 regarding transfers of account. In addition, the Alberta Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments. The amendments were needed in order to effect account transfers in an orderly and timely fashion, and apply to any account transfer of a client of an MFDA member firm. A copy and description of these amendments were published on July 11, 2003 at (2003) 26 OSCB 5441. No comments were received.

1.1.4 Notice of Proposed National Policy 41-201 Income Trusts and Other Indirect Offerings - Request for Public Comment

NOTICE OF PROPOSED NATIONAL POLICY 41-201

INCOME TRUSTS AND OTHER INDIRECT OFFERINGS

REQUEST FOR PUBLIC COMMENT

The Canadian Securities Administrators are publishing for a 60-day comment period proposed National Policy 41-201 *Income Trusts and Other Indirect Offerings* (the Policy).

The purpose of the Policy is to provide guidance and clarification to market participants about income trusts and other indirect offering structures. We want to ensure that those investing in income trust offerings have access to sufficient information to make an informed investment decision.

We also believe that it would be beneficial to express our view about how the existing regulatory framework applies to non-corporate issuers (such as income trusts) and to indirect offerings, in order to minimize inconsistent interpretations and better ensure that the intent of the regulatory requirements is preserved.

We request comments by **December 23, 2003**.

The Policy and accompanying notice are published in Chapter 6 of the Bulletin.

1.1.5 IDA Policy 11 Analyst Standards - Notice of Commission Approval

ADDITION OF IDA POLICY 11 ANALYST STANDARDS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission and the Alberta Securities Commission approved, and the British Columbia Securities Commission did not object to, IDA Policy 11 Analyst Standards regarding the disclosure, management and prohibition of certain conflicts concerning the production and provision of investment research reports. Policy 11 represents the culmination of extensive consultations between the IDA, IDA members, and CSA staff.

A copy and description of the initial proposed Policy 11 were published on July 5, 2002 at (2002) 25 OSCB 4336. Revised versions of the proposed Policy 11 were published on April 25, 2003 at (2003) 26 OSCB 3327 and, along with a summary of comments, on August 8, 2003 at (2003) 26 OSCB 6020. The IDA received a comment letter from a group of bank-owned and foreign dealers which raised several issues. In response to these comments, the IDA made a small number of non-material changes. The final version of Policy 11, a summary of comments and IDA's responses are published in conjunction with this notice in Chapter 13 of this Bulletin. The amendments have been black lined to indicate the changes from the version published on August 8, 2003.

1.3 News Releases

1.3.1 Regulator Warns Investors to Read the Fine Print

FOR IMMEDIATE RELEASE
October 15, 2003

REGULATOR WARNS INVESTORS TO READ THE FINE PRINT

TORONTO – The Ontario Securities Commission is warning investors to read the fine print before purchasing investment software. Some companies' ads promise that you will get rich quick, risk-free, without any previous investing experience. These ads claim that you can trade with peace of mind, while the disclaimers often state otherwise.

What the ads may promise you:

- You "won't ever have to guess which stocks to buy – or sell – again."
- It's "the only tool you'll ever need to make money in the stock market, no matter which way it's going."
- You can "trade like a pro, without all the hard work!"
- The software "makes trading so simple that anyone – regardless of experience or background – can use it."
- "You can become a successful stock trader by the time you finish reading this page."

What do you get for your money?

Some investment software looks at buying and selling trends in the market, and uses these trends to try to forecast market trends. Other systems look at past data to guess which way stocks are moving, and predict future performance. At best, investment software may be able to help you with some of the calculations involved in investment analysis. If you expect the software to make you a millionaire, consider this:

If the software could consistently predict the future performance of investments, would the software developers need to make money selling the program? If the software lives up to its claims, they should be able to make millions using it themselves.

What's in the fine print?

The disclaimer text contains clear messages as to what the software really does and what you can expect to achieve with it. Some ads are so misleading that the disclaimer contradicts what is being promoted. The fine print often provides valuable investing tips, such as:

- Software is merely an "analytical tool not intended to replace individual research or licensed investment advice."
- "Unique experiences and past performances do not guarantee future results!"
- "No system for identifying trends in stock movement…is free of risk, nor can any system factor in all the variables capable of impacting stock price."
- The software is purely mechanical, and "cannot predict price trends with absolute precision."

The following tips will help you protect your money:

- Check the fine print. Often it's a better prospect for investment tips than the software itself.
- Investigate the person or company offering the software. Sometimes companies change their names when they get complaints, so look into the company history.
- Watch out for investment promotions that offer high returns and low risk. If an investment has a high return, you are taking a large risk with your money.
- When an ad makes extravagant claims about its software's performance, take a careful look at what the claims are based on. Are the testimonials representative of all clients (see fine print)? If not, make sure you get the whole story.
- Recognize that investment software doesn't take the place of advice from a licensed industry professional.

In reality, the only people guaranteed to make money are the salespeople pushing the software. Not even the experts can consistently predict what the market is going to do – the software won't either.

You can learn more about investment fraud and other investment topics on-line at www.InvestorED.ca.

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

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

1.3.2 IOSCO Press Release - IOSCO Strengthens International Cooperation to Fight Illegal Securities and Derivatives Activities

Seoul, South Korea, 16 October 2003
For immediate release

IOSCO STRENGTHENS INTERNATIONAL COOPERATION TO FIGHT ILLEGAL SECURITIES AND DERIVATIVES ACTIVITIES

The International Organization of Securities Commissions (IOSCO) highlighted today at its 2003 Annual Conference in Seoul, South Korea, the *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (IOSCO MOU), the first global information-sharing arrangement among securities regulators. The IOSCO MOU sets a new international benchmark for cooperation critical to combating violations of securities and derivatives laws. It expresses a commitment by IOSCO members to put in place efficient and effective arrangements for information-sharing to address illegal use of the securities and derivatives markets, including market abuse and fraud. Applicants to become signatories to the IOSCO MOU must undergo a rigorous screening process to verify their ability to cooperate as provided in the IOSCO MOU. A monitoring group, comprised of all MOU signatories, also has been constituted to monitor signatories' compliance with the terms of the IOSCO MOU.

Although the arrangement was first agreed to last year, IOSCO is highlighting the IOSCO MOU today in recognition of the MOU's role over the past year in successfully encouraging securities regulators around the world to enhance their abilities to cooperate and share enforcement-related information with their counterparts in other countries.

Professor Fernando Teixeira Dos Santos, the Chairman of the IOSCO Executive Committee and President of Portugal's Comissão do Mercado de Valores Mobiliários, noted that, "The assistance IOSCO members offer each other through the MOU mechanism will prove valuable to investigations on the illegal use of securities and futures markets." Professor Teixeira Dos Santos also stated that several of the twenty-four (24) current signatories to the IOSCO MOU had to seek from their governments changes to their legal authority to share information with their foreign counterparts to meet the standards in the IOSCO MOU. Professor Teixeira Dos Santos continued, "The MOU truly reflects an international consensus among securities and derivatives regulators that effective regulation of globalized capital markets requires a high degree of cooperation among the world's regulators."

Although a number of securities authorities have set up their own bilateral agreements over the past decade to cooperate with each other on cross-border securities fraud investigations, the IOSCO MOU is the first agreement of its kind whereby a group of securities regulators have agreed to share information relating to enforcement investigations, on an equal basis, with all other signatories. Under the MOU procedures, those IOSCO members that are unable to meet the MOU requirements today cannot become signatories, but still may express their specific commitment to obtaining the necessary legal authority.

The IOSCO MOU provides for the exchange of essential information in investigating cross-border securities and derivatives law violations, including bank, brokerage, and client identification records. The MOU also enables regulators to use that information to enforce compliance with securities and derivatives laws and regulations, including through civil and criminal prosecutions.

A list of the IOSCO MOU signatories is attached.

IOSCO Adopts Instrument to Enhance Securities Regulation Worldwide

IOSCO also today announced adoption of a new instrument to assist its members in drafting more effective securities regulations. The IOSCO *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* will assist jurisdictions in identifying areas where their securities regulations do not meet the international standards set out in the IOSCO Principles, in categorizing failures in implementation by degree of severity, in identifying areas for priority action, and in developing action plans to seek any necessary reforms.

Professor Fernando Teixeira Dos Santos, the Chairman of the IOSCO Executive Committee, noted: "Promoting implementation of the IOSCO Principles is one of IOSCO's highest priorities. IOSCO members have resolved to promote high standards of regulation in order to maintain fair, efficient and financially sound securities markets, and to provide mutual assistance to protect the integrity of markets throughout the world through a rigorous application of those standards. Enhancing the quality of securities regulation facilitates the process of capital formation and promotes the protection of investors, thereby stimulating economic development and job creation. The new Methodology is an important tool by which expertise and know-how relating to the regulation of securities markets can be translated into improving overall opportunities for global investment."

IOSCO anticipates that its Assessment Methodology may be used in a variety of contexts, including in internal or external assessments by IOSCO members; by the International Monetary Fund and World Bank in a variety of capacities, including their Financial Sector Assessment Program; and as a tool to provide training and technical assistance to both developed and emerging markets.

IOSCO, based in Madrid, Spain, is the primary forum for international cooperation among securities regulators and is recognized as the international standard-setter for the securities sector. IOSCO currently has 181 members from more than one hundred jurisdictions.

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List of Signatories to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange Of Information (16 October 2003)

ALBERTA
Alberta Securities Commission

AUSTRALIA
Australian Securities and Investments Commission

BRITISH COLUMBIA
British Columbia Securities Commission

FRANCE
Commission des opérations de bourse

GERMANY
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

GREECE
Capital Market Commission

HONG KONG
Securities and Futures Commission

HUNGARY
Hungarian Financial Supervisory Authority

INDIA
Securities and Exchange Board of India (SEBI)

ITALY
Commissione Nazionale per le Società e la Borsa

JERSEY
Jersey Financial Services Commission

LITHUANIA
Lithuanian Securities Commission

MEXICO
Comisión Nacional Bancaria y de Valores

NEW ZEALAND
New Zealand Securities Commission

ONTARIO
Ontario Securities Commission

POLAND
Polish Securities and Exchange Commission

PORTUGAL
Comissão do Mercado de Valores Mobiliários

QUEBEC
Commission des valeurs mobilières du Québec

SPAIN
Comisión Nacional del Mercado de Valores

SOUTH AFRICA
Financial Services Board

TURKEY
Capital Markets Board

UNITED KINGDOM
Financial Services Authority

UNITED STATES OF AMERICA
United States Securities and Exchange Commission

UNITED STATES OF AMERICA
Commodity Futures Trading Commission (CFTC)

FINAL COMMUNIQUÉ OF THE XXVIIITH ANNUAL CONFERENCE OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

The world's securities and futures regulators and other members of the international financial community met in Seoul, South Korea, from 14 to 17 October 2003, on the occasion of the XXVIIIth Annual Conference of the International Organization of Securities Commissions (IOSCO). The Financial Supervisory Commission/Financial Supervisory Service of South Korea hosted this year's Conference and warmly welcomed approximately 500 participants from close to 100 jurisdictions.

The theme of this year's conference was "New Challenges for Securities Markets and Regulators." This theme was chosen in recognition that recent high profile corporate failures and other world events have raised important regulatory challenges that securities regulators must address. Maintaining the integrity of international capital markets is a crucial part of securities regulators' core mission: the protection of investors. Recent events have demonstrated that the integrity of capital markets depends critically on the quality of financial disclosures made by issuers of securities and others and on the appropriate resolution of conflicts of interests faced by securities professionals. Additionally, maintaining the integrity of capital markets requires that securities regulators, working together with other authorities, prevent the use of international capital markets for money laundering, terrorist financing, and other forms of international financial crime. Stringent international regulatory standards and efficient cooperation and information sharing mechanisms are essential tools to meet those key objectives internationally. IOSCO is committed to facilitating a dialogue among national securities commissions that will assist them in responding to the issues raised by these events and in fashioning robust regulatory regimes.

The Conference was officially opened by Jungjae Lee, Chairman of the Financial Supervisory Commission and Governor of the Financial Supervisory Service of South Korea. In his remarks, Mr. Lee noted that: "With fast expanding globalization, the responsibility for safeguarding transparency and fairness in the global financial market should no longer be limited to a few countries. All IOSCO member regulators have to work together as we endeavor to restore market confidence."

Professor Fernando Teixeira Dos Santos, the Chairman of the IOSCO Executive Committee, noted in his remarks regarding regulatory cooperation that: "Building a cross-border supervisory framework that allows for the sustained growth of business worldwide is a virtuous crescendo between investor confidence and robust markets."

In discussing IOSCO's recent work, Mr. David Knott, Chairman of the IOSCO Technical Committee, noted that: "Major projects have been completed through the intensive collaboration of our membership, including active participation of member's Chairmen. This level of commitment and the quality of the resulting papers has been well noted by the Financial Stability Forum, by Governments, and by our peer group international regulators."

Dr. Dogan Cansizlar, the Chairman of the IOSCO Emerging Markets Committee, noted in his remarks regarding the challenges facing securities markets that: "One of the most important challenges for developing markets is to create a culture of public ownership through intensive investor education programs. In this regard, I believe training programs within IOSCO will provide great support in addressing this problem."

A number of important initiatives and accomplishments were announced at the Conference:

IOSCO Adopts Instrument to Enhance Securities Regulation Worldwide

IOSCO announced adoption of a new instrument to assist its members in the development of more effective securities regulations. The IOSCO *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* will assist jurisdictions in identifying areas where their securities regulations do not meet the international standards set out in the IOSCO Principles, in categorizing any failures in implementation by degree of severity, in identifying areas for priority action, and in developing action plans to seek any necessary reforms.

For further information, see the Press Release dated 16 October 2003 on the IOSCO internet website.[1]

IOSCO Strengthens International Cooperation to Fight Illegal Securities and Derivatives Activities

IOSCO announced that it has taken major steps forward to enhance international cooperation among securities regulators. In May 2002, IOSCO adopted the *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (IOSCO MOU). The IOSCO MOU is the first multilateral arrangement of its kind among financial services regulators, setting forth a new international benchmark for cooperation. IOSCO members have made great strides in improving their ability to cooperate through the IOSCO MOU. Forty (40) of IOSCO's members have applied to undergo the rigorous screening review process to become signatories of the IOSCO MOU. Additionally, twenty-four (24) of its members have completed that process and have signed the IOSCO MOU. A list of these members is attached.

For further information, see the Press Release dated 16 October 2003 on the IOSCO internet website.[2]

1 www.iosco.org

2 www.iosco.org

IOSCO welcomed the Financial Action Task Force's recent adoption of its newly revised *Forty Recommendations*[3] to combat money laundering, which will greatly assist jurisdictions internationally in fashioning appropriate regulations to prevent the use of the securities sector for purposes of money laundering.

IOSCO also joined with the Basel Committee of Banking Supervisors and the International Association of Insurance Supervisors, under the auspices of the Joint Forum, in the issuance of a joint note on *Initiatives by the BCBS, IAIS and IOSCO to combat money laundering and the financing of terrorism* (June 2003),[4] which describes ongoing initiatives undertaken in the three principal financial sectors regarding money laundering and terrorist financing.

The Technical Committee currently has two related, ongoing projects, one regarding the development of guidance/standards relating to procedures for the identification of clients and beneficial owners by securities professionals generally and another regarding the aspects of such requirements in the asset management industry.

IOSCO, through its Technical Committee, is committed to continuing its close cooperation with the FATF and other international authorities in the fight against money laundering, terrorist financing, and other forms of international financial crime.

Securities Analyst Conflicts of Interest and the Activities of Credit Rating Agencies

In September 2003, the Technical Committee issued a Statement of Principles to guide securities regulators and others in addressing the conflicts of interest securities analysts may face.[5] The Statement sets out high-level objectives that the Technical Committee believes form the basis for a robust, comprehensive regulatory structure for identifying problematic practices regarding securities analysts, and either eliminating these practices or mitigating the effects these practices may have on market integrity. Alongside the Statement of Principles, the Technical Committee also published an accompanying *Report on Analyst Conflicts of Interest* (September 2003).[6]

To address issues relating to the role of credit rating agencies in financial markets, the Technical Committee recently issued a *Statement of Principles Regarding the Activities of Credit Rating Agencies* (September 2003).[7] Given the influence the opinions of CRAs can have on securities markets, the activities of CRAs are of interest to investors, lenders, issuers and securities regulators alike. In offering informed, independent analyses and opinions, CRAs contribute to achieving the objectives of securities regulation. Conversely, if CRAs cannot issue informed, independent analyses, the achievement of these objectives can be hindered. The Technical Committee believes this Statement will prove to be a valuable tool for securities regulators, ratings agencies and others wishing to improve how CRAs operate and how the opinions CRAs issue are used by market participants. Alongside the Statement of Principles, the Technical Committee also published an accompanying *Report on the activities of credit rating agencies* (September 2003).[8]

For further information on the Statements of Principles and associated reports, see the IOSCO Press Releases dated 25 September 2003 on the IOSCO internet website.[9]

Accounting, Auditing, and Disclosure

IOSCO and its members have long been committed to working to enhance arrangements to ensure that investors receive, on a timely basis, complete and accurate information regarding issuers that is material to their investment decisions. In this regard, IOSCO has and will continue to develop or promote statements of principles, standards, and best practices in the area of accounting, auditing and disclosure. In addition, IOSCO and its members will work closely with national and international standard-setters, oversight bodies, and regulatory organizations to improve the international financial reporting infrastructure and environment. The Technical Committee has been particularly active since its 2002 Annual Conference in all of these areas.

IOSCO endorsed at this conference two Statements of Principles adopted by the Technical Committee in October 2002 relating to (1) *Auditor Oversight*, and (2) *Auditor Independence*, which now represent international standards relating to these issues.[10] It is fundamental to public confidence in the reliability of financial statements that external auditors operate, and are seen to operate, in an environment that supports objective decision-making on key issues having a material effect on financial statements. Standards of independence for auditors of listed entities should be designed to promote an environment in which the auditor is free of any influence, interest or relationship that might impair professional judgment or objectivity or, in the view of a reasonable investor, might impair professional judgment or objectivity. Effective oversight of the accounting profession and of independent audits also is critical to the reliability and integrity of the financial reporting process. Within a jurisdiction, auditors should be subject to oversight by a body that acts and is seen to act in the public interest.

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3 Available on the FATF's website at http://www.fatf-gafi.org/pdf/40Recs-2003_en.pdf.

4 IOSCO Public Document No. 146, available in the Library section of the IOSCO website.

5 IOSCO Public Document No. 150, *IOSCO Statement of Principles for Addressing Sell-Side Securities Analyst Conflicts of Interest* (September 2003).

6 IOSCO Public Document No. 152.

7 IOSCO Public Document No. 151.

8 IOSCO Public Document No. 153.

9 www.iosco.org

10 OSCO Public Document No. 132, *Principles for Auditor Oversight* (October 2002); and IOSCO Public Document No. 133, *Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence* (October 2002);

IOSCO has taken steps to monitor the status of and to support reform initiatives relating to auditor oversight and auditor independence. In January 2003, the Technical Committee conducted an initial survey to take stock of members' initiatives to implement the IOSCO Statements of Principles. Rules, regulations and other measures implementing the principles contained in the IOSCO Statements are important to improving the quality of audits and protecting investors by providing them with accurate and timely financial information about the issuers in which they invest.

The Technical Committee has participated in the discussions that have been taking place between the International Federation of Accountants (IFAC) and the international regulatory community regarding processes for the development of international auditing standards, including the discussions on the formation of a Public Interest Oversight Board (PIOB). IOSCO strongly supports IFAC's efforts in this regard and looks forward to the completion of its deliberations on the institution of improved arrangements for the setting of international standards on audits and for the oversight, in the public interest, of the audit profession internationally. IOSCO looks forward to its role in the appointment of members to the PIOB to be organized by IFAC. The Technical Committee otherwise is continuing its efforts relating to an assessment of international standards on audits and expects to continue its interaction with the IFAC aiming at considering their endorsement.

IOSCO also endorsed at this conference the Statement of Principles on Ongoing *Disclosure and Material Development Reporting by Listed Entities*[11] adopted by the Technical Committee in October 2002. In addition to the role relating to disclosure played by external auditors, listed entities themselves should have an ongoing obligation to disclose all information that would be material to an investor's investment decision. As a complement to this Statement of Principles, the Technical Committee also issued a statement of *General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations* (February 2003).[12]

The Technical Committee also is continuing its close cooperation with the International Accounting Standards Board (IASB). The Technical Committee and the IASB have developed ongoing arrangements for the Technical Committee to provide input on IASB projects as they are developed and initiated and to monitor IASB work on an ongoing basis. IOSCO welcomes the efforts of accounting standard setting bodies towards convergence of international accounting standards. Looking ahead, IOSCO encourages the IASB and national standard setters to continue to work cooperatively and expeditiously to achieve convergence in order to facilitate cross-border offerings and listings and encourages regulators to address the broader issues of consistent interpretation, application and enforcement of accounting standards.

Regulation of Secondary Markets

The IOSCO Emerging Markets Committee published a Report entitled *Insider Trading - How Jurisdictions Regulate It* (May 2003).[13] The prevention of insider trading is critical to the operation of fair markets. The analysis of insider trading regimes in this report is intended as an aid to jurisdictions in the development and enhancement of their insider trading regulations. The report surveys the regulations prohibiting insider trading in the jurisdictions of IOSCO members and sets out guidelines for the creation or amendment of such regulations.

Following up on issues addressed in its report on *Transparency and Market Fragmentation* (November 2001),[14] the Technical Committee published a *Report on Transparency of Short Selling* (June 2003).[15] Short sales offer benefits to market users and can assist pricing efficiency. However, largely as a result of their capacity to add incremental weight to selling pressure, they may at times increase the risk of a disorderly market and increase the scope for market abuse. Additionally, inadequate arrangements for delivery in respect of short sales have the potential to cause settlement disruption. Short sales contain information that may be of value to both market users and regulators. Disclosure and transparency regarding short selling tends to improve understanding of market processes and build confidence in them. However, achieving appropriate transparency in the case of short selling requires careful consideration of the fact that the information message from a short sale may be ambiguous, and possibly open to various interpretations. Overall, the report encourages regulators to consider the appropriate level of transparency in this area.

The Technical Committee issued a report entitled *Indexation: Securities Indices and Index Derivatives* (February 2003).[16] In this report, the Technical Committee reviews the issues raised for market regulators by the increased influence of index-related investment strategies and index-related products on the orderliness and efficiency of secondary markets and updates IOSCO's recommendations in this area.

The Technical Committee issued two reports addressing issues relating to market interruptions in November 2002: a *Report on Trading Halts and Market Closures* (November 2002)[17] and a report on *Suspending Redemptions: A Case-Study from 11 September 2001 and General Principles* (November 2002).[18] The first report addresses the risks associated with differing regulatory approaches to trading

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11 IOSCO Public Document No. 134, *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities* (October 2002).

12 IOSCO Public Document No. 141.

13 IOSCO Public Document No. 145.

14 IOSCO Public Document No. 124.

15 IOSCO Public Document No. 147.

16 IOSCO Public Document No. 143.

17 IOSCO Public Document No. 138.

18 IOSCO Public Document No. 135.

halts and the necessity of having efficient communication processes in place relating to trading halts regarding securities listed in multiple jurisdictions. The second report examines past events that have necessitated a trading halt and develops a set of general principles which should guide CIS operators and regulators in defining the circumstances which justify a suspension of CIS redemption rights and the manner in which those suspensions are instituted.

Regulation of Market Intermediaries

The Technical Committee issued a report on *Regulation of Intermediaries in a Cross-Border Environment* in September 2003.[19] This report addresses regulatory issues relating to the increased provision of cross-border services by market intermediaries which do not have a physical presence in the jurisdiction in which the service is provided.

Collective Investment Schemes and Asset Management

To address regulatory issues arising from the increased participation of retail investors in hedge funds and fund-of-hedge-funds, the Technical Committee issued a report on *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds* (February 2003).[20] Two guidelines were developed to address concerns in this area: hedge funds should make adequate disclosures to ensure that investors are able to know the risks associated with investing in the fund; and hedge funds that are permitted to sell products to retail investors should be managed by persons with the requisite skills and expertise to administer the fund in a manner that helps protect investors.

To address issues relating to the use of simplified prospectuses in the sale of collective investment schemes, the Technical Committee issued a report on *Investor Disclosure and Informed Decisions: Use of Simplified Prospectuses by Collective Investment Schemes* (July 2002).[21] This report examines how CIS regulators can facilitate informed investor decision-making through prospectus simplification initiatives. Requirements for simpler prospectuses encourage CIS industry participants to pay increased attention to clearly informing CIS investors about their investments. This report explores key themes arising out of the use of simplified prospectuses and outlines the common responses to various regulatory issues.

To facilitate consideration of the risks associated with the CIS operator, the Technical Committee has produced a series of reports on investment management risk assessment: a general framework paper to identify areas that may concern the regulator in fulfilling investor protection objectives, and two reports to examine specific risk areas in more detail; to describe how members assess those risk areas; and to examine the regulatory responses relating to those risk areas.[22]

To address issues relating to the responsibilities of CIS as shareholders, the Technical Committee issued a report on *Collective Investment Schemes as Shareholders: Responsibilities and Disclosure* (September 2003).[23] CIS operators are subject to general responsibilities and obligations at law governing their actions in managing CIS. A CIS operator should consider these responsibilities in deciding whether it will exercise voting and other shareholder rights attached to CIS portfolio securities. In making these decisions, CIS operators should be aware that the shareholder rights associated with securities held by a CIS, including voting rights, are important rights that belong to the CIS and should be considered and exercised in its best interests alone. CIS investors should receive summary information about the voting and other corporate governance-related policies of CIS operators.

In February 2003, the Technical Committee issued a consultation document on *Performance Presentation Standards For Collective Investment Schemes: Best Practice Standards*[24] to suggest best practice standards for the presentation of CIS performance in advertisements. This report follows up on the Technical Committee's earlier report on *Performance Presentation Standards for Collective Investment Schemes* (May 2002).[25] The Technical Committee anticipates issuing a final best practices paper on this topic in 2004.

The Technical Committee recently published a report on *Fees and commissions within the CIS and asset management sector: Summary of Answers to questionnaire* (September 2003)[26] summarizing the results of a survey of its members concerning management fees and other costs of asset management services, including collective investment schemes. The summary of the survey results outlines the regulatory approaches taken in member jurisdictions to the disclosure and regulatory controls on fees and commissions charged to CIS investors. It describes in detail the means of disclosure; the use of total expense ratios; any regulation controlling the types of fees that may be charged; the use of performance fees; the transparency of fees charged by funds of funds; disclosure of transaction costs; and regulatory approaches to soft commissions.

19 To be posted on the IOSCO website.

20 IOSCO Public Document No. 142.

21 IOSCO Public Document No. 131.

22 IOSCO Public Document No. 136, *Investment Management: Areas of Regulatory Concern and Risk Assessment Methods* (November 2002); IOSCO Public Document No. 137, *Investment Management Risk Assessment: Management Culture and Effectiveness* (November 2002); and *Investment Management Risk Assessment: Marketing and Selling Practices* (September 2003) (to be posted on the IOSCO website).

23 To be posted on the IOSCO website.

24 IOSCO Public Document No. 144.

25 IOSCO Public Document No. 130.

26 To be posted on the IOSCO website.

Roundtables on the Use of the Internet in Securities Related Activity

The Technical Committee hosted a series of roundtable discussions in 2002 and 2003 to consider the implications of the use of the Internet in securities related activities. Financial services regulators, consumer groups, financial services firms, and relevant information services firms, such as Internet service providers, attended. The purpose of the Roundtables was to provide regulators and the industry with an opportunity to discuss existing and emerging practices and risks to consumers and firms and the concerns of regulators that arise from the use of Internet-enabled technologies in the securities industry. IOSCO adopted at this conference a *Report on Securities Activity on the Internet III* (September 2003)[27] summarizing the discussions at the Roundtables.

The Joint Forum

IOSCO is pleased to have continued its collaboration with the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) in the Joint Forum. The existence of large, complex financial groups, developments in the delivery of financial services that blur distinctions across financial sectors, and the development of new products used to allocate risks across sectors requires that regulators and supervisors enhance their levels of communication and cooperation, both domestically and internationally. In 2003, IOSCO was pleased to join in the issuance of two Joint Forum reports: *Trends in Risk Integration and Aggregation* (August 2003)[28] and *Operational Risk Transfer Across Financial Sectors* (August 2003).[29] IOSCO is committed to its close cooperation with the BCBS and IAIS to address issues of common concern.

Investor Education

The IOSCO Emerging Markets Committee issued a report on *Investor Education* (January 2003),[30] the general objective of which was to survey current investor education programs in emerging market jurisdictions and, in particular, to identify the reasons why regulators undertake investor education initiatives, their funding sources, the perceived needs of investors in terms of investment strategies and the corresponding risks involved, the methodology used to process investor complaints, and the problems resulting from cross-border offerings through the Internet. There is general agreement within IOSCO that investor education is a way of enhancing investor protection. An important concept underlying investor education efforts is the improvement of the ability of investors to make by themselves informed investment decisions that suit their specific needs, thereby increasing confidence in securities markets, while improving the general performance of those markets.

IOSCO Training and Technical Assistance

IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staffs.

The IOSCO General Secretariat, in conjunction with the Comisión Nacional de Bancos y Seguros de Honduras, organized a regional training seminar, in Tegucigalpa, Honduras, on 25-27 June 2003. Similarly, IOSCO and the Instituto Iberoamericano de Mercados de Valores jointly will shortly be presenting the "Quinto Curso de Regulación y Supervisión de Mercados Sudamericanos de Valores" in Bolivia. The objective of these seminars is to review the requirements that must be met to adhere to the IOSCO MOU and to review the content of the new IOSCO Assessment Methodology and its possible uses by regulators.

The 2003 IOSCO Seminar Training Program, organized by the IOSCO General Secretariat, will take place in Madrid, Spain on 17-21 November 2003. This year's program will provide training and assistance to members relating to the organization of investor education programs and the uses of the new IOSCO Assessment Methodology.

Further seminars are planned in other regions of the world, such as in Mumbai, India and Istanbul, Turkey.

Following up on its adoption of the IOSCO MOU and the new IOSCO Assessment Methodology, IOSCO will shortly be launching assistance programs to provide expert support to requesting members relating to the adoption of the IOSCO MOU and to members' self-assessment of their compliance with the international standards set out in the IOSCO Principles.

The SRO Consultative Committee

The SRO Consultative Committee, which represents important self-regulatory organizations, reiterated its continuing commitment to working with the Technical and Emerging Markets Committees on issues of common interest and to provide input from the industry.

Public Panels at the Conference

Panel discussions were held on a variety of issues of interest to both regulators and practitioners:

Increasing Disclosure – A Key to Improving Investor Confidence

A series of high profile corporate bankruptcies and financial restatements have raised doubts about the reliability of

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27 To be posted on the IOSCO website. See also IOSCO Public Document No. 83, *Report on securities activity on the Internet*, Technical Committee (September 1998); and IOSCO Public Document No. 120, Report *on Securities Activity on the Internet II*, Technical Committee (June 2001).

28 IOSCO Public Document No. 149.

29 IOSCO Public Document No. 148.

30 IOSCO Public Document No. 140.

audited financial statements of public issuers and about the transparency of their activities. Equity markets have simultaneously experienced sharp declines and an increased level of volatility. While increasing market surveillance, securities regulators have been reviewing international accounting and auditing standards as well as closely looking into the existing regulatory regimes of the accounting and auditing industry. Periodic and continuous disclosure practices are also being scrutinized, along with the transparency of short-selling and stock repurchase programs. Panelists discussed related developments from a global perspective and focused on the key measures that need to be taken to improve investor confidence.

Combating Financial Crime Globally

The visibility and depth of financial crime and market abuse have increased significantly during the past few years. The September 11, 2001 events have also raised serious issues about the use of financial markets internationally for terrorist financing. Major corporate failures have involved financial fraud. Financial crime and market abuse involving under-regulated and uncooperative jurisdictions also remain important problems. During the past 18 months regulators have launched key international initiatives to combat financial crime and market abuse. Panelists reviewed those initiatives and explored new ones.

New Stringent Avenues of Corporate Governance

Corporate governance of major securities issuers has been the object of strong criticism on the part of retail and institutional investors worldwide. Perception of excessive management remuneration, diffuse board versus CEO responsibilities, failing audit and remuneration committees have – in a context of high profile corporate failures - contributed to shareholder resentment. Panelists discussed essential elements of a new accountability regime to restore investor and shareholder confidence.

Regulating Credit Rating Agencies

The role of credit rating agencies in today's international financial environment is important. The performance of credit rating agencies, like that of financial analysts, has been the object of criticism during the past few years. Panelists discussed the current regulatory environment in which credit rating agencies operate and expressed their views about the need to modify the current regulation for credit rating agencies.

Admission of New Members

During the conference, IOSCO admitted five new ordinary members:

Brunei International Financial Center
National Banks and Securities Commission of Honduras
Stocks and Commodities Authority of the United Arab Emirates
Reserve Bank of Malawi
Securities and Exchange Commission of Mongolia

IOSCO also admitted one new associate member:

Labuan Offshore Financial Services Authority

IOSCO also admitted seven new affiliate members:

Cayman Islands Stock Exchange
Channel Islands Stock Exchange
Bahamas International Securities Exchange
Association of Capital Market Intermediary Institutions of Turkey
Amman Stock Exchange
Malta Stock Exchange
Securities Depository Center of Jordan

As a result of these new admissions, the membership of IOSCO now stands at 181.

Appointment of Interim Technical Committee Chairman

Regretfully, IOSCO announces that, due to his retirement from the Australian Securities and Investments Commission (ASIC), Mr. David Knott has resigned as Chairman of the IOSCO Technical Committee. IOSCO is pleased to announce that Mr. Andrew Sheng, Chairman of the Hong Kong Securities and Futures Commission, has been appointed Interim Chairman of the IOSCO Technical Committee to serve until the end of the next IOSCO Annual Conference to be held in May 2004.

Future Conferences

IOSCO will hold its next Annual Conference in Amman, Jordan, hosted by the Jordanian Securities Commission. IOSCO will hold its 2005 Annual Conference in Colombo, Sri Lanka, hosted by the Securities and Exchange Commission of Sri Lanka and its 2006 Annual Conference in Hong Kong, hosted by the Hong Kong Securities and Futures Commission.

For further information on IOSCO's activities, contact the IOSCO Secretary General, Mr. Philippe Richard, at 34 (91) 417-5549 or by e-mail at: mail@oicv.iosco.org.

List of Signatories to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange Of Information (16 October 2003)

ALBERTA
Alberta Securities Commission

AUSTRALIA
Australian Securities and Investments Commission

BRITISH COLUMBIA
British Columbia Securities Commission

FRANCE
Commission des opérations de bourse

GERMANY
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

GREECE
Capital Market Commission
HONG KONG
Securities and Futures Commission

HUNGARY
Hungarian Financial Supervisory Authority

INDIA
Securities and Exchange Board of India (SEBI)

ITALY
Commissione Nazionale per le Società e la Borsa

JERSEY
Jersey Financial Services Commission

LITHUANIA
Lithuanian Securities Commission

MEXICO
Comisión Nacional Bancaria y de Valores

NEW ZEALAND
New Zealand Securities Commission

ONTARIO
Ontario Securities Commission

POLAND
Polish Securities and Exchange Commission

PORTUGAL
Comissão do Mercado de Valores Mobiliários

QUEBEC
Commission des valeurs mobilières du Québec

SPAIN
Comisión Nacional del Mercado de Valores

SOUTH AFRICA
Financial Services Board

TURKEY
Capital Markets Board

UNITED KINGDOM
Financial Services Authority

UNITED STATES OF AMERICA
United States Securities and Exchange Commission

UNITED STATES OF AMERICA
Commodity Futures Trading Commission (CFTC)

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Georgeson Shareholder Communications Canada Inc. - MRRS Decision

Headnote

MRRS – Variation pursuant to section 144(1) of the Securities Act, Ontario (the Act) of relief previously granted, subject to certain conditions, from the dealer registration requirement set out in clause 25(1)(a) in respect of certain trades by and to filer under its "asset reunification program".

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 25, s. 144.

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

AND

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

AND

IN THE MATTER OF
GEORGESON SHAREHOLDER
COMMUNICATIONS CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the Decision Makers) in each of the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan, Quebec, Northwest Territories, Nunavut and the Yukon (the Jurisdictions) has received an application from Georgeson Shareholder Communications Canada Inc. (Georgeson) for a decision under the securities legislation of each of the Jurisdictions (the Legislation) to amend a Decision Document (the Order) issued by the Decision Makers in the Matter of Georgeson Shareholder Communications dated June 11, 2003 such that circumstances wherein certain trades to and by Georgeson under Georgeson's asset reunification program are not subject to the registration requirements of the Legislation;

AND WHEREAS under the Mutual Reliance Review Systems 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 Georgeson has represented to the Decision Makers that:

1. All representations contained in the Order remain true and complete except for Paragraph 1 and certain related and consequential non-substantive revisions to which reference is made herein;

2. The circumstances under which Georgeson is engaged by Issuers (as described in Paragraph 1 of the Order) will include the conversion of a mutual company into a shareholder-owned company, commonly referred to as a "demutualization"; and

3. The implementation of the Program in the context of a demutualization is analytically indistinct from its application in the circumstances described in the Order, and implies no substantive difference to the reasons provided to justify the relief granted in the Order.

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:

(a) Paragraph 1 of the Order be and is hereby deleted and replaced with the following:

"Pursuant to the Program, Georgeson is engaged by issuers ("Issuers") to assist them in locating holders ("Holders") who either (a) hold interests in entities (including securities of such entities)

acquired or merged into the Issuer (or parties related to the Issuer), (b) hold securities which have by their terms matured or terminated or been redeemed, or (c) hold interests that have been converted (whether by conversion of the interest by the entity and/or conversion of the entity itself and including, without limitation, the conversion of a mutual company into a shareholder-owned company (i.e., a demutualization)), and, in each of the above circumstances, have failed to tender their interest or take whatever other action to receive any entitlement resulting therefrom (the interests in each of (a), (b) and (c) referred to as "Unexchanged Securities"). In addition, Georgeson will assist Issuers in locating securityholders who by virtue of their ownership of securities of the Issuer are entitled to receive securities ("Additional Securities") of an entity that has been spun-out by the Issuer, and to facilitate the exchange of Unexchanged Securities or the claiming of Additional Securities, as the case may be;"

(b) All references throughout the Order to "Securityholders" and "Securityholder" be and are hereby replaced with "Holders" or "Holder", as the case may be.

(c) Paragraph 2 of the Order be and is hereby amended such that ", demutualization" is inserted directly following "merger/acquisition transaction, redemption/maturity".

(d) Paragraph 7 of the Order be and is hereby amended such that ", Saskatchewan, Manitoba, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Nunavut, Northwest Territories" is inserted directly following "Alberta, British Columbia".

October 15, 2003.

"Robert L. Shirriff" "Robert W. Davis"

2.1.2 Triple G Systems Group, Inc. - MRRS Decision

Headnote

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

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

Applicable Ontario Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
TRIPLE G SYSTEMS GROUP, INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Alberta and Ontario (collectively, the "**Jurisdictions**") has received an application from Triple G Systems Group, Inc. (the "**Corporation**") for:

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

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

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

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

1. The Corporation was incorporated under the OBCA on January 1, 2003, and has its head office in Markham, Ontario.

2. The Corporation is a reporting issuer in the Jurisdictions and is not a reporting issuer in any other jurisdiction in Canada. The Corporation is a corporation offering its securities to the public under the OBCA.

3. The Corporation is not in default of any of its obligations as a reporting issuer under the Legislation other than its failure to file interim financial statements for the fiscal period ended June 30, 2003.

4. On August 20, 2003, GE Canada Enterprises Company ("**GE Canada**") acquired all of the issued and outstanding shares of Triple G.

5. The authorized share capital of Triple G now consists of an unlimited number of common shares, preferred shares and exchangeable shares.

6. The common shares of Triple G were delisted from the Toronto Stock Exchange effective August 21, 2003 and no securities of Triple G are listed or quoted on any stock exchange or market.

7. As a result of the acquisition of all the issued and outstanding shares of Triple G by GE Canada, GE Canada is the sole beneficial security holder of Triple G.

8. Other than the exchangeable shares, Triple G has no securities, including debt securities, outstanding. GE Canada owns all of the issued and outstanding exchangeable shares.

9. Triple G does not intend to seek public financing by way of an issue of securities.

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

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

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

October 1, 2003.

"Wendell S. Wigle" "H. Lorne Morphy"

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

October 1, 2003.

"Wendell S. Wigle" "H. Lorne Morphy"

2.1.3 Corel Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications. Issuer deemed to have ceased to be a reporting issuer. Issuer does not intend to seek public financing by way of an offering of its securities.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
COREL CORPORATION

MRRS DECISION DOCUMENT

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

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

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

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

1. The Applicant was amalgamated under the *Business Corporations Act* (Ontario) on August 28, 2003.

2. The head office of the Applicant is located at 1600 Carling Avenue, Ottawa, Ontario, K1Z 8R7.

3. The authorized capital of the Applicant consists of (1) an unlimited number of preference shares issuable in series, of which there are 22,890,000 Series A non-voting participating convertible preferred shares (the "Series A Shares"), and (2) an unlimited number of common shares (the "Common Shares"). As of August 28, 2003, 10,390,000 Series A Shares and 136,747,891 Common Shares were issued and outstanding.

4. As of October 2, 2003, and after completion of an arrangement approved by the security holders of the Applicant and by the Ontario Superior Court of Justice, affiliated members of the Vector Capital group, namely Vector CC Holdings, SRL and Vector CC Holdings III, SRL (each of which was formed under the laws of Barbados) are now the sole beneficial security holders of the Applicant. Specifically: (i) Vector CC Holdings, SRL is the registered and beneficial holder of 43,750,000 Common Shares; (ii) Corel Holdings, L.P. (a limited partnership formed under the laws of the Cayman Islands) is the registered holder of 92,997,891 Common Shares (holding as nominee for the beneficial holder, Vector CC Holdings III, SRL); and (iii) Vector CC Holdings, SRL is the registered and beneficial holder of 10,390,000 Series A Shares. No securities of the Applicant are currently held by residents of Ontario or Canada.

5. Other than the Series A Shares and the Common Shares held beneficially by Vector CC Holdings, SRL and Vector CC Holdings III, SRL, the Applicant has no securities, including debt securities, issued and outstanding.

6. The Applicant is currently a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia and is not in default of its obligations as a reporting issuer in those jurisdictions.

7. The Common Shares were delisted from the Nasdaq National Market on August 28, 2003 and from the Toronto Stock Exchange on September 2, 2003. None of the Applicant's securities are currently listed or quoted on any stock exchange or quotation system in Canada or elsewhere.

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

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

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

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

October 17, 2003.

"Kelly Gorman"

2.1.4 COMPASS Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – closed-end investment trust exempt from prospectus requirements in connection with the sale of units repurchased from existing unit holders pursuant to market purchase program – first trade in repurchased 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. 53 and 74(1).

Multilateral Instrument Cited

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

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

AND

IN THE MATTER OF
COMPASS *INCOME FUND*

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Yukon (the "Jurisdictions") has received an application from COMPASS *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 file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Prospectus Requirements") shall not apply to the distribution of units of the Trust (the "Units") which have been repurchased by the Trust pursuant to the mandatory market purchase program, the discretionary market purchase program, or by way of redemption of Units at the request of holders thereof, nor to the first trade or resale of such repurchased Units (the "Repurchased Units") which have been distributed by the Trust;

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

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

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

AND WHEREAS 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 an amended and restated declaration of trust dated as of April 16, 2002 (the "Declaration of Trust").

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, 2002 upon obtaining a receipt for its final prospectus dated March 27, 2002 (the "Prospectus"). As of the date hereof, the Trust is not in default of any requirements under the Legislation.

4. Each Unit represents an equal, undivided beneficial interest in the net assets of the Trust and is redeemable at net asset value of the Trust ("Net Asset Value") per Unit on November 30th of each calendar year.

5. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units with respect to any and all distributions made by the Trust.

6. Middlefield COMPASS Management Limited (the "Manager"), which was incorporated pursuant to the *Business Corporations Act* (Ontario), is the manager and the trustee of the Trust.

7. The Units are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "CMZ.UN". As at July 4, 2003, 13,860,086 Units were issued and outstanding.

8. In order to enhance liquidity and to provide market support for the Units, pursuant to the Declaration of Trust and the terms and conditions that attach to the Units, the Trust shall, subject to compliance with any applicable regulatory requirements, be obligated to purchase (the "Mandatory Purchase Program") any Units offered in the market on a business day at the then prevailing market price if, at any time after the closing of the Trust's initial public offering pursuant to the Prospectus, the price at which Units are then offered for sale is less than 95% of the Net Asset Value per Unit determined as at the close of business in Toronto, Ontario on the immediately preceding business day, provided that:

   (a) the maximum number of Units that the Trust shall purchase in any three month period (commencing with the three month period that begins on the first day of the month following the month in which the closing of the Trust's initial public offering occurs) will be 2.50% of the number of Units outstanding at the beginning of each such three month period; and

   (b) the Trust shall not be required to purchase Units pursuant to the Mandatory Purchase Program if:

      (i) in the opinion of the Manager, the Trust lacks the cash, debt capacity or resources in general to make such purchases; or

      (ii) in the opinion of the Manager, the making of any such purchases by the Trust would adversely affect the ongoing activities of the Trust or the remaining Unitholders.

9. In addition, the Declaration of Trust provides that the Trust, subject to applicable regulatory requirements and limitations, shall have the right, but not the obligation, exercisable in its sole discretion, at any time, to purchase outstanding Units in the market at prevailing market prices (the "Discretionary Purchase Program"). Such discretionary purchases may be made through the facilities and under the rules of any exchange or market on which the Trust Units are listed (including the TSX) or as otherwise permitted by applicable securities laws.

10. Pursuant to the Declaration of Trust and subject to the Trust's right to suspend redemptions, Units may be surrendered for redemption (the "Redemption Program" and, together with the Mandatory Purchase Program and Discretionary Purchase Program, the "Programs") by a Unitholder at any time in the month of November of each year to the Trust's registrar and transfer agent, and each Unit properly surrendered for redemption by a Unitholder not later than 5:00 p.m. (Toronto time) on the fifth business day prior to November 30th of such year (the "Redemption Valuation Date") will, subject to an investment dealer finding purchasers for Units properly surrendered for redemption upon the authorization of the Unitholder and at the direction of the Trust, be redeemed by the Trust pursuant to the

Redemption Program for a price (the "Redemption Price") equal to the Net Asset Value of the Trust divided by the number of Units then outstanding determined as of the applicable Redemption Valuation Date.

11. A Unitholder who has surrendered Units for redemption will be paid the Redemption Price for such Units by the tenth business day following the Redemption Valuation Date.

12. Purchases of Units made by the Trust under the under the Programs are exempt from the issuer bid requirements of the Legislation pursuant to exemptions contained therein.

13. The Trust desires to, and the Declaration of Trust will be amended to, provide that the Trust shall, have the ability to sell through one or more securities dealers Repurchased Units, in lieu of cancelling such Repurchased Units and subject to obtaining all necessary regulatory approvals.

14. In order to effect sales of Repurchased Units by the Trust, the Trust intends to sell, in its sole discretion and at its option, any Repurchased Units purchased by it under the Programs primarily through one or more securities dealers and through the facilities of the TSX (or such other exchange on which the Units are then listed).

15. On or about 30 days prior to the amendment to the Declaration of Trust being effected (as described above), the Trust will provide notice to the then current Unitholders indicating that the Declaration of Trust will be amended to provide that the Trust may, subject to receiving all necessary regulatory approvals, arrange for one or more securities dealers to find purchasers for any Repurchased Units.

16. Repurchased Units which the Trust does not sell within ten months of the purchase of such Repurchased Units will be cancelled by the Trust.

17. Prospective Purchasers who subsequently acquire Repurchased Units will have equal access to all of the continuous disclosure documents of the Trust, which will be filed on SEDAR, commencing with the Prospectus.

18. Legislation in some of the Jurisdictions provides that a trade by or on behalf of an issuer in previously issued securities of that issuer that have been purchased by that issuer is a distribution subject to the Prospectus Requirements.

19. Legislation in some of the Jurisdictions provides that the first trade or resale of Repurchased Units acquired by a purchaser will be a distribution subject to the Prospectus Requirement unless such first trade is made in reliance on an exemption therefrom.

20. The Declaration of Trust provides that the Trust may repurchase Units under the Mandatory Purchase Program, the Discretionary Purchase Program and the Redemption Program and the Declaration of Trust will be amended to provide that, subject to receiving all necessary regulatory approvals, the Trust may arrange for one or more dealers to find purchasers for any Repurchased Units.

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 Repurchased Units pursuant to the Programs shall not be subject to the Prospectus Requirement of the Legislation provided that:

(a) the Repurchased Units are sold by the Trust through the facilities of and in accordance with the regulations and policies of the TSX or the market on which the Units are then listed;

(b) the Trust complies with the insider trading restrictions imposed by securities legislation with respect to the trades of Repurchased Units;

(c) the Trust complies with the conditions of paragraphs 1 through 5 of subsection 2.8(2) of Multilateral Instrument 45-102 with respect to the sale of the Repurchased Units; and

(d) the first trade or resale of Repurchased Units acquired by a purchaser from the Trust pursuant to the Programs 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.

October 20, 2003.

"Robert W. Korthals" "H. Lorne Morphy"

2.1.5 Dynamic Mutual Funds Ltd. - MRRS Decision

Headnote

MRRS Decision – Certain mutual funds exempted from the short selling prohibition in National Instrument 81-102 Mutual Funds to engage in short selling of securities up to 10% of net assets, subject to certain conditions and requirements.

Rules Cited

National Instrument 81-102 Mutual Funds, subsections 2.6(a) and (c), 6.1(1) and section 19.1.

October 17, 2003

McCarthy Tétrault LLP

Attention: John T. Kruk

Re: Dynamic Mutual Funds Ltd.
MRRS Application under National Instrument 81-102 Mutual Funds ("NI 81-102"), SEDAR Project No. 485829, Ontario App. No. 908/02

By letter dated October 10, 2002 and supplemented by letters dated March 26, 2003 and May 29, 2003 (together, the "Application"), Dynamic Mutual Funds Ltd. (the "Manager") applied to the regulator or the securities regulatory authority in each province and territory of Canada (collectively, the "Decision Makers") on behalf of Dynamic Power Canadian Growth Fund, Dynamic Power American Growth Fund and Dynamic Power Balanced Fund and the Dynamic Power Canadian Growth Class, Dynamic Power European Growth Class and Dynamic Power International Growth Class of Dynamic Global Fund Corporation (collectively, the "Funds") for an exemption from the requirements in subsections 2.6(a), 2.6(c) and 6.1(1) of NI 81-102 to permit the Funds to sell securities short, provide a security interest over Fund assets in connection with the short sales and deposit Fund assets with dealers as security in connection with such transactions.

The Manager has represented to the Decision Makers that:

1) Each Fund is either an open-end mutual fund trust established under the laws of Ontario or a class of shares of a mutual fund corporation.

2) Each Fund also is currently a reporting issuer in all of the provinces and territories of Canada and distributes its securities pursuant to a simplified prospectus and annual information form dated December 5, 2002, as amended.

3) The investment objective of each Fund generally involves investing to a large extent in equity securities. The investment practices of each Fund comply in all respects with the requirements of Part 2 of NI 81-102.

4) The Manager proposes that each Fund be authorized to engage in a limited, prudent and disciplined amount of short selling. The Manager is of the view that the Funds could benefit from the implementation and execution of a controlled and limited short selling strategy. This strategy would operate as a complement to the Funds' current primary discipline of buying securities with the expectation that they will appreciate in market value.

5) At a special meeting of securityholders held on June 21, 2002, the securityholders of each Fund voted by a majority in favour of permitting the Funds to conduct a limited amount of short selling, subject to regulatory approval.

6) In order to effect a short sale, a Fund will borrow securities from either its custodian or a dealer (in either case, the "Borrowing Agent"), which Borrowing Agent may be acting either as principal for its own account or as agent for other lenders of securities;

7) Each Fund will implement the following controls when conducting a short sale:

   a) securities will be sold short for cash, with the Fund assuming the obligation to return to the Borrowing Agent the securities borrowed to effect the short sale;

   b) the short sale will be effected through market facilities through which the securities sold short are normally bought and sold;

   c) the Fund will receive cash for the securities sold short within normal trading settlement periods for the market in which the short sale is effected;

   d) the securities sold short will be liquid securities and a "liquid security" is a security which satisfies both of the following conditions:

      i) the security is listed and posted for trading on a stock exchange; and

      ii) the issuer of the security has a market capitalization of not less than $500 million at the time the short sale is effected;

   e) at the time securities of a particular issuer are sold short:

      i) the aggregate market value of all securities of that issuer sold short by the Fund will not

exceed 2% of the total net assets of the Fund; and

ii) the Fund will place a "stop-loss" order with a dealer to immediately purchase for the Fund an equal number of the same securities if the trading price of the securities exceeds 108% (or such lesser percentage as the Manager may determine) of the price at which the securities were sold short;

f) the Fund will deposit Fund assets with the Borrowing Agent as security in connection with the short sale transaction;

g) the Fund will keep proper books and records of all short sales and Fund assets deposited with Borrowing Agents as security;

h) the Fund will develop written policies and procedures for the conduct of short sales prior to conducting any short sales; and

i) the Fund will provide disclosure in its prospectus of the short selling strategies and the details of this exemptive relief prior to implementing the short selling strategy.

This letter confirms that, based on the information and representations contained in the Application and in this letter, and for the purposes described in the Application, the Decision Makers hereby exempt each Fund from the requirements in subsections 2.6(a), 2.6(c) and 6.1(1) of NI 81-102 to permit each Fund to sell securities short, provide a security interest over Fund assets in connections with the short sales and deposit Fund assets with Borrowing Agents as security for such transactions provided that:

1) the aggregate market value of all securities sold short by the Fund does not exceed 10% of the total net assets of the Fund on a daily marked-to-market basis;

2) the Fund holds "cash cover" (as defined in NI 81-102) in an amount, including the Fund assets deposited with Borrowing Agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis;

3) no proceeds from short sales by the Fund are used by the Fund to purchase long positions in securities other than cash cover;

4) the Fund maintains appropriate internal controls regarding its short sales including written policies and procedures, risk management controls and proper books and records;

5) for short sale transactions in Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall be a registered dealer in Canada and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund;

6) for short sale transactions outside of Canada, every dealer that holds Fund assets as security in connection with short sale transactions by the Fund shall:

a) be a member of a stock exchange, and, as a result, is subject to a regulatory audit; and

b) have a net worth in excess of the equivalent of $50 million determined from its most recent audited financial statements that have been made public;

7) except where the Borrowing Agent is the Fund's custodian, when the Fund deposits Fund assets with a Borrowing Agent as security in connection with a short sale transaction, the amount of Fund assets deposited with the Borrowing Agent does not, when aggregated with the amount of Fund assets already held by the Borrowing Agent as security for outstanding short sale transactions of the Fund, exceed 10% of the total net assets of the Fund, taken at market value as at the time of the deposit;

8) the security interest provided by a Fund over any of its assets is required to enable the Fund to effect short sale transactions, is made in accordance with industry practice for that type of transaction and relates only to obligations arising under such short sale transactions;

9) prior to conducting any short sales, the Fund discloses in its simplified prospectus a description of: (a) short selling, (b) how the Fund intends to engage in short selling, (c) the risks associated with short selling, and (d) in the Investment Strategy section of the simplified prospectus, the Fund's strategy and this exemptive relief;

10) prior to conducting any short sales, the Fund discloses in its annual information form the following information:

a) whether there are written policies and procedures in place that set out the objectives and goals for short selling and the risk management procedures applicable to short selling;

b) who is responsible for setting and reviewing the policies and procedures referred to in paragraph 10(a), how often the policies and procedures are reviewed, and the extent and nature of the involvement of the board of directors or trustee in the risk management process;

c) whether there are trading limits or other controls on short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading;

d) whether there are individuals or groups that monitor the risks independent of those who trade; and

e) whether risk measurement procedures or simulations are used to test the portfolio under stress conditions;

11) prior to conducting any short sales, the Fund has provided to its securityholders not less than 60 days written notice that discloses the Fund's intent to begin short selling transactions and the disclosure required in the Fund's simplified prospectus as outlined in paragraph 9;

12) whenever the top ten holdings are disclosed in the simplified prospectus for the Fund, the top ten long holdings and the top ten short holdings are shown separately, provided that only short positions with a market value exceeding 1% of the net asset value of the Fund need be disclosed;

13) whenever the Fund prepares financial statements, the following information is included:

a) the Statement of Net Assets of the Fund records the securities sold short as a liability with the Fund's assets deposited as security with Borrowing Agents for securities sold short recorded as an asset;

b) the dividends and other income received on borrowed securities in connection with securities sold short are shown as an expense on the Statement of Operations of the Fund; and

c) the Statement of Investment Portfolio of the Fund records the long portfolio separate from the short portfolio.

"Susan Silma"

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
Aris Canada Ltd.	15 Oct 03	27 Oct 03		
Blue Power Energy Corporation	22 Oct 03	03 Nov 03		
Merch Performance Inc.	15 Oct 03	27 Oct 03		
Polar Innovative Capital Corp.	22 Oct 03	03 Nov 03		
St. Lucie Exploration Company Limited	10 Oct 03	22 Oct 03	22 Oct 03	

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
National Construction Inc.	25 Jul 03	07 Aug 03	07 Aug 03		
RTICA Corporation	21 Oct 03	03 Nov 03			
Saturn (Solutions) Inc.	21 Oct 03	03 Nov 03			

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Chapter 6

Request for Comments

6.1.1 Request for Comment - Notice of Proposed National Policy 41-201 Income Trusts and Other Indirect Offerings

REQUEST FOR COMMENT:

NOTICE OF PROPOSED NATIONAL POLICY 41-201

INCOME TRUSTS AND OTHER INDIRECT OFFERINGS

This notice accompanies proposed National Policy 41-201 (the Policy), which we are publishing for a 60-day comment period. We invite comment on the Policy generally. In addition, we have raised a number of questions for your specific consideration.

Introduction

The Policy is an initiative of all members of the Canadian Securities Administrators (the CSA or we). The Policy is expected to be implemented as a policy in all jurisdictions in Canada.

The purpose of the Policy is to provide guidance and clarification to market participants about income trusts and other indirect offering structures. We want to ensure that everyone investing in income trust offerings has access to sufficient information to make an informed investment decision.

We also believe that it would be beneficial to express our view about how the existing regulatory framework applies to non-corporate issuers (such as income trusts) and to indirect offerings, in order to minimize inconsistent interpretations and better ensure that the intent of the regulatory requirements is preserved.

Background

Over the past eighteen months, we have seen a significant increase in the number of income trust offerings in our market. We have also seen a number of corporate issuers convert into income trusts. By publishing the Policy, we are setting out our views about issues relating to income trusts and other indirect offerings.

Summary and Discussion of the Policy

The Policy has 5 parts.

Part 1 - Introduction

Part 1 establishes the purpose and the scope of the Policy. When we refer to an income trust in the Policy, we are referring to a trust or other entity (including corporate and non-corporate entities) that issues securities which entitle the holder to substantially all of the net cash flows generated by: (i) an underlying business owned by the trust or other entity, or (ii) the income-producing properties owned by the trust or other entity. This includes business income trusts, real estate investment trusts and royalty trusts, but does not include an entity that falls within the definition of “investment fund” contained in proposed National Instrument 81-106 *Investment Fund Continuous Disclosure*.

Part 1 also discusses income trusts generally, as well as the principal differences between direct and indirect offerings.

Specific Requests for Comment

- Do you agree that the scope of the Policy is appropriate?
- Do you think that the discussion about indirect offerings is clear? Do you agree with the distinctions that we make between direct and indirect offerings?
- As currently drafted, the Policy is targeted to all market participants, including issuers, their advisors, and investors. Do you think that the format of the Policy is easy for market participants to follow? Do you think that the Policy would be

easier to follow if it were divided into a number of different parts? For example, do you think that separating the descriptive part from the core guidance would be helpful?

Part 2 - Prospectus Disclosure: Unique Attributes of Income Trusts

Part 2 provides guidance on prospectus disclosure. The main purpose of the guidance is to ensure that the unique attributes of income trusts are described in a simple and clear manner. Our goal is to ensure that investors have access to sufficient information to make an informed investment decision.

Specific request for comment

- We are considering whether to give direction regarding the risk factors that issuers describe in relation to the operating entity. Do you agree that this guidance would be appropriate?

Part 2 is divided into 6 parts:

A. Distributable Cash

We understand that income trust offerings are principally sold on the basis of distributable cash. We provide guidance in this section about prospectus disclosure relating to distributable cash. The purpose of the recommended disclosure is to clarify: (i) what distributable cash means, (ii) whether an income trust's distributable cash provides an investor with a consistent rate of return, and (iii) how the distribution policies of the income trust and the operating entity affect distributable cash.

Specific Request for Comment

- We recommend that issuers include in their cover page disclosure a breakdown of the anticipated distributable cash figure that sets out its estimated "return on" versus "return of" capital. We believe this breakdown would provide investors with important information regarding their investment. Do you agree with this recommendation?

B. Distributable Cash: Non-GAAP Measures

To ensure that investors understand that distributable cash is not a measure based on generally accepted accounting principles (GAAP), we remind issuers to refer to the guidelines contained in CSA Staff Notice 52-303 – *Non-GAAP Earnings Measures*.

We note that section 2.5 of the Policy describes the disclosure that has frequently been included in income trust prospectuses in the past. In particular, many issuers have derived the distributable cash figure from non-GAAP earnings measures such as "EBITDA" and "adjusted EBITDA". We also note that CSA Staff Notice 52-303 *Non-GAAP Earnings Measures* will soon be superseded by CSA Staff Notice 52-306 *Non-GAAP Financial Measures.* CSA Staff Notice 52-306 specifically recommends that any reconciliation of the distributable cash amount should begin with the closest GAAP measure rather than a non-GAAP measure. We believe that this approach complements the objective of section 2.5 of the Policy, which is to ensure that a clear explanation of any assumptions made in estimating distributable cash is provided.

C. Short-Term Debt

We are concerned about debt that is renewable within a period of 5 years or less, that the operating entity has negotiated with persons other than the income trust. We refer to that debt as short-term debt (which differs from the characterization of short-term debt from an accounting perspective).

We are specifically concerned about short-term debt because of that debt's potential impact on distributable cash. Short-term debt typically represents an obligation of the operating entity that ranks before the operating entity's obligations to the income trust (and, consequently, to unitholders' entitlement to receive distributable cash). An income trust may reduce or suspend distributions under circumstances directly linked to the short-term debt. For example, a reduction in distributions may occur following increases in interest charges on floating-rate debt, a breach of financial covenants, a refinancing on less advantageous terms, or a failure to refinance.

We recommend that issuers disclose the principal terms of the operating entity's short-term debt in their prospectus. We also explain that we consider the operating entity's credit agreement with a lender other than the income trust to be a material contract if terms of that agreement have a direct correlation with the anticipated cash distributions.

We expect the income trust to include a separate risk factor about the operating entity's short-term debt in its prospectus, and to file the agreement as a material contract on SEDAR upon its execution.

D. Stability Ratings

In this section, we describe stability ratings and discuss why we believe that they offer useful information to investors. We are concerned about use of measures in the prospectus that are not based on GAAP because use of those measures can make it difficult or impossible for investors to compare income trusts.

Specific Requests for Comment

- Do stability ratings play a valuable role in an investor's decision?
- We are concerned that investors may have difficulty comparing income trusts. Do stability ratings offer an appropriate and effective means of comparison? Is there a more appropriate or effective method?

E. Determination of Unit Offering Price

We describe the disclosure that we expect in the prospectus about how the price of an income trust's units is determined. We understand that in most cases, the price is determined by negotiation between the operating entity security holders and the issuer's underwriter(s). If, however, a third-party valuation is obtained by the issuer, we expect the issuer to describe the valuation in the prospectus and to file the text of the valuation on SEDAR.

F. Executive Compensation

We believe that the executive compensation of the operating entity's executives is important information for investors. We understand that in many cases, disclosure about the compensation paid to the operating entity's executives is not included in the prospectus because the operating entity does not become a subsidiary of the income trust until after the receipt for the final prospectus is issued. In other cases, that disclosure is not included because the income trust does not control the operating entity. Because we believe that information about the executive compensation relating to the operating entity's executives in both scenarios is important, we expect it to be disclosed in the prospectus.

We describe the disclosure and documents that we consider to be material, and that we expect to be described and filed.

Part 3 - Continuous Disclosure

Continuous Disclosure about the Operating Entity

We believe that an income trust's performance and future prospects depend primarily on the performance and operations of the underlying operating entity. We want to ensure that unitholders are provided with comprehensive information about the operating entity on an ongoing basis. We describe the undertakings that we believe will satisfy this concern. We also recommend that disclosure about these undertakings be included in the prospectus.

As one alternative to undertakings, we considered recommending that the operating entity become a reporting issuer (through the deeming process or otherwise). We determined that the costs of that approach outweighed the benefits, and that not all of our concerns would be addressed with that approach.

Specific Request for Comment

- We are considering asking that issuers who disclosed expected distributable cash to provide, on an annual basis, an updated comparison of distributed and distributable cash to the expected distributable cash figure. We are also considering recommending that issuers include in this annual update a breakdown of distributed and distributable cash between the "return on" versus "return of" capital to allow investors to analyze the tax attributes of their return. What do you think of these recommendations?

Comparative Financial Information

We offer guidance about the comparative financial information that we expect income trusts to provide in situations where the transfer of the operating entity's business into the income trust is accounted for at carrying amounts.

Recognition of Intangible Assets

In this section, we remind issuers that GAAP requires the appropriate recognition of all intangible assets on an acquisition accounted for under the purchase method. We further encourage issuers to provide a description of the method used to value the intangible assets in the offering document, so that investors may assess the objectivity of the valuation process.

Insider Reporting

We describe the undertaking that we expect an income trust issuer to file with the relevant securities regulatory authorities with respect to insider reporting obligations.

We also outline our concerns about others that may possess material undisclosed information about the income trust. Specifically, we are concerned that these persons may: (i) not fall within the definition of "insider", or (ii) not be contemplated by the undertaking. We indicate that in these types of situations, we may request that additional undertakings be provided. For example, when an income trust does not control the operating entity (such as when the income trust owns less than 50% of the operating entity's voting securities), we would request that "insiders" of the operating entity report all trades in units of the income trust as if they were insiders of the income trust.

With respect to the filing of Form 55-102F6 "Insider Report", particularly the description of the insider's relationship(s) to the reporting issuer in Box 2 "Insider Data", we expect issuers and insiders to use their best judgment to choose the code that best corresponds to their relationship(s) with the reporting issuer. We note that it is possible to include additional comments in the "General Remarks" section in order to clarify the nature of the relationship(s) with the reporting issuer.

Part 4 - Liability

We describe the regulatory framework relating to prospectus liability, and how that framework applies to indirect offerings. We discuss the disclosure about the accountability of vendors in indirect offerings that we believe would be helpful to investors, as well as our concerns about the nature and extent of the representations and indemnities provided by vendors to the income trust in the acquisition agreement. We do not specifically discuss potential unitholder liability for activities of the income trust because a number of CSA jurisdictions are in the process of drafting or adopting legislation to address this particular concern.

Finally, we discuss the concept of "promoter" and its application to indirect offerings, and the disclosure that we expect about the implications of the operating entity being identified as a promoter.

Part 5 - Sales and Marketing Materials

We outline our concerns about sales and marketing materials, particularly relating to use of the term "yield". We expect income trust issuers to provide copies of all green sheets to securities regulators when filing the preliminary prospectus. We describe certain information that we expect green sheets to contain.

Reliance on Unpublished Studies, Etc.

In developing the Policy, we did not rely on any significant unpublished study, report, decision or other written materials.

Comments

Please provide your comments by December 23, 2003 by addressing your submission to the securities regulatory authorities listed below. **Due to timing concerns, we will not consider comments received after December 23, 2003.**

Submissions should be addressed to the following securities regulatory authorities:

Ontario Securities Commission
Alberta Securities Commission
British Columbia Securities Commission
Commission des valeurs mobilières du Québec
Saskatchewan Financial Services Commission
The Manitoba Securities Commission

You do not need to deliver your comments to all of the CSA member commissions. Please deliver your comments to the following, and they will be distributed to all other jurisdictions by CSA staff.

Ilana Singer
Legal Counsel, Corporate Finance
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-3683
E-mail: isinger@osc.gov.on.ca

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800, Square Victoria, 22nd Floor
Tour de la Bourse
P.O. Box 246
Montréal, Québec H4Z 1G3
Fax: (514) 864-6381
E-Mail: consultation-en-cours@cvmq.com

If you are not sending your comments by e-mail, please send a diskette containing your comments (in DOS or Windows format, preferably Word).

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Please refer your questions to any of:

Ilana Singer
Ontario Securities Commission
Telephone: (416) 593-2388
E-mail: isinger@osc.gov.on.ca

Iva Vranic
Ontario Securities Commission
Telephone: (416) 593-8115
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Wayne Bridgeman
The Manitoba Securities Commission
Telephone: (204) 945-4905
E-mail: wbridgeman@gov.mb.ca

Frank Mader
Nova Scotia Securities Commission
Telephone: (902) 424-5343
E-mail: maderfa@gov.ns.ca

October 24, 2003.

6.1.2 Proposed National Policy 41-201 Income Trusts and Other Indirect Offerings

PROPOSED NATIONAL POLICY 41-201
INCOME TRUSTS
AND
OTHER INDIRECT OFFERINGS

Part 1 - Introduction

1.1 What is the purpose of the policy?

It is a fundamental principle that everyone investing in securities should have access to sufficient information to make an informed investment decision. The Canadian Securities Administrators (the CSA or we) believe that there are distinct attributes of an investment in income trust units that should be clearly disclosed.

Within our securities regulatory framework, raising capital in the public markets results in certain rights and obligations attaching to issuers and investors. We believe that it would be beneficial to express our view about how the existing regulatory framework applies to non-corporate issuers (such as income trusts) and to indirect offerings, in order to minimize inconsistent interpretations and to better ensure that the intent of the requirements is preserved. Our concerns relate to the quality and nature of prospectus disclosure and continuous disclosure records, accountability for prospectus disclosure and liability for insider trading.

This policy provides guidance and clarification by all jurisdictions represented by the CSA. Although the primary focus of this policy is on income trusts, we believe that much of the guidance and clarification that we provide is useful for other indirect offering structures. As well, the principles can apply more generally to issuers that offer securities which entitle holders of those securities to the net cash flow generated by the issuer's business or its properties. We provide guidance about prospectus disclosure and prospectus liability to minimize situations where staff might recommend against issuance of a receipt for a final prospectus where it would appear that the offering may be contrary to the public interest due to insufficient disclosure, structure of the offering, or a combination of the two. Many of the principles that we describe apply equally to direct offering structures.

Although the main focus of this policy is on the income trust structure in the context of public offerings, these principles also apply to income trust structures in other contexts, such as the reorganization of a corporate entity into a trust. Although an offering document is not prepared in a reorganization, we expect that the resulting prospectus-level disclosure provided to relevant security holders will follow the principles set out in this policy. The principles that we describe also apply to income trusts in the fulfillment of their ongoing continuous disclosure obligations. In addition, when we are determining whether to grant exemptive relief to an income trust issuer in connection with a reorganization or other similar transaction, we will consider the principles described in Part 3 of this policy.

1.2 What do we mean when we refer to an income trust in this policy?

When we refer to an income trust or issuer in this policy, we are referring to a trust or other entity (including corporate and non-corporate entities) that issues securities which entitle the holder to substantially all of the net cash flows generated by: (i) an underlying business owned by the trust or other entity, or (ii) the income-producing properties owned by the trust or other entity. This includes business income trusts, real estate investment trusts and royalty trusts. In our view, this does not include an entity that falls within the definition of "investment fund" contained in proposed National Instrument 81-106 *Investment Fund Continuous Disclosure*.

1.3 What is an operating entity?

In the most basic income trust structure, the operating entity is: (i) a subsidiary of the income trust with an underlying business, or (ii) income-producing properties owned directly by the income trust. In more complex structures, there may be a number of intervening entities above the operating entity. Generally, the operating entity is the first entity in the structure that has an underlying business which generates cash flows. There may be more than one operating entity in the income trust structure.

In addition to identifying the operating entity, it is also important to understand the operating entity's business. In some cases, its business is to own, operate and produce revenues from its assets. In other cases, its business is to own an interest in a joint venture or to derive a revenue stream from holding a portfolio of investments or financial instruments.

1.4 How is an income trust structured?

Typically, an income trust holds a combination of debt and equity or royalty interests in an entity owning or operating a business (the operating entity). Substantially all of the net cash flows that are generated by the operating entity's business are distributed to the income trust. The income trust then distributes that cash flow to its investors (unitholders or investors).

An income trust focuses on the ownership and management of assets of the operating entity. The principal purpose of the income trust is to distribute cash generated by the operating entity to its unitholders.

Often the pre-offering owners (referred to as owners or vendors) of the operating entity (or its predecessors) sell less than their entire interest in the operating entity to the income trust. Through their retained ownership interest, the vendors participate in distributions of the operating entity's net income.

1.5 What is an income trust offering?

In a typical income trust offering, an income trust is created to distribute units to the public. The proceeds that the income trust raises are used to acquire debt and equity or royalty interests in the operating entity, or interests in income producing properties. We view the income trust offering as a form of indirect offering. Instead of offering their securities directly to the public, the vendors sell their interests in the operating entity to the income trust. The income trust purchases those interests with proceeds that it raises through its offering of units to the public. The interests in the operating entity that the income trust acquires are thus indirectly offered to the public. Through their direct investment in units of the income trust, unitholders hold an indirect interest in the operating entity.

By issuing units under a prospectus, the income trust becomes a reporting issuer (or equivalent) under applicable securities laws. The operating entity typically remains a non-reporting issuer.

1.6 How does an indirect offering differ from a direct offering?

In a conventional direct offering, interests in the operating entity are offered to the public through a public distribution of the operating entity's securities. By contrast, in an indirect offering, interests in the operating entity are not offered directly to the public but are instead acquired by a separate entity (for example, an income trust or its subsidiary). The securities of this separate entity, such as units of a trust, are offered to the public under a prospectus. The issuer applies the proceeds of the offering to satisfy the purchase price of the interests in the operating entity.

In a direct initial public offering (IPO), an issuer may choose to finance the acquisition of another business with proceeds raised under the offering. In that scenario, the issuer and the vendors of the business are generally arm's-length parties. This differs from the structure of an indirect offering, such as the initial public offering by most income trusts, where the income trust and the vendors of the business are not arm's-length parties.

In an indirect offering, the vendors negotiate the terms of the purchase of the business by the income trust, and are also involved in the negotiation of the terms of the public offering with the underwriter(s).

If vendors initiate or are involved in the public offering process, we believe that they are effectively accessing the capital markets themselves. This fact gives rise to the concerns that we describe in Part 4. Vendors that are involved in a non-IPO offering process are also effectively accessing the capital markets through an indirect offering, and the concerns that we describe in Part 4 are equally applicable.

Part 2 - Prospectus disclosure

We describe below certain unique attributes of income trusts that we expect to be included in prospectus disclosure. We would like these attributes, and the offering generally, to be described in a simple, clear and readable manner to ensure that investors understand the nature of their investment.

A. Distributable cash

2.1 What is distributable cash?

Distributable cash generally refers to the net cash generated by the income trust's businesses or assets that is available for distribution, at the discretion of the income trust, to the income trust's unitholders. The cash that is available to an income trust for distribution per unit varies with the operating performance of the income trust's business or assets, its capital requirements, and the number of units outstanding.

2.2 Does an income trust's distributable cash provide an investor with a consistent rate of return?

No. In many ways, investing in an income trust is more like an investment in an equity security rather than in a debt security. A fundamental characteristic that distinguishes income trust units from traditional fixed-income securities is that the income trust does not have a fixed obligation to make payments to investors. In other words, it has the ability to reduce or suspend distributions if circumstances warrant (see section 2.3 below for further details). The trust's ability to consistently make

distributions to unitholders will fluctuate depending on the operations of the operating entity or the performance of the income trust's assets (such as income-producing real estate properties or oil- and gas-producing properties).

Unlike an issuer of a fixed-income security, an income trust does not promise to return the initial purchase price of the unit bought by the investor on a certain date in the future. Investors who choose to liquidate their holdings would generally do so by selling their unit(s) in the market.

In addition, unlike interest payments on an interest-bearing debt security, income trust cash distributions are, for Canadian tax purposes, composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to investors. Therefore, a unitholder's rate of return over a defined period may not be comparable to the rate of return on a fixed-income security that provides a "return on capital" over the same period. This is because a unitholder in an income trust may receive distributions that constitute a "return of capital" to some extent during the period. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a unitholder. Returns of capital are generally non-taxable to a unitholder (but reduce the unitholder's cost base in the unit for tax purposes).

2.3 How do the distribution policies of the income trust and the operating entity affect an investor's rate of return?

The distribution policy of the income trust generally stipulates that payments that the income trust receives from the operating entity (such as interest payments on the debt and dividends paid to common shareholders) will be distributed to unitholders. The distribution policy of the operating entity will generally stipulate that distributions to the income trust will be restricted if the operating entity breaches its covenants with third-party lenders (such as maintaining specified financial ratios or satisfying its interest and other expense obligations). Other operating entity obligations such as funding employee incentive plans or funding capital expenditures will frequently rank in priority to the operating entity's obligations to the income trust. In addition, the operating entity, or the income trust, might retain a portion of available distributable cash as a reserve. Funds in this reserve may be drawn upon to fund future distributions if distributable cash generated is below targeted amounts in any period.

2.4 What cover page disclosure do we expect about distributable cash?

To ensure that the information described in sections 2.1, 2.2 and 2.3 is adequately communicated to investors, language on the prospectus cover page substantively similar to the following would be helpful:

> The pricing of the units has been determined, in part, based on the estimate of distributable cash for the year ended • on page •. Although the income trust intends to make distributions of its available cash to unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including the operating entity's financial performance, debt covenants and obligations, working capital requirements, future capital requirements and, if applicable, the deductibility for tax purposes of interest payments on the debt of the operating entity [these details can be tailored according to the specific set of circumstances in each transaction]. The market value of the units may deteriorate if the income trust is unable to meet its cash distribution targets in the future, and that deterioration may be material.
>
> The after-tax return from an investment in units to unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the income trust (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to unitholders. The estimated portion of your investment that will be taxed as a return on capital is • and the estimated portion that will be taxed as return of capital is •. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a unitholder. Returns of capital are generally non-taxable to a unitholder (but reduce the unitholder's cost base in the unit for tax purposes).
>
> An investment in the units is subject to a number of risks that should be considered by an investor. See "Risk Factors".

B. Distributable cash – non-GAAP measures

2.5 What disclosure do we expect about the income trust's estimate of its distributable cash?

Distributable cash is often presented in a manner, and based on financial measures, that is not prescribed by generally accepted accounting principles (GAAP). Frequently, income trusts refer to "EBITDA" (earnings before interest, taxes, depreciation and amortization) and "adjusted EBITDA" as being relevant measures of their performance (on the basis that investors are concerned primarily with cash flow). Income trusts frequently derive their distributable cash estimates from these amounts. In presenting adjusted EBITDA, income trusts commonly make and incorporate assumptions about how the operating entity's business will be conducted post-offering. These include assumptions about capital expenditures, financing costs and administrative expenses, resulting in a distributable cash figure. Therefore, we expect any assumptions made to be clearly explained.

We remind issuers to refer to the guidelines contained in CSA Staff Notice 52-303 – *Non-GAAP Earnings Measures*.

C. Short-term debt

2.6 Why are we concerned about the operating entity's short-term debt?

We are concerned about debt obligations that are renewable within 5 years or less that the operating entity has negotiated with persons other than the income trust (referred to as short-term debt). Those obligations typically rank before the operating entity's obligations to the income trust and, consequently, to unitholders' entitlement to receive distributable cash. Although many non-income trust issuers have similar, or less conservative, capital structures, we are particularly concerned about the sensitivity of income trusts to cash flows. Specifically, we are concerned about reductions in distributions that might arise from increases in interest charges on floating-rate debt, a breach of financial covenants, a refinancing on less advantageous terms, or a failure to refinance.

2.7 What disclosure do we expect about short-term debt?

We expect the principal terms of the operating entity's short-term debt to be included in the income trust's prospectus. This would include the following information about the debt:

(a) the principal amount and the anticipated amount to be outstanding when the offering is closed,

(b) the term and interest,

(c) the term at which the debt is renewable, and the extent to which that term could have an impact on the ability to distribute cash,

(d) the priority of the debt relative to the securities of the operating entity held by the income trust,

(e) any security granted by the income trust to the lender over the operating entity's assets, and

(f) any other covenant(s) that could restrict the ability to distribute cash.

2.8 Are agreements relating to the operating entity's short-term debt material contracts of the income trust?

We consider that in most cases, agreements relating to the operating entity's short-term debt that have been negotiated with a lender other than the income trust, will be material contracts if terms of those agreements have a direct correlation with the anticipated cash distributions. For example, distributions from the operating entity to the income trust may be restricted if the operating entity fails to maintain certain covenants under a credit agreement. If the agreement contains terms that have a direct correlation with the anticipated cash distributions, and will be entered into on or about closing, we expect it to be listed as a material contract in the prospectus. We also expect a copy of that agreement to be filed on SEDAR upon its execution.

2.9 Do we expect the income trust to include a separate risk factor about short-term debt?

Yes. We expect the income trust to include a separate risk factor about the operating entity's short-term debt in the income trust's prospectus. We recommend that the risk factor include a discussion of the following points:

(a) the need for the operating entity to refinance its short-term debt when the term of that debt expires,

(b) the potential negative impact on distributable cash if the debt is replaced by new debt that has less favourable terms,

(c) the impact on distributable cash if the operating entity cannot refinance the debt, and

(d) the fact that distributions from the operating entity to the income trust may be restricted if the operating entity fails to maintain certain covenants under the credit agreement (such as a failure to maintain certain customary financial ratios).

D. Stability ratings

2.10 What is a stability rating?

A stability rating is an opinion of an independent rating agency about the relative stability and sustainability of an income trust's cash distribution stream. Standard & Poor's (S&P's) and Dominion Bond Rating Services (DBRS) currently provide stability

ratings on Canadian income trusts. A stability rating reflects the rating agency's assessment of an income trust's underlying business model, and the sustainability and variability in cash flow generation in the medium to long-term. The objective of these stability ratings is to compare the stability of rated Canadian income trusts with one another.

2.11 Does an income trust need to obtain a stability rating?

No. However, the CSA believes that stability ratings offered by rating agencies, such as S&P's and DBRS, can provide useful information to investors.

We believe that choosing to invest in income trust units is, in substance, a decision to purchase the cash flow generated by the operating entity. The presentation of distributable cash in an income trust prospectus is often the best measure available to an investor of the issuer's potential to generate and distribute cash. However, as discussed in this policy, we are concerned that the use of non-GAAP measures by income trust issuers makes it difficult or impossible for investors to compare income trusts. Therefore, it is difficult to compare the risk of investing in one income trust relative to the risk of investing in another. We believe that stability ratings can supplement the presentation of distributable cash in the prospectus to provide an independent opinion on the ability of an income trust to meet its distributable cash targets consistently over a period of time relative to other rated Canadian income trusts.

2.12 Do we expect an income trust to disclose whether it has or has not received a stability rating?

Yes. We expect the income trust to state on the prospectus cover page whether it has or has not received a stability rating. If an income trust chooses not to obtain a stability rating, we recommend that the income trust describe on the prospectus cover page its reasons for choosing not to obtain a rating.

2.13 What disclosure do we expect about an income trust's stability rating?

As described above, if an income trust has received a stability rating, we expect the rating to be described on the cover page of the prospectus. To assist investors, we recommend that the income trust explain within the prospectus that a stability rating measures an income trust's stability relative to other rated Canadian income trusts rather than relative to all income trusts. We expect the explanation to be substantively similar to the following:

> • has assigned a stability rating of • to the Units. The rating is based on a rating scale developed by •, which characterizes the stability of cash distribution streams. •'s stability analysis encompasses the variability and sustainability of a cash distribution stream in the medium to long-term with a single stability rating of • through •. Variability in the distribution stream refers to changes in the distribution from period to period over a business cycle, while sustainability of the distribution stream refers to the length of time that distributions can likely be made. Together, these two characteristics are referred to by • as the stability profile of the issuer. The stability rating scale is organized such that a rating of • signifies the lowest level of cash distribution variability and the highest level of cash distribution sustainability, while a rating of • signifies the highest level of variability and the highest amount of uncertainty in the sustainability of the cash distribution stream. A rating is not a recommendation to buy, sell or hold any security, and may be subject to revision or withdrawal at any time by •.

E. Determination of unit offering price

2.14 What disclosure do we expect about the determination of the price of an income trust's units?

We do not currently ask that income trusts obtain a third-party valuation of the operating entity interests to be acquired (unless that valuation is otherwise required under securities legislation). However, if a third-party valuation is obtained, we expect the income trust to describe the valuation in the prospectus and to file the text of the valuation on SEDAR. We expect the description to identify the parties involved, the principal variables and assumptions used in the valuation (particularly those which could, if adversely altered, cause a deterioration in the value of the issuer's investment). If no third-party valuation is obtained, we expect the prospectus to disclose that fact and to state that the value was determined solely through negotiation between the operating entity security holders and the underwriter(s).

F. Executive compensation

2.15 What disclosure do we expect the income trust to provide about executive compensation for the operating entity?

We believe that the executive compensation of the operating entity's executives is important information for investors. We expect the income trust to provide that information in its prospectus as though the operating entity is a subsidiary of the income trust at the time that a final receipt for the prospectus is issued. We also remind issuers of their obligation under securities legislation to provide unitholders with executive compensation disclosure on a continuous basis.

2.16 What disclosure do we expect about the income trust's management contracts and management incentive plans?

We believe that the material terms of management contracts and management incentive plans are relevant information for investors if terms of those contracts or plans have an impact on distributable cash. For example, if the term "distributable cash" is defined in a unique way in a management contract, we expect that term of the contract to be described. We expect disclosure about those contracts and plans to be included in the prospectus. If those contracts and plans have not been finalized, we expect the anticipated material terms to be described in the prospectus.

2.17 Do we expect management contracts and management incentive plans to be filed on SEDAR?

We expect the material contracts and plans referred to in section 2.16 to be filed on SEDAR. If those material contracts and plans have not been finalized before filing the final prospectus, we expect the income trust to provide an undertaking from the income trust and the operating entity to the securities regulatory authorities that those contracts and plans will be filed as soon as practicable after execution. We also remind issuers of their statutory obligation to make timely disclosure of any material change in their affairs, which would include any material change to prospectus disclosure about executive compensation.

Part 3 - Continuous disclosure

Reporting obligations relating to the operating entity

3.1 What continuous disclosure do we expect about the operating entity?

We believe that an income trust's performance and prospects depend primarily on the performance and operations of the operating entity. To make an informed decision about investing in an income trust's units, an investor generally needs comprehensive information about the operating entity, including: (i) the operating entity's interim and annual financial statements together with corresponding management discussion and analysis for those periods, (ii) complete business disclosure about the operating entity of the scope expected in an annual information form, and (iii) press releases and material change reports about any material changes in the business, operations or capital of the operating entity.

In addition, if the operating entity is a party to a "related party transaction" as defined in Ontario Securities Commission Rule 61-501 *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* (Rule 61-501) and in the CVMQ's regulation entitled Policy Statement No. Q-27 *Protection of Minority Securityholders in the Course of Certain Transactions* (Q-27) (and any successor to Q-27), compliance with those rules will be expected.

To the extent the securities legislation in some CSA jurisdictions is ambiguous about whether the disclosure described above about the operating entity is required by a reporting issuer that is an income trust or other non-corporate entity, we expect the issuer to file an undertaking with the regulatory authorities prior to receiving a receipt for a final prospectus. We expect the undertaking to provide that while the issuer is a reporting issuer:

(i) in complying with its reporting issuer obligations, the income trust will treat the operating entity as a subsidiary of the income trust; however, if generally accepted accounting principles prohibit the consolidation of financial information of the operating entity and the income trust, we expect that, for as long as the operating entity (and any of its significant business interests) represents a significant asset of the income trust, the income trust will provide unitholders with separate financial statements for the operating entity (and any of its significant business interests),

(ii) the income trust will obtain a commitment from the operating entity to comply with Rule 61-501 and Q-27, as applicable, as if the operating entity were a reporting issuer and the income trust's unitholders held directly those securities of the operating entity which are held directly or indirectly by the income trust, and

(iii) the income trust will annually certify that it has complied with this undertaking, and file the certificate on SEDAR concurrently with the filing of its annual financial statements.

We recognize that there are circumstances where the income trust does not have direct access to the operating entity's financial information. For example, in situations where the income trust holds less than a 50% interest in an operating entity, it may be difficult for the income trust to have direct access to that operating entity's financial information. In those types of scenarios, we expect the income trust to ensure that it can follow the guidance described in this section 3.1 either through terms of the acquisition agreement or otherwise.

3.2 Comparative financial information

Most income trusts are the continuation of an existing business that was previously operated under a different legal form (for example, a corporation). We believe that the change in legal form does not alter the substance of the business operations and therefore does not prevent an income trust from presenting comparative financial information for the underlying business during its initial interim and annual periods.

In situations where the transfer of the operating business into an income trust is accounted for at carrying amounts, we expect the income trust to provide complete financial statements with comparative figures that also reflect the operations of the business under the previous legal entity.

Recognizing that the legal structure of the entity has changed, and to ensure the continuity and the comparability of the periods presented for the statements of operations and cash flows, an income trust may want to present, using columns: (i) the results of the reporting period relating to the previous legal entity prior to the inception of the trust, (ii) the results of the reporting period from the creation of the income trust to the balance sheet date, and (iii) the results for the complete reporting period that would represent the aggregate of the results of (i) and (ii) on a pro forma basis. We expect the results for the complete reporting period to be shown in the financial statements. The information for the period prior to and after the creation of the income trust may be shown within, or in the notes to, the financial statements.

For those acquisitions accounted for by the purchase method, we expect income trusts to provide comparative financial information for the predecessor business in their interim and annual MD&A. Examples of relevant comparative information would include, but would not be limited to, the following:

- Revenues/Sales
- Cost of Sales
- Gross Margin
- General and Administrative Expenses, and
- Net Income

3.3 Recognition of intangible assets

We remind income trust issuers that GAAP requires the appropriate recognition of all intangible assets on acquisitions to be accounted for under the purchase method. We encourage income trusts to provide a description of the method used to value the intangible assets in the offering document, so that investors may assess the objectivity of the valuation process.

3.4 Are "insiders" of the operating entity also insiders of the income trust for purposes of insider reporting obligations?

Consistent with our belief that the performance and prospects of the income trust depend on the performance and prospects of the operating entity, we believe each person who would be an "insider" (as that term is defined in applicable securities legislation) of the operating entity if the operating entity were a reporting issuer should comply with insider reporting requirements as if that person were also an insider of the trust.

To the extent the securities legislation in certain CSA jurisdictions is ambiguous about whether insiders of the operating entity are also insiders of the income trust or other non-corporate entity, that issuer is expected to file an undertaking with the regulatory authorities prior to receiving a receipt for a final prospectus. We expect the undertaking to provide that for so long as the income trust is a reporting issuer, the income trust will take the appropriate measures to require each person who would be an insider of the operating entity if the operating entity were a reporting issuer to file insider reports about trades in units of the income trust (including securities which are exchangeable into units of the trust). The income trust is expected to annually certify in the certificate described in section 3.1(iii) above that it has complied with this undertaking.

We are concerned that additional persons that may possess material undisclosed information about the income trust may: (i) not fall within the definition of "insider" (as that term is defined in applicable securities legislation) or (ii) not be caught by the undertaking. As a result, there may be situations where we will request that additional undertakings be provided. The income trust will need to obtain the contractual commitments from the persons and entities in order to comply with these undertakings.

Part 4 - Prospectus liability

4.1 What is the regulatory framework?

The central element of the prospectus system is the requirement that disclosure of all material facts relating to the offered securities be provided so that investors can make informed investment decisions.

Although the prospectus serves a role in marketing securities, from a regulatory perspective, it is also a disclosure document that can give rise to liability. To provide discipline on prospectus disclosure, and to protect the integrity of the Canadian public markets, securities legislation imposes liability on certain persons involved in a public offering for any misrepresentation (as defined in applicable securities legislation) in a prospectus. Specifically, where a prospectus contains a misrepresentation, investors have the right to either rescind their purchases or to claim damages from the issuer or selling security holder that sold the securities, every director of the issuer, any promoters of the issuer, the underwriter(s) and certain other parties. Each of those parties (including each selling security holder) is jointly and severally liable for the damages experienced by investors as a result of the misrepresentation(s). We note that although "selling security holder" is not defined under applicable securities laws, the term is generally considered to mean persons who are selling securities of the class being distributed under the prospectus.

4.2 How does the regulatory framework about prospectus liability apply to indirect offerings?

In an indirect offering, the issuer uses the proceeds to acquire a business (and perhaps to repay indebtedness), and the disclosure (including financial disclosure) in the prospectus describes both the acquired business and the issuer. The proceeds are not retained by the issuer, and any prospectus misrepresentation that adversely affects the value of the acquired business may diminish the issuer's ability to satisfy a damages claim.

An underwriter's statutory liability in an indirect offering is the same as it is in a conventional direct offering. Underwriters sign a certificate about the disclosure contained in the issuer's prospectus and are potentially liable for a misrepresentation in the prospectus.

With respect to prospectus liability, what is different in the context of an indirect offering is that the former owners of the operating entity (referred to as vendors) who sell their ownership interests in the operating entity to the issuer and who are effectively accessing the public markets to liquidate their holdings, are not generally considered to be "selling security holders" within the meaning of securities legislation, as they are not selling the securities being offered under the prospectus. As a result, vendors who indirectly receive part of the proceeds of the offering in exchange for their operating entity interests do not (unless they qualify as promoters, which issue is addressed below) have statutory liability for a prospectus misrepresentation as they would if their operating entity security interests had been distributed directly to the public. Vendors of businesses to conventional issuers undertaking a direct offering would also not be considered "selling security holders" although they indirectly receive offering proceeds. However, as noted above, we believe those circumstances differ from an indirect offering because access to the public markets is being initiated primarily not by those vendors but by the issuer.

4.3 Promoter liability

4.3.1 What is the meaning of promoter?

Persons that are promoters of an issuer within the meaning of securities legislation are required to sign the issuer's prospectus in that capacity. As a consequence, those persons assume joint and several liability for prospectus misrepresentations up to a maximum amount equal to the gross proceeds of the offering. The term "promoter" is defined differently in provincial securities legislation across the CSA jurisdictions. It is not defined in the *Securities Act* (Quebec), and a broad approach is taken in Quebec with respect to examining those persons who would be considered promoters. We believe that a vendor that receives, directly or indirectly, a significant portion of the offering proceeds, is a promoter and should sign the prospectus in that capacity.

4.3.2 What constitutes the "business" of the income trust issuer?

In the context of indirect offerings, there appears to be uncertainty about whether the "business of an issuer", as that phrase is often used in the definition of "promoter" in some of the CSA jurisdictions, refers to the business of the issuer (the income trust) or to the business of the operating entity. More specifically, the question is whether the test depends on a person's involvement in the founding, organization or substantial reorganization of the operating entity's business, or whether involvement in the founding, organization, or substantial reorganization of the income trust itself will qualify a person as a promoter.

We believe that in most cases, the business of the income trust issuer is primarily to complete the public offering and to acquire the operating entity interest. Therefore, we generally focus on a person's involvement in the founding, organization, or substantial reorganization of the income trust itself.

We also believe that any person who initiated or took part in the formation, organization or substantial reorganization (as those terms are often used in the definition of "promoter") of the operating entity would not cease to be a promoter under the offering solely due to use of an indirect offering structure. The relationship between the income trust and the operating entity is not sufficiently at arm's-length to support this result. The question of whether a person takes part in the founding, organizing or substantial reorganizing of the income trust's business and of the operating entity's business is one of fact. Therefore, we would expect this determination to be made by the income trust and the underwriter(s) after reviewing the relevant facts.

4.3.3 What disclosure do we expect about the implications of the operating entity being identified as a promoter?

Where the operating entity signs the prospectus as promoter but the vendors are retaining no interest, or a nominal interest, in the operating entity upon closing of the offering, the right to claim damages from the operating entity for misrepresentations offers limited or no additional benefit to investors. This is because all or a substantial majority of the interests in the operating entity are acquired by the income trust. Therefore, we expect the prospectus to describe that, despite the operating entity's statutory liability for a misrepresentation in the prospectus, there will be little or no practical benefit to investors who choose to exercise those rights against the operating entity. This is because a successful judgment would result in a deterioration of the operating entity's value (frequently the sole asset of the income trust) and a resulting decline in the value of the investor's securities. It is also likely that the operating entity would have a limited ability to satisfy the claim.

We believe this type of disclosure would be helpful to investors who may not understand the implications of the operating entity being identified as a promoter of the income trust, as is often the case.

Conversely, where the vendors retain a meaningful interest in the operating entity, the characterization of the operating entity as promoter will offer an additional benefit because the value in the operating entity held by vendors as their retained interest would be available to satisfy a damages claim without investors suffering a corresponding decline in the value of their securities of the income trust.

4.4 Contractual accountability

4.4.1 What accountability for prospectus disclosure is typically assumed by vendors through contractual arrangements?

Our review of indirect offering prospectuses indicates that in situations where vendors have not signed the prospectus, they typically assume, by contract, responsibility for matters relating to the operating entity's business. Vendors typically provide representations and warranties about the operating entity and its business to the issuer under the agreement (the acquisition agreement) pursuant to which the vendors sell, and the issuer acquires, the operating entity interests. As well, in several indirect offerings, the vendors have provided a representation in the acquisition agreement about the absence of any misrepresentation in the prospectus (a prospectus representation).

4.4.2 What are our concerns about the application of the regulatory framework to indirect offerings?

We are concerned that:

(i) investors in indirect offering structures may not appreciate that there is not always a statutory right of action against the vendors as there would be in a direct offering if the vendors were considered "selling security holders",

(ii) prospectus representations may not be given by vendors in circumstances where we would consider that representation to be appropriate, and

(iii) prospectus disclosure of the vendors' representations and warranties, and limitations, in the acquisition agreement may not be sufficiently detailed or clearly set out to permit investors to understand the vendors' contractual accountability.

4.4.3 What disclosure do we expect about the accountability of the vendors?

To address the concerns described in section 4.4.2, we expect prospectuses relating to indirect offerings, where part of the proceeds are being paid to vendors, to:

(i) include a clear statement that investors may not have a direct statutory right of action against each vendor for a misrepresentation in the prospectus unless that vendor is a promoter or director of the issuer, or is otherwise required to sign the prospectus,

(ii) include a detailed description of the vendors' representations, warranties and indemnities contained in the acquisition agreement (and any significant related limitations) and details about the negotiations (including the parties involved), together with a summary of these items in the summary section of the prospectus, and

(iii) identify the acquisition agreement as a material contract and provide disclosure advising investors to review the terms of the acquisition agreement for a complete description of the vendors' representations, warranties and indemnities, and related limitations.

We also expect the summary of the relevant acquisition agreement provisions to include clear disclosure about the following:

(i) the aggregate cash proceeds being paid to the vendors for the sale of their operating entity interests,

(ii) the nature of the representations and warranties provided by the vendors, including any significant qualifications, and specifically whether a prospectus representation is provided,

(iii) the period of time that the representations and warranties will survive after closing,

(iv) any monetary limits on the vendors' indemnity obligations, and

(v) any other limitations on, or qualifications to, the vendors' indemnity obligations, such as deductibles or other thresholds that preclude indemnity claims against the vendors that are not, individually or in the aggregate, above a certain value or provide that any such claim will exclude or deduct that value or another prescribed amount from the total indemnity claim.

We expect the summary of the acquisition agreement terms to provide investors with a clear description of the extent to which the vendors are supporting, with meaningful indemnities, the representations and warranties in favour of the issuer.

CSA staff may consider recommending against the issuance of a receipt for a prospectus if vendors receive cash proceeds from an indirect offering by selling their operating entity interests and do not take appropriate responsibility (directly or indirectly) for the information provided as a basis for the offering through the acquisition agreement, or as a result of signing the prospectus, or otherwise.

4.4.4 What are our concerns about the nature and extent of the representations and indemnities provided by vendors in the acquisition agreement?

Circumstances, including the nature of the operating entity and its business and the nature and extent of the vendors' interests (individually and in the aggregate) and their involvement in the operating entity, will affect the types of representations, warranties and indemnities that can reasonably be expected to be provided to the issuer by vendors in the context of an indirect offering.

Examples of circumstances where we have had concerns about vendors not taking this responsibility in the context of indirect offerings have included situations where:

(i) certain vendors (active vendors), such as:

- vendors that affect materially the control of the operating entity prior to the offering, and are involved in the offering process and/or the management or supervision of management of the operating entity prior to the offering,
- vendors that influence (whether alone or in conjunction with others) the offering process, and
- members of senior management of the operating entity

sell a substantial portion of their interest in the operating entity to the issuer on closing but do not

a. sign the issuer's prospectus as promoter, or

b. provide a prospectus representation in the acquisition agreement;

(ii) a vendor's obligation to indemnify the issuer if the prospectus representation is untrue, is limited to an unduly small percentage of the proceeds received by the vendor from the sale of the vendor's interest in the operating entity, and

(iii) the vendor's responsibility for the information on which the offering is based is reduced unduly, having regard to the nature of the vendor's investment, as a result of the period during which claims may be asserted against the vendor for an untrue prospectus representation being significantly below the period in which claims may be asserted against the issuer for a prospectus misrepresentation.

If an active vendor's liability for an untrue representation in the acquisition agreement is conditional on the active vendor having knowledge of the inaccuracy, we expect that the active vendor would generally have a corresponding obligation to take reasonable steps to support the representation. For example, we would expect a non-management active vendor to make appropriate inquiries of management of the operating entity.

The CSA acknowledges that there may be constraints on the indemnities that certain vendors can provide and the survival period of those indemnities. In assessing whether the vendors have taken appropriate responsibility (directly or indirectly) for the information provided as a basis for the offering, we will generally assess the entire framework of representations, warranties and indemnities provided by the vendors as a group, as opposed to assessing each component or vendor individually. We believe this approach is consistent with the commercial realities within which the parties to those transactions allocate the risks and rewards of the transactions.

Part 5 - Sales and marketing materials

5.1 What are our concerns about sales and marketing materials?

Registrants often solicit interest from potential investors during the "waiting period" between the issuance of a receipt for a preliminary prospectus and the issuance of a receipt for the final prospectus, and in the period following the receipt for the final prospectus until the primary distribution is completed. Along with the distribution of the preliminary prospectus (or final prospectus, if then available) to potential investors, that process often involves the preparation and distribution of materials (such as green sheets) for the benefit of registered salespersons and banking group members. The information included in those materials is typically a simplified version of the disclosure in the preliminary (or final) prospectus, and must be limited to information included in, or directly derivable from the prospectus (the exceptions are information about the basic terms of comparable offerings and general market information not specific to the issuer).

Marketing materials used in the context of income trust offerings often include prominent reference to "yield". We are concerned that expressions of "yield" in those marketing materials may not be clearly understood, both because the term itself may have connotations or common usages that are not consistent with the attributes of income trust units and because the relationship between the "yield" described in the marketing materials and the information in the prospectus may not be clear.

"Yield" is generally used in the context of income trust offerings to refer to the return (other than a return of capital) that would be generated over a one-year period, as a percentage of the offering price of the units, if the amounts intended to be distributed by the income trust according to its distribution policy are so distributed.

5.2 What information do we expect the green sheets to contain?

We are concerned that use of the term yield in these marketing materials may imply that the distribution entitlement is fixed. We expect expressions of "yield" to be accompanied by disclosure that, unlike fixed-income securities, there is no obligation of the income trust to distribute to unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the offering price.

A related concern is that disclosure of a yield in marketing materials may cause confusion because yield is not typically disclosed in the prospectus. If marketing materials contain an expression of yield, we expect the statement to be tied to the prospectus disclosure (including, in particular, the pro forma presentation of distributable cash in the prospectus). Specifically, we expect expressions of yield in income trust offering marketing materials to be accompanied by disclosure indicating the proportion of the pro forma distributable cash (as set out in the prospectus) that the stated yield would represent.

In addition, if reference is made to tax efficiencies that may be realized on distributions (such as returns of capital to investors), we expect that disclosure to be clear and, to the extent practical, quantified. For example, the estimated "tax-free" portion of distributions for the foreseeable period, and the tax implications, should be clearly stated or cross-referenced.

5.3 Do we expect income trusts to provide us with copies of their green sheets?

Yes. We expect income trust issuers to provide copies of all green sheets to the securities regulatory authorities when filing the preliminary prospectus, together with separate documentation providing a clear and concise explanation of how the yield figure (if contained in the green sheet) is derived from the prospectus disclosure. In addition, we may request that additional sales and marketing materials used in connection with an income trust offering be provided.

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
01-Oct-2003	FortisOntario Inc.	671191 Ontario Limited - Common Shares	100.00	100.00
01-Oct-2003	Granite Power Generation Corporation	671191 Ontario Limited - Common Shares	100.00	100.00
30-Sep-2003 Trust Units	Jack Dearlove	Acuity Pooled Balanced Fund -	151,077.00	9,208.00
30-Sep-2003 to 07-Oct-2003	3 Purchasers	Acuity Pooled High Income Fund - Trust Units	400,000.00	24,402.00
25-Sep-2003	Landmark Canadian Fund and Landmark Global Opportunities Fund	African Minerals Ltd. - Special Warrants	6,696,270.00	826,700.00
30-Sep-2003	Transatlantic Co. and AIG Assurance Canada	AIG Canada Small Companies Fund - Trust Units	5,005,252.00	843,543.00
30-Sep-2003	6 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	4,389.00	8.00
24-Sep-2003	22 Purchasers	Avenir Diversified Income Trust - Trust Units	553,000.00	1,106,000.00
07-Oct-2003	11 Purchasers	Bactech Enviromet Corporation - Units	612,000.00	1,530,000.00
30-Sep-2003	William Vlad and Brian Kennedy	Bariview Invesment Corporation - Common Shares	100,000.00	1,000.00
06-Oct-2003	Toronto Dominion Bank	Berkshire Hathaway Finance Corporation - Notes	6,965,490.00	1.00
30-Sep-2003 to 01-Oct-2003	8 Purchasers	Black Bull Resources Inc. - Units	895,000.00	1,790,000.00
30-Sep-2003	Leschuk Enterprises Inc. and Hubert R. Marieau	Boyd Group Income Fund - Units	55,000.00	55.00

07-Oct-2003	44 Purchasers	Breakwater Resources Ltd. - Subscription Receipts	8,434,650.00	24,099,000.00
26-Sep-2003	ConAgra Limited	Canada Malting Co. Limited - Preferred Shares	10,000,000.00	10,000.00
03-Oct-2003	Gail & Wayne Goreski	CareVest Blended Mortgage Investment Corporation - Preferred Shares	30,000.00	30,000.00
03-Oct-2003	Bradley D' Angelo	CareVest First Mortgage Investment Corporation - Preferred Shares	50,000.00	50,000.00
30-Sep-2003	7 Purchasers	CAI Capital Partners and Company III, L.P. - N/A	55,850,000.00	7.00
30-Sep-2003	25 Purchasers	CGO&V Balanced Fund - Trust Units	941,348.00	80,243.00
30-Sep-2003	D. James Slattery and Lorie Waisberg	CGO&V Hazelton Fund - Trust Units	51,256.00	4,280.00
03-Oct-2003	Hugh L. MacKinnon	Christian History Project Limited Partnership - Limited Partnership Units	27,300.00	42.00
30-Sep-2003	5 Purchasers	Contemporary Investment Corp. - Common Shares	117,000.00	117,000.00
26-Sep-2003	NBF Holdings Inc.	Cornerstone Capital Partners L.P. - Limited Partnership Units	2,500,000.00	2,500,000.00
01-Oct-2003	11 Purchasers	DB Mortgage Investment Corporation #1 - Common Shares	1,075,000.00	1,075.00
24-Sep-2003	BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc.	DDJ U.S. High Yield Trust - Units	2,051,500.00	220,000.00
16-Oct-2003	MFC Global Investment Management	DigitalNet Holdings, Inc. - Common Shares	447,202.00	20,000.00
29-Sep-2003	Integrated Partners Limited Partnership One	Dove Corp. - Common Shares	6,000,000.00	3,760,000.00
07-Oct-2003	13 Purchasers	Euston Capital Corp. - Common Shares	41,550.00	13,850.00
06-Oct-2003	David R. Brown and David H. Brown	Fortune Minerals Limited - Units	70,000.00	100,000.00
09-Oct-2003	CMP 2003 Resource Limited Partnership	Goldeye Explorations Limited - Common Share Purchase Warrant	1,000.00	500,000.00
09-Oct-2003	CMP 2003 Resource Limited Partnership	Goldeye Explorations Limited - Common Shares	199,000.00	1,000,000.00
07-Oct-2003	3 Purchasers	Greenshield Resources Ltd. - Common Shares	105,000.00	1,000,000.00

30-Sep-2003 to 03-Oct-2003	3 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	19,000.00	19,000.00
26-Aug-2003	Marilyn Fenton and Allen Greenspoon	International Arimex Resources Inc. - Units	60,000.00	400,000.00
30-Sep-2003	Thomas Byrne	Kerr Financial Advisors Inc. - Units	500,000.00	50,357.00
30-Sep-2003	4 Purchasers	KyberPass Corporation - Convertible Debentures	2,383,230.00	2,383,230.00
15-Oct-2003	12 Purchasers	Liberty Mineral Exploration Inc. - Common Shares	162,500.00	1,300,000.00
09-Oct-2003	14 Purchasers	Lightning Energy Ltd. - Special Warrants	8,208,000.00	2,052,000.00
30-Sep-2003	Michael Bowick	MAPLE KEY Market Neutral LP - Limited Partnership Units	203,610.00	203,610.00
30-Sep-2003	David Forster	McElvaine Limited Partnership, The - Units	25,000.00	25,000.00
03-Oct-2003	4 Purchasers	Meridian Energy Corporation - Common Shares	1,260,000.00	600,000.00
03-Oct-2003	3 Purchasers	Meriton Networks Inc. - Preferred Shares	1,129,548.00	9,882,353.00
03-Oct-2003	VentureLink Fund Inc. and The VenGrowth II Investment Fund Inc.	Meriton Networks Inc. - Shares	2,138,073.00	18,705,883.00
03-Oct-2003	Michael K. Wright	Microsource Online, Inc. - Common Shares	24,000.00	4,000.00
03-Oct-2003	Willian Eldon	Microsource Online, Inc. - Common Shares	7,800.00	1,300.00
09-Oct-2003	19 Purchasers	Mitec Telecom Inc. - Units	2,710,499.00	2,464,090.00
07-Oct-2003	Creststreet 2002 Limited Partnership	Mount Copper Wind Power Energy Inc. - Common Shares	16,766.00	16,263.00
13-Aug-2003	CrestStreet 2002 Limited Partnership	Mount Copper Wind Power Energy Inc. - Common Shares	46,520.00	45,125.00
29-Sep-2003	Sprott Asset Management Inc.	Mountain Lake Resources Inc. - Common Shares	1,562,500.00	1,250,000.00
02-Oct-2003	6 Purchasers	Mustang Resoures Inc. - Common Shares	2,582,800.00	807,125.00
02-Oct-2003	Mark Ramella	NETISTIX TECHNOLOGIES CORPORATION - Common Shares	25,000.00	50,000.00
03-Oct-2003	Ruth Falkenstein and Wilhelmus Schutten	O'Donnell Emerging Companies Fund - Units	39,982.00	5,040.00

02-Oct-2003	4 Purchasers	Olympus Pacific Minerals Inc. - Units	242,050.00	806,833.00
06-Oct-2003	3 Purchasers	Passion Media Inc. - Special Warrants	52,000.00	346,666.00
30-Sep-2003	10 Purchasers	Pele Mountain Resources Inc. - Units	165,000.00	330,000.00
01-Oct-2003	Public Sector Pension Investment Fund	Penreal Property Fund V Ltd. - Limited Partnership Units	16,700,000.00	3,340,000.00
07-Oct-2003	4 Purchasers	PhotoChannel Networks Inc. - Common Shares	114,500.00	1,145,000.00
01-Jul-2002	5 Purchasers	Polaris Energy - Limited Partnership Interest	700,000.00	70,000.00
01-Oct-2003	Lorraine Schlereth and DR. Penny Petrone	Ravenwood Resources Inc. - Common Shares	180,000.00	120,000.00
03-Oct-2003	Rod Govan	Regis Resources Inc. - Flow-Through Shares	32,000.00	40,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	300,000.00	4.00
01-Oct-2003	Grantie Power Generation Corporation	Rideau Falls Limited Partnership - Units	1,050,000.00	14.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	1.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
01-Oct-2003	FortisOntario Inc.	Rideau Falls Limited Partnership - Units	75,000.00	75,000.00
29-Sep-2003	Thomas A. Clapham	Shift Networks Inc. - Common Shares	2,000.00	20,000.00
10-Jul-2003	OPG Ventures;Inc.	Solicore, Inc. - Preferred Shares	3,524,572.00	70,155,629.00

30-Sep-2003	Anthony A. Webb	Solium Capital Inc. - Common Shares	100,000.00	250,000.00
30-Sep-2003	43 Purchasers	StarPoint Energy Ltd. - Common Shares	14,377,280.00	5,728,000.00
15-Oct-2003	Steve Brunelle	Stingray Resources Inc. - Common Shares	13,440.00	67,200.00
02-Oct-2003	16 Purchasers	Strategic Vista International Inc. - Common Shares	1,745,000.00	1,396,000.00
25-Sep-2003	Steven Gordon	The Goldman Sachs Group Inc. - Notes	33,000.00	33.00
30-Sep-2003	8 Purchasers	The McElvaine Investment Trust - Trust Units	1,185,192.00	65,968.00
09-Oct-2003	9 Purchasers	Unigold Inc. - Units	607,500.00	2,025,000.00
30-Sep-2003	5 Purchasers	Verb Exchange Inc. - Common Shares	57,600.00	205,714.00
07-Oct-2003	Credit Risk Advisors	Von Hoffman Corporation - Notes	355,063.00	1.00
30-Sep-2003	3 Purchasers	Wolfden Resources Inc. - Common Shares	243,750.00	65,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
01-Oct-2003	United Reef Limited	AXMIN Inc. – Common Shares	6,261.00	9,000.00
10-Oct-2003 17-Oct-2003	LH Enterprises Company Inc.	Crowflight Minerals Inc. - Common Shares	60,807.00	112,500.00
02-Oct-2003	Frank Davis	Pan-Global Ventures Ltd. - Common Shares	85,965.00	65,500.00
02-Oct-2003	LH Enterprises Company Inc.	Pan-Global Ventures Ltd. - Common Shares	48,270.00	35,500.00

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
Scanfield Holdings Limited	Arbor Memorial Services Inc. - Common Shares	28,864.00
Fallingbrook Management Inc.	Atlas Cromwell Ltd. - Common Shares	28,500,000.00
Pinetree Capital Corp.	Brownstone Resources Inc. - Common Shares	1,000,000.00
Jack Gin	Extreme CCTV Inc. - Common Shares	15,000.00
Xenolith Gold Limited	Kookaburra Resources Ltd. - Common Shares	74,247.00
Tom Drivas	Romios Gold Resources Inc. - Common Shares	500,000.00

REPORTS MADE UNDER SUBSECTION 2.7(1) OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES WITH RESPECT TO AN ISSUER THAT HAS CEASED TO BE A PRIVATE COMPANY OR PRIVATE ISSUER - FORM 45-102F1

Issuer	Date the Company Ceased to be a Private Company or Private Issuer
Mobile Computing Corporation	10/7/03

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Canadian General Investments, Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
$75,000,000
(3,000,000 shares)
4.65% Cumulative Redeemable Class A Preference Shares, Series 2
Price: $25.00 per Share to yield 4.65%
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Promoter(s):
-
Project #581366

Issuer Name:
Canadian National Railway Company
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 21, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
US$1,000,000,000
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #581879

Issuer Name:
Diversified Preferred Share Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 16, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
Maximum $ * (* Units)
Price: $25.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Promoter(s):
RBC Dominion Securities Inc.
Project #580959

Issuer Name:
Dynatec Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 15, 2003
Mutual Reliance Review System Receipt dated October 15, 2003
Offering Price and Description:
$50,000,000
40,000,000 Common Shares
Price: $1.25 per Common Share
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Salman Partners Inc.
Merrill Lynch Canada Inc.
Paradigm Capital Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #580403

Issuer Name:
Finning International Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
$500,000,000.00 - Debt Securities (unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #581043

Issuer Name:
Inter Pipeline Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
$81,000,000.00 - 12,000,000 Class A Units Price: $6.75 per Class A Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
First Associates Investments Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #581458

Issuer Name:
Ivanhoe Energy Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 14, 2003
Mutual Reliance Review System Receipt dated October 15, 2003
Offering Price and Description:
US$100,000,000
Common Shares
Preferred Shares
Warrants
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #580364

Issuer Name:
Kangaroo Capital Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary CPC Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
Minimum Offering: $700,000 or 4,666,666 Common Shares
Maximum Offering: $1,7 00,000 or 11,333,333 Common Shares
Price: $0.15 per common share
Underwriter(s) or Distributor(s):
Dlouhy Merchant Group Inc.
Promoter(s):
Bertin Castonguay
Normand Balthazard
Claude Roy
Project #581286

Issuer Name:
Keystone Templeton International Stock Capital Class
Keystone Registered Maximum Long-Term Growth Fund
Keystone Registered Long-Term Growth Fund
Keystone Registered Balanced Growth & Income Fund
Keystone Registered Conservative Income & Growth Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated October 20, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
Series A, F, G, I, O and R Securities
Underwriter(s) or Distributor(s):
Promoter(s):
Mackenzie Financial Corporation
Project #581504

Issuer Name:
Metanor Resources Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated October 16, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
Maximum Offering: $3,000,000 (* Units)
Minimum Offering: $2,000,000 (* Units)
Price: * per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Serge Roy
Project #581212

Issuer Name:
MFC Split Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 16, 2003
Mutual Reliance Review System Receipt dated October 16, 2003
Offering Price and Description:
$ * $ *
* Capital Shares * Preferred Shares
Price: $ * per Capital Share and $ * per Preferred Shares
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #580608

Issuer Name:
Nexen Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 16, 2003
Mutual Reliance Review System Receipt dated October 16, 2003
Offering Price and Description:
US $1,000,000,000
Senior Debt Securities
Subordinated Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #580692

Issuer Name:
Progress Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
$21,000,000
2,000,000 Common Shares
Price: $10.50 per Common Share
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Peters & Co. Limited
First Associates Investments Inc.
Griffiths McBurney & Partners
Orion Securities Inc.
Sprott Securities Inc.
Tristone Capital Inc.
Promoter(s):
-
Project #581591

Issuer Name:
Rider Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
$20,075,000.00 - 5,500,000 Common Shares Price: $3.65 per Common Share
Underwriter(s) or Distributor(s):
Tristone Capital Inc.
FirstEnergy Capital Corp.
Orion Securities Inc.
Peters & Co. Limited
Promoter(s):
-
Project #581194

Issuer Name:
Vasogen Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
US$100,000,000
Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #580968

Issuer Name:
ACUITY CANADIAN EQUITY FUND
ACUITY CLEAN ENVIRONMENT EQUITY FUND
ACUITY SOCIAL VALUES CANADIAN EQUITY FUND
ACUITY ALL CAP 30 CANADIAN EQUITY FUND
ACUITY CLEAN ENVIRONMENT SCIENCE AND TECHNOLOGY FUND
ACUITY GLOBAL EQUITY FUND
ACUITY CLEAN ENVIRONMENT GLOBAL EQUITY FUND
ACUITY SOCIAL VALUES GLOBAL EQUITY FUND
ACUITY G7 RSP EQUITY FUND
ACUITY CANADIAN BALANCED FUND
ACUITY CLEAN ENVIRONMENT BALANCED FUND
ACUITY GROWTH & INCOME FUND
ACUITY INCOME TRUST FUND
ACUITY HIGH INCOME FUND
ACUITY FIXED INCOME FUND
ACUITY MONEY MARKET FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated October 15, 2003
Mutual Reliance Review System Receipt dated October 16, 2003
Offering Price and Description:
Class A and F Units
Underwriter(s) or Distributor(s):
Clean Environment Mutual Funds Ltd.
Promoter(s):
Acuity Funds Ltd.
Project #573692

Issuer Name:
AGF Canadian Large Cap Dividend Fund (formerly, AGF Canadian Dividend Fund)
AGF Canadian Growth Equity Fund Limited
AGF Canadian Real Value Fund (formerly, AGF Canadian Value Fund)
AGF Canadian Small Cap Fund (formerly, AGF Canadian Aggressive™ All Cap Fund)
AGF Canadian Stock Fund
AGF Aggressive Global Stock Fund
AGF Aggressive Growth Fund
AGF Aggressive Japan Class
AGF American Growth Class
AGF Asian Growth Class
AGF Canada Class
AGF China Focus Class
AGF Emerging Markets Value Fund
AGF European Equity Class
AGF Germany Class
AGF Global Equity Class
AGF International Stock Class
AGF International Value Class
AGF International Value Fund
AGF Japan Class
AGF MultiManager Class
AGF RSP American Growth Fund
AGF RSP European Equity Fund
AGF RSP International Value Fund
AGF RSP Japan Fund
AGF RSP MultiManager Fund
AGF RSP World Companies Fund
AGF Special U.S. Class
AGF U.S. Value Class
AGF World Companies Fund
AGF World Opportunities Fund
AGF Canadian Resources Fund Limited
AGF Global Financial Services Class
AGF Global Health Sciences Class
AGF Global Real Estate Equity Class
AGF Global Resources Class
AGF Global Technology Class
AGF Precious Metals Fund
AGF Canadian Balanced Fund
AGF Canadian Real Value Allocation Fund (formerly AGF Canadian Tactical Asset Allocation Fund)
AGF RSP World Balanced Fund (formerly AGF RSP American Tactical Asset Allocation Fund)
AGF World Balanced Fund (formerly AGF American Tactical Asset Allocation Fund)
AGF Canadian Bond Fund
AGF Canadian Conservative Income Fund (formerly AGF Canadian High Income Fund)
AGF Canadian Money Market Fund
AGF Canadian Total Return Bond Fund
AGF Global Government Bond Fund
AGF Global Total Return Bond Fund
AGF RSP Global Bond Fund
AGF Short -Term Income Class
AGF U.S. Dollar Money Market Account
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectuses and Annual Information Forms dated October 6, 2003, amending and restating Simplified Prospectuses and Annual Information Forms dated March 28, 2003
Mutual Reliance Review System Receipt dated October 16, 2003
Offering Price and Description:
Offering Mutual Fund Series, Series D and Series F Securities
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
-
Project #515043

Issuer Name:
Cardiome Pharma Corp
Principal Regulator - British Columbia
Type and Date:
Amendment #1 dated October 20, 2003 to Short Form Prospectus dated September 15, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
$20,002,500 - 3,810,000 Common Shares @ $5.25 per Share
Underwriter(s) or Distributor(s):
Orion Securities Inc.
Sprott Securities Inc.
First Associates Investments Inc.
Raymond James Ltd.
Research Capital Corporation
Promoter(s):
-
Project #572368

Issuer Name:
CCS Income Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 21, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
$50,000,016
2,083,334 Trust Units
Price: $24.00 per Unit
Underwriter(s) or Distributor(s):
Raymond James Ltd.
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Sprott Securities Inc.
Lightyear Capital Inc.
Orion Securities Inc.
Promoter(s):
CCS Inc.
Project #580244

Issuer Name:
DFA U.S. Value Fund
DFA U.S. Small Cap Fund
DFA International Value Fund
DFA International Small Cap Fund
DFA Five-Year Global Fixed Income Fund
Principal Regulator - British Columbia
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated October 20, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Dimensional Fund Advisors Canada Inc.
Project #558990

Issuer Name:
DowSM 10 Strategy Trust
Pharmaceutical Trust
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated October 17, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
Series A and Series F Units
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Co.
Promoter(s):
First Defined Portfolio Management Co.
Project #566984

Issuer Name:
Fidelity Canadian Disciplined Equity Fund
Fidelity Canadian Growth Company Fund
Fidelity Canadian Large Cap Fund
Fidelity Canadian Opportunities Fund
Fidelity True North. Fund
Fidelity American Disciplined Equity™ Fund
Fidelity RSP American Disciplined Equity Fund
Fidelity American Opportunities Fund
Fidelity RSP American Opportunities Fund
Fidelity American Value Fund
Fidelity Growth America Fund
Fidelity RSP Growth America Fund
Fidelity Small Cap America Fund
Fidelity RSP Small Cap America Fund
Fidelity Emerging Markets Fund
Fidelity Europe Fund
Fidelity RSP Europe Fund
Fidelity Far East Fund
Fidelity RSP Far East Fund
Fidelity Global Disciplined Equity Fund
Fidelity RSP Global Disciplined Equity Fund
Fidelity Global Opportunities Fund
Fidelity RSP Global Opportunities Fund
Fidelity International Portfolio Fund

Fidelity RSP International Portfolio Fund
Fidelity Japan Fund
Fidelity RSP Japan Fund
Fidelity Latin America Fund
Fidelity NorthStar Fund
Fidelity RSP NorthStar Fund
Fidelity Overseas Fund
Fidelity RSP Overseas Fund
Fidelity Focus Consumer Industries Fund
Fidelity Focus Financial Services Fund
Fidelity RSP Focus Financial Services Fund
Fidelity Focus Health Care Fund
Fidelity RSP Focus Health Care Fund
Fidelity Focus Natural Resources Fund
Fidelity Focus Technology Fund
Fidelity RSP Focus Technology Fund
Fidelity Focus Telecommunications Fund
Fidelity RSP Focus Telecommunications Fund
Fidelity Canadian Asset Allocation Fund
Fidelity Global Asset Allocation Fund
Fidelity RSP Global Asset Allocation Fund
Fidelity Canadian Balanced Fund
Fidelity Diversified Income Fund
Fidelity Canadian Bond Fund
Fidelity Canadian Short Term Bond Fund
Fidelity Canadian Money Market Fund
Fidelity American High Yield Fund
Fidelity U.S. Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated October 15, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
Series A, F, O and T Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #565650

Issuer Name:
Global (GMPC) Holdings Inc
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 14, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Dlouhy Merchant Group Inc.
Promoter(s):
Gordon D. Ewart
Project #570208

Issuer Name:
Investors Global Natural Resources Class
Investors Global Infrastructure Class
Investors Global Consumer Companies Class
Managed Yield Class
Investors Mergers & Acquisitions Class
Investors Global e.Commerce Class
Investors Global Health Care Class
Investors Global Science & Technology Class
Investors Global Financial Services Class
IG Mackenzie Universal Emerging Markets Class
IG Mackenzie Ivy European Class
IG AGF Asian Growth Class
Investors Latin American Growth Class
Investors Pan Asian Growth Class
Investors European Mid-Cap Growth Class
Investors European Growth Class
Investors Japanese Growth Class
Investors Pacific International Class
Investors North American Growth Class
IG Mackenzie Ivy Foreign Equity Class
IG AGF International Equity Class
IG FI Global Equity Class
IG Templeton International Equity Class
Investors International Small Cap Class
Investors Global Class
IG Goldman Sachs U.S. Equity Class
IG Mackenzie Universal U.S. Growth Leaders Class
IG AGF U.S. Growth Class
IG FI U.S. Equity Class
Investors U.S. Small Cap Class
Investors U.S. Opportunities Class
Investors U.S. Large Cap Growth Class
Investors U.S. Large Cap Value Class
IG Mackenzie Select Managers Canada Class
IG AGF Canadian Growth Class
IG AGF Canadian Diversified Growth Class
IG FI Canadian Equity Class
IG Sceptre Canadian Equity Class
IG Beutel Goodman Canadian Equity Class
Investors Canadian Small Cap Class
Investors Canadian Small Cap Growth Class
Investors Quebec Enterprise Class
Investors Summa Class
Investors Canadian Enterprise Class
Investors Canadian Large Cap Value Class
Investors Canadian Equity Class
Principal Regulator - Manitoba
Type and Date:
Final Simplified Prospectuses and Annual Information Forms dated October 16, 2003
Mutual Reliance Review System Receipt dated October 21, 2003
Offering Price and Description:
Series A and B Shares
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Groupe Financial Services Inc.
Les Services Investors Limitee
Promoter(s):
-
Project #573287

Issuer Name:
MultiPartners Balanced Growth RSP Portfolio (Formerly Cartier Tactical Asset Allocation Fund)
Principal Regulator - Quebec
Type and Date:
Amendment #1 dated October 8, 2003 to Simplified Prospectus and Annual Information Form dated March 5, 2003
Mutual Reliance Review System Receipt dated October 16, 2003
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Cartier Partners Securities Inc.
Desjardins Trust Investment Services Inc.
Promoter(s):
Cartier Mutual Funds Inc.
Project #509530

Issuer Name:
Northwest Canadian Equity Fund (formerly Northwest Growth Fund) (Series A units and Series F units)
Northwest Money Market Fund (Series A units)
Northwest Balanced Fund (Series A units and Series F units)
Northwest Foreign Equity Fund (formerly Northwest International Fund) (Series A units and Series F units)
Northwest RSP Foreign Equity Fund (formerly Northwest RSP International Fund) (Series A units)
Northwest Specialty High Yield Bond Fund (Series A units)
Northwest Specialty Equity Fund (Series A units)
Northwest Specialty Innovations Fund (Series A units)
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated October 10, 2003 to Simplified Prospectuses and Annual Information Forms dated April 11, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
Northwest Mutual Funds Inc.
Promoter(s):
Northwest Mutual Funds Inc.
Project #520254

Issuer Name:
SCITI Trust II
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
Maximum $150,000,000 (15,000,000 Trust Units @ $10 per Trust Unit)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
TD Securities Inc.
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Promoter(s):
Scotia Capital Inc.
Project #572992

Issuer Name:
Transborder Capital Inc.
Principal Regulator - Alberta
Type and Date:
Amendment #1 dated October 9, 2003 to CPC Prospectus dated June 23, 2003
Mutual Reliance Review System Receipt dated October 14, 2003
Offering Price and Description:
$450,000,000 - 1,500,000 Common Shares
Price: $0.30 per Common Share
Underwriter(s) or Distributor(s):
Northern Securities Inc.
Promoter(s):
Richard W. DeVries
Byron M. Takaoka
Raymond P. Mack
Ralph G. Zielsdorf
Project #519369

Issuer Name:
The Thomson Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 20, 2003
Offering Price and Description:
US$2,000,000,000.00 - Debt Securities (unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #577465

Issuer Name:
Versacold Income Fund
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated October 17, 2003
Mutual Reliance Review System Receipt dated October 17, 2003
Offering Price and Description:
$40,000,000
8.50% Extendible Convertible Unsecured Subordinated Debentures
Price : $1000 per Debenture
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Raymond James Ltd.
Promoter(s):
-
Project #579664

Issuer Name:
Westcoast Energy Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Shelf Prospectus dated October 14, 2003
Mutual Reliance Review System Receipt dated October 15, 2003
Offering Price and Description:
$500,000,000
Debt Securities Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #565493

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	C. Morgan Investment Counselling Inc. Attention L. Clive Morgan 130 Bloor Street Suite 600 Toronto, ON, M5S 3A6	Investment Counsel 7 Portfolio Manager	Oct 16/03
New Registration	Lazard Canada Corporation Attention: Evan William Siddall 1501 McGill College Avenue Suite 1610 Montreal, QC, H3A 3M8	Investment Dealer/Equities	Oct 20/03
New Registration	James Edward Capital Corporation Attention: Patrick James Power 739B Ridgewood Avenue Suite 204 Ottawa, ON, K1V 6M8	Limited Market Dealer	Oct 20/03
New Registration	PTM Capital Inc. Attention: Peter Thomas McGrath 3089 Bathurst Street Suite 310 Toronto, ON, M6A 2A3	Limited Market Dealer	Oct 17/03

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Policy 11 Analyst Standards

INVESTMENT DEALERS ASSOCIATION OF CANADA

ANALYST STANDARDS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By adding new Policy No. 11 as follows:

Policy No. 11

~~Analyst Disclosure Requirements~~ Research Restrictions and Disclosure Requirements

Introduction

This Policy establishes requirements that analysts must follow when publishing research reports or making recommendations. These requirements represent the minimum procedural requirements that Members must have in place to minimize potential conflicts of interest. The Disclosure required under Policy No. 11 must be clear, comprehensive and prominent. Boilerplate disclosure is not sufficient.

These requirements are based on the recommendations of the Securities Industry Committee on Analyst Standards with input from both industry and non-industry groups.

Definitions

“advisory capacity” means providing advice to an issuer in return for remuneration, other than advice with respect to trading and related services.

“analyst” means any partner, director, officer, employee or agent of a Member who is held out to the public as an analyst or whose responsibilities to the Member include the preparation of any written report for distribution to clients or prospective clients of the Member which includes a recommendation with respect to a security.

"equity related security" means a security whose performance is based on the performance of an underlying equity security or a basket of income producing assets. Securities classified as an equity related security include, without limitation, convertible securities and income trust units.

“investment banking service” includes, without limitation, acting as an underwriter in an offering for the issuer; acting as a financial adviser in a merger or acquisition; providing venture capital, lines of credit, or serving as a placement agent for the issuer.

"research report" means any written or electronic communication that the Member has distributed or will distribute to its clients or the general public, which contains an analyst's recommendation concerning the purchase, sale or holding of a security (but shall exclude all government debt and government guaranteed debt).

“remuneration” means any good, service or other benefit, monetary or otherwise, that could be provided to or received by an analyst.

“supervisory analyst” means an officer of the Member designated as being responsible for research.

Requirements

1. Each Member shall have written conflict of interest policies and procedures, in order to minimize conflicts faced by analysts. All such policies must be approved by and filed with the Association.

2. Each Member shall prominently disclose in any research report:

   (a) any information regarding its, or its analyst's business with or relationship with any issuer which is the subject of the report which might reasonably be expected to indicate a potential conflict of interest on the part of the Member or the analyst in making a recommendation with regard to the issuer. Such information includes, but is not limited to:

      (i) whether, as of the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month, the Member and its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities,

      (ii) whether the analyst or any associate of the analyst responsible for the report or recommendation or any individuals directly involved in the preparation of the report

hold or are short any of the issuer's securities directly or through derivatives,

(iii) whether any partner, director or officer of a Member or any analyst involved in the preparation of a report on the issuer has, during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trade execution services~~,~~

(iv) whether the Member firm has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation,

(v) the name of any partner, director, officer, employee or agent of the Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer, and

(vi) whether the Member is making a market in an~~the~~ equity or equity related security of the subject issuer.

(b) the Member's system for rating investment opportunities and how each recommendation fits within the system and shall disclose on their websites or otherwise, quarterly, the percentage of its recommendations that fall into each category of their recommended terminology; and

(c) its policies and procedures regarding the dissemination of research.

A Member shall comply with subsections (b) and (c) by disclosing such information in the report or by disclosing in the report where such information can be obtained.

3. Where an employee of a Member makes a public comment (which shall include an interview) about the merits of an issuer or its securities, a reference must be made to the existence of any relevant research report issued by the Member containing the disclosure as required above, if one exists, or it must be disclosed that such a report does not exist.

4. Where a Member distributes a research report prepared by an independent third party to its clients under the third party name, the Member must disclose any items which would be required to be disclosed under requirement 2 of Policy No. 11 had the report been issued in the Member's name. This requirement does not apply to research reports issued by Members of the National Association of Securities Dealers ("NASD") or issued by persons governed by other regulators approved by the Investment Dealers Association, and does not apply if the Member simply provides to clients access to the independent third party research reports or provides independent third party research at the request of clients. However, where this requirement does not apply, Members must disclose that such~~the~~ research ~~report~~ is not prepared subject to Canadian disclosure requirements. ~~required under Policy No. 11.~~

5. No Member shall issue a research report prepared by an analyst if the analyst or any associate of the analyst serves as an officer, director or employee of the issuer or serves in any advisory capacity to the issuer.

6. Any Member that distributes research reports to clients or prospective clients in its own name must disclose its research dissemination policies and procedures on its website or by other means.

7. Each Member who distributes research reports to clients or prospective clients shall have policies and procedures reasonably designed to prohibit any trading by its partners, directors, officers, employees or agents resulting in an increase, a decrease, or liquidation of a position in a listed security, or a derivative instrument based principally on a listed or quoted security, with knowledge of or in anticipation of the distribution of a research report, a new recommendation or a change in a recommendation relating to a security that could reasonably be expected to have an effect on the price of the security.

8. No individual directly involved in the preparation of the report can effect a trade in a security of an issuer, or a derivative instrument whose value depends principally on the value of a security of an issuer, regarding which the analyst has an outstanding recommendation for a period of 30 calendar days before and 5 calendar days after issuance of the research report, unless that individual receives the previous written approval of a designated partner, officer or director of the Member. No approval may be given to allow an analyst or any individual involved in the preparation of the report to make a trade that is contrary to the analyst's current recommendation, unless special circumstances exist.

9. Members must disclose in research reports if in the previous 12 months the analyst responsible for

preparing the report received compensation based upon the Member's investment banking revenues.

10. No Member may pay any bonus, salary or other form of compensation to an analyst that is directly based upon one or more specific investment banking services transactions.

11. Each Member shall have policies and procedures in place reasonably to prevent recommendations in research reports from being influenced by the investment- banking department or the issuer. Such policies and procedures shall, at minimum:

    (i) prohibit any requirement for approval of research reports by the investment banking department;

    (ii) limit comments from the investment banking department on research reports to correction of factual errors;

    (iii) prevent the investment banking department from receiving advance notice of ratings or rating changes on covered companies; and

    (iv) establish systems to control and keep records of the flow of information between analysts and investment banking departments regarding issuers that are the subject of current or prospective research reports.

12. No Member may directly or indirectly offer favorable research, a specific rating or a specific price target, a delay in changing a rating or price target or threaten to change research, a rating or a price target of an issuer as consideration or inducement for the receipt of business or compensation from an issuer.

13. Members must disclose in research reports if and to what extent an analyst has viewed the material operations of an issuer. Members must also disclose where there has been a payment or reimbursement by the issuer of the analyst's travel expenses for such visit.

14. No Member may issue a research report for an equity or equity related security regarding an issuer for which the Member acted as manager or co-manager of

    (i) an initial public offering ~~for~~of equity or equity related securities, for 40 calendar days following the date of the offering; or

    (ii) a secondary offering ~~for~~of equity or equity related securities, for 10 calendar days following the date of the offering;

    but requirement 14(i) and (ii) do not prevent a Member from issuing a research report concerning the effects of significant news about or a significant event affecting the issuer within the applicable 40 or 10 day period.

14.1. Requirement 14 does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization in securities legislation or in the Universal Market Integrity Rules.

15. When a Member distributes a research report covering six or more issuers, such a report may indicate where the disclosures required under Policy No. 11 may be found.

16. Members must issue notice of their intention to suspend or discontinue coverage of an issuer. However, no issuance is required when the sole reason for the suspension is that an issuer has been placed on a Member's restricted list.

17. Members must obtain an annual certification from the head of the research department and chief executive officer which states that their analysts are familiar with and have complied with the AIMR Code of Ethics and Standards of Professional Conduct whether they are members of AIMR or not.

18. Where a supervisory analyst of a Member serves as an officer or director of an issuer, then the Member must not provide research on the issuer.

19. Members must pre-approve analysts outside business activities.

20. Where Members set price targets as recommended under guideline 4, Members must disclose the valuation methods used.

Guidelines

In addition to the above requirements, when establishing policies and procedures as referred to under requirement 1 of Policy No. 11, Members must comply with the following best practices, where practicable:

1. Members should distinguish clearly in each research report between information provided by the issuer or obtained elsewhere and the analyst's own assumptions and opinions.

2. Members should disclose in their research reports and recommendations reliance by the analyst upon any report or study by third party experts other than the analyst responsible for the report. Where there is such reliance, the name of the third party experts should be disclosed.

3. Members should adopt standards of research coverage that include, at a minimum, the

obligation to maintain and publish current financial estimates and recommendations on securities followed, and to revisit such estimates and recommendations within a reasonable time following the release of material information by an issuer or the occurrence of other relevant events.

4. Members should set price targets for recommended transactions, where practicable, and with the appropriate disclosure.

5. Members should use specific securities terminology in research reports where required to do so by Securities Legislation. Where such terminology is not required, Members should use the specific technical terminology that is required by the relevant industry, professional association or regulatory authority or in the absence of required terminology use technical terminology that is customarily in use. Where necessary, for full understanding, a glossary should be included.

6. A Member should make its research reports widely available through its websites or by other means for all of its clients whom the Member has determined are entitled to receive such research reports at the same time.

7. Where feasible by virtue of the number of analysts, Members should appoint one or more supervisory analyst or head of research to be responsible for reviewing and approving research reports as required under By-law 29.7, who should be a partner, director or officer of the Member and should have the CFA designation or other appropriate qualifications. Members may have more than one supervisory analyst where necessary.

8. Members should require their analyst employees to obtain the Chartered Financial Analyst designation or other appropriate qualifications.

9. Members should require that the head of the research department, or in small firms where there is no head then the analyst or analysts report to a senior officer or partner who is not the head of the investment banking department. However, no policies or procedures will be approved under requirement 1 unless the Association is satisfied that they address the relationship between the investment- banking department and research department.

PASSED AND ENACTED BY THE Board of Directors this 22nd day of June 2003, to be effective on a date to be determined by Association staff.

IDA'S RESPONSES TO ALL THE COMMENTS RECEIVED TO DATE ON PROPOSED POLICY NO. 11.

On August 8, 2002 the Investment Dealers Association of Canada (IDA) republished for comment Policy No. 11 with respect to Analyst Standards.

One comment was received from CIBC World Markets Inc., Merrill Lynch Canada Inc., National Bank Financial Inc. RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Credit Suisse First Boston Canada Inc., Goldman Sachs Canada Inc., Morgan Stanley Canada Limited, Scotia Capital Inc. and TD Securities Inc., collectively (the "Dealers").

SUMMARY OF WRITTEN COMMENTS RECEIVED ON THE PROPOSED REGULATION

Definition of Research Report

Comment

The Dealers submit that the scope of the term "research report" is broad and could be interpreted to include sales and trading communications, market analysis, sector reports etc…

Response

A Notice will be issued upon implementation of Policy No. 11 which will clarify that certain types of research will be excluded from the definition. Market analyses, market index and sector reports will not be included in the definition however, sales and trading communications containing an analyst's recommendation will be included.

The Association is not in favour of amending the definition of research report to include the requirement as suggested by the Dealers that for something to be considered a research report it must not only contain a recommendation but it must also be supported by an analysis of the issuer and /or security, so that sales and trading communications would not fall under the definition. It is the position of the Association that if sales and trading communications were to be excluded, bits and pieces of a report including the analyst's recommendation could be sent out to clients without disclosing the potential conflicts that must be disclosed in the report. As such we do not intend to make this amendment.

The Association staff believes that it is clear from the Policy that sales and marketing material that do not make reference to an analyst's recommendation are not covered. We will also clarify in the Notice that the phrase in the definition of analyst "responsible to the Member" means those that are employed as analysts, whatever their title, and not those employed as registered representatives who may happen to produce their own reports and recommendations that are similar to research reports. Such communications from registered representatives are governed by IDA By-law 29.7.

Meaning of "Recommendation" for Fixed Income Research

Comment

The Dealers are concerned that the provision of data for fixed income securities (such as coupon rate, term, par amount, weight in indices, debt ratings issued by third party agencies etc...) for which the analyst has no influence will not by itself constitute a recommendation for the purposes of the definition of research report and would like this clarified in the Notice.

Response

The Association agrees that the terms as stated above are "facts" and as such are not to be considered recommendations. The Association understands that the fixed income market uses different terms then in the equities market but where something is stated that can be held to be an implied recommendation it will be held to be a recommendation. For instance if the report were to state that something is favorable or under priced it would be considered a recommendation.

Disclosure of Equity Holdings in Fixed Income Research - Requirement 2(a)(i)

Comment

The issue relates to clarification that the equity ownership with respect to a particular issuer does not need to be included in fixed income research reports.

Response

The requirement is meant to apply to both fixed income and equity research reports. However, Members are only required to disclose when they hit the 1% threshold with respect to equity securities under 2(a)(i).

Individuals Involved In the Preparation of the Report

Comment

The Dealers would like clarification as to who is caught by the phrase "individual involved in the preparation of the report." They also state that they do not think Requirement 2(a)(ii) should require disclosure of the holdings of directors of research or supervisory analysts in the issuers that are the subject of research reports as this would be difficult to track.

Response

The Association will be clarifying in a Notice that this is not meant to catch administrative or clerical staff who are peripherally involved in the preparation of the report and only includes those who are involved in preparing the substance of the report. With respect to the second issue, it is the view of the Association that such disclosure is required as if those individuals pose a conflict or potential conflict they should be required to disclose.

Trading Prohibitions for Fixed Income Research Analysts

Comment

Research analysts in the corporate debt research market often publish analysis covering multiple bonds and issuers, which is distributed on a regular basis. The analysis does not make recommendations with respect to particular securities but could be interpreted as making recommendations with respect to certain classes of issuers or sectors of the market. Requirement 8 could have an unintended consequence if the analysis were considered to be a research report. If the analysis were published monthly and issuers appeared in successive publications the black-out periods in Requirement 8 would overlap resulting in a continuous blanket prohibition on all such issuers.

The Dealers recommend that this apply to security-specific recommendations and not to sector or class recommendations.

Response

The Association agrees with the comment and we intend to clarify in a Notice that Requirement 8 only applies to security-specific recommendations not to sector or class recommendations.

Services Provided for Remuneration 2(a)(iii)

Comment

The Dealers want clarification in the Notice that the obligation in Requirement 2(a)(iii) to disclose whether a partner, director, officer or analyst has provided services to an issuer refers to services provided in their personal capacity, such as fees for acting as a director, and does not refer to services provided on behalf of a Member.

Response

It is the position of the Association that disclosure is required whether they receive fees for services acting on behalf of the Member or for services provided in their personal capacity. However we would not require disclosure if it would be duplicated with Requirement 2(a)(iv). We will also clarify in the Policy that this does not include normal course investment advisory or trade execution services, as the Association agrees that an issuer having an account at a Member through which to conduct its own trading activities would not be relevant.

Meaning of Making a Market

Comment

The issue is that investment dealers trading in the fixed income market hold inventories of the fixed income securities they trade and publish prices for selected securities at which they will buy or sell those securities. In that sense, all investment dealers could be said to be

market makers in all fixed income securities they trade. It was suggested that the Notice state that for the purposes of 2(a)(vi) making a market means making a market in equity securities, or in the alternative confirmation that a standard form of disclosure will satisfy the requirements or alternatively that the obligation to disclosure only applies to registered traders, or dealers otherwise registered with an exchange as a market maker or equivalent.

The Dealers have also asked for confirmation that disclosure relating to equity securities is not required in fixed income research and vice versa.

Response

We will clarify in both the Policy and the Notice that this requirement applies only to market making in any equity or equity related security of the issuer.

With respect to the second issue, Requirement 2 states that "Each Member shall prominently disclose in any research report," and as such it is the position of the Association that disclosure relating to equity securities is required in fixed income research and vice versa where applicable.

Dissemination Policies

Comment

The Dealers state that fixed income research is not disseminated according to a policy in the way that equity research is because fixed income investors are almost exclusively institutional and as such Requirement 2(C) does not make sense if applied to fixed income research. The Dealers also want clarification as to what needs to be disclosed.

Response

The Association does not agree as this argument can be made for every disclosure requirement (that it almost exclusively goes to institutional investors). We have rejected that in the past stating that in some cases there are retail investors and as such believe this should continue to apply. With respect to what needs to be disclosed we agree with the Dealers and agree that this can be included in the Notice with respect to what information needs to be disclosed (i) to whom its research is available (e.g. clients only); (ii) how research is disseminated (e.g. electronically and/or in printed form); and (iii) whether all recipients receive the research at the same time.

System for Rating Investments

Comment

The Dealers state that this requirement does not work for fixed income, as they do not have the same rating system for fixed income securities as they do for equity securities.

Response

The Requirement does not require the same rating system be used for fixed income and equity securities. The fixed income market may have a different rating system which will be acceptable to the Association and as such will be required to disclose the consistent type of system that they use in the fixed income world.

Public Commentary

Comment

The Dealers think that this should only apply to analyst instead of all employees. Furthermore, they would like public comment defined in the Notice and would like clarification of the standard to which they must disclosure.

Response

It was a decision of the board of directors that this Requirement should apply to all employees as they felt that Members should control who speaks for the firm and expressed reservations about permitting any employee, especially those unfamiliar with the firm's research or conflicts of interest, from providing public comments.

It is the intention of the Association to define public comment in the Notice that will accompany the Policy and our definition will state "any comment made while participating in a seminar, public forum (including an interactive electronic forum), radio, television, interview or other public speaking activity or the writing of a print media article in which an employee comments about an issue."

Furthermore, it is the position of the Association that as long as reasonable efforts are made to disclose the existence of the report this will be an acceptable standard.

Third Party Research

Comment

The Dealers believe that an exemption should apply whenever independent third party research is provided by a Member without endorsement or further comment. The Dealers would also like confirmation that the exemptions stated apply to both print and electronic reports. The Dealers question the utility of disclosing that a report is not in compliance with Policy No. 11.

Response

The intent of the requirement is to deal with the possibility of a Member purchasing third party research from another party that does not have the appropriate conflict disclosure requirements. In that case there is a greater risk that a Member will select research relating to an issue in which the Member has an interest which would not be disclosed absent the requirement. This provision in no way implies that there was cooperation in the preparation of the report but should be disclosed as to remove the suspicion that any such cooperation did exist.

We continue to believe that 3rd party research reports provided by the Member should have Policy No. 11 standard disclosure however, we agree that such disclosure is not required on 3rd party research that the Member merely provide access to. We do not agree that disclosure should be excluded where the research is provided without endorsement as the information still could have been pushed out to clients and as such should contain disclosure.

The disclosure would apply equally to both print and electronic reports. With respect to the issue of disclosing that a report is not in compliance with Policy No. 11 we have amended the wording and intend to retain this provision. However, the provision is intended to permit generic disclosure where it will come to the client's attention, for example on a web page in which such reports are accessed, rather than requiring a separate disclosure on each report.

Revenue Based Compensation

Comment

The Dealers ask for confirmation in a Notice that the obligation in Requirement 9 to disclose whether an analyst has received compensation based on a Member's investment banking revenues does not apply where an analyst receives compensation which is based on a Member's total revenues from all operations, including investment banking.

Response

The Association shall clarify this in a Notice.

Analyst's Site Visits

Comment

An analyst is required to disclosure if they have viewed the material operations of an issuer and whether the issuer made any payments in respect of travel expenses related to such visit. The Dealers feel this should only apply if the visit was made by an analyst in connection with the preparation of a research report.

Response

It is the position of the Association that it would be impossible to determine whether a later research report was not based at least in part on information obtained during such a junket, nor can the Association foresee the likelihood of such a visit being made without the prospect of the information obtained being used in a research report. The Association will therefore not make the requested change.

Quiet Periods

Comment

The Dealers request that the requirement be clarified to specify that the restrictions do not apply in respect of offerings of fixed income securities.

Response

The Association has amended Requirement 14 in the Policy.

Coverage

Comment

Requirement 16 and Guideline 3 - the Dealers state that neither the obligation to publish a notice to discontinue coverage nor the research coverage standards in Guideline 3 have application to fixed income reports.

Response

The Association does not believe an amendment is required, as these provisions will simply have no application to fixed income securities if not applicable. For instance, the Dealers state that an analyst may only issue one report on a particular issuer with no intention of continued coverage. As such it may appear they discontinued coverage but really they have not. The Association is of the opinion that they would not then be in violation of the requirement. Furthermore, if they cannot comply with a guideline they just need to explain why it is not practicable to comply and they would not be in violation.

Implementation

Comment

The Dealers would like Policy No. 11 to be phased in with final implementation of all requirements at least 180 days after final Policy is published.

Response

If Members can provide a justification for delaying implementation of specific requirements under the Policy, we would be happy to address those concerns. Otherwise it is the intention of the Association to have the Policy become effective immediately upon approval by the Commissions.

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Chapter 25

Other Information

25.1 Exemptions

25.1.1 Scotia Schools Trust - s. 6.1 of OSC Rule 13-502

Headnote

Calculation of fees payable by Trust under OSC Rule 13-502 modified, subject to conditions. Trust created to issue financing bonds for construction of schools.

Statutes Cited

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

Rules Cited

Ontario Securities Commission Rule 13-502 – Fees, ss. 2.2, 2.7, 6.1.

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

AND

ONTARIO SECURITIES COMMISSION
RULE 13-502 FEES
(the "Fee Rule")

AND

IN THE MATTER OF
SCOTIA SCHOOLS TRUST

EXEMPTION
(Section 6.1 of the Fee Rule)

UPON the Director having received an application (the "Application") from Scotia Schools Trust (the "Trust") on its own behalf seeking a Decision pursuant to section 6.1 of the Fee Rule exempting the Trust from paying a participation fee on the basis of the Trust being a Class 2 Reporting Issuer;

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

AND UPON the Trust having represented to the Director as follows:

1. The Trust is an unincorporated trust created on February 27, 1999, by a Trust Indenture, with its trustee being Scotia Schools Inc., a body corporate under the laws of the Province of Nova Scotia;

2. The Trust was created in consequence of a development agreement signed in November of 1998 between the Province of Nova Scotia and a consortium then called the Municipal-Armoyan P3 Consortium Incorporated to effect the public and educational purpose of design, financing, planning, engineering, construction, equipping, commissioning and ownership of thirteen new public schools in the Province of Nova Scotia, called Learning Centres, and a subsequent decision in March of 1999 to effect construction financing of these thirteen Learning Centres by means of bond financing;

3. The Trust was created to issue the construction financing bonds, and in May of 1999 the Trust created and sold $70,000,000 in Series "A" Bonds (40% sold in Ontario) and in November of 1999 it created and sold a further $40,500,000 in Series "B" Bonds, (46.25 % sold in Ontario) with a total of 42.085% of the $110,500,000 in issued bonds, or $46,500,000, being sold in Ontario;

4. The schools built were thereafter leased to the Trust and then sub-leased by the Trust to the Province of Nova Scotia over a term of twenty years, thereby generating the cash flow to retire the bond indebtedness;

5. The sub-lease structure involves fixed commitments and obligations between the Trust and Her Majesty the Queen in Right of the Province of Nova Scotia as represented by the Minister of Education and as authorized as Minister and pursuant to Orders-in Council 1998-590 and 1999-110;

6. The Trust filed a Prospectus in May of 1999 preparatory to its initial Bond issue being sold, and a Second Prospectus in November of 1999 preparatory to the second Bond issue being sold, thereby becoming a "reporting issuer" under and pursuant to the Ontario Securities Act and the other Securities Acts in Canada pursuant to which either or both the May or November Prospectus was filed;

7. The Trust is not on any list of reporting issuers in default under any of the Provinces or Territories of Canada in which the Trust is a reporting issuer;

8. The Trust has no current intention of accessing the capital markets in Ontario, or other parts of

Canada, in the future by issuing any further securities to the public;

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

IT IS THE DECISION OF THE DIRECTOR, pursuant to section 6.1 of the Fee Rule, that the Trust is exempt from the requirement in section 2.2 of the Fee Rule to pay a participation fee as a Class 2 reporting issuer for each of its financial years, provided that the Trust pays a participation fee based on having a section 2.7 capitalization as a Class 3 reporting issuer, for each of its financial years, for so long as:

(a) the Trust is a reporting issuer in Ontario, and

(b) the Trust does not issue any further securities or participate in the capital markets of Ontario.

October 14, 2003.

“Iva Vranic”

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