The Ontario Securities Commission

OSC Bulletin

November 28, 2003

Volume 26, Issue 48

(2003), 26 OSCB

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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Published under the authority of the Commission by:
Carswell
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Toronto, Ontario
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The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of $549 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $20 per copy as long as supplies are available.

ISSN 0226-9325

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1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

NOVEMBER 28, 2003

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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20 Queen Street West
Toronto, Ontario
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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

SCHEDULED OSC HEARINGS

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
December 1 to 5, 2003	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.**
10:00 a.m.	s. 127
	Y. Chisholm in attendance for Staff
	Panel: HLM/ST
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 Minister of Finance Approval of Amendments to OSC Rule 13-502 Fees, Forms 13-502F1, 13-502F2, 13-502F3 and 13-502F4, and Companion Policy 13-502CP

NOTICE OF MINISTER OF FINANCE APPROVAL OF AMENDMENTS TO OSC RULE 13-502 FEES, FORMS 13-502F1, 13-502F2, 13-502F3 AND 13-502F4, AND COMPANION POLICY 13-502CP

On November 17, 2003, the Minister of Finance approved the amendments to Rule 13-502 Fees, including Forms 13-502F1, 13-502F2, 13-502F3 and 13-502F4, as a rule under the Act (the "Rule") and approved the amendments to Companion Policy 13-502CP (the "Companion Policy").

The amendments to the Rule and the Companion Policy come into force on December 1, 2003. The amendments to the Rule and the Companion Policy are published in Chapter 5 of the Bulletin. In addition, a combined version of the original Rule, Forms and Companion Policy incorporating the approved amendments are published in Chapter 5 of the bulletin for the user's reference. The amendments to the Rule and the Companion Policy will be published in The Ontario Gazette on November 29, 2003.

ONTARIO SECURITIES COMMISSION STAFF NOTICE
FREQUENTLY ASKED QUESTIONS
ONTARIO SECURITIES COMMISSION RULE 13-502

Frequently Asked Questions

As is often the case with the introduction of a new or revised rule, users of the rule may find that they have questions regarding its application and interpretation. Therefore, to assist those users, we have compiled a list of frequently asked questions ("FAQs") which, while not exhaustive, represent the types of inquiries we have received to date.

We have divided the FAQs into the following categories:

A. Participation Fees

B. Activity Fees

C. Forms

D. Filing on SEDAR

A. Participation Fees

Corporate Finance Participation Fees

1. Is an investment fund that is not a reporting issuer and which does not have an investment fund manager subject to the corporate finance participation fees?

No. Corporate finance participation fees apply only to reporting issuers.

2. My company is a reporting issuer that is a subsidiary entity that is exempt from paying fees under section 2.2(2) of Rule 13-502. How do I communicate this exemption, so that my company does not end up in default?

Each year the company should complete the calculations required in Part 2 to verify that the company has in fact more than 90 percent of both net assets and gross revenues of the parent. These calculations should be submitted on SEDAR in place of Form 13-502F1 using document type 13-502F1. This filing is due to the commission at the same time Form 13-502F1 would otherwise have been due. See Appendix A for an example of the calculations to be filed.

3. My company is a Class 2 reporting issuer and has a net deficit at the end of the financial year. How do I calculate my participation fee?

As instructed in section 2.6, include the deficit in the calculation.

New Reporting Issuer

4. My company became a reporting issuer this year by virtue of listing on the TSX. How do I determine my market capitalization under section 2.8(4)(a)(i)?

When calculating the market capitalization under Part 2.5, as there will be no average closing price for the preceding months, the closing price on the day of listing should be used as the price in section 2.5(a)(ii). The company should continue with the remaining parts of the calculation under section 2.5 as prescribed.

5. My company became a new reporting issuer in the period between its year-end and the time when its financial statements were due. The company paid a participation fee at the time it became a reporting issuer. What fee do we owe when we file our annual financial statements?

There is no further obligation at the time the annual financial statements are filed, as you will have submitted all applicable fees at the time the company became a reporting issuer.

Capital Markets Participation Fees

1. Our firm will pay a capital markets participation fee at the time of renewal of our registration. Will we also pay a fee for each individual registered?

Rule 13-502 changes the basis on which registrants pay for their participation in Ontario's capital markets. The number of registered individuals associated with a firm no longer has any bearing on the registration renewal fee payable to the OSC. The fees for capital markets participants are now based on the revenue generated by the company's operations in Ontario (specified Ontario revenues), as determined using the company's financial statements to complete Form 13-502F3.

2. When the Commodity Futures Act Fee Rule 13-503 is in effect, will my registrant firm still have to pay an annual fee based on the number of individuals employed by the firm?

No. The annual participation fee is based on the registrant firm's specified Ontario revenues. Please refer to Part 2 of Rule 13-503 for further details.

3. Since our firm will pay a capital markets participation fee in advance for the next year (2004) and our year end is March 31, should we use the financial information from the year ended March 31, 2003 or do a good faith estimate for the year ending March 31, 2004?

Although the fee is payable for the calendar year 2004, information from your financial statements for the year ended in 2003 should be used to prepare the Form 13-502F3. Unless financial statements are not available by the required filing date, December 1, a good faith estimate would not be done.

4. If our firm pays capital markets participation fees under Rule 13-502, and it is also registered under

the Commodity Futures Act ("CFA"), do we pay fees under both the CFA fees Rule 13-503 and Rule 13-502?

No. Only one participation fee is required to be paid by a firm registered under both Acts. The definition of "capital markets activities" has now been amended to include activities for which registration under the CFA or an exemption from registration under the CFA is required. Firms that are registered under both acts will only pay a capital markets participation fee under Rule 13-502. More information can be found in the amended Companion Policy to Rule 13-502 and section 2.8 of Rule 13-503.

5. How are firms required to make payment of the capital markets participation fee?

Form 13-502F3 and related documents for registration renewal (director's resolution, renewal application form) should be filed in paper. They may be mailed, faxed or e-mailed to the OSC (fax #416-593-8283, e-mail to renewal@osc.gov.on.ca). The information will be entered by OSC staff into the NRD system and payment will be taken from your NRD bank account on December 31. Further information can be found in OSC Staff Notice 33-722 "Registration Renewal Procedure and Payment of Annual Participation Fees", published in the October 15, 2003 OSC Bulletin and also available on the OSC website.

B. Activity Fees

Fees relating to Rule 45-501 Exempt Distributions

1. If its investment fund manager has paid a capital markets participation fee, does the investment fund, as a reporting issuer, have to pay a $500 fee for the filing of Form 45-501F1 under item B(2)?

No. The general principle behind item B(2) is that if a participation fee is being paid, an activity fee on filing the exempt distribution form does not have to be paid.

C. Forms

Form 13-502F3 – Participation Fee Calculation for Registrant Firms and Unregistered Investment Fund Managers

1. How do I complete Form 13-502F3 if the firm's 2003 financial statements have not yet been prepared?

Prepare and file the Form based on a good faith estimate of the specified Ontario revenues at the end of the previous financial year. Once financial statements are completed (within 90 days of year end) prepare and file Form 13-502F4 and a revised Form 13-502F3.

2. In Part III of Form 13-502F3, is it permissible to deduct advisory or sub-advisory fees paid to non-Ontario registrants?

The intention of the deduction in line 4 of Part III of the Form is to prevent the 'double payment' of the capital markets participation fee for revenue earned from capital markets activities. If the non-Ontario registrant advisor or sub-advisor pays a capital markets participation fee, then the deduction is permissible.

3. Should IDA members be using line 18 or line 17 of Statement E to determine revenue subject to the participation fee? Part 1 of Form 13-502F3 indicates that line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report ("JRFQR") should be used to report revenue for IDA members. However, section 3.4 (a) of the Rule states that the Total Revenue on the Summary statement of income contained in the JRFQR should be used. Per the JRFQR, this is actually line 17 of Statement E but the Form indicates that line 18 should be used.

Line 17 of Statement E of the JRFQR should be used in Part 1 of Form 13-502 F3. At the time of drafting of the Rule, an older version of the JRFQR was in place and line 18 appropriately reflected the total revenue information in the older version. As Statement E has since undergone changes, registrants should always use the Total Revenue line from Statement E in completing the Form, irrespective of what line number it is assigned. Please also note that the MFDA has changed Line 12 of Statement D (Total Revenue) of the MFDA Financial Questionnaire and Report to Line 13. Registrants should always use the Total Revenue line for purposes of calculating the participation fee.

4. I am a registrant trying to fill out Part III of Form 13-502F3 and am finding some inconsistency between Form 13-502F3 and parts of the Rule. Specifically, there appears to be inconsistency among the following:

- *The gross revenue number that I am to include on line 1 – gross revenue as per the audited financial statements*
- *The definition of capital markets activities as defined in section 1.1*
- *The calculation of specified Ontario revenues in section 3.6*

Capital markets activities as defined in section 1.1 and subsection 3.6(1) explaining the calculation of specified Ontario revenues suggests that the capital markets activities that I am to include on Form 13-502F3 is to be limited to my Ontario revenue. What should I be including on line 1 of Part III of Form 13-502F3?

Capital markets activities as defined in section 1.1 are the activities that will ultimately be subject to a participation fee. The explanation in section 3.6 as to the calculation of specified Ontario revenues is intended to provide guidance that only capital markets activities in Ontario will be subject

to a participation fee. On line 1 of Part III of Form 13-502F3, include gross revenues from ALL sources. Once the permitted deductions are taken and the allocation to Ontario is determined, the result is that you will be paying a participation fee only on capital markets activities in Ontario.

D. Filing on SEDAR

1. My company is about to file its participation fee on SEDAR. What code should we be using?

If you are filing for a year ending between April 30, 2002 and March 30, 2003 inclusive, you will be submitting your transitional fee, and therefore you should use fee code T17220. If you are filing your participation fee for a year ending on or after March 31, 2003, you should use the applicable fee code (P12101 to P12110)

2. I am paying a late fee at the same time as I am filing my participation fee. How should I do this on SEDAR?

It is important that you separate the late fee from the participation fee when submitting your filing so that your company is credited appropriately. The participation fee should be coded as indicated in #1 above. The late fee should be coded based on the nature of the late fee. Use code L12901 for a late fee being paid on a participation fee (i.e. 1% of the participation fee payable to a maximum of 25%) and use code L14M1C for the late filing of documents (i.e. items for which you pay $100 per business day to a maximum of $5,000).

APPENDIX A

"Subsidiary Company" [replace with company name] is a subsidiary of "Parent Company" [replace with company name] that is exempt from paying the participation fee based on the following:

Under section 2.2(2) of OSC Rule 13-502, a reporting issuer is exempt from paying a participation fee if:

(a) the parent of the subsidiary entity is a reporting issuer;

(b) the parent has paid the participation fee required; and

(c) the net assets and gross revenues of the subsidiary entity represent more than 90 percent of the net assets and gross revenues of the parent for the previous financial year of the parent.

	Year Ending [insert date]		
	Net Assets	Gross Revenues	
"Subsidiary Company"	$____	$____	(A)
"Parent Company"	$____	$____	(B)
Percentage (A/B)	_____%	_____	%

1.1.3 Notice of Minister of Finance Approval of OSC Rule 13-503 (Commodity Futures Act) Fees, Forms 13-503F1 and 13-503F2, and Companion Policy 13-503CP and Notice of Revocation of Schedule 1 to Regulation 90 Made Under the Commodity Futures Act

NOTICE OF MINISTER OF FINANCE APPROVAL OF OSC RULE 13-503 (COMMODITY FUTURES ACT) FEES, FORMS 13-503F1 AND 13-503F2, AND COMPANION POLICY 13-503CP

AND

NOTICE OF REVOCATION OF SCHEDULE 1 TO REGULATION 90 MADE UNDER THE COMMODITY FUTURES ACT

On November 13, 2003, the Minister of Finance approved Rule 13-503 (*Commodity Futures Act*) Fees, including Forms 13-503F1 and 13-503F2, as a rule under the Act (the "Rule") and approved Companion Policy 13-503CP (the "Companion Policy") as a policy under the Act. The Rule and the Companion Policy were published for comment in the Bulletin on May 16, 2003 at (2003) 26 OSCB 3783. The Commission adopted the Rule and the Companion Policy on September 16, 2003 and both were published in final form in the Bulletin on September 19, 2003 at (2003) 26 OSCB 6499. The Rule and Companion Policy come into force on December 1, 2003.

Concurrently with making the Rule, the Commission has revoked Schedule 1 to Regulation 90 of the Revised Regulations of Ontario, 1990, made under the Act (the Regulation). The amendment to the Regulation was also approved by the Minister of Finance on November 13, 2003 and was filed as Ontario Regulation 398/03 on November 24, 2003. The amendment to the Regulation comes into force at the time the Rule comes into force, on December 1, 2003.

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

1.1.4 OSC Notice Multilateral Instrument 55-103 – Insider Reporting for Certain Derivative Transactions (Equity Monetization)

ONTARIO SECURITIES COMMISSION NOTICE

MULTILATERAL INSTRUMENT 55-103 – INSIDER REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS (EQUITY MONETIZATION)

On September 30, 2003, the Commission approved Multilateral Instrument 55-103 – *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Proposed Rule) as a rule under the *Securities Act* (Ontario) (the Act) and adopted the related companion policy, Companion Policy 55-103CP *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Proposed Policy), as a policy under the Act.

The Proposed Rule and the material required by the Act to be delivered to the Minister of Finance were delivered on November 26, 2003. If the Minister does not reject the Proposed Rule or return it to the Commission for further consideration, the Proposed Rule will come into force in Ontario, pursuant to section 5.1 of the Proposed Rule, on February 28, 2004. The Proposed Policy will come into force on the date that the Proposed Rule comes into force.

The Proposed Rule and the Proposed Policy are being published in Chapter 5 of today's Bulletin.

1.3 News Releases

1.3.1 In the Matter of Assante Financial Management Ltd.

FOR IMMEDIATE RELEASE
November 24, 2003

IN THE MATTER OF
ASSANTE FINANCIAL MANAGEMENT LTD.

TORONTO – Staff of the Ontario Securities Commission and Assante Financial Management Ltd., including its integrated businesses ("AFM"), entered into a settlement agreement which was approved on November 19, 2003, by Charlie Macfarlane, OSC Executive Director.

From January 1, 2000 to October, 2002, a number of AFM sales people served Ontario clients without being registered in Ontario. AFM agreed that by failing to ensure that its salespeople did not trade on behalf of clients resident in Ontario without being registered contrary to s. 25(1) of the Act, they failed to supervise their sales people contrary to Ontario Securities Commission Rule 31-505 which requires a dealer to supervise each of its registered sales people in accordance with Ontario securities law. AFM also agreed that between October 18, 2001 and October 2002, it failed to enforce a written Directive prohibiting out-of-province trading contrary to s.1.2 of Ontario Securities Commission Rule 31-505.

AFM undertakes to submit to an external review of its policies, procedures and internal controls regarding out-of-province trading and to implement any necessary recommendations at its expense, in respect of the issues identified in the Settlement Agreement.

The Settlement Agreement may be found on the Commission's website at **www.osc.gov.on.ca.**

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 E*TRADE Canada Securities Corporation - MRRS Decision

Headnote

Mutual reliance review system for exemptive relief applications – Registered dealer exempted from the requirements of section 36 of the Act to send trade confirmations for trades that the dealer executes on behalf of customer accounts that are fully managed by unrelated adviser and accounts are opened in customer's name, provided that: the customer has informed the dealer that he or she does not want to receive the trade confirmation for such managed account trades.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 36 and 147.

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as amended s. 123.

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

AND

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

AND

IN THE MATTER OF
E*TRADE CANADA SECURITIES CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the **Decision Maker**) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, and Newfoundland (collectively, the **Jurisdictions**) has received an application (the **Application**) from E*TRADE Canada Securities Corporation (**ETrade**) for a decision (the **Decision**), pursuant to the securities legislation (the **Legislation**) of the Jurisdictions, that the requirement (the **Trade Confirmation Requirement**) in the Legislation that registered dealers, who have acted as principal or agent in connection with any trade in a security, promptly send by prepaid mail or deliver to the customer a written confirmation of the trade, setting forth certain information specified in the Legislation, shall not apply to trades ETrade as dealer executes for accounts of its customers (the **Clients**) that are managed by a portfolio manager and investment counsel or other category of Adviser registered in the province in which the Client resides (the **Adviser**), on instructions of the Adviser;

AND WHEREAS, pursuant to the Mutual Reliance Review System (**MRRS**) for Exemptive Relief Applications (the **System**), Ontario 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 ETrade has represented to the Decision Makers that:

1. ETrade, a corporation amalgamated under the laws of Nova Scotia, is registered under the Legislation of each Jurisdiction as a dealer, in the categories of broker/investment dealer, or an equivalent category, and is a member of the Investment Dealers Association of Canada (the **(IDA)**.

2. The head office of ETrade is located in Toronto, Ontario.

3. ETrade is not registered under the Legislation of any Jurisdiction as an Adviser, and does not provide investment advice of any kind to its Clients.

4. Advisers are registered under some or all of the Legislation of the Jurisdictions in which ETrade is registered and in which the Clients reside.

5. Advisers are not registered under the Legislation of any Jurisdiction as a broker or dealer.

6. Certain Advisers utilize the services of ETrade to execute trades for the benefit of Clients whose assets they manage. These Advisers act as agents for the Clients and not as agents for ETrade.

7. ETrade has entered and may continue to enter arrangements with certain Advisers pursuant to which clients of the Advisers may open accounts at ETrade that are managed by the Advisers to

obtain trade execution and custody services from ETrade in respect of trades executed on their behalf by the Advisers.

8. Advisers have trading authorization over their clients' accounts at ETrade pursuant to the terms and conditions of a limited power of attorney granted by their client in favor of the Adviser. ETrade executes trades in respect of these clients' accounts only as directed by the Adviser.

9. ETrade provides written trade confirmations in respect of each of its Clients' trades to the Clients. In addition, ETrade delivers monthly and quarterly account statements (the **Statements**) to the Clients in accordance with the Legislation and the By-laws, Regulations, Policies and Forms of the IDA (the **IDA Rules**), each of which sets out, among other things, all transactions which have been effected in the account during the period covered by the Statement.

10. Each Client has the right and opportunity at any time to view the Client's account transaction history and account balance at ETrade on a real time basis through the ETrade website, which disclosure includes the transactions executed on the Client's behalf by ETrade on the directions of the Adviser.

11. Accounts may be opened in each Client's name, and not in the name of the Client's Adviser, in order that the Adviser may manage both registered and non-registered accounts at ETrade for the Client. (Under applicable tax laws, registered accounts must be opened in the name of the individual who benefits from the tax-advantaged account.) Opening accounts in the Client's name also permits certain account administration and tax reporting on an individual basis to be conducted at ETrade, creating additional efficiencies for the Adviser and Client.

12. Where ETrade opens a brokerage account for an Adviser that is not related to ETrade in the Adviser's name, and the Adviser trades on behalf of its portfolio management clients solely in the name of the Adviser, ETrade will regard the Adviser as the party to whom trade confirmations should be sent in satisfaction of the Trade Confirmation Requirement.

13. Clients who receive trading and account information from both the Adviser and ETrade may receive information which is duplicative and, as a result, confusing and contrary to the expectations of certain Clients who engage Advisers in order to minimize the inconvenience and time commitment that may be associated with managing their portfolios.

14. Each Client will have the option of choosing whether or not to receive trade confirmations directly from ETrade. In the event a Client does not wish to receive trade confirmations directly from ETrade, it will be required to provide its consent in writing, which consent can be revoked at any time, to the waiver of the Trade Confirmation Requirement and the delivery by ETrade of all trade confirmations in respect of such Client's account directly to the Client's Adviser.

15. ETrade will continue to provide Statements to the Clients in accordance with the Legislation and IDA Rules, which Statements currently report, among other things, the following information: (i) the number and description of the securities traded, (ii) the unit price paid or received for the securities traded, (iii) the amount debited or credited to the account for the securities traded, and (iv) the settlement date of the trade.

16. Through arrangements between ETrade and the Advisers, the Advisers will deliver to each Client who consents to the waiver of the Trade Confirmation Requirement, at the same time as the delivery of the portfolio statement it is required to send to the Client under the Legislation, and not less than quarterly, a statement that contains, among other things, disclosure of the transactions that have been effected within the Client's account at ETrade during the period covered by the statement and that were reported on the trade confirmations delivered by ETrade to the Adviser on the trade confirmations.

17. Each Client shall have access, upon request, to information regarding the Client's current account transactions and current account balance, which information shall include the transactions executed on the Client's behalf by the Adviser during the period covered by the requested disclosure.

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

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

THE DECISION of the Decision Makers under the Legislation is that the Trade Confirmation Requirement contained in the Legislation shall not apply to ETrade in respect of any trades ETrade, as dealer, executes in respect of an account of a Client that is managed by an Adviser, on instructions of the Adviser, provided:

(i) the Client consents in writing to the waiver of the Trade Confirmation Requirement;

(ii) all trade confirmations for the account of the Client are delivered by ETrade to the Client's Adviser;

(iii) the Adviser agrees with ETrade to deliver to the Client at the same time as the delivery of the portfolio statement it is required to send to the Client under the Legislation, and not less than quarterly, a statement that contains, inter alia, disclosure of the transactions that have been effected within the Client's account at ETrade during the period covered by the statement and that were reported on the trade confirmations delivered by ETrade to the Adviser on the trade confirmations; and

(iv) ETrade continues to deliver Statements to the Client in accordance with the Legislation and IDA Rules.

November 14, 2003.

"Robert W. Davis" "Wendell S. Wigle"

2.1.2 HSBC Asset Management (Canada) Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – extension of lapse date for mutual fund prospectus.

Applicable Ontario Statute

Securities Act, R.S.O., 1990, c. S.5, as amended, ss. 62(2) and 62(5).

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

AND

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

AND

IN THE MATTER OF
HSBC CANADIAN MONEY MARKET POOLED FUND, HSBC CANADIAN BOND POOLED FUND, HSBC INTERNATIONAL BOND POOLED FUND, HSBC CANADIAN DIVIDEND INCOME POOLED FUND, HSBC CANADIAN EQUITY POOLED FUND, HSBC U.S. EQUITY POOLED FUND, HSBC INTERNATIONAL EQUITY POOLED FUND, HSBC SMALL CAP GROWTH POOLED FUND AND HSBC FUTURE GROWTH POOLED FUND
(individually a "Fund" and collectively, the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from HSBC Asset Management (Canada) Limited (the "Applicant") in its capacity as manager of each Fund, for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the lapse date of each Fund be extended to the time periods that would be applicable if the lapse date for the distribution of units ("Units") of the Funds under the simplified prospectus and annual information form of the Funds, each dated November 14, 2002 (the "2002 Prospectus") were November 21, 2003;

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

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

1. The Applicant is the manager and promoter of the Funds and is a wholly-owned subsidiary of the HSBC Bank Canada, a Schedule II chartered bank under the *Bank Act* (Canada).

2. The Applicant is registered under the Legislation, as an adviser in the categories of investment counsel and portfolio manager (or their equivalent).

3. Each Fund is a reporting issuer under the Legislation and is not in default of any of the requirements of the Legislation made thereunder.

4. The Funds are open-end unit investment trusts, each of which was established under the laws of British Columbia pursuant to a separate declaration of trust and each of which is qualified for distribution in the Jurisdictions by means of a simplified prospectus and annual information form.

5. The lapse date under the Legislation for each of the Funds is November 14, 2003.

6. A pro forma simplified prospectus (the "2003 Prospectus") and annual information form (the "2003 AIF") for the Funds were filed with the securities regulatory authorities in each of the Jurisdictions on October 21, 2003.

7. The Applicant wishes to extend the time for filing a pro-forma simplified prospectus and filing and obtaining a receipt for a renewal prospectus of the Funds to the time that would be applicable if the lapse date for distribution of securities of the Funds under the 2002 Prospectus were November 21, 2003.

8. On June 9, 2003, the Applicant filed a final simplified prospectus and annual information form for six newly established Pooled Funds (the "MM Pooled Funds"). In order to save the administrative time and the expense of making separate filings for each of the Funds and the MM Pooled Funds, the Applicant desires to consolidate the annual information form for the Funds and the MM Pooled Funds, and to file the simplified prospectuses for the Funds and the MM Pooled Funds concurrently. In addition, the Applicant is in the process of establishing three new mutual funds to join the MM Pooled Funds family, and engaging appropriate investment advisers for each of these MM Pooled Funds; this has taken an unexpectedly long period of time. As a result of locating and negotiating agreements with acceptable investment advisers for the new MM Pooled Funds, and an unexpected delay in completing the consolidation of the 2003 AIF, the 2003 Prospectus and 2003 AIF could not be filed by October 14, 2003, as intended. As a result, it is unlikely that the Applicant will be able to settle the comments of the Decision Makers by November 14, 2003 in respect of the 2003 Prospectus and 2003 AIF, and in any event, will not have complied with the requirement to have filed the pro-forma version of the 2003 Prospectus within 30 days prior to the lapse date, and will therefore not be entitled to rely on the extension provisions under the securities laws of the Jurisdictions which would entitle the Funds to continue to be distributed under the 2002 Prospectus for 20 days after the lapse date while the 2003 Prospectus is being printed and distributed to the Applicant's distribution network.

9. The extension is sought to permit the Applicant sufficient time to settle the comments of the Decision Makers on the 2003 Prospectus and 2003 AIF, and, after receipt of the final Decision Document in respect of the 2003 Prospectus, time to print and distribute the 2003 Prospectus to the Applicant's distribution network.

10. There has been no material change in the affairs of the Funds since the date of the 2002 Prospectus.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of Units of the Funds under a prospectus are hereby extended to the time limits that would be applicable if the lapse date for the distribution of Units under the 2002 Prospectus were November 21, 2003.

November 13, 2003.

"Angela Huxham"

2.1.3 AGF Funds Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Extension of lapse date for mutual fund prospectus for a specified period of time.

Applicable Ontario Statute

Securities Act, R.S.O., 1990, c. S.5, as amended, ss. 62(1).

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

AND

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

AND

IN THE MATTER OF
AGF FUNDS INC.

AND

HARMONY AMERICAS SMALL CAP EQUITY POOL
HARMONY CANADIAN EQUITY POOL
HARMONY CANADIAN FIXED INCOME POOL
HARMONY MONEY MARKET POOL
HARMONY OVERSEAS EQUITY POOL
HARMONY RSP AMERICAS SMALL CAP EQUITY POOL
HARMONY RSP OVERSEAS EQUITY POOL
HARMONY RSP U.S. EQUITY POOL
HARMONY U.S. EQUITY POOL
(each a "Pool", collectively the "Pools")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in the provinces and territories of Canada set out above (the "Jurisdictions") has received an application (the "Application") from AGF Funds Inc. ("AGF"), the manager of the Pools, on behalf of each Pool, for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time periods prescribed by the Legislation for filing the pro forma simplified prospectus and pro forma annual information form (together, the "Renewal Prospectus") of the Pools be extended to the time periods that would be applicable if the lapse date for the distribution of the units of the Pools was December 26, 2003;

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

AND WHEREAS AGF has represented to the Decision Makers that:

1. AGF is a corporation amalgamated under the laws of Ontario and is the trustee and manager of each Pool. The head office of AGF is located in Ontario. AGF is registered in Ontario as a dealer in the category of mutual fund dealer, as an adviser in the category of investment counsel and portfolio manager, and as a commodity trading manager.

2. Each of the Pools is an open-ended mutual fund trust established under the laws of Ontario by a Declaration of Trust.

3. Each of the Pools is a reporting issuer under the Legislation and is not in default of any requirement of the Legislation.

4. Units of the Pools are currently qualified for distribution in each of the Jurisdictions pursuant to a simplified prospectus and annual information form dated December 20, 2002 (the "Current Prospectus"). The MRRS decision document evidencing final receipts of the securities regulatory authorities in each of the Jurisdictions in respect of the Current Prospectus was issued on December 23, 2002. The earliest lapse date under the Legislation for distribution of units of the Pools under the Current Prospectus is December 20, 2003.

5. There have been no material changes in the affairs of the Pools since the date of the Current Prospectus in respect of which an amendment to the Current Prospectus has not been prepared and filed in accordance with the Canadian securities laws.

6. AGF intends to establish new mutual funds (the "New Top Funds") designed to provide investors with a professionally managed portfolio to suit individual investment objectives, risk tolerance and investment time horizons. Each New Top Fund will invest its assets (other than cash and cash equivalents) in underlying funds, which will consist of the Pools, offered by AGF.

7. AGF will seek the approval of the Decision Makers to allow the fund-of-fund structures of the New Top Funds to reflect the fund-of-fund structures permitted in the proposed amendments to National Instrument 81-102 Mutual Funds, anticipated to be in effect December 31, 2003.

8. AGF would like to qualify the New Top Funds for distribution in each of the Jurisdictions by including the New Top Funds in the Renewal Prospectus of the Pools.

9. If the New Top Funds are established in January, 2004, the New Top Funds will have a longer period to qualify as "mutual fund trusts" for the purposes of the Income Tax Act (Canada).

10. Without an extension to the Pools' lapse date, AGF will have to file in final form the Renewal Prospectus not later than ten days following December 20, 2003 and obtain a receipt for the Renewal Prospectus within 20 days following December 20, 2003, which prevents AGF from including the New Top Funds in the Renewal Prospectus for the reason discussed in paragraph 9, and shortly thereafter AGF will have to file a preliminary and amended and restated simplified prospectus and annual information form to incorporate the New Top Funds and the Pools in one document, paying the costs of preparing, printing and distributing the prospectuses twice.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the lapse date for filing the Renewal Prospectus of the Pools be extended to the time period that would be applicable if the lapse date for the distribution of the units of the Pools was December 26, 2003, provided:

(a) the Renewal Prospectus of the Pools is filed in final form no later than January 5, 2004, and

(b) a final receipt is issued for the Renewal Prospectus no later than January 15, 2004.

November 18, 2003.

"Leslie Byberg"

2.1.4 Moxie Exploration Ltd. - MRRS Decision

Headnote

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

Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF
MOXIE EXPLORATION LTD.

MRRS DECISION DOCUMENT

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

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

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

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

4.1 Moxie is a corporation incorporated under the laws of Alberta;

4.2 Moxie's head and registered offices are located in Calgary, Alberta;

4.3 Moxie is a reporting issuer in each of the Jurisdictions;

4.4 Moxie ceased to be a reporting issuer in British Columbia on September 27, 2003;

4.5 Moxie is not in default of any requirements of the Legislation other than the failure to file financial statements in the Province of Ontario and Québec for the six months ended June 30, 2003;

4.6 Moxie is authorized to issue an unlimited number of common shares ("Common Shares") of which, as at the date hereof, there are 46,485,718 Common Shares outstanding;

4.7 as a result of the successful take-over bid (the "Offer") by Endev Energy Inc. ("Endev"), all of the outstanding Common Shares are held by Endev;

4.8 before the Offer, Moxie common shares were listed on the TSX Venture Exchange (the "TSXV");

4.9 the Moxie Common Shares were delisted from the TSXV at the close of business on October 20, 2003;

4.10 no securities of Moxie will be listed or quoted on any exchange or market;

4.11 other than the outstanding Common Shares, Moxie has no securities, including debt securities, outstanding; and

4.12 Moxie does not intend to seek public financing by way of an offering of its securities;

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

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

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

November 12, 2003.

"Patricia M. Johnston"

2.1.5 Paramount Energy Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – fund filed prospectus that contained three years of audited financial statements for underlying business – fund itself had not completed financial year – fund unable to use prospectus as a "current AIF" under Multilateral Instrument 45-102 – fund exempt from "current AIF" requirement, subject to conditions.

Ontario Statutes

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

Applicable Rules

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 7029, sections 1.1 and 4.1.

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

AND

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

AND

IN THE MATTER OF
PARAMOUNT ENERGY TRUST

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, the Nunavut Territory and the Northwest Territories (the "Jurisdictions") have received an application from Paramount Energy Trust ("PET" or the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to have a "current AIF" as defined in Multilateral Instrument 45-102 Resale of Securities (the "Instrument") filed on SEDAR to be a "Qualifying Issuer" under the Instrument shall not apply to the Applicant;

2. AND WHEREAS any terms used herein that are defined in National Instrument 14-101 shall, unless otherwise defined herein, have the

meanings herein as provided in that National Instrument;

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

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

4.1 Paramount Resources Ltd. ("PRL") was incorporated under the laws of the Province of Alberta on February 14, 1978. PRL is a “reporting issuer”, or equivalent thereof, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia. PRL's authorized capital consists of an unlimited number of common shares of which 59,458,600 common shares issued and outstanding. PRL is not in default of the Legislation in any jurisdiction in which it is a reporting issuer or the equivalent thereof;

4.2 PET is an unincorporated trust established on June 28, 2002 under the laws of the Province of Alberta pursuant to a trust indenture among Computershare Trust Company of Canada as trustee, BMO Nesbitt Burns Inc. as settlor, and Paramount Energy Operating Corp, which indenture was subsequently amended and restated effective as of August 1, 2002 (the "PET Trust Indenture"). As at the date of the application of PET, one trust unit of PET (a "Unit") was outstanding and is held by PRL and the assets of PET consists of 100% ownership of the Administrator (as defined below), the ownership of 100% of the beneficial interests of POT (as defined below) and its organizational funding of $100;

4.3 POT is an unincorporated trust established on June 28, 2002 under the laws of the Province of Alberta pursuant to a trust indenture between Paramount Energy Operating Corp. as trustee and CIBC World Markets Inc. as settlor, with PET as its sole beneficiary, which indenture was subsequently amended and restated effective as of August 1, 2002 (the "POT Trust Indenture"). As at the date of the application, POT's assets consist of its organizational funding of $100 and certain furniture, fixtures and computers acquired from a subsidiary of PRL. POT's business is acquiring, developing and owning oil and natural gas properties;

4.4 Paramount Energy Operating Corp. (the "Administrator") was incorporated on June 28, 2002 under the ABCA. All of the shares of the Administrator are beneficially held by PET. As trustee of POT, the Administrator will administer, manage and operate the oil and gas business of POT. Holders of Units ("Unitholders") will have the right to elect the board of directors of the Administrator;

4.5 PET has filed with the securities regulators of all of the provinces and territories in Canada, a preliminary prospectus dated August 15, 2002. On November 6, 2002, PET filed an amended and restated preliminary prospectus and on December 9, 2002, PET filed a further amended and restated preliminary prospectus (the "Amended Preliminary Prospectus"). The final version of the Amended Preliminary Prospectus (the "Final Prospectus") will, when finalized and the MRRS decision document with respect thereto is issued by the applicable regulatory authorities, qualify and register (i) the Units of PET to be distributed by PRL pursuant to the Dividend (as defined below), (ii) rights to be issued by PET to its Unitholders to purchase further Units, and (iii) the Units issuable upon the exercise of such rights;

4.6 upon the issuance of the MRRS decision document with respect to the Final Prospectus by the applicable regulatory authorities, PRL and PET will complete the structuring of the business of PET and POT (the "Trust Structuring") as follows:

4.6.1 PRL will convey to POT, pursuant to the terms of an agreement (the "Sale Agreement"), all of PRL's interest in approximately $81 million of natural gas properties and facilities;

4.6.2 PRL and POT will execute an agreement (the "Take-Up Agreement") which will require PRL to sell and transfer, and will obligate POT to purchase up to 100% of PRL's interest in approximately $220 million of further natural gas properties and facilities (the "Additional Assets");

4.6.3 POT and PET will enter into a royalty agreement, pursuant to

which POT will grant a royalty of 99% of POT's net revenue from its oil and gas properties. PET will pay for this royalty by issuing promissory notes. POT will direct PET to pay and issue those promissory notes to PRL in satisfaction of indebtedness that POT will owe to PRL for the purchase of the Initial Assets;

4.6.4 PET will issue 6,636,045 Units to PRL in repayment of certain indebtedness under those promissory note; and

4.6.5 PET will purchase from PRL the remaining indebtedness that POT owes to PRL in exchange for the issuance to PRL of an additional 3,273,721 Trust Units;

4.7 following completion of the transactions referred to in 4.6 above, PRL's board of directors will declare and pay a dividend-in-kind on the common shares of PRL (the "Dividend"), payable by the distribution of the 9,909,767 Units that PRL will hold at that time;

4.8 after PRL's distribution of the Units pursuant to the Dividend, PET will issue to holders of Units of record on a record date to be set at that time rights (the "Rights") to subscribe for additional Units on the basis of three Rights for each Unit held on such record date (the "Rights Offering");

4.9 under the terms of the Take-Up Agreement, POT is obligated to apply the gross proceeds of the Rights Offering, along with the proceeds of available bank financing that PET has arranged, to acquire up to 100% of PRL's interest in the Additional Assets. Assuming all of the Rights are exercised and PET's lenders advance the full amount under PET's proposed credit facility, there will be sufficient funds available to POT to acquire 100% of PRL's interest in the Additional Assets. If less than all of the Rights are exercised or PET's lenders do not loan to PET its requested loan, POT will use the gross proceeds of the Rights Offering together with the amount PET's lenders are willing to advance to acquire as much of a percentage working interest as POT is able in the Additional Assets;

4.10 application has been made to the Toronto Stock Exchange (the "TSX") for the approval of the listing of (i) the Units to be distributed by PRL pursuant to the Dividend, (ii) the Rights, and (iii) the Units issuable on the exercise thereof. The TSX has conditionally approved the listing of these securities subject to PET fulfilling all of the requirements of the TSX;

4.11 C.H. Riddell, the Chairman and Chief Executive Officer of PRL, and his immediate family (the "C.H. Riddell Family") directly and indirectly own or exercise control and direction over 29,590,727 common shares of PRL (49.77% of the outstanding common shares of PRL);

4.12 assuming the exercise of certain stock options to acquire PRL common shares held by certain members of the C.H. Riddell Family, upon payment of the Dividend, the C.H. Riddell Family will beneficially own or exercise control or direction over, directly or indirectly, 4,931,787 Units (49.77% of the issued and outstanding Units). The members of the C.H. Riddell Family have indicated their intention to subscribe for up to their full pro-rata allotment of Units under the Rights Offering. In addition, POG and the C.H. Riddell Family have indicated that they may exercise the additional subscription privilege under the Rights Offering to acquire further Units under the Rights Offering if it is available to them. Assuming the exercise of all Rights but without the exercise of Rights under the additional subscription privilege, the C.H. Riddell Family, will exercise control and direction, directly or indirectly, over 19,727,148 Trust Units (49.77% of the issued and outstanding Trust Units). In the event that less than all of the Rights are exercised, this percentage amount will increase;

4.13 at the time that (i) PRL distributes the Trust Units pursuant to the Dividend and (ii) PET issues Trust Units pursuant to the exercise of Rights under the Rights Offering, PET will satisfy all of the requirements of the definition of "Qualifying Issuer" under the Instrument other than the requirement to have filed a "current AIF";

4.14 the Final Prospectus of PET will not constitute a "current AIF" under section 1.1(f) of the definition of "Current AIF" in the Instrument as it will not contain audited financial statements for PET's most recently completed financial year;

4.15 the current version of the Amended Preliminary Prospectus does, and the Final Prospectus will, contain the following financial statements:

4.15.1 audited consolidated balance sheet of PET as at September 30, 2002 and the audited consolidated statements of operations and deficit and of cash flows for the periods from June 28, 2002 to September 30, 2002;

4.15.2 audited financial statements of PRL pertaining to the "Northeast Alberta Properties" for the years ended December 31, 2001, 2000 and 1999 as well as unaudited financial statements of PRL with respect to the same for the nine months ended September 30, 2002 and 2001 (the "Northeast Financial Statements"). These financial statements are with respect to the operations of PRL for its oil and gas assets in its core Northeast Alberta area. These oil and gas assets consist of the Initial Assets and the Additional Assets that are proposed to be acquired by PET from PRL pursuant to the Transactions referred to above and certain minor properties not to be acquired by PET;

4.15.3 a proforma consolidated balance sheet and proforma consolidated statement of earnings of PET as at, and for the nine months ended, September 30, 2002 and a proforma consolidated statement of earnings of PET for the year ended December 31, 2001 which show the financial position of PET on a proforma basis after the acquisition of the Initial Assets and the acquisition of varying percentages of the Additional Assets; and

4.15.4 an audited financial forecast of PET for the year ended December 31, 2003;

4.16 the management's discussion and analysis disclosure in the Amended Preliminary Prospectus contains, and in the Final Prospectus will contain, management's discussion and analysis disclosure with respect to the Northeast Alberta Properties including a year over year financial results comparison for the Northeast Alberta Properties for the periods covered in the Northeast Financial Statements;

4.17 the Amended Preliminary Prospectus does, and the Final Prospectus will, contain operational disclosure for the Initial Assets and the Additional Assets for the past three years during which those assets were operated and owned by PRL;

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

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

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

7.1 the requirement in the Legislation to have a "current AIF" (as that term is defined in the Instrument) filed on SEDAR in order to be a "Qualifying Issuer" shall not apply to the Applicant;

provided that:

7.2 the Applicant files a notice on SEDAR advising that it has filed the Final Prospectus as an alternative form of annual information form and identifying the SEDAR project number under which the Final Prospectus is filed;

7.3 the Applicant files a Form 45-102F2 on or before the tenth day after the distribution date of any securities by it as referred to in Section 2.7(2) and (3) of the Instrument certifying that it is a Qualifying Issuer as of the distribution date except for the requirement that it have a current AIF;

7.4 the selling securityholder in the case of a control distribution of securities of the Applicant as referred to in Section 2.7(2) of the Instrument, files a Form 45-102F2 on or before the tenth day after the distribution date of such securities pursuant to such control distribution certifying that the Applicant is a Qualifying Issuer as of the distribution date except for the requirement that the Applicant have a current AIF; and

7.5 this Decision expires 140 days after the Applicant's financial year ended December 31, 2003.

January 20, 2003.

"Glenda A. Campbell" "David W. Betts"

2.1.6 Tarkett Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer meets the requirements set out in CSA Staff Notice 12-307 - issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

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

November 17, 2003

Tarkett Inc.
C/o Fasken Martineau DuMoulin s.r.l.
Tour de la Bourse
Bureau 3400, C.P. 242
800, Place Victoria
Montréal (Québec)
H4Z 1E9

Attention: Ms. Catherine Isabelle

Re: Tarkett Inc. (the "Applicant") – Application to cease to be a Reporting Issuer under the securities legislation of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland & Labrador (the "Jurisdictions")

Dear Ms Isabelle:

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer**;**

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

Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Eve Poirier"

2.1.7 AltaLink, L.P. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - waiver from NI 44-101 requirement to have been a reporting issuer for 12 months preceding date of Initial AIF, in order to be eligible to issue non-convertible debt securities under the POP system.

Applicable National Instrument

National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

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

AND

IN THE MATTER OF
ALTALINK, L.P.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island (collectively, the "Jurisdictions") has received an application from AltaLink, L.P. (the "Filer") for a decision under the securities legislation of the applicable Jurisdiction (collectively, the "Legislation") that the requirement contained in the Legislation which provides that an issuer shall have been a reporting issuer or equivalent in the Jurisdictions for the 12 calendar months immediately preceding the date of filing of its initial annual information form (the "Eligibility Requirement") in order to be eligible to issue securities in the Jurisdictions under the short form prospectus distribution system under National Instrument 44-101 - Short Form Prospectus Distributions ("NI 44-101") shall not apply to the Filer;

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

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

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

1. The Filer was formed as a limited partnership under the laws of the Province of Alberta on July 3, 2001 pursuant to the provisions of a limited partnership agreement which has been amended and restated as of September 2, 2002 between AltaLink Management Ltd., as general partner, and AltaLink Investments, L.P., as the sole limited partner;

2. The Filer was organized to acquire an electrical power transmission business (the "Transmission Business") from TransAlta Utilities Corporation and TransAlta Energy Corporation, (together, "TransAlta"). The Filer and TransAlta entered into a purchase and sale agreement dated July 4, 2001, which was subsequently amended (as amended, the "Acquisition Agreement") whereby the Filer's acquisition of the Transmission Business was made subject to, among other conditions, approval of the completion of such purchase and sale transaction by the Alberta Energy and Utilities Board ("AEUB"). TransAlta (with the support and assistance of the Filer) received such regulatory approval from the AEUB during March 2002. As of April 29, 2002, the Filer completed the purchase and sale transactions contemplated in the Acquisition Agreement;

3. The Filer became a reporting issuer or equivalent in each of the Jurisdictions on May 28, 2003 upon receiving receipts for its prospectus in respect of its initial public offering of secured senior debt securities. None of the equity interests of the Filer are listed or posted for trading on an exchange;

4. To the best of its knowledge, the Filer is not in default of any requirements of the Legislation or the regulations and rules thereunder;

5. In connection with its financing requirements, the Filer, together with its financial advisors, has developed a capital markets platform (the "Capital Markets Platform") which provides common security and common principal covenants for all of its lenders. The Capital Markets Platform encompasses an ongoing program capable of accommodating a variety of corporate debt instruments and borrowing, including term bank debt, revolving bank lines of credit, publicly issued and privately placed debt securities, commercial paper, medium term notes, interest rate and currency swaps and other hedging instruments;

6. The Filer completed and filed a prospectus in connection with its initial public offering distribution of secured senior debt securities for which the Filer received an approved rating by one or more approved rating organizations (such approved rating, secured, senior, non-convertible debt securities are the "Approved Rating Bonds"). All Approved Rating Bonds are and will be governed by the Capital Markets Platform. The rating obtained by the Filer at the time of its initial public offering of Approved Rating Bonds was A (high) from Dominion Bond Rating Service Limited and A- from Standard & Poor's Rating Services and the Filer is not aware of any downgrading of such ratings. The Filer expects that any additional Approved Rating Bonds to be issued are expected to have equivalent ratings;

7. The Filer is followed by research analysts, portfolio managers and other users of financial information actively participating in the Canadian public debt markets;

8. AEUB Decision 2003-061 mandates that the Filer replace the existing indebtedness under the fixed rate senior bridge bond, Series 2 due December 31, 2003 which is presently issued and outstanding under the Capital Markets Platform (the "Series 2 Senior Bond") in the total principal amount of $125 million. The Filer intends to issue and sell additional Approved Rating Bonds to the public and to qualify such distribution with a short-form prospectus filed in the Jurisdictions under NI 44-101. A principal amount of Approved Rating Bonds in excess of $125 million may need to be issued to pay additional expenses incurred in connection with such offering of Approved Rating Bonds. The proceeds of such distribution will be used to retire the Filer's indebtedness under the Series 2 Senior Bond, including outstanding principal, accrued and unpaid interest and other offering costs, in order to comply with Decision 2003-061;

9. The Filer is a public utility and its principal business is conducted through the operation of the Transmission Business. The Transmission Business remains regulated under the *Electric Utilities Act* (Alberta) by the AEUB;

10. The Transmission Business is operated pursuant to regulatory decisions of the AEUB and material changes to the Transmission Business can not be made without prior approval of the AEUB;

11. The Filer has filed with the securities regulatory authorities in each of the Jurisdictions:

    (a) its audited financial statements for the financial year ended April 30, 2003 and its Management's Discussion and Analysis in respect of such financial statements;

    (b) an initial annual information form (the "Initial AIF") under NI 44-101;

    (c) its Annual Filing of Reporting Issuer for the financial year ended April 30, 2003

(Alberta Form 28, in lieu of an Information Circular); and

(d) its unaudited interim financial statements for the three month period ended July 31, 2003 and its Management's Discussion and Analysis in respect of such financial statements;

12. Assuming the Initial AIF is accepted by the securities regulatory authorities, and the Filer is not in default of any requirements of the Legislation and the regulation and rules thereunder, the Filer would be eligible to participate in the short form prospectus distribution under Section 2.4 of NI 44-101, but for the fact that it has not been a reporting issuer or equivalent for in the Jurisdictions for 12 months;

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

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

THE DECISION of the Decision Makers under the Legislation is that the Eligibility Requirement shall not apply to the issuance of Approved Rating Bonds by the Filer to retire the Series 2 Senior Bond, provided that the Filer complies with all of the filing requirements and procedures and each of the other eligibility requirements of NI 44-101 except that the qualification certificate to be filed under NI 44-101 shall make reference to this waiver.

November 14, 2003.

"Agnes Lau"

2.1.8 Cott Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – securities of issuer registered under section 12 of the 1934 Act – issuer not required to register under United States Investment Company Act of 1940 – relief granted from requirement to file annual and interim financial statements prepared in accordance with Canadian GAAP and audited in accordance with Canadian GAAS – relief conditional upon issuer preparing annual and interim financial statements in accordance with US GAAP and having them audited in accordance with US GAAS – issuer to provide Canadian GAAP reconciliation for two years following date of decision.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 77, 78, 80(b)(iii).

Regulations Cited

R.R.O. 1990, Reg. 1015, as am., s. 2.

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

AND

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

AND

IN THE MATTER OF
COTT CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Cott Corporation ("Cott") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation (the "CD GAAP & GAAS Requirements") which require Cott

(a) to prepare its annual and interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and

(b) to accompany its annual financial statements with an auditor's report prepared in accordance with Canadian

generally accepted auditing standards ("Canadian GAAS"),

will not apply;

AND WHEREAS under National Policy 12-201 *Mutual Review System for Exemptive Relief Applications* (the "System"), the Ontario Securities Commission is the principal regulator for this application;

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

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

1. The head office of Cott is located at 207 Queen's Quay West, Suite 340, Toronto, Ontario, Canada M5J 1A7.

2. Cott is a corporation formed pursuant to articles of amalgamation under the *Canada Business Corporations Act*, is a reporting issuer or its equivalent in each of the Jurisdictions and is not on the list of defaulting reporting issuers maintained by any of the Decision Makers.

3. The common shares of Cott are listed and posted for trading on The Toronto Stock Exchange under the symbol "BCB" and on the New York Stock Exchange under the symbol "COT".

4. The common shares of Cott are registered under section 12 of 1934 Act. Cott is not registered or required to be registered as an investment company under the United States *Investment Company Act* of 1940 (the "US Investment Company Act").

5. Cott currently files with the securities regulatory authorities in each of the Jurisdictions annual and interim financials prepared in accordance with Canadian GAAP and, in the case of its annual financial statements, accompanies them with an auditor's report prepared in accordance with Canadian GAAS.

6. Cott currently reports and files with the SEC its interim and annual financial statements in accordance with the generally accepted accounting principles in the United States that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X and Regulation S-B under the 1934 Act ("US GAAP").

7. Cott has prepared its fiscal 1998 and each subsequent fiscal year's annual financial statements in accordance with US GAAP and has filed each of those financial statements with the SEC in accordance with the 1934 Act. Such financial statements have also been filed via SEDAR with the securities regulatory authorities in each Jurisdiction.

8. Cott has prepared interim financial statements for its 1999 fiscal year and for each interim period thereafter in accordance with US GAAP and has filed such financial statements with the SEC in accordance with the 1934 Act. Such financial statements have also been filed via SEDAR with the securities regulatory authorities in each Jurisdiction.

9. Cott has filed on SEDAR under Form 10-Q its first and second quarter interim financial statements for the three month periods ended March 29, 2003 and June 28, 2003, respectively, in accordance with US GAAP. The accompanying management discussion and analysis ("MD&A") to those financial statements contains a description of the material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation and quantifies the effect of any such material differences that relate to recognition, measurement and presentation including a reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP.

10. Cott's auditors have prepared and filed with the SEC audit reports on Cott's 1999 fiscal year and for each completed fiscal year's annual financial statements thereafter in accordance with United States generally accepted auditing standards, as supplemented by the SEC's rules on auditor independence ("US GAAS").

11. Cott is satisfied that it has obtained and that it applies the necessary level of expertise in US GAAP to support the preparation of its interim and annual financial statements under US GAAP.

12. Cott's audit committee has taken steps to ensure it has, or has access to, the necessary expertise in relation to US GAAP and that management has put in place systems to ensure that the appropriate levels and numbers of staff have and will maintain the level of expertise in US GAAP necessary to prepare reliable, high quality financial statements.

13. Cott's audit committee has satisfied itself as to the adequacy of the expertise of the audit engagement team and its auditors in relation to the application of US GAAP and US GAAS.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation 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 CD GAAP & GAAS Requirements will not apply to Cott's annual and interim financial statements that are required to be filed under the Legislation, provided that:

(i) Cott has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act and is not registered or required to be registered under the US Investment Company Act;

(ii) Cott's annual and interim financial statements that are required to be filed under the Legislation are prepared in accordance with US GAAP;

(iii) Cott's annual financial statements that are required to be filed under the Legislation are accompanied by a report of an auditor that is prepared in accordance with US GAAS;

(iv) the notes to the first two sets of Cott's annual comparative financial statements filed after the date of this Decision and the notes to the interim financial statements for interim periods during those two years:

(a) explain the material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation;

(b) quantify the effect of material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP, and

(c) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements;

(v) the notes to Cott's financial statements identify the accounting principles used to prepare the financial statements;

(vi) Cott files a supplement to the MD&A relating to each of the financial statements referred to in paragraph (iv) above that will restate, based on financial information of Cott prepared in accordance with or reconciled to Canadian GAAP, those parts of the MD&A that:

(a) are based on financial statements of Cott prepared in accordance with US GAAP, and

(b) would contain material differences if they were based on financial statements of Cott prepared in accordance with Canadian GAAP;

(vii) Cott uses US GAAP generally on a going-forward basis for all of its financial statements filed under its continuous disclosure requirements in the Jurisdictions;

(viii) the auditor's report on the annual financial statements filed under paragraph (iv) above is prepared in accordance with US GAAS and:

(a) contains an unqualified opinion;

(b) identifies all financial periods presented for which the auditor has issued an auditor's report; if Cott has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a different auditor, the auditor's report must refer to any former auditor's report(s) on the comparative periods, and

(c) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements; and

(ix) this Decision, as it relates to the Jurisdiction of a Decision Maker, will terminate upon the coming into force of any legislation or rule of that Decision Maker dealing with acceptable accounting principles and auditing standards that conflicts with any provision of this Decision (other than proposed National Instrument 52-107

Acceptable Accounting Principles, Auditing Standards and Reporting Currency, in substantially the same form as published on May 16, 2003).

November 19, 2003.

"Paul M. Moore" "Suresh Thakrar"

2.1.9 American Leduc Petroleums Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer meets the requirements set out in CSA Staff Notice 12-307 - issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

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

November 11, 2003.

Borden Ladner Gervais LLP
1000 Canterra Tower
400 – 3rd Avenue SW
Calgary, AB. T2P 4H2

Attention: Andrea J. Burrows

Re: American Leduc Petroleums Limited (Applicant) - Application to Cease to be a Reporting Issuer under the securities legislation of – Alberta, Ontario and Quebec.

The Applicant has applied to the local securities regulatory authority or regulator (Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (Legislation) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Patricia M. Johnston"

2.1.10 Investment Dealers Association of Canada - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Ontario principal – application by Investment Dealers Association on behalf of its intermediary members for relief from (i) the requirement in paragraph 3.3(b)(ii) of National Instrument 54-101 that an intermediary, in the absence of new instructions, shall treat a client who was deemed to be a non-objecting beneficial owner under former National Policy 41 as a non-objecting beneficial onwer under the Instrument only until December 31, 2003; and (ii) the requirement in subsection 3.3(c) of the Instrument to obtain new instructions from deemed non-objecting beneficial owners before January 1, 2004, subject to certain conditions.

Ontario Rules

National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer.

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

AND

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

AND

IN THE MATTER OF
THE INVESTMENT DEALERS
ASSOCIATION OF CANADA

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, the Northwest Territories and Nunavut (the "Jurisdictions") has received an application from the Investment Dealers Association of Canada (the "IDA") on behalf of its intermediary members (collectively, the "Members" and individually, a "Member") for a decision under National Instrument 54-101 Communication with Beneficial Owners of Securities of Reporting Issuers (the "Instrument") that the following requirements contained in the Instrument shall not apply to the Members subject to certain conditions:

(a) the requirement in paragraph 3.3(b)(ii) of the Instrument that an intermediary, in the absence of new instructions, shall treat a client who was deemed to be a non-objecting beneficial owner ("Deemed NOBO") under former National Policy No. 41 ("NP 41") as a non-objecting beneficial owner (NOBO) under the Instrument only until December 31, 2003 ("the December Time Limit"); and

(b) the requirement in subsection 3.3(c) of the Instrument for intermediaries to obtain new instructions ("New Instructions") before January 1, 2004 (the "Deadline") from such Deemed NOBOs;

hereinafter referred to as the "Proposed Relief");

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

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

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

1. NP 41, which preceded the Instrument, provided that a client of an intermediary who failed to respond to an intermediary's notice and provide specific instructions to the intermediary, as to whether it wished to have its personal information disclosed to a reporting issuer and certain others and as to whether it wished to receive securityholder materials, would be deemed under NP 41:

   (a) to be a Deemed NOBO, thereby enabling the intermediary to disclose to the issuer and certain others the personal information (name, address and shareholdings) of the client; and

   (b) to have given instructions that it does not want to receive proxy-related materials pertaining to annual meetings of securityholders or audited financial statements;

2. The Instrument requires that, prior to the Deadline, each intermediary must obtain New Instructions from its Deemed NOBOs on the matters to which a client response form pertains (including as to whether the client wishes to be a NOBO or an objecting beneficial owner and whether or not it wishes to receive proxy-related materials sent in connection with a security holder meeting at which only routine business is to be conducted); and

3. The CSA have published for comment on October 3, 2003 a notice and accompanying proposed amendments to the Instrument (the "Proposed Amendments") which would include, among other items, amendments embodying the Proposed Relief.

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

THE DECISION of the Decision Makers under the Instrument is that:

(a) the December Time Limit in paragraph 3(b)(ii) of the Instrument; and

(b) the requirement under subsection 3.3(c) of the Instrument for intermediaries to obtain New Instructions before the Deadline from Deemed NOBOs;

shall not apply to the Members provided that the Decision will cease to be effective upon the date on which section 3.3 of the Instrument is amended.

November 19, 2003.

"Iva Vranic"

2.1.11 Aventis S.A. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – French issuer - Relief from prospectus requirements granted in respect of certain trades in units of an employee savings fund made pursuant to a classic offering and a leveraged offering, and trades in shares of the issuer upon redemption of the units – Relief from the registration requirements in respect of trades in units pursuant to the classic offering, and trades in shares of the issuer upon redemption of units.

Applicable Ontario Statutory Provisions

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

Ontario Regulations

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

Ontario Rules

Multilateral Instrument 45-102 – Resale of Securities.
OSC Rule 45-503 – Trades to Employees, Executives and Consultants.

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

AND

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

AND

IN THE MATTER OF
AVENTIS S.A.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador, (collectively, the "Jurisdictions") has received an application from Aventis S.A. (the "Filer") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that:

(i) the prospectus requirements contained in the Legislation shall not apply to trades in units (the "Units") of two French employee savings funds (fonds communs

de placement d'entreprise or "FCPEs"), the Aventis Shares Fund (the "Classic Fund") and the Aventis Performance 2003 Fund (the "Leveraged Fund" and, together with the Classic Fund, the "Funds") made pursuant to the Employee Share Offering (as defined below) to or with Qualifying Employees (as defined below) resident in the Jurisdictions who elect to participate (the "Canadian Participants") in the Employee Share Offering;

(ii) the registration requirements contained in the Legislation shall not apply to trades in Units of the Classic Fund to or with Canadian Participants, nor to trades in Units of the Leveraged Fund to or with Canadian Participants not resident in Ontario or Manitoba;

(iii) the registration and prospectus requirements shall not apply to the trades of ordinary shares of the Filer (the "Shares") by the Funds to Canadian Participants upon the redemption of Units by Canadian Participants, nor to the issuance of Units of the Classic Fund to holders of Leveraged Fund Units upon the transfer of the assets of the Leveraged Fund to the Classic Fund at the end of the Hold Period (as defined below);

(iv) the registration and prospectus requirements shall not apply to the first trade in Shares acquired by Canadian Participants under the Employee Share Offering, where such trade is made through the facilities of a stock exchange outside of Canada; and

(v) Natexis Epargne Enterprise, the manager of the Funds (the "Manager") shall be exempt from the adviser registration requirements to the extent that its activities in relation to the Employee Share Offering require compliance with the adviser registration requirements.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

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

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

1. The Filer is a corporation formed under the laws of France. The Filer is not and has no intention of becoming a reporting issuer (or equivalent) under the Legislation. The Shares of the Filer are listed on the Deutsche BÖrse, Euronext Paris and the New York Stock Exchange (in the form of American Depository Shares).

2. The Filer carries on business in Canada through the following affiliated companies: Aventis Pharma Inc., Aventis Pharma Services Inc., Aventis Pasteur Limited, Aventis Behring Canada, Inc and Dermik Laboratories Canada Inc. (the "Canadian Affiliates" and, together with the Filer and other affiliates of the Filer, the "Aventis Group"). Each of the Canadian Affiliates is a direct or indirect controlled subsidiary of the Filer and is not, and has no intention of becoming, a reporting issuer (or equivalent) under the Legislation.

3. The Filer has established Horizon 2003, a worldwide stock purchase plan for employees of the Aventis Group (the "Employee Share Offering") which is comprised of two plans: (i) an offering of Shares to be subscribed through the Classic Fund (the "Classic Plan") and (ii) an offering of Shares to be subscribed through the Leveraged Fund (the "Leveraged Plan").

4. Only persons who are permanent employees of a member of the Aventis Group at the time of the Employee Share Offering (the "Qualifying Employees") are eligible to participate in the Employee Share Offering.

5. The Funds are established for the purpose of implementing the Employee Share Offering. The Funds are not and have no intention of becoming reporting issuers (or equivalent) under the Legislation.

6. The Funds are collective shareholding vehicles of a type commonly used in France for the conservation or custodianship of shares held by employee investors. Only Qualifying Employees will be allowed to hold Units of the Funds, and such holdings will be in amounts proportionate to their respective investments in the Funds.

7. Under French law, all Units of either Fund acquired in the Employee Share Offering will be subject to a hold period (the "Hold Period") of approximately five years, subject to certain exceptions prescribed by French law (such as an earlier release on death, permanent disability, termination of employment or retirement).

8. In the event of an early unwind resulting from the Canadian Participant exercising one of the exceptions to the Hold Period, a Canadian Participant may redeem Units (a) in the Classic Fund in consideration for the underlying Shares or the cash equivalent, or (b) in the Leveraged Fund

according to the Redemption Formula (described below) but using the market value of the Shares at the time of unwind to measure the Appreciation Amount (described below), if any, equal to the then-market value of the Shares held by the applicable Fund, to be settled in cash.

9. At the end of the Hold Period, Canadian Participants who wish to redeem their Units may redeem their Units (a) in the Classic Fund in consideration for the underlying Shares, or (b) in the Leveraged Fund according to the Redemption Formula (described below), to be settled by delivery of such number of Shares equal to such amount.

10. After the end of the Hold Period and after any redemptions made at that time, the Leveraged Fund will be dissolved and the assets (including Shares) in the Leveraged Fund which Canadian Participants wish to keep invested will be transferred to and held by the Classic Fund. Those Canadian Participants will receive equivalent Units in the Classic Fund.

11. At any time following the end of the Hold Period, Canadian Participants may redeem their Units through the Classic Fund.

12. Under the Classic Plan, Canadian Participants will purchase Units in the Classic Fund, and the Classic Fund will subscribe for an equivalent number of Shares. The purchase price for each Unit will be calculated as the closing price of the Shares on the day of approval of the Employee Share Offering by the board of directors of the Filer (the "Reference Price"), less a 15% discount. Dividends paid on the Shares held in the Classic Fund will be capitalized and investors will be credited with additional Units or fractions of Units.

13. Under the Leveraged Plan, Canadian Participants will subscribe for Units in the Leveraged Fund, and the Leveraged Fund will then subscribe for Shares using the Employee Contribution (as described below) and certain financing made available by a major European bank, Deutsche Bank A.G. (the "Bank").

14. As with the Classic Plan, Canadian Participants in the Leveraged Plan Offering enjoy the benefit of a 15% discount in the Reference Price. Under the Leveraged Plan, the Canadian Participants effectively receive a share appreciation entitlement in the increase in value, if any, of the Shares financed by the Bank Contribution (described below).

15. Participation in the Leveraged Plan represents an opportunity for Qualifying Employees potentially to obtain significantly higher gains than would be available through participation in the Classic Plan, by virtue of the Qualifying Employee's indirect participation in a financing arrangement involving a swap agreement (the "Swap Agreement") between the Leveraged Fund and the Bank. In economic terms, the Swap Agreement effectively involves the following exchange of payments: for each Share which may be purchased by the Qualifying Employee's contribution (the "Employee Contribution") under the Leveraged Plan at the Reference Price less the 15% discount, the Bank will lend to the Fund (on behalf of the Canadian Participant) an amount sufficient to enable the Fund (on behalf of the Canadian Participant) to purchase an additional nine Shares (the "Bank Contribution") at the Reference Price less the 15% discount.

16. At the time the Canadian Participant's obligations under the Swap Agreement are settled (the "Settlement Date") (expected to be at the end of the Lock-Up Period, but an early unwind may result from the Canadian Participant satisfying one of the exceptions to the Hold Period) the Canadian Participant will, for each Unit held by the Canadian Participant, be entitled to retain from the proceeds of the ten Shares then held by the Fund (on behalf of the Canadian Participant), an amount equal to:

    (a) the current value of one Share (that would have been purchased by the Employee Contribution); and

    (b) approximately 50% of the amount of the appreciation in value, if any, of the nine Shares purchased by the Bank Contribution above the Reference Price for such nine Shares (that is, approximately 50% of any increase in the value of such shares over the Reference Price) (the "Appreciation Amount").

    At the Settlement Date, the Leveraged Fund, on behalf of the Canadian Participant, will be required to remit an amount equal to the balance of the proceeds of the ten Shares then owned or deemed to be owned by such Canadian Participant to the Bank. This payment obligation may be satisfied by the transfer of Shares to the Bank by the Leveraged Fund.

17. Canadian Participants who wish to retain all their Shares at the end of the Hold Period, (i.e. the Shares subscribed to by the Leveraged Fund with their Employee Contribution and the corresponding Bank Contribution) may elect to pay to the Leveraged Fund an amount equal to the amount due to the Bank under the Swap Agreement in respect of such Canadian Participant's investment.

18. Under French law, the Funds, as FCPEs, have limited liability. The risk statement provided to Canadian Participants will confirm that, under no

circumstances, will a Canadian Participant in the Leveraged Plan be liable to any of the Leveraged Fund, the Bank or the Filer for any amounts in excess of his or her Employee Contribution under the Leveraged Plan.

19. During the term of the Swap Agreement, dividends paid on the Shares held in the Leveraged Fund will be remitted to the Leveraged Fund, and the Leveraged Fund will remit an equivalent amount to the Bank as partial consideration for the obligations assumed by the Bank under the Swap Agreement.

20. For Canadian federal income tax purposes, the Canadian Participants will be deemed to receive all dividends paid on the Shares financed by either the Employee Contribution or the Bank Contribution, at the time such dividends are paid to the Leveraged Fund, notwithstanding the actual non-receipt of the dividends by the Canadian Participants by virtue of the terms of the Swap Agreement. Consequently, Canadian Participants will be required to fund the tax liabilities associated with the dividends without recourse to the actual dividends.

21. The declaration of dividends on the Shares remains at the sole discretion of the board of directors of the Filer. The Filer has not made any commitment to the Bank as to any minimum payment in respect of dividends.

22. To respond to the fact that, at the time of the initial investment decision relating to participation in the Leveraged Plan, Canadian Participants will be unable to quantify their potential income tax liability resulting from such participation, the Filer will indemnify Canadian Participants in the Leveraged Plan for all tax costs to the Canadian Participants associated with the payment of dividends in excess of a specified amount per Share during the Hold Period such that, in all cases, a Canadian Participant will, at the time of the original investment decision, be able to quantify, with certainty, his or her maximum tax liability in connection with dividends received by the Leveraged Fund on his or her behalf under the Leveraged Plan.

23. At the time the Canadian Participant's obligations under the Swap Agreement are settled (expected to occur on the Settlement Date at the end of the Hold Period), the Canadian Participant will realize a capital gain (or capital loss) by virtue of having participated in the Swap Agreement to the extent that amounts received by the Leveraged Fund, on behalf of the Canadian Participant, from the Bank exceed (or are less than) amounts paid by the Leveraged Fund, on behalf of the Canadian Participant to the Bank. To the extent that dividends on Shares that are deemed to have been received by a Canadian Participant are paid by the Leveraged Fund on behalf of the Canadian Participant to the Bank, such payments will reduce the amount of any capital gain (or increase the amount of any capital loss) to the Canadian Participant under the Swap Agreement. Capital losses (gains) realized by a Canadian Participant under the Swap Agreement may be offset against (reduced by) any capital gains (losses) realized by the Canadian Participant on a disposition of the Shares, in accordance with the rules and conditions under the *Income Tax Act* (Canada) or comparable provincial legislation (as applicable).

24. The Swap Agreement will terminate at the end of the Hold Period. After the final swap payments are made, the Canadian Participant may elect to redeem the Leveraged Fund Units in consideration for a payment of an amount equal to the value of the Canadian Participant's Employee Contribution and the Canadian Participant's portion of the Appreciation Amount, if any, to be settled by delivery of such number of Shares equal to such amount (the "Redemption Formula"). Following these redemptions, all assets (including Shares) remaining in the Leveraged Fund will be transferred to the Classic Fund. New Units of the Classic Fund will be issued to the applicable Canadian Participants in recognition of the assets transferred to the Classic Fund. The Canadian Participants may redeem the new Units whenever they wish.

25. The Manager is an asset management company governed by the laws of France. The Manager is registered with the French Commission des Opérations de Bourse (the "COB") to manage French investment funds and complies with the rules of the COB. The Manager is not and has no intention of becoming a reporting issuer (or equivalent) under the Legislation.

26. The Manager may, for the Fund's account, acquire, sell or exchange all securities in the portfolio of each Fund. Each Fund's portfolio will principally include Shares. The Classic Fund's Portfolio will also include, from time to time, cash in respect of dividends paid on the Shares. The Leveraged Fund's Portfolio will include the Swap Agreement. The portfolio of either Fund may include cash or cash equivalents which the Funds may hold pending investments in Shares and for purposes of Unit redemptions. The Manager's portfolio management activities in connection with the Employee Share Offering and the Funds are limited to purchasing Shares from the Filer in accordance with the Classic Plan and the Leveraged Plan, fulfilling redemption requests, and such activities as may be necessary to give effect to the Swap Agreement.

27. Any redemption charges will be charged to the holder of the Units and will accrue to the relevant

Fund. All management charges relating to a Fund will be paid from the Fund's assets.

28. The Manager is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of each Fund. The Manager's activities in no way affect the underlying value of the Shares.

29. Shares issued in the Employee Share Offering will be deposited in the relevant Fund through Natexis Banques Populaires (the "Depositary"), a French commercial bank subject to French banking legislation.

30. Under French law, the Depositary must be selected by the Manager from among a limited number of companies identified on a list by the French Minister of the Economy, and its appointment must be approved by the COB. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow each Fund to exercise the rights relating to the securities held in its respective portfolio.

31. The Qualifying Employees resident in Canada will not be induced to participate in the Employee Share Offering by expectation of employment or continued employment.

32. The total amount invested by a Canadian Participant in the Employee Share Offering, including the Canadian Participant's investment in the Classic Plan and both the Employee Contribution and Bank Contribution in the Leveraged Plan, may not exceed 25% of his or her gross annual compensation, although a lower limit may be established by the Canadian Affiliates.

33. None of the Filer, the Manager, the Canadian Affiliates or any of their employees, agents or representatives will provide investment advice to the Qualifying Employees with respect to an investment in the Units.

34. The Filer will retain a securities dealer registered as a broker/investment dealer under the Legislation of Ontario and Manitoba (the "Registrant") to provide advisory services to any Canadian Participants resident in Ontario or Manitoba who have expressed an interest in the Leveraged Plan, to assist them in determining the suitability of the proposed Leveraged Plan investment based on their particular financial circumstances. The Registrant would establish accounts for, and would receive the initial account statements from the Leveraged Fund on behalf of such Canadian Participants.

35. Units of the Leveraged Fund will be issued to Canadian Participants resident in Ontario or Manitoba solely through the Registrant. The Units will be evidenced by account statements issued by the Leveraged Fund.

36. The Canadian Participants will receive an information package in the French or English language, at their option, that will include:

    (a) a summary of the terms of the Employee Share Offering,

    (b) a tax notice relating to the relevant Fund containing a description of the Canadian income tax consequences of subscribing for and holding the Units in the Funds, and redeeming Units at the end of the Hold Period, and

    (c) a risk statement describing certain risks associated with an investment in Units pursuant to the Leveraged Plan and a tax calculation document illustrating the general Canadian federal income tax consequences of participating in the Leveraged Plan.

37. Upon request, Canadian Participants may receive copies of the Filer's annual report on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") and/or the French *Document de Référence* filed with the COB in respect of the Shares and a copy of the relevant Fund's rules (which are analogous to company by-laws). The Canadian Participants will also receive copies of the continuous disclosure materials relating to the Filer furnished to shareholders generally.

38. The Filer will provide contractual rights of action to those Canadian Participants who participate in the Leveraged Plan if the offering documents provided to the Canadian Participants contain a material misrepresentation in respect of the Leveraged Plan Offering.

39. It is not expected that there will be any market for the Units or Shares in Canada.

40. There are approximately 1,814 Qualifying Employees resident in Canada, in the provinces of British Columbia (36), Alberta (34), Saskatchewan (6), Manitoba (11), Ontario (1,118), Québec (583), New Brunswick (6), Nova Scotia (15) and Newfoundland and Labrador (5) who represent in the aggregate less than 5.0% of the number of Qualifying Employees worldwide.

41. As of the date hereof and after giving effect to the Employee Share Offering, Canadian Participants do not and will not beneficially own (which term, for the purposes of this paragraph, is deemed to include all Shares held by the Funds on behalf of Canadian Participants) more than 10 per cent of

the Shares and do not and will not represent in number more than 10 per cent of the total number of holders of the Shares as shown on the books of the Filer.

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

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

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

(a) the prospectus requirements shall not apply to trades in Units of the Funds made pursuant to the Employee Share Offering to or with the Canadian Participants, provided that the first trade in Units acquired by Canadian Participants pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(b) the registration requirements shall not apply to:

(i) trades in Units of the Classic Fund made pursuant to the Employee Share Offering to or with Canadian Participants; and

(ii) trades in Units of the Leveraged Fund made pursuant to the Employee Share Offering to or with Canadian Participants not resident in Ontario and Manitoba;

(c) the registration and prospectus requirements shall not apply to:

(i) trades of Shares by the Funds to the Canadian Participants upon the redemption of Units by Canadian Participants pursuant to the Employee Share Offering; and

(ii) the issuance of Units of the Classic Fund to holders of Leveraged Fund Units upon the transfer of the assets of the Leveraged Fund to the Classic Fund;

provided that the first trade in any such Shares or Units acquired by a Canadian Participant pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(d) the registration and prospectus requirements shall not apply to the first trade in any Shares acquired by a Canadian Participant under the Employee Share Offering provided that such trade is:

(i) made through a person or company who/which is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the foreign jurisdiction where the trade is executed; and

(ii) executed through the facilities of a stock exchange outside of Canada; and

(e) the Manager shall be exempt from the adviser registration requirements, where applicable, in order to carry out the activities described in paragraphs 26 and 28 hereof.

September 19, 2003.

"Josée Deslauriers"

2.2 Orders

2.2.1 Assante Financial Management Ltd. - Settlement Agreement

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

IN THE MATTER OF
THE STATUTORY POWERS PROCEDURE ACT,
R.S.O. 1990, C. S.22, AS AMENDED;

IN THE MATTER OF
ASSANTE FINANCIAL MANAGEMENT LTD.

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Ontario Securities Commission and Assante Financial Management Ltd. propose to settle this matter under section 5(1) of Practice Guidelines [7] - Settlement Procedures in Matters before the Ontario Securities Commission of the Ontario Securities Commission Rules of Practice.

II. ACKNOWLEDGMENT

2. Assante Financial Management Ltd. acknowledges that the facts set out in Part III of this Settlement Agreement are correct.

III. FACTS

3. Assante Financial Management Ltd. was incorporated in 1985 under the laws of Ontario. In 2000 and 2001, several mutual fund dealers were integrated into Assante Financial Management Ltd. Assante Financial Management Ltd., including its integrated businesses ("AFM"), has been operating as a mutual fund dealer in Canada since the mid 1980's.

Background

4. On July 10, 2001, a mutual fund dealer which was subsequently integrated into AFM in October 2001, advised the Registration Department of the OSC that one of its advisors was servicing approximately ten to fifteen accounts for Ontario clients without being registered in Ontario.

5. On October 18, 2001, after the integration of this mutual fund dealer into AFM, AFM sent an internal compliance directive to all of its sales people. The Directive restricted all AFM advisors from advising, recommending or conducting trades for out-of-province clients unless the advisor was registered in the province where the client resided. The Directive imposed a deadline of October 29, 2001 for its advisors to either apply for registration or transfer their clients to another advisor.

6. Although AFM represented to the OSC that it had implemented a procedure to address the unregistered trading issue, many AFM advisors had not complied with the Directive.

7. On February 19, 2002, in response to a section 19(3) order issued by the OSC, AFM advised the OSC that approximately 50 salespeople located at the mutual fund dealer described in paragraph 4 had served between 150 and 200 Ontario clients between January 1, 2000 and August 31, 2001 without being registered in Ontario. This conduct occurred prior to the integration of that mutual fund dealer into AFM in October 2001.

8. On July 11 and 12, 2002, in response to inquiries from Staff, AFM advised the OSC that as of July 12, 2002, a total of 152 of about 800 AFM sales people were trading on behalf of Ontario clients without being registered in Ontario.

9. On May 26, 2003, AFM advised the OSC that it had addressed the out-of-province trading issue. In particular, AFM told the OSC that by October 2002 the 152 salespeople who had been trading on behalf of clients resident in Ontario without being registered in Ontario had: applied for registration, transferred their Ontario clients to advisors registered in Ontario or transferred their clients to the AFM house account for re-assignment to an AFM advisor registered in Ontario.

Conduct Contrary to the Securities Act

10. In failing to ensure that its salespeople did not trade on behalf of clients resident in Ontario without being registered in Ontario between January 1, 2000 and October 2002 contrary to subsection 25(1) of the Act, AFM failed to supervise its registered salespersons contrary to s. 3.1 of Ontario Securities Commission Rule 31-505.

11. In failing to enforce it's Directive between October 18, 2001 and October 2002 and thereby allowing its representatives, who were not registered in Ontario to maintain accounts with Ontario residents, AFM failed to enforce written procedures that conform with prudent business practice contrary to s.1.2 of Ontario Securities Commission Rule 31-505.

IV. POSITION OF AFM: MITIGATING FACTORS

12. The following are mitigating factors which should be considered in relation to this settlement agreement:

    a) By October 2002, all 152 AFM advisors had:

(i) applied for registration in Ontario;

(ii) transferred their Ontario clients to advisors registered in Ontario; or

(iii) transferred their clients to the AFM House Account for re-assignment to an AFM advisor duly registered in Ontario (this was imposed on the advisor by the firm if option (i) or (ii) was not taken by a date specified by AFM).

b) In March 2003, the OSC completed a review of AFM under s. 20 of the *Securities Act*. Any deficiencies relating to advisor registration have been satisfactorily addressed.

c) AFM co-operated with the OSC throughout the investigation;

d) One of AFM's integrated businesses reported the breach of registration requirements relating to one of its advisors to the OSC;

e) AFM conducted a comprehensive audit of all of its branches. This branch audit program included a review of how individual branches and branch managers monitored and dealt with out-of-province clients.

f) AFM appointed a dedicated Project Manager responsible for out-of-province client issues;

g) AFM established written procedures and operational controls to address out-of-province trading.

i. AFM introduced a New Client Application Form that requires an advisor opening an account to indicate whether he or she is registered in the province in which the client resides. This information is tested by AFM's operational controls.

ii. AFM implemented account opening procedures which include a review of new Ontario client accounts to determine whether the advisor is registered in Ontario;

iii. AFM incorporated the Directive into the AFM Compliance Manual making it clear that trading for out-of-province clients is not permitted and imposed immediate restrictions on trading for such clients;

V. TERMS OF SETTLEMENT

13. AFM agrees to the following terms of settlement:

a) AFM undertakes to submit to an external review of its policies, procedures and internal controls regarding out-of-province trading;

b) AFM undertakes to retain an external auditor (the "Auditor") to conduct the review;

c) AFM undertakes to direct the Auditor to examine AFM's relevant policies and procedures and to test its internal controls regarding out-of-province trading;

d) AFM undertakes to engage the Auditor as soon as reasonably practicable after the signing of this agreement and to direct the Auditor to report to AFM within 90 days from the date of the Auditor's engagement and make recommendations, if necessary;

e) AFM undertakes to provide the Manager of Compliance of the OSC with a copy of the report;

f) AFM undertakes to review the Auditor's recommendations and to develop an implementation plan for recommendations necessary to comply with securities law as soon as reasonably practicable following receipt of the report;

g) AFM undertakes to report to the Manager of Compliance of the OSC the steps taken to implement the Auditor's recommendations to comply with securities laws;

h) AFM undertakes to pay the cost of the review and the cost–associated with the implementation of recommendations necessary to comply with securities law.

14. AFM agrees that it will not, in any proceeding, refer to or rely on this Settlement Agreement, settlement discussions/negotiations or the process of obtaining the Executive Director's consent to this Settlement Agreement as the basis for any challenge to the Commission's jurisdiction, allegation of bias or appearance of bias, allegation

of unfairness or any other remedies or challenges that may otherwise be available.

VI. STAFF COMMITMENT

15. If this settlement receives the consent of the Executive Director, Staff will not initiate any other proceedings under the *Securities Act* against AFM in relation to the facts set out in Part III.

16. If this settlement receives the consent of the Executive Director, and AFM fails to fulfill any of the settlement terms, Staff may initiate proceedings against AFM in relation to the facts set out in Part III and/or refer to this Settlement Agreement in any future proceeding.

VII. APPROVAL OF SETTLEMENT

17. If, for any reason, the Executive Director does not consent to this settlement:

    a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and AFM leading up to the execution of this Settlement Agreement, shall be without prejudice to Staff and AFM;

    b) Staff and AFM shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of these matters before the Commission, unaffected by this Settlement Agreement or the settlement discussions/negotiations; and

    c) The terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and AFM or as may be required by law.

VIII. DISCLOSURE OF SETTLEMENT AGREEMENT

18. This Settlement Agreement and its terms will be treated as confidential by Staff and AFM until consented to by the Executive Director, and forever, if for any reason whatsoever this settlement is not consented to by the Executive Director, except with the consent of Staff and AFM, or as may be required by law.

19. Any obligation of confidentiality shall terminate upon receiving the Executive Director's consent to this settlement.

20. Staff and AFM agree that if the Executive Director does consent to this settlement, they will not make any public statement inconsistent with this Settlement Agreement.

IX. EXECUTION OF SETTLEMENT AGREEMENT

21. A facsimile signature is effective as an original signature.

November 11, 2003.

"Stephen Ellis"
Assante Financial Management Ltd.
Per: Stephen Ellis

"Brent Moore"
Assante Financial Management Ltd.
Per: Brent Moore

"Michael Watson"
Staff of the Ontario Securities Commission
Per: Michael Watson

I hereby consent to the settlement of this matter on the terms contained in this Settlement Agreement.

November 19, 2003.

"Charlie Macfarlane"
Ontario Securities Commission
Per: Charlie Macfarlane

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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
Agro Pacific Industries Ltd.	11 Nov 03	21 Nov 03	21 Nov 03	
Airline Training International Ltd.	20 Nov 03	02 Dec 03		
Algonquin Oil & Gas Limited	20 Nov 03	02 Dec 03		
Arlington Resources Inc.	20 Nov 03	02 Dec 03		
Azco Mining Inc.	20 Nov 03	02 Dec 03		
Canadian Spooner Resources Inc.	20 Nov 03	02 Dec 03		
Funtime Hospitality Corp.	21 Nov 03	03 Dec 03		
Medical Services International Inc.	25 Nov 03	05 Dec 03		
SimEx Inc.	20 Nov 03	02 Dec 03		
Star Navigation Systems Group Ltd.	20 Nov 03	02 Dec 03		
Titan Employment Services Ltd.	21 Nov 03	03 Dec 03		26 Nov 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	03 Nov 03		
Saturn (Solutions) Inc.	21 Oct 03	03 Nov 03	03 Nov 03		

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Chapter 5

Rules and Policies

5.1.1 Notice of Proposed Multilateral Instrument 55-103 and Companion Policy 55-103CP Insider Reporting for Certain Derivative Transactions (Equity Monetization)

NOTICE OF PROPOSED MULTILATERAL INSTRUMENT 55-103
AND COMPANION POLICY 55-103CP

INSIDER REPORTING FOR
CERTAIN DERIVATIVE TRANSACTIONS
(EQUITY MONETIZATION)

Notice of Rule and Policy

The Commission has, under section 143 of the *Securities Act* (the Act), made Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Multilateral Instrument) as a Rule under the Act, and has adopted Companion Policy 55-103CP *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Companion Policy) as a Policy under the Act.

The Multilateral Instrument and Companion Policy are initiatives of the Canadian Securities Administrators (the CSA). The CSA have developed the Multilateral Instrument and the Companion Policy to respond to concerns that the existing insider reporting requirements may not cover certain derivative-based transactions, including equity monetization transactions (described below), which satisfy one or more of the fundamental policy rationale for insider reporting. We believe that timely public disclosure of such transactions is necessary in order to maintain and enhance the integrity of and public confidence in the insider reporting regime in Canada.

The Multilateral Instrument is expected to be adopted as a rule in each of Alberta, Manitoba, Ontario, Québec and Nova Scotia, a Commission regulation in Saskatchewan, and a policy in most other jurisdictions represented by the CSA. The Companion Policy is expected to be implemented as a policy in most jurisdictions represented by the CSA. The British Columbia Securities Commission has participated in the development of the Multilateral Instrument and Companion Policy. However, it has decided to implement similar requirements by proclaiming amendments to the British Columbia *Securities Act* and providing exemptions in a BC Instrument instead. Consequently, it is not anticipated that British Columbia will adopt the Multilateral Instrument and Companion Policy.

The Multilateral Instrument and the material required by the Act to be delivered to the Minister of Finance were delivered on November 26, 2003. If the Minister does not reject the Multilateral Instrument or return it to the Commission for further consideration, the Multilateral Instrument will come into force in Ontario, pursuant to section 5.1 of the Multilateral Instrument, on February 28, 2004.

It is expected that, subject to necessary Ministerial approvals, the Multilateral Instrument and the Companion Policy will come into force in the other participating jurisdictions on February 28, 2004. In Québec, every regulation made under section 331.1 of the Québec *Securities Act* must be approved, with or without amendment, by the Minister. The regulation is scheduled to come into force in Québec on February 28, 2004.

The Commission has adopted the Companion Policy under section 143.8 of the Act. The Companion Policy will come into force on the date that the Multilateral Instrument comes into force. The Multilateral Instrument and the Companion Policy are collectively referred to as the Proposed Materials.

The Commission published a draft version of the Multilateral Instrument (the Draft Instrument) and Companion Policy (the Draft Policy) at 26 OSCB 1805 (February 28, 2003) (collectively, the Draft Instruments).

The CSA received seven submissions in response to the request for comments published with the Draft Materials. The CSA have considered the comments contained in these submissions, and the final versions of the Multilateral Instrument and Companion Policy being published with this Notice reflect the decisions of the CSA in this regard. We have attached to this Notice as Appendix “A” a list of commenters together with a summary of the comments received and the responses of the CSA. We have attached to this Notice as Appendix “B” a blackline showing changes made to the Draft Materials subsequent to the publication of the Draft Materials for comment in February 28, 2003.

The CSA are of the view that none of the revisions made to the Draft Materials is material. Accordingly, the Multilateral Instrument and the Companion Policy are not being published for a further comment period.

Substance and Purpose of the Multilateral Instrument and Companion Policy

1. Purpose of the Multilateral Instrument

The Multilateral Instrument seeks to maintain and enhance the integrity of and public confidence in the insider reporting regime by:

- ensuring that insider derivative-based transactions which have a similar effect in economic terms to insider trading activities are fully transparent to the market;
- ensuring that, where an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, the insider is required to file an insider report, even though the transaction may, for technical reasons, fall outside of the existing rules governing insider reporting; and
- reducing uncertainty relating to what arrangements and transactions are subject to an insider reporting requirement and what are not.

2. What are equity monetization transactions?

Equity monetization transactions are transactions which allow an investor to receive a cash amount similar to proceeds of disposition, and to transfer part or all of the economic risk and/or return associated with securities of an issuer, without actually transferring the legal and beneficial ownership of such securities. (The term "monetization" generally refers to the conversion of an asset (such as securities) into cash.)

We are concerned that, if an *insider* of a reporting issuer enters into a monetization transaction, and does not disclose the existence or material terms of this transaction, there is potential for harm to investors and the integrity of the insider reporting regime because:

- an insider in possession of material undisclosed information, although prohibited from trading in securities of the issuer, may be able improperly to profit from such information by entering into derivative-based transactions which mimic trades in securities of the reporting issuer;
- market efficiency will be impaired since the market is deprived of important information relating to the market activities of the insider; and
- requirements relating to the public reporting of such holdings (e.g., in an insider report or proxy circular) may in fact mislead investors, since the insider's publicly reported holdings no longer reflect the insider's true economic position in the issuer.

Although we believe that many such transactions fall within the existing rules governing insider reporting, we recognize that, in certain cases at least, there may be a genuine question whether the existing insider reporting rules apply. Accordingly, we have developed the Multilateral Instrument to address these concerns.

The Multilateral Instrument reflects a principles-based approach to monetization transactions. If an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, but for technical reasons it may be argued that the insider falls outside of the existing insider reporting requirements, the insider will be required to file an insider report under the Multilateral Instrument. In this way, the market can make its own determination as to the significance, if any, of such arrangements.

3. Purpose of the Companion Policy

The purpose of the Companion Policy is to set forth the views of the CSA as to the manner in which the Multilateral Instrument is to be interpreted and applied.

4. Summary of the Multilateral Instrument and Companion Policy

A comprehensive summary of the Multilateral Instrument and the Companion Policy may be found in the Notice of Proposed Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* published at 26 OSCB 1805 (February 28, 2003).

Summary of Changes to the Multilateral Instrument and Companion Policy

We have attached to this Notice as Appendix "A" a list of commenters together with a summary of the comments received and the responses of the CSA. We have attached to this Notice as Appendix "B" a blackline showing changes made to the Draft Materials subsequent to the publication of the Draft Materials for comment.

The CSA are of the view that none of the revisions made to the Draft Materials is material. Accordingly, the Multilateral Instrument and the Companion Policy are not being published for a further comment period.

Related Staff Notice

A CSA staff notice containing examples of various types of monetization arrangements, together with staff recommendations as to how such arrangements may be reported under the System for Electronic Disclosure by Insiders (SEDI), will be published on or before the time the Multilateral Instrument takes effect.

Text of Multilateral Instrument and Companion Policy

The texts of the Multilateral Instrument and Companion Policy follow.

DATED: November 28, 2003

Appendix "A"

Summary of Comments & Responses

Comment letters were received from the following commenters:

- Comment dated May 30, 2003 from Michael Padfield (Ontario Teachers' Pension Plan)
- Comment dated May 30, 2003 from Ken Hugessen (Mercer Human Resources Consultants)
- Comment dated May 31, 2003 from Clint Calder (CIBC)
- Comment dated June 3, 2003 from Blake, Cassels & Graydon
- Comment dated June 5, 2003 from Osler, Hoskin & Harcourt
- Comment dated June 13, 2003 Adam J. Segal (Borden Ladner Gervais)
- Comment dated July 28, 2003 from Simon Romano (Stikeman Elliott)

We would like to thank the commenters for taking the time to provide comments on the Draft Materials. We have carefully considered these comments and have provided summaries of the comments and our responses in the following table.

#	Theme	Comments	Responses
Multilateral Instrument 55-103 – Summary of Comments			
1.	General Support for the Initiative	Five of the seven commenters expressed general support for the initiative, although several of the commenters qualified their support by reference to the need to address matters raised in their comments. These comments are summarized below.	We acknowledge the support of the commenters, and thank them for their comments. We have carefully considered their comments, and, where we believe it appropriate, amended the proposed instrument.
2.	General Support for the Initiative (Ontario Teachers' Pension Plan)	We have reviewed [the proposed instrument] from our perspective as an active institutional investor that reviews and relies on the accuracy and timeliness of others' insider reporting, that is obliged from time to time to file its own insider reports concerning substantial investments, and that invests in a wide variety of securities and financial instruments involving numerous investment strategies. We are generally in favour of MI 55-103 and we agree with the CSA that timely public disclosure of equity monetization transactions is necessary in order to enhance the integrity of, and public confidence in, the Canadian insider reporting regime.	We acknowledge the support of the commenter.
3.	General Support for the Initiative (Mercer Human Resource Consulting)	[W]e support your proposal to require disclosure of stock hedges by insiders. As compensation consultants, we frequently design equity-based compensation programs that are designed to tie executives to the company's stock and, thus, to the shareholder experience. This equity exposure is typically a fundamental objective of the plans we design. While we understand the portfolio diversification, risk and financial security needs of the individual executives that cause executives to hedge their positions, such hedging defeats one of the central objectives of these plans. Similarly, we encourage our clients to adopt share ownership guidelines and disclose executives' progress in achieving the required ownership levels; again, undisclosed hedging leaves shareholders unaware of the true extent of the executive's exposure to the stock.	We acknowledge the support of the commenter.
4.	General Support for the Initiative (Oslers)	We agree with the initiative of the Canadian Securities Administrators ("CSA") to ensure that there is disclosure by insiders of a disposition of their economic interest in, or economic exposure to, securities of the reporting	We acknowledge the support of the commenter.

#	Theme	Comments	Responses
Multilateral Instrument 55-103 – Summary of Comments			
		issuer of which they are an insider. Such disclosure is important for the public marketplace, particularly where an insider's previously reported ownership of securities of a reporting issuer has been modified by the insider such that the insider is no longer exposed, in whole or in part, to the economic performance of the reporting issuer, as reflected in the share price of the securities owned by the insider.	
5.	General Concerns with the Initiative – Jurisdiction (CIBC)	… although it is likely not intended, implementation of the Proposed Rule could have the effect of imposing provincial regulatory requirements on banks and other federally regulated financial institutions. Such requirements could have an unintended disclosure impact on the business of banking, particularly routine lending activities.	To the extent the proposed instrument may have an impact on lending activities of federally regulated entities, we believe such impact will be minimal. We believe that a disclosure requirement for insider derivative-based transactions that have a similar economic effect to insider trading transactions is necessarily incidental to an insider reporting system.
6.	General Concerns with the Initiative – Application to pre-existing arrangements (CIBC)	We find the retroactive effect of the Proposed Instrument to be quite troubling and inappropriate. Although the Proposed Policy attempts to justify the retroactive application of the reporting requirements, we feel that it is highly unusual to have new requirements apply retroactively. Many insiders may have entered into various transactions (such as lending arrangements involving limited recourse pledges) without filing insider reports based on a reasonable expectation (and based on legal advice) that such transactions were not subject to the insider reporting requirements. Although the Proposed Policy states that it is just attempting to clarify when the insider reporting requirements will apply (since they may not have applied in the past for "technical" reasons), there will be cases where some types of transactions were clearly not caught by the previous insider reporting requirements. Accordingly, the effect of Section 2.3 will be to retroactively change the law in this area. We believe that such an action should not be taken lightly and should be reconsidered. In the event the CSA is not open to reconsidering this approach, then at a minimum we would recommend that the Proposed Policy include other examples of where the CSA has retroactively imposed regulatory	We do not agree with the suggestion that the instrument has a "retroactive effect". If an insider entered into a monetization arrangement prior to the effective date of the instrument, and the arrangement was properly not subject to a reporting requirement at that time, the proposed instrument does not change that fact. The focus of the proposed instrument is exclusively on insider reports filed on and after the effective date of the proposed instrument. If an insider files an insider report subsequent to the effective date, and the insider report will not convey an accurate picture of the insider's true economic position vis-à-vis the issuer due to a pre-existing monetization arrangement that remains in effect, the insider must disclose the existence and material terms of this arrangement. In developing the proposed instrument, we considered whether it would be appropriate to provide for a general "grandfathering" provision that would exempt from disclosure pre-existing arrangements. We concluded that this was not appropriate for several reasons: 1) In view of the fact that many monetization arrangements are long-term arrangements, a

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		requirements and state more compelling reasons why retroactive application of the requirements is necessary in this case.	grandfathering provision would effectively defeat the basic objective of the initiative: to ensure that insider reports filed after the effective date convey a true picture as to the insider's economic position vis-à-vis the issuer in question. If a grandfathering provision were adopted, there would be no way to determine whether any insider report filed after the effective date accurately reflected the insider's true economic position. 2) While we recognize that some insiders may have entered into transactions without filing insider reports based on an expectation that such transactions were not then subject to the insider reporting requirements, we do not believe that it would be reasonable to assume that such arrangements could never become subject to a reporting requirement, particularly in view of the long-term nature of such arrangements. 3) We recognize that, in many cases, insiders who have entered into unreported transactions have not done so with an intent to mislead the market. Nevertheless, we believe that continued non-disclosure of these transactions may inadvertently have this effect. We believe that insiders generally will be supportive of an initiative that ensures that this is not the case.
7.	General Concerns with the Initiative – Application to pre-existing arrangements (Oslers)	… The Notice accompanying the Multilateral Instrument states that if "insiders are not required to disclose such pre-existing arrangements, the market will have no way of determining whether an insider's publicly reported holdings truly reflect the insider's economic position in the insider's reporting issuer". We agree with this statement. Nevertheless we have a grave concern with requiring reporting of pre-existing	We remain of the view that, if insiders are not required to disclose pre-existing arrangements that remain in force, the market will have no way of determining whether an insider's publicly reported holdings truly reflect the insider's economic position in the insider's reporting issuer. In view of the fact that many monetization arrangements are long-term arrangements, the market's ability

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		arrangements. At the time such arrangements were entered into, there was no requirement to make public disclosure of them. It is likely this was a consideration to certain insiders who entered into the arrangement. There may have been a concern that disclosure of the insider's disposal of its economic exposure to the share performance of the issuer could cause a downward effect on the trading price of the shares. We agree that the Multilateral Instrument seeks to ensure this transparency, precisely so that the market price of the shares reflects such a disposition, and we agree that this result should take effect for every transaction going forward. However, if disclosure of pre-existing arrangements causes a decrease in share price now, then it is current investors who will suffer the economic consequence. It does not, in our view, seem right that they bear any risk of loss arising as a result of the disclosure. More importantly, the insider, who long ago hedged his/her/its economic exposure to the share price of the issuer, will be the one person or entity who will not bear any economic risk or impairment from the disclosure.	to evaluate the significance of insider reports will be seriously impaired for many years to come. With respect to the concern that disclosure of a pre-existing arrangement may cause a decrease in share price now, with the result that it is current investors who will suffer the economic consequences of disclosure, we believe that such cases will be rare. In many cases, we believe that it is unlikely that disclosure of the fact that an insider has previously monetized securities will have a significant impact on the trading price of the securities today. Where, for example, the insider entered into the pre-existing arrangement for reasons that are unrelated to the issuer or the insider's views of its prospects, disclosure of the arrangement should have little or no impact on the issuer's share price today. If it is the case that disclosure of the pre-existing arrangement will have a significant impact on the trading price, then we believe that this is information that should be available to *all* market participants, and not just to the insider, the insider's advisors, and other persons who may be aware of the specific transaction in question. In these circumstances the market price does not reflect all relevant information. Continued non-disclosure of a pre-existing arrangement may harm new investors who base their investment decision on the fact that the insider appears to have an ownership position in the issuer.
8.	General Concerns with the Initiative – Application to pre-existing arrangements (Mercer)	Under the current proposal, individuals would be required to disclose any hedging instruments outstanding on the date the instrument becomes effective. This would effectively require disclosure of instruments established when the need to disclose was less clear ... We agree with the argument that indefinite failure to disclose existing arrangements can result in a misleading representation of an individual's true exposure to the stock … We would suggest that to the extent that the instrument will apply to all instruments outstanding at the effective date, sufficient time be provided prior to the effective date	In developing the proposed instrument, we considered whether it would be appropriate to provide for a delayed effective date that would apply to pre-existing arrangements. In view of the fact that, as a result of the public comment and review process, it was unlikely that the instrument would be in force prior to January 2004, we concluded that this was not appropriate.

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		to allow individuals to unwind their hedging arrangements, if they so desire. We would suggest that the effective date be at least 6 months after the date the final rule is published.	
9.	General Concerns with the Initiative – Application to pre-existing arrangements (Romano)	Pre-effective date equity monetizations should, if they will be required to be disclosed, not be subject to post-effective date reporting under ss.2.3 and 3.2 if they have already been reported prior to the effective date. In other words, insiders that filed insider reports with respect to an equity monetization should not be required to incur the cost and expense of another filing. In any event, 90 days or longer should be given for a s.3.2 filing, especially for non-residents of Canada. Ten days is too short.	If, prior to the coming into force of MI 55-103, an insider has appropriately filed an insider report on SEDI in respect of the transaction, it will not be necessary for the insider to make a second filing on SEDI pursuant to s. 3.2 of the proposed instrument. If an insider has previously filed an insider report in respect of a monetization transaction under the former paper-based system, it will be necessary for the insider to make a filing under SEDI to ensure that the transaction is disclosed on SEDI.
10.	General Concerns with the Initiative – Insider Report Form/SEDI (CIBC)	[W]e suggest that the CSA not introduce such a broad and sweeping change to the insider reporting obligations without at the same time carefully considering the reporting methodology. Special consideration should be made as to whether the current reporting form is sufficiently flexible to allow an insider to accurately complete the report in all of the circumstances now contemplated by the Proposed Instrument and whether such form will be an effective means of communicating to the market what action the insider has taken and how the particular action will change the insider's "economic exposure" to a reporting issuer or "economic interest in a security". On the latter point, given that many insiders may enter into equity monetizations, but still retain voting rights and certain upside and downside exposure to the securities being monetized, or even cash-settle the monetization and thereby retain full economic interest in the securities, we would be concerned that certain disclosure, if not clarified by means of a specialized form (or even a separate form), may result in confusing and misleading disclosure. We would also submit that the CSA may wish to consider the US approach to reporting such transactions.	We have carefully considered the question of reporting methodology, and note that some insiders have filed insider reports, both in paper format and on SEDI, in respect of monetization transactions. We also note that insider reports in respect of monetization transactions are routinely filed in the U.S. CSA staff have prepared a staff notice to assist insiders who have entered into such transactions and to promote consistency in filings. The notice contains a number of examples of arrangements and transactions involving derivatives together with examples of how staff believe that insiders should report these arrangements and transactions. The staff notice will be published on or before the time the Multilateral Instrument takes effect.
11.	General Concerns with the Initiative –	MI 55-103 CP should in my view address the disclosure required by control block	We agree that monetization strategies potentially have implications for other

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	Limited Scope of Initiative (Romano)	holders engaging in equity monetizations (see s.2.8 of MI 45-102), and the obligation of 10%-plus shareholders to update early warning reports if they wish to engage in equity monetization when the possibility of doing so was not disclosed in a prior early warning report (thus potentially triggering the "change in another material fact" disclosure obligation under OSA s.101(2)).	areas of securities law, such as the control block distribution rules and the early warning rules. The focus of this initiative has been the insider reporting system. Accordingly, we have not addressed the other comments raised by the commenter in the companion policy. These comments will be considered as part of our ongoing review of such arrangements and in the context of the proposed Uniform Securities Legislation initiative.
12.	Definition of "Economic Exposure" (Oslers)	[W]e believe that … the CSA has cast too broad a net. The Multilateral Instrument subjects an excessively wide range of activities to scrutiny and then includes several very broadly drafted exemptions to distinguish activities which are not intended to be caught by the Multilateral Instrument. The principal problem with the approach taken in the Multilateral Instrument is that the definition of "economic exposure", …, is overly broad in making reference to "the economic, financial or pecuniary interests of the reporting issuer." … The result is that a large number of transactions with insiders will be subject to scrutiny under the Multilateral Instrument which have nothing to do with transactions which can be the subject of an equity monetization. In our view, a more focussed view of the transactions to which the Multilateral Instrument should apply should be adopted. As a suggestion, we submit that the following, which basically is the converse of the exemption in subsection 2.2(a), if adopted as the substantive reporting requirement would meet all of the concerns that the Multilateral Instrument is seeking to address: an agreement, arrangement or understanding which involves, directly or indirectly, an interest in a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer. The reporting obligation which this Multilateral Instrument is attempting to impose should only apply to changes in	We originally considered a substantive reporting test similar to the test proposed by the commenter, but concluded that the test arguably was overbroad, for the reason that certain agreements, such as shareholder agreements, escrow agreements and lock-up agreements, "involve" securities (or an interest in securities) of the reporting issuer but are not relevant to an insider reporting system. If a test similar to that proposed by the commenter were adopted as the substantive reporting requirement, we believe it would then be necessary to include an exemption based on whether the agreement altered the insider's economic exposure to the insider's reporting issuer, which would be the converse of the current approach.

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		the insider's economic exposure to the performance of the reporting issuer.	
13.	Definitions – "Economic Exposure" and "Economic Interest in a Security" (CIBC)	We believe that the "economic exposure" definition is overly subjective and largely redundant as the "economic interest in a security" definition would cover substantially the same ground. In addition, we feel that the "economic exposure" definition is too broad and is not limited to dealings in securities of the reporting issuer. … Although the Proposed Policy attempts to set out the justification for requiring both tests, we do not feel that any of the stated reasons are compelling. The example given of an insider entering into a "naked short" is not particularly helpful in that most insiders would be prohibited from entering into such short sales (either because of internal policies or because of governing legislation which prohibits such transactions) and, in any event, it is submitted that such a sale would likely be caught by the existing insider reporting requirements.	Although we would agree that there is some overlap between the "economic interest" test and the "economic exposure" test, we do not believe that they are identical. Indeed, the commenter's suggestion that the economic exposure test is overly broad implicitly acknowledges this. We believe that there may be certain transactions that should be subject to a reporting requirement but that arguably may not be caught by the "economic interest" test alone. For example, if an insider holds *no* securities of a reporting issuer, the insider would appear to be free to engage in derivative-based transactions that replicate trades, because arguably the insider does not have an economic interest in any security which may be altered by the transaction. We do not believe that it should be automatically assumed that such transactions will in all cases be prohibited and/or subject to existing reporting requirements. Secondly, the "economic interest" test may not catch certain derivative-based compensation arrangements that we believe should be subject to a disclosure requirement. If a compensation arrangement allows for an exercise of discretion similar to the exercise of discretion contemplated by a conventional stock option plan, we believe that this exercise of discretion should be transparent to the market. If the arrangement provides for a payout in the form of cash reflecting the change in value of a security, rather than a payout in the form of a security, there may be a question as to whether the arrangement involves a "security". In this case, we would question whether such an arrangement would be caught by the "economic interest" test. Thirdly, the economic exposure test requires consideration of related financial positions. If an insider, for example, holds a long position and an offsetting short position, the acquisition of the short position arguably does not directly affect the insider's economic interest in the long position. Arguably

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			the insider retains his or her economic interest in the long position (viewed in isolation). It is only through consideration of the related offsetting positions together that the insider may be said to have changed his or her economic position. The insider has neutralized his or her economic exposure to the issuer.
14.	Definitions – "Economic Exposure" and "Economic Interest in a Security" (CIBC)	We recommend that the last four lines of the definition of "economic interest in a security" be amended to read "and includes, without limitation, the extent to which such person or company has the right, directly or indirectly, to profit or share in any profit derived from a transaction in such security". We believe the other words are unnecessary and obscure the intent of the definition.	We have simplified the definition of "economic interest in a security". The definition now reads "economic interest in a security" means (i) a right to receive or the opportunity to participate in a reward, benefit or return from the security, or (ii) exposure to a loss or a risk of loss in respect of the security. This amendment is intended to facilitate readability, and is not intended to alter the substantive meaning of the definition of "economic interest in a security". We have deleted the reference to "pecuniary interest" and the closing language from the definition that was based on the definition of "pecuniary interest" in SEC Rule 16a-1(a)(2), as we believe that the current definition is broad enough to cover this language.
15.	Definitions – "Security of a Reporting Issuer" (Blakes)	We believe that the reference in clause (b) of the definition of "security of a reporting issuer" to "a security, the market price of which varies materially with the market price of a security of the reporting issuer" is ambiguous in that it could expand the scope of insider reporting to trades in securities issued by another issuer whose trading price closely correlates to the trading price of the reporting issuer of which the person is an insider. … Accordingly, we believe that clause (b) of the definition should be amended to replace the phrase "varies materially with the market price" with the phrase "is derived from, referenced to or based on", similar to that contained in the definition of "derivative".	We agree with this comment and have amended the proposed instrument accordingly.
16.	Definitions – "Underlying	We recommend replacing the term	We agree with this comment and have

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	Interest" (Blakes)	"underlying interest" used in section 2.2(a) with the term "underlying security, interest, benchmark or formula", which is used in the definition of "derivative", to ensure clarity as well as consistency across those jurisdictions that do not have a local rule defining "underlying interest".	amended the proposed instrument accordingly.
17.	Scope of Section 2.1 – The Reporting Trigger (Teachers)	We believe that section 2.1 should be expanded to also require reporting of the termination of, or material amendments to, reported agreements, arrangements or understandings altering the insider's economic exposure to (or interest in) the reporting issuer (or its securities), so long as the reporting insider remains an insider.	We agree with this comment and have amended the proposed instrument accordingly.
18.	Scope of Section 2.1 – The Reporting Trigger (CIBC)	We believe that the reporting requirement should not be triggered until a legally enforceable agreement exists. … Requiring an insider to report an "understanding of any nature or kind" may lead to the dissemination of unreliable and misleading information. By way of example, some market participants operate their business such that the documentation for an equity monetization transaction is settled first, but not signed until an agreement is reached on the pricing and other relevant terms. … If the participant is not able to execute its hedge at a suitable price, the transaction may never occur. By including the words "understanding of any nature or kind" in the Proposed Instrument, one may argue that the insider should file a report at the time that the documentation is settled or when the participant begins putting its hedge in place since at either of those times one might say that they have an "understanding of any nature or kind"… Accordingly, we recommend that the wording of Section 2.1(a) be amended to read "enters into a binding agreement or arrangement, the effect of which is to alter …".	The reporting requirement in section 2.1 is triggered when an insider enters into "an agreement, arrangement or understanding …, the effect of which is to alter" the insider's economic exposure to the reporting issuer or the insider's economic interest in a security of the reporting issuer. If an informal understanding or an undocumented arrangement exists, and such understanding or arrangement has the effect of altering the insider's economic interest or economic exposure, the understanding or arrangement should be disclosed. If the documentation has been settled but not signed, and there is no agreement on pricing or other relevant terms, we would question whether there has been any alteration to the insider's economic interest or economic exposure.
19.	Exemptions – Section 2.2(a) (CIBC)	With regard to the "material component" test, the Proposed Policy states that in determining materiality similar considerations to those involved in the concepts of material fact and material change would apply. Presumably, this is intended to mean that a security of a reporting issuer would be considered to	We believe that the language of section 2.2(a) is clear. If an insider of an issuer whose securities comprised part of the S&P/TSE 60 index entered into a third-party derivative linked to such index, the insider would only be required to

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		be a material component of a derivative entered into by an insider of the reporting issuer if a market participant would consider the presence (or level of presence) of the security underlying the derivative to be material. It is submitted that the reference to the concepts of material fact and material change in the Proposed Policy is not particularly helpful and more clarity should be built into the Proposed Instrument in this regard. For example, if an insider of a company whose securities comprised part of the S&P/TSE 60 index purchased a bank-issued deposit or entered into a third-party derivative linked to such index, at what point would the insider be required to report the transaction under the Proposed Instrument? If the insider entered into the transaction at a time when the securities were considered to be a "material component" of the derivative, what would happen if the securities became less of a component of the index (i.e. a Nortel situation)? Presumably, any new (or unwinds of) derivatives on the index would not be reported, with the result that any earlier reports may not reflect the insider's true economic position.	report the transaction if the issuer's securities constituted a material component of the index. In determining whether a security is a material component of the index, the insider should consider the concept of materiality used in the definitions of "material change" and "material fact" in securities legislation. The definition of "material change" in Ontario, for example, makes reference to a change "that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer". If a material change in relation to an issuer would reasonably be expected to have a significant effect on the market price or value of units of an index, the issuer's securities would be a material component of that index. If an insider entered into the transaction at a time when the securities were considered to be a "material component" of the derivative, and the securities ceased to be a material component, the reporting obligation would cease. The relevant time for determining whether a security is a material component of a derivative is the time that section 2.1 is triggered. It should also be noted that a number of additional exemptions have been added that may also address the concerns identified in this comment, including • an exemption for agreements entered into by an insider in the ordinary course of business of the insider (new subsection 2.2(f)) and • an exemption for credit derivatives (new subsection 2.2(g)
20.	Exemptions – Section 2.2(a) (Oslers)	Subsection 2.2(a) is currently too narrow. Any understanding which indirectly involves a security or a derivative will not be exempt under this provision. Subsection 2.2(a) should be revised to apply to any agreement, arrangement or understanding which does not involve, directly or indirectly, "*an interest in*" a security of the reporting issuer or a derivative.	We have amended the section accordingly.

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21.	Exemptions – Section 2.2(b) Compensation Arrangements (Teachers)	We believe that providing an exemption when compensation arrangements will be disclosed in an issuer's annual financial statements or other filings, at some date after the arrangements come into effect, would lead to situations where the insider's publicly reported holdings do not reflect the insider's true economic position in the issuer for a lengthy period. An issuer's annual statements or filings disclosing the compensation arrangements may not be available for over twelve months after the compensation arrangements have taken effect. … We believe that this could create inappropriate delays in disclosure and an unwarranted difference between the standards of reporting required of employee insiders and other insiders. An exemption from disclosing an employee insider's derivative transactions, simply because the issuer would later be required to disclose the compensation arrangements in question, is inconsistent with the objectives of MI 55-103. Unlike paragraph 2.2(b)(ii), paragraph 2.2(b)(i) addresses circumstances in which a discrete investment decision is being made by the employee insider. The concerns cited in the Companion Policy relating to harm to investors and the integrity of the insider reporting regime could all arise: misleading public reporting of insider positions, impaired market efficiency, and the increased possibility of insiders improperly profiting from material undisclosed information. … An exemption of the type contemplated in paragraph 2.2(b)(i) should only be available if the compensation arrangements in question are currently disclosed.	We acknowledge that there is the potential for inconsistency in treatment between insiders who participate in compensation arrangement and insiders who do not participate in such arrangements. However, we have not amended the proposed instrument at this time in response to this comment for the following reasons. Generally, we believe that compensation arrangements that have a similar economic effect to conventional stock-based compensation arrangements should be transparent to the market. For example, if a compensation arrangement allows for an exercise of discretion similar to the exercise of discretion inherent in a conventional stock option plan, we believe that this exercise of discretion should be transparent to the market. We do not believe that a disclosure requirement should turn simply on whether the plan, for example, provides for a payout in the form of a security, or a payout in the form of a cash amount reflecting the change in value of a security. We believe that the policy rationale underlying an insider reporting system – deterring insider misuse of and profiting from material undisclosed information and signalling insider views as to the prospects of an issuer – apply equally to both forms of plan. However, we recognize that some market participants have historically taken the view that certain stock-based compensation arrangements are not subject to the insider reporting requirements on the grounds that, allegedly, the arrangements do not involve a "security". (See, for example, the next comment.) Although we do not necessarily agree with this view, we have attempted to be sensitive to the concern that the proposed instrument may potentially extend the insider reporting regime into areas of executive compensation more properly covered by other regulatory regimes. Accordingly, the proposed instrument attempts to strike an appropriate balance between the benefits to the market for timely disclosure of insider

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			activities and the burdens that may be imposed on insiders and their issuers in terms of a new filing requirement. In the case of compensation arrangements that come within the exemption in s. 2.2(b)(i) of the proposed instrument, we believe that the fact that the existence and material terms of the arrangement will ultimately be disclosed in a public filing makes the need for immediate disclosure through the insider reporting system unnecessary at this time. We will consider this question further as part of our ongoing review of issues relating to insider reporting, and may reconsider this response at a future time.
22.	Exemptions – Section 2.2(b) Compensation Arrangements (Blakes)	The Multilateral Instrument, as drafted, would appear to require reporting for a very large number of compensation arrangements for which there are currently no insider reporting requirements. This represents a very significant change in approach and policy. For example, stock appreciation rights, restricted share units and deferred share units (a type of restricted share unit) would all appear to be caught by the insider reporting requirements imposed by the proposed Instrument. Such arrangements which provide for the possibility of a payout in shares or other securities, whether acquired in the market or issued from treasury, are arguably caught by the current insider reporting rules and certainly, to our knowledge, this is the view taken by most issuers. However, where these arrangements provide only for a cash payment by the issuer, the commonly accepted view is that they are not subject to current insider reporting requirements as they are not securities. … We note that the exception in section 2.2(b)(i)(A) will be of limited benefit as annual audited financial statements do not typically contain disclosure of individual compensation arrangements. ... Similarly, while the current requirements require a narrative description of the executive compensation arrangements for directors, which would typically apply to deferred share unit plans, such disclosure does not require individualized disclosure for each director of the number of deferred	In most cases, we do not expect there to be any significant change to the existing approach to reporting (or not reporting) of compensation arrangements. We note that the commenter's concern may be based on an interpretation of the proposed exemption in section 2.2(b)(i)(A) of the proposed Instrument that is narrower than our intention. It is not intended that "disclosure of individual compensation arrangements" in a public filing be a precondition to reliance on the exemption. If an issuer establishes a plan for its directors, and an insider participates in the plan because the insider is a director, the insider is not subject to a disclosure requirement if the plan and its general terms (e.g., the fact that the plan is available to all directors) are disclosed in a public filing. We have amended the proposed instrument to clarify this point. As explained in the proposed companion policy, a compensation arrangement will only be caught by the proposed instrument if: • the insider is not otherwise required to file an insider report in respect of such arrangement under any provision of Canadian securities legislation;

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		share units granted to him or her and thus it appears each director would be required to individually disclose these under the proposed insider reporting requirements, while such units granted to named executives would not be subject to the proposed reporting requirements.	• the arrangement involves, directly or indirectly, a security of the reporting issuer or a derivative which involves a security of the reporting issuer; • the arrangement is not disclosed in any public document (such as audited annual financial statements or any other regulatory filing); and • the insider is able to alter his or her economic interest in securities of the reporting issuer, or his or her economic exposure to the reporting issuer, through "discrete investment decisions". We believe that, in these circumstances, there is a compelling case for public disclosure of such an arrangement through the insider reporting system.
23.	Exemptions – Section 2.2(b) Compensation Arrangements (Blakes – Continued)	We note the exemption provided in section 2.2(b)(ii) requiring "the satisfaction of a pre-established condition or criterion" rarely applies in the case of the grant of most stock appreciation rights, restricted stock unit or deferred stock unit plans. Hence, this exception would not apply to many such arrangements.	We understand that some compensation arrangements provide for a payout (in cash or otherwise) only upon the occurrence of certain specified events, such as retirement or other termination of office or employment. In view of the fact that the occurrence of such an event generally will not reflect an investment decision by the participant, the policy rationale for insider reporting do not apply to such an event.
24.	Exemptions – Section 2.2(b) Compensation Arrangements (Blakes – Continued)	Based on [the previous comments of the commenter] and the statement by the CSA in the Companion Policy that "compensation arrangements are not the primary focus of the Multilateral Instrument", the simplest approach would be to exempt from the Instrument compensation arrangements on the basis that, for named executive officers, these would be specifically disclosed in any event under executive compensation disclosure requirements and for directors, their arrangements are disclosed on a narrative basis.	We do not agree with the suggestion that all compensation arrangements should automatically be exempted from the proposed instrument. The fact that a compensation arrangement may be subject to a separate disclosure requirement under an executive compensation disclosure regime does not necessarily mean that such an arrangement should not be disclosed under an insider reporting regime. Under the current insider reporting regime, for example, the grant and exercise of stock options are clearly reportable events, notwithstanding the fact that such events may also be subject to executive compensation disclosure requirements.

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			If a compensation arrangement allows for an exercise of discretion similar to the exercise of discretion inherent in a conventional stock option plan, we believe that this exercise of discretion should be transparent to the market. We do not believe that a disclosure requirement should turn simply on whether the plan, for example, provides for a payout in the form of a security, or a payout in the form of a cash amount reflecting the change in value of a security. We believe that the policy rationale underlying an insider reporting system – deterring insider misuse of and profiting from material undisclosed information and signalling insider views as to the prospects of an issuer – apply equally to both forms of plan.
25.	Exemptions – Section 2.2(b) Compensation Arrangements (Oslers)	[T]he exemption only permits the insider to rely upon it if the reporting issuer has disclosed sufficient information about the compensation arrangement. Therefore, the insider is not in control of whether the exemption is available to it. Furthermore, as the exemption in subsection 2.2(b)(i) states that the disclosure must be of the compensation arrangement "between the insider and the reporting issuer", it would appear, on its face, that the disclosure cannot simply be of the general terms of a compensation plan applicable to any number of insiders, but must be and specific information in respect of that particular insider's compensation arrangement. … The exemption should therefore be recast to ensure that, at most, general disclosure concerning a plan is sufficient.	We recognize that the availability of this exemption will depend upon whether the *reporting issuer* has disclosed, or is required at law to disclose, sufficient information about the compensation arrangement. Accordingly, an insider will need to determine, prior to reliance upon this exemption, i) whether the general terms of the compensation arrangement have previously been disclosed in a public filing; or ii) whether, in the case of a new compensation arrangement, the reporting issuer is required to disclose, or otherwise intends to disclose, the general terms of the compensation arrangement in a public filing. In the case of a new compensation arrangement, we would expect an insider to obtain written confirmation from the reporting issuer that the issuer will make the necessary disclosure prior to reliance upon the exemption. The disclosure contemplated by this exemption is general disclosure about the material terms of the compensation arrangement applicable to all participants in the compensation arrangement. It is not intended that there be individualized disclosure about a specific insider's individual circumstances (e.g., the fact that an insider may receive a certain number of units under the compensation arrangement). To clarify this point, we have replaced the phrase "between the insider and the reporting issuer" with

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			the phrase "established by the reporting issuer".
26.	Exemptions – Section 2.2(b) Compensation Arrangements (Oslers)	Subsection 2.2(b)(ii) requires that the terms of the compensation arrangement be set out in a written document and the alteration to the economic exposure or economic interest of the insider results from satisfaction of pre-established criterion or condition set out in *the* written document. In our experience, many compensation plan documents set out the general terms of the plan but the specifics of the grant of the compensation is done by way of a board resolution. Technically, this would not comply with the wording of 2.2(b)(ii). We suggest that the words "in the written document" be replaced with "in writing".	We have amended the instrument to address this concern.
27.	Exemptions – Section 2.2(e) (Full recourse debt) (CIBC)	[I]t is not clear to us why the exemption is only applicable to full recourse debt. The Proposed Policy attempts to provide a rationale for this limitation by explaining the concern that a pledge in support of a limited recourse debt may effectively allow the insider to "put" the securities to the lender in satisfaction of the debt. Presumably, the rationale for this is a concern that in entering into a limited recourse loan, an insider would be transferring economic risk to the lender and that should be disclosed. However, it is just as likely that the insider may repay the debt with the result that any prior disclosure of the pledge will have been misleading. Requiring disclosure of a pledge in respect of non-recourse debt ignores that reality of the marketplace and it is submitted that a reasonable investor would not presume that such a pledge represents a change in an insider's economic interest in a security any more than a pledge in respect of a full recourse debt obligation. Moreover, limiting the exemption in this way effectively amends the definition of "trade" in the securities legislation which would not include a pledge (except by a control block holder) as a trade if the collateral was provided for a debt obligation made in good faith. Accordingly, if the exemption is not available for pledges in respect of limited recourse debt obligations, the CSA is presumably adopting the position that for	We disagree with this comment. Where a pledge is made in connection with a limited recourse loan, the limitation on recourse to the pledged securities represents a transfer of economic risk in relation to the pledged securities from the insider to the lender. We believe that this transfer of risk should be transparent to the market. We recognize that, in many cases, the insider may ultimately repay the debt and reacquire the pledged securities (since, e.g., the securities may have appreciated in value) or deliver identical securities in exchange for the pledged securities. This does not alter the fact that the initial pledge on a limited recourse basis effectively transferred market risk from the insider to the lender. If there is no disclosure of the initial pledge, the market may believe that the insider remains fully at risk in respect of all of the insider's publicly reported holdings. If the insider then purchases securities in the market in order to settle the insider's obligations under the limited recourse loan, absence of disclosure about this loan may render this purchase misleading. We do not agree that creating an exemption for full recourse debt effectively amends the definition of "trade".

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		insider reporting purposes a limited recourse loan by an insider is not considered a debt made in good faith.	We do not agree with the statement that "for insider reporting purposes a limited recourse loan by an insider is not considered a debt made in good faith". As noted in the Companion Policy, we recognize that investors, including insiders, may enter into monetization transactions for a variety of legitimate reasons.
28.	Exemptions – Credit Derivatives and Similar Arrangements (CIBC)	Further, given the nature of an ongoing lending relationship, one could imagine many situations where a lender might have "understandings or arrangements" with a reporting issuer borrower which could alter the lender's "economic exposure" to such borrower. For example, each time the borrower makes a scheduled payment on the loan, the financial institution's economic exposure to the borrower will have changed and, it could be argued, that the arrangement does not fit within the exemption in Section 2.2(a) of the Proposed Instrument because the payment may directly or indirectly involve a security (i.e. bond, debenture or other evidence of indebtedness) of the borrower. Again, it is submitted that requiring such disclosure will not further the stated policy objectives of the Proposed Instrument and suitable exemptions should be considered.	We believe that the example cited by the commenter, a scheduled repayment by a borrower to a lender that is an insider of the borrower, will not trigger a reporting requirement under the Instrument for several reasons. First, if a borrower makes a scheduled payment on a loan, this will not constitute "entering into, materially amending or terminating" an agreement, arrangement or understanding described in section 2.1. Secondly, we believe that in most cases either the agreement, arrangement or understanding will be subject to an insider reporting requirement under the existing insider reporting requirements or the insider will be entitled to rely on the exemption contained in section 2.2(a). We note that the commenter suggests that the exemption in section 2.2(a) of the Proposed Instrument may not be available because the commercial borrowing arrangement may "involve a security (i.e. bond, debenture or other evidence of indebtedness)". If the commercial borrowing arrangement involves a security, we would expect the lender to be subject to an insider reporting requirement under the existing insider reporting rules. If the commercial borrowing arrangement does not involve a security, we would expect that the insider would be entitled to rely on the exemption in section 2.2(a). Nevertheless, for additional certainty, we have added the following exemptions: • an exemption for agreements entered into by an insider in the ordinary course of business of the insider (new subsection 2.2(f)) and

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			• an exemption for credit derivatives (new subsection 2.2(g).
29.	Exemptions – Other (CIBC)	[A] reporting issuer may be considered an insider of itself in circumstances where the reporting issuer has purchased, redeemed or otherwise acquired any of its securities for so long as it holds any of its securities. If, for example, a reporting issuer is in the process of redeeming some of its securities or is engaged in a normal course issuer bid, there may be a time period during which it is an insider of itself. During this time period, it is conceivable that the reporting issuer could be involved in various transactions which could be construed as altering the reporting issuer's economic exposure to itself or its economic interest in its securities. For example, there may be situations when the reporting issuer is holding its own securities as collateral for a loan to one of its employees. … In the event the financial institution is in the midst of a normal course issuer bid, holds its own securities as collateral for a loan and realizes on such collateral because of a borrower default, should the financial institution file an insider report with respect to the securities it realized upon? What about securities previously held as collateral? It is submitted that such disclosure serves no useful purpose and the CSA should consider amending the Proposed Instrument to narrow the focus of the reporting requirements.	If a financial institution is an insider of itself, and acquires securities through realization on collateral because of borrower default, the acquisition would likely be reportable under current rules, unless an exemption were otherwise available. We do not believe the proposed instrument alters this requirement.
30.	Exemptions – Other (CIBC)	By virtue of the definition of "securities" found in relevant securities legislation, certain insurance contracts and deposits issued by banks, credit unions or loan and trust companies are excluded from the application of such legislation. However, one effect of the Proposed Instrument will be to cause such instruments to be subject to the new insider reporting regime. … As with the retroactive effect of the Proposed Instrument noted above, it is submitted that careful consideration should be made before making such a substantial change to one of the primary assumptions underlying Canadian securities law.	We understand that certain hedging strategies involve insurance contracts. We do not believe that hedging strategies by insiders that involve insurance contracts should be treated differently from hedging strategies by insiders that do not involve insurance contracts.
31.	Exemptions – Section 2.2(e) Full Recourse Debt	Does an "economic interest in a security" include a *bona fide* loan secured by a pledge of securities? Does it matter	The exemption in section 2.2(e) of the proposed instrument is available "so long as there is no limitation on the

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	(Romano)	whether the loan is legally non-recourse, structurally non-recourse (but legally full recourse), or full recourse legally and structurally? If so, then section 2.2 should include an appropriate exemption (see s.8.2 of NI 62-103) for financial institutions who grant loans in the ordinary course of their businesses, since they will not likely have the ability to monitor such transactions on a country-wide or world-wide basis, whether or not the financial institution is an insider of a reporting issuer. S.2.2(e) exempts full recourse pledges by the borrower, but apparently not the receipt of a pledge by a financial institution granting a loan. See also paragraph 8 of s.2.8 of NI 55-103 CP.	recourse available against the insider for any amount payable under such debt". A loan secured by a pledge of securities may contain a term limiting recourse against the borrower to the pledged securities (a legal limitation on recourse). Similarly, a loan secured by a pledge of securities may be structured as a limited recourse loan if the loan is made to a limited liability entity (such as a holding corporation) owned or controlled by the insider (a structural limitation on recourse). If there is a limitation on recourse as against the insider either legally or structurally, the exemption would not be available. We have added an exemption for an agreement, arrangement or understanding entered into by an insider in the ordinary course of the business of the insider. See subsection 2.2(f) of the proposed instrument.
32.	Exemptions – Other (Teachers)	If an insider is unaware that its economic exposure to the reporting issuer (or interest in its securities) has altered in particular circumstances, there should not be a requirement for the insider to file a report under MI 55-103, so long as the insider remains unaware of the alteration.	We agree with this comment and have amended the proposed instrument. See new subsection 2.2(h).
33.	Exemptions – Investment Funds (Borden Ladner Gervais)	While we are in general agreement with the principles based approach to insider reporting put forward in the Proposed Rule, we are concerned that the tests set out in section 2.1 would require insiders of a reporting issuer to report trades of investment funds (including mutual funds, non-redeemable investment funds and other pooled funds) … We would submit that generally insiders trading in securities of an investment fund, which holds securities of the insider's reporting issuers, should not be subject to insider reporting requirements. Presumably this is consistent with the intent of subsection 2.2(a) of the Proposed Rule and an exemption to this effect should be included. … Only a limited number of investment funds are likely to fall within the definition of "derivative" included in the Proposed Rule, i.e., Exchange Traded Funds, and	We generally agree with the concerns identified by the commenter, and have added an exemption similar to that suggested by the commenter.

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		thereby be included within the exemption. … [I]f the materiality threshold were to be included in the exemption for passively managed investment funds, the definitions of an "index mutual fund" and "index participation unit" in National Instrument 81-102 – *Mutual Fund Distributions* could be incorporated into the Proposed Rule and the following might be appropriate: "a trade in a security of an investment fund, provided that if the fund is an index mutual fund or issues index participation units, securities of the reporting issuer do not form a material component of such investment fund's economic, financial or pecuniary value."	
34.	Exemptions – Actively Managed Funds (Borden Ladner Gervais)	As discussed above, it is our submission that the Proposed Rule should not require insiders to report trades in securities of actively managed investment funds. Similarly, where an insider trades in securities of an issuer that holds, as part of its investment portfolio, securities of the insider's reporting issuer, then provided the insider is not a controlling shareholder of the issuer and does not have or share control of the investment portfolio, such trades should not be subject to the insider reporting requirements for the same reasons given above. If the materiality threshold for passively managed investment funds were to included in the exemption, the following might be appropriate: "a trade in a security of an issuer, which holds directly or indirectly securities of the reporting issuer, provided: (i) the insider is not a controlling securityholder of the issuer; and (ii) the insider does not have or share investment control over the securities of the reporting issuer; and (iii) if the issuer is an index mutual fund or issues index participation units, securities of the	We generally agree with the concerns identified by the commenter, and have added an exemption similar to that suggested by the commenter.

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		reporting issuer do not form a material component of such issuer's economic, financial or pecuniary value."	
35.	Exemptions – s. 2.2(a) Concept of Materiality Borden Ladner Gervais	[T]he inclusion of a materiality threshold does raise some concern for insiders and their advisors since the information needed to ascertain whether or not such threshold has been met is frequently unavailable on a timely basis. This is not necessarily the case with derivative transactions, which should generally be more transparent since the underlying security, formula or benchmark is fixed, but if such a test were applied to actively managed investment funds or other securities, securities of the insider's reporting issuer might comprise a small percentage of the fund's portfolio one day and a much larger percentage on another. … Notwithstanding the interests of securities regulators in moving towards a more principles based approach to securities regulation, some guidance with respect to the percentage of securities in a securities portfolio, benchmark index, etc. which the regulators would consider to satisfy the materiality threshold would be appreciated. … If a similar threshold [to the control block threshold] were used for materiality, the following language might be inserted in Part 2 of the Companion Policy at item 6 after the last sentence: "Generally, if securities of the reporting issuer comprise more than 20% of the economic, financial or pecuniary value of an issuer, such securities should be considered a material component of the issuer's economic, financial or pecuniary value. In the case of an agreement, arrangement or understanding that involves a derivative, if securities of the reporting issuer comprise more than 20% of the economic, financial or pecuniary value of the underlying interest, benchmark or formula, such securities should be considered a material component of the underlying interest."	We have not adopted this comment. We believe that market participants are familiar with and able to apply the concept of materiality in the context of the concepts of material fact and material change.

Appendix "B"

[Blackline February 2003 draft to final draft of Instrument and Policy]

MULTILATERAL INSTRUMENT 55-103

INSIDER REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS (EQUITY MONETIZATION)

PART 1 DEFINITIONS

1.1 Definitions – In this Instrument

"compensation arrangement"[1] includes, but is not limited to, any plan, contract, authorization or arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, restricted shares or restricted share units, performance units and performance shares, or similar instruments may be received or purchased;

"~~derivative~~"[2] ~~means~~ control person" means

(a) a person holding a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer,

(b) one or a combination of persons acting in concert by virtue of an agreement, arrangement, commitment or understanding and holding a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, or

(c) a person or combination of persons holding more than 20% of the voting rights attached to all outstanding voting securities of an issuer, unless there is evidence that the holding does not affect materially the control of the issuer;

"credit derivative" means a derivative in respect of which the underlying security, interest, benchmark or formula is, or is related to or derived from, in whole or in part, a debt or other financial obligation of a reporting issuer;

"derivative" means an instrument, agreement or security, the market price, value or payment obligations of which are derived from, referenced to or based on an underlying security, interest, benchmark or formula;

"economic exposure"[3] in relation to a reporting issuer means the extent to which the economic~~,~~ or financial ~~or pecuniary~~ interests of a person or company are aligned with the trading price of securities of the reporting issuer or the economic~~,~~ or financial ~~or pecuniary~~ interests of the reporting issuer;

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[1] ~~The term "compensation arrangement" in the Instrument is similar to the definition of "plan" in Ont. Reg. 1015, Form 40 *Statement of Executive Compensation* ("OSC Form 40"). The concluding language from the definition of "plan" (reproduced in italics below) has been deleted as it is unnecessary in the present context and would have unduly narrowed the scope of the compensation arrangement exemption:~~

> ~~"plan" includes, but is not limited to, any plan, contract, authorization or arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, restricted shares or restricted share units, performance units and performance shares, or similar instruments may be received or purchased, *but does not include the Canada Pension Plan or similar government plans or any group life, health, hospitalization, medical reimbursement or relocation plan that does not discriminate in scope, terms or operation in favour of executive officers or directors of the issuer and is available generally to all salaried employees*;~~

[2] ~~The definition of "derivative" in the Instrument is similar to the definition of "derivative" in subsection 1.1(3) of OSC Rule 14-501 *Definitions*:~~

> ~~"derivative" means an instrument, agreement or security, the market price, value or payment obligations of which is derived from, referenced to or based on an underlying interest, other than a contract as defined for the purposes of the *Commodity Futures Act*~~

~~The above definition has been simplified to allow the definition to serve as a stand-alone definition in a Multilateral Instrument.~~

[3] ~~The concept of "economic exposure" also appears in section 6.2 of National Policy 46-201 *Escrow for Initial Public Offerings*.~~

> ~~***6.2 Restrictions on dealing with escrow securities***~~
>
> ~~Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal~~

"economic interest in a security" means ~~the extent to which a person or company is entitled to receive, bears or is subject to~~

(a) ~~(a) an economic, financial or pecuniary~~[4]a right to receive or the opportunity to participate in a reward, benefit or return from ~~a particular~~the security, or

(b) ~~(b) an economic, financial or pecuniary~~exposure to a loss or a risk of loss in respect ~~of a particular security, and includes, without limitation, the extent to which such person or company has or shares the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such security or a transaction which directly or indirectly involves such~~to the security;

"effective date" means the date specified in Part 5 of this Instrument;

"exemptive relief" has the ~~same~~ meaning ~~as is~~ ascribed to that term in National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications*;

"insider report" means a report in the form prescribed for insider reports under securities legislation;

~~"NI 55-101" means National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements*;~~
"reporting issuer" does not include a mutual fund that is a reporting issuer;

"security of a reporting issuer" ~~shall be~~is deemed to include[5]

(a) a put, call, option or other right or obligation to purchase or sell securities of the reporting issuer; and

(b) a security, the value or market price of which ~~varies materially with the~~are derived from, referenced to or based on the value, market price or payment obligations of a security of the reporting issuer; ~~and~~

"stock appreciation right" ("SAR")[6] means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

PART 2 REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS

2.1 **Reporting Requirement** – If an insider of a reporting issuer

(a) enters into, materially amends or terminates an agreement, arrangement or understanding of any nature or kind, the effect of which is to alter ~~either~~, directly or ~~both of~~indirectly,

i) the insider's economic ~~exposure to~~interest in a security of the reporting issuer, or

ii) the insider's economic ~~interest in a security of~~exposure to the reporting issuer; and

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~~cannot sell, transfer, assign, mortgage, *enter into a derivative transaction concerning,* or otherwise deal in any way with the holder's escrow securities or any related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, *may not participate in a transaction that results in* a change of its control *or a change in the economic exposure* of the principals to the risks of holding escrow securities.~~

~~[Emphasis added.]~~

~~[4] *We have added a reference to "pecuniary interest" to the definition of "economic interest in a security" in the Instrument for the reason that the insider reporting requirements under U.S. securities legislation use this term. One of the objectives underlying the adoption of the Instrument is to introduce greater consistency in the reporting requirements under U.S. securities law and Canadian securities laws in relation to monetization arrangements. Under U.S. securities law requirements, insiders are generally required to report any transaction resulting in a change in "beneficial ownership" of equity securities of the issuer. For reporting purposes, a person is deemed to be the "beneficial owner" of securities if the person has a "pecuniary interest" in the securities. The term "pecuniary interest" in any class of equity securities is defined to mean "the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities". See generally SEC Rule 16a-1(a)(2). Consequently, the reference to an "economic, financial or pecuniary reward, benefit or return" in the definition of "economic interest" in the Instrument is intended to clarify that insider transactions which are reportable under U.S. securities law requirements will also generally be covered by Canadian securities law requirements, unless covered by one of the exemptions.*~~

~~[5] The definition of "security of a reporting issuer" in the Instrument is substantially similar to the definition of that term in s. 76(6) of the *Securities Act* (Ontario).~~

~~[6] The definition of "stock appreciation right" is identical to the definition of that term in OSC Form 40.~~

(b) the insider is not otherwise required to file an insider report in respect of such ~~agreement, arrangement or understanding~~event under any provision of Canadian securities legislation, then

the insider shall file a report in accordance with Section 3.1 of this Instrument.

2.2 **Exemptions** – Section 2.1 does not apply to

(a) an agreement, arrangement or understanding which does not involve, directly or indirectly, ~~a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer;~~ an interest in

(i) a security of the reporting issuer, or

(ii) a derivative in respect of which the underlying security, interest, benchmark or formula is or includes as a material component a security of the reporting issuer;

(b) an agreement, arrangement or understanding in the nature of a compensation arrangement ~~between the insider and~~established by the reporting issuer or an affiliate of the reporting issuer if

(i) the existence and material terms of the compensation arrangement are, or are required to be, described in

(A) the annual audited financial statements of the reporting issuer;

(B) an annual filing of the reporting issuer relating to executive compensation, or any other filing required to be made under any provision of Canadian securities legislation; or

(C) any public filing required to be made under the rules or policies of a stock exchange or market on which securities of the reporting issuer are listed or trade; or

(ii) the terms of the compensation arrangement are set out in ~~a written document~~writing, and the alteration to economic exposure or economic interest referred to in section 2.1 occurs as a result of the satisfaction of a pre-established condition or criterion ~~described in the written document~~ and does not involve a discrete investment decision by the insider;[7]

(c) a person or company exempt from the insider reporting requirements ~~under a provision of NI 55-101,~~by virtue of an exemption contained in Canadian securities legislation, to the same extent and on the same conditions as are applicable to such exemption;

(d) a person or company who has obtained exemptive relief in a jurisdiction from the insider reporting requirements of that jurisdiction, to the same extent and on the same conditions as are applicable to such exemptive relief; ~~or~~

(e) a transfer, pledge or encumbrance of securities by ~~a person or company~~an insider for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the ~~person or company~~insider for any amount payable under such debt~~.~~;

(f) to the receipt by an insider of a transfer, pledge or encumbrance of securities of an issuer if the securities are transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;

~~[7] Subparagraph 2.2(b)(ii) provides an exemption for a compensation arrangement which is not publicly disclosed, and which has the effect of altering the insider's economic exposure to the reporting issuer, or the insider's economic interest in securities of the reporting issuer, if~~

- ~~the compensation arrangement is described in a written document,~~
- ~~the alteration occurs as a result of the satisfaction of a pre-established condition or criterion described in the document (such as the insider's retirement from office or ceasing to be a director), and~~
- ~~the alteration does not involve a "discrete investment decision" by the insider.~~

~~Part 5 of NI 55-101 provides a similar exemption from the insider reporting requirements for securities which are acquired under an "automatic securities purchase plan". Section 4.2 of the Companion Policy to NI 55-101, Companion Policy 55-101 CP *Exemption from Certain Insider Reporting Requirements*, similarly refers to the concept of a "discrete investment decision".~~

(g) to an insider, other than an insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;

(h) a person or company who did not know and, in the exercise of reasonable diligence, could not have known of the alteration to economic exposure or economic interest described in section 2.1;

(i) the acquisition or disposition of a security, or an interest in a security, of an investment fund, provided that securities of the reporting issuer do not form a material component of the investment fund's market value; or

(j) the acquisition or disposition of a security, or an interest in a security, of an issuer which holds directly or indirectly securities of the reporting issuer, if:

(i) the insider is not a control person of the issuer; and

(ii) the insider does not have or share investment control over the securities of the reporting issuer.

2.3 **Existing agreements which continue in force** – If an insider of a reporting issuer, prior to the effective date of this Instrument, entered into an agreement, arrangement or understanding in respect of which

(a) the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the effective date, and

(b) the agreement, arrangement or understanding remains in effect on or after the effective date of this Instrument,

then the insider shall file a report in accordance with Section 3.2 of this Instrument.

2.4 **Same** – If an insider of a reporting issuer, prior to the date the insider most recently became an insider of the reporting issuer, entered into an agreement, arrangement or understanding in respect of which

(a) the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the date the insider most recently became an insider, and

(b) the agreement, arrangement or understanding remains in effect on or after the date the insider most recently became an insider,

then the insider shall file a report in accordance with Section 3.3 of this Instrument.

PART 3 FORM AND TIMING OF REPORT

3.1 A person or company who is required under Section 2.1 of this Instrument to file a report shall, within 10 days from the day on which the person or company enters[8] into, materially amends or terminates, as the case may be, the agreement, arrangement or understanding described in Section 2.1 of this Instrument, or such shorter period as may be prescribed, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

3.2 A person or company who is required under Section 2.3 of this Instrument to file a report shall, within 10 days, or such shorter period as may be prescribed, from the effective date of this Instrument, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

3.3 A person or company who is required under Section 2.4 of this Instrument to file a report shall, within 10 days, or such shorter period as may be prescribed, from the date the person or company most recently became an insider, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

[8] Under Canadian securities legislation, an insider is ordinarily required to file an insider report within 10 days from the day on which there is a change in the insider's direct or indirect beneficial ownership or control over securities of the reporting issuer. See, for example, s. 107(2) of the *Securities Act* (Ontario). The 10-day period referred to in section 3.1 of the Instrument commences on the date the insider enters into the arrangement which satisfies the test in s. 2.1, since the arrangement may not involve a change in beneficial ownership or control over securities of the reporting issuer.

PART 4 EXEMPTION

4.1 The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

4.2 Despite section 4.1, in Ontario only the regulator may grant such an exemption.

PART 5 EFFECTIVE DATE

5.1 Effective Date - This Instrument comes into force on ♦February 28, 2004.

COMPANION POLICY 55-103CP
TO MULTILATERAL INSTRUMENT 55-103

INSIDER REPORTING FOR
CERTAIN DERIVATIVE TRANSACTIONS
(EQUITY MONETIZATION)

The members of the Canadian Securities Administrators (the CSA) that have adopted Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Multilateral Instrument) have adopted this Policy to clarify their views on several matters relating to the Instrument including:

- the regulatory objectives underlying the Multilateral Instrument and the reasons why we feel the Multilateral Instrument is necessary;
- the general approach taken by the Multilateral Instrument to certain derivative-based transactions by insiders; and
- other information that we believe will be helpful to insiders and other market participants in understanding the operation of the Multilateral Instrument.

Part 1 Purpose

1. What is the purpose of the Multilateral Instrument?

We have developed the Multilateral Instrument to respond to concerns that the existing insider reporting requirements in Canadian securities legislation may not cover certain derivative-based transactions, including equity monetization transactions (described below), which satisfy one or more of the fundamental policy rationale for insider reporting. We believe that timely public disclosure of such transactions is necessary in order to maintain and enhance the integrity of, and public confidence in, the insider reporting regime in Canada.

The Multilateral Instrument seeks to maintain and enhance the integrity of, and public confidence in, the insider reporting regime in Canada by:

- ensuring that insider derivative-based transactions which have a similar effect in economic terms to insider trading activities are fully transparent to the market;
- ensuring that, where an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, the insider is required to file an insider report, even though the transaction may, for technical reasons, fall outside of the existing rules governing insider reporting; and
- reducing uncertainty as to which arrangements and transactions are subject to an insider reporting requirement and which are not.

These objectives are discussed in greater detail below.

2. What are the current insider reporting rules?

Canadian securities legislation requires “insiders” of a reporting issuer (i.e., a public company) to file insider reports disclosing their ownership of and trading in securities of their reporting issuer (the insider reporting requirements).

The insider reporting requirements serve a number of functions, including deterring illegal insider trading and increasing market efficiency by providing investors with information concerning the trading activities of insiders of the issuer, and, by inference, the insiders’ views of their issuer’s prospects.

We have adopted the Multilateral Instrument in response to the concern that the existing insider reporting requirements may not in all cases cover certain derivative-based transactions, including equity monetization transactions.

3. What are equity monetization transactions?

In recent years, a variety of sophisticated derivative-based financial products have become available which permit investors to dispose, in economic terms, of an equity position in a public company without attracting certain tax and non-tax consequences associated with a conventional disposition (e.g., a sale) of such position.

These products, which are sometimes referred to as "equity monetization" products, allow an investor to receive a cash amount similar to proceeds of disposition, and transfer part or all of the economic risk and/or return associated with securities of an issuer, without actually transferring the legal and beneficial ownership of such securities. (The term "monetization" generally refers to the conversion of an asset (such as securities) into cash.)

4. What are the concerns with equity monetization transactions?

Where an *insider* of a reporting issuer enters into a monetization transaction, and does not disclose the existence or material terms of that transaction, there is potential for harm to investors and the integrity of the insider reporting regime because:

- an insider in possession of material undisclosed information, although prohibited from trading in securities of the issuer, may be able improperly to profit from such information by entering into derivative-based transactions which mimic trades in securities of the reporting issuer;

- market efficiency will be impaired since the market is deprived of important information relating to the market activities of the insider; and

- since the insider's publicly reported holdings no longer reflect the insider's true economic position in the issuer, requirements relating to the public reporting of such holdings (e.g., an insider report or proxy circular) may in fact materially mislead investors.

Although we believe that many such transactions fall within the existing rules governing insider reporting, we accept that, in certain cases, it may be unclear whether the existing insider reporting rules apply. Accordingly, we have developed the Multilateral Instrument to respond to this ambiguity.

The Multilateral Instrument reflects a principles-based approach to monetization transactions and ties the obligation to report to the fundamental policy rationale underlying the insider reporting regime. Consequently, if an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, but for technical reasons it may ~~legitimately~~ be argued that the insider falls outside of the existing insider reporting requirements, the insider will be required to file an insider report under the Multilateral Instrument unless the insider is otherwise covered by one of the exemptions. In this way, the market can make its own determination as to the significance, if any, of the transaction in question.

5. Does the Multilateral Instrument prohibit insiders from entering into monetization transactions?

No. The Multilateral Instrument imposes a reporting requirement only. It does not prohibit insiders from entering into a monetization transaction. An insider may, however, be prohibited on other grounds from entering into a monetization transaction. For example, Canadian securities legislation generally prohibits insiders (and certain others) from trading in securities of a reporting issuer while in possession of material undisclosed information about that issuer (the insider trading prohibition). It should be noted that, in many cases, the scope of the insider trading prohibition is broader than the scope of the existing insider reporting obligation.

An insider may also be prohibited from entering into a monetization arrangement by the terms of an escrow agreement. The standard form of agreement prescribed by National Policy 46-201 *Escrow for Initial Public Offerings*, for example, contains restrictions on parties to the agreement entering into monetization arrangements.

6. Why do investors enter into monetization transactions?

Investors, including insiders, may have legitimate reasons for entering into monetization transactions. These reasons may include:

- *Tax planning* – where there has been significant appreciation in the value of securities held by an investor, a conventional disposition of such securities may trigger a significant tax liability; a monetization transaction may permit the investor to receive a cash amount similar to proceeds of disposition while deferring this tax liability.

- *Liquidity* – an investor may have a short-term need for cash and wish to borrow against his or her securities. A monetization arrangement may permit the investor to borrow an amount equal to a substantially higher proportion of the current market price of his or her securities (e.g., 90%) than he or she could with a simple pledge of the securities.

- *Retained ownership* – an investor may wish to monetize a portion of his or her position but retain the full voting rights and/or entitlement to dividends associated with that position.

- *Risk management/portfolio diversification* – an investor is able to "lock in" the present value of his or her position, and avoid the risk of a future decline in the value of the holding, by means of a monetization transaction. The investor may

use the funds released as a result of the transaction to diversify his or her portfolio, thereby avoiding the risk of having all of his or her assets "in one basket".

7. Does the requirement to report undermine any of these reasons for entering into a monetization transaction?

No. A requirement to report the existence and material terms of a monetization transaction is not inconsistent with any of these objectives and does not prevent the insider from achieving any of these objectives.

8. Does the Multilateral Instrument apply only to monetization transactions?

No. The Multilateral Instrument applies to any agreement, arrangement or understanding which satisfies the conditions in ~~either~~ section ~~2.1 or section~~2.1, 2.3 or 2.4 of the Instrument.

Part 2 – Application of the Multilateral Instrument

1. When does the Multilateral Instrument apply?

If you are an "insider" of a reporting issuer, and you enter into, materially amend or terminate an agreement, arrangement or understanding of any kind which

- changes your "economic ~~exposure" to your reporting issuer, or~~
- ~~changes your "economic~~ interest in a security" of your reporting issuer, ~~*and*~~ or
- changes your "economic exposure" to your reporting issuer, *and*

you are not required under any other provision of Canadian securities law to file an insider report about this agreement, arrangement or understanding, you must file an insider report under the Multilateral Instrument, unless you are covered by one of the exemptions.

2. What does "economic exposure" mean?

The term "economic exposure" in relation to a reporting issuer is defined in the Multilateral Instrument to mean the extent to which the economic~~,~~ or financial ~~or pecuniary~~ interests of a person or company are aligned with the market price of securities of the reporting issuer or the economic~~,~~ or financial ~~or pecuniary~~ interests of the reporting issuer.

The concept of "economic exposure" also appears in section 6.2 of National Policy 46-201 *Escrow for Initial Public Offerings*:

> ***6.2 Restrictions on dealing with escrow securities***
>
> Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal cannot sell, transfer, assign, mortgage*, enter into a derivative transaction concerning,* or otherwise deal in any way with the holder's escrow securities or any related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, *may not participate in a transaction that results in* a change of its control *or a change in the economic exposure* of the principals to the risks of holding escrow securities.
>
> [Emphasis added.]

The term "economic exposure" in relation to a reporting issuer generally refers to the link between a person's ~~wealth~~economic or ~~prospects~~financial interests and the ~~wealth or prospects~~economic or financial interests of the reporting issuer in which the person is an insider. The term is intended to have broad application and is best illustrated by way of example.

An insider with a substantial proportion of his or her personal wealth invested in securities of his or her reporting issuer will be highly exposed to changes in the fortunes of the reporting issuer. Conversely, an insider who holds no securities of a reporting issuer (and does not participate in a compensation arrangement involving securities of the reporting issuer such as a stock option plan) will generally have significantly less exposure to the reporting issuer. The insider's exposure will generally be limited to the insider's salary and other compensation arrangements which do not involve securities of the reporting issuer.

All other things being equal, if an insider changes his or her ownership interest in a reporting issuer (either directly, through a purchase or sale of securities of the reporting issuer, or indirectly, through a derivative transaction involving securities of the reporting issuer), the insider will generally be changing his or her economic exposure to the reporting issuer. Similarly, if an

insider enters into a hedging transaction which has the effect of reducing the sensitivity of the insider to changes in the reporting issuer's share price or performance, the insider will generally be changing his or her economic exposure to the reporting issuer.

3. What does "economic interest" in a security mean?

The term "economic interest in a security" is defined in the Multilateral Instrument to mean ~~the extent to which a person or company is entitled to receive, bears or is subject to~~

- ~~(a) an economic, financial or pecuniary~~a right to receive or the opportunity to participate in a reward, benefit or return from ~~a particular~~the security, or

- ~~(b) an economic, financial or pecuniary~~exposure to a loss or a risk of loss in respect ~~of a particular~~to the security~~,~~ .

~~and includes, without limitation, the extent to which such person or company has or shares the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such security or a transaction which directly or indirectly involves such security.~~

The term is intended to have broad application and is intended to refer to the economic attributes ordinarily associated with beneficial ownership of a security, such as the following:

- the potential for gain in the nature of interest, dividends or other forms of distributions of income on the security;

- the potential for gain in the nature of a capital gain realized on a disposition of the security, to the extent that the proceeds of disposition exceed the beneficial owner's tax cost (that is, gains associated with an appreciation in the security's value); and

- the potential for loss in the nature of a capital loss on a disposition of the security, to the extent that the proceeds of disposition are less than the beneficial owner's tax cost (that is, losses associated with a fall in the security's value).

The beneficial owner could, for example, eliminate the risk associated with a fall in the value of the securities, while retaining legal and beneficial ownership of the securities, by entering into a derivative transaction such as an equity swap. If the beneficial owner is an insider, and the securities are securities of the insider's reporting issuer, such a transaction would likely trigger the test in section 2.1 of the Instrument. (Such a transaction might also be covered by the existing insider reporting rules, depending on the particular facts and circumstances of the transaction.)

4. Why is it necessary to refer to both "economic exposure" in relation to a reporting issuer and "economic interest" in a security of the reporting issuer? How are they different?

In many cases, an arrangement which satisfies the "economic exposure" test in subparagraph 2.1(a)(~~ii~~iii) will also satisfy the "economic interest" test in subparagraph 2.1(a)(~~ii~~i). However, the tests are not identical. For example, there will be arrangements which satisfy the ~~first~~latter test, but not the ~~second~~former test, but which would nevertheless impinge upon the policy rationale for insider reporting.

For example, if an insider holds no securities of his or her reporting issuer, and enters into a short position (a "naked short"), or a synthetic arrangement that replicates a short position, in the expectation that the share price will fall, the test in s. 2.1(a)(~~ii~~iii) ~~would likely~~may not apply, since the insider would not be altering his or her economic interest in any securities of the reporting issuer. A similar result would occur if the number of securities sold short exceeded the number of securities held. Such arrangements would appear to satisfy the policy rationale for insider reporting, and should be transparent to the market.

Secondly, the "economic interest" test may not catch certain derivative-based compensation arrangements that we believe should be subject to a disclosure requirement. If a compensation arrangement allows for an exercise of discretion similar to the exercise of discretion contemplated by a conventional stock option plan, we believe that this exercise of discretion should be transparent to the market. If the arrangement provides for a payout in the form of cash reflecting the change in value of a security, rather than a payout in the form of a security, there may be a question as to whether the arrangement involves a "security". In this case, there may be a question whether such an arrangement would be caught by the "economic interest" test.

~~*An additional reason for retaining the test in s. 2.1(a)(i) of the Instrument is that it directly ties the requirement for insider reporting to one of the fundamental policy rationale underlying the insider reporting requirement. One of the purposes of an insider reporting system is to enhance market efficiency: insider reports provide investors with timely information concerning the trading activities of insiders of the issuer, and, by inference, the insiders' views of their issuer's prospects. For the same reason, we believe that insiders should be required to disclose arrangements which directly or indirectly mimic trades. Such arrangements similarly may give rise to an inference as to the insiders' views of the issuer's prospects.*~~

Thirdly, the economic exposure test requires consideration of related financial positions. If an insider, for example, holds a long position and an offsetting short position, the acquisition of the short position arguably does not directly affect the insider's economic interest in the long position. Arguably the insider retains his or her economic interest in the long position (viewed in isolation). It is only through consideration of the related offsetting positions together that the insider may be said to have changed his or her economic position. The insider has neutralized his or her economic exposure to the issuer.

Although it may be argued that the "economic interest in a security" test may be subsumed within the "economic exposure" test, we believe there are advantages to retaining this test as a separate test. The economic interest test references the means by which an insider may alter his or her economic exposure to the reporting issuer. We believe that, in some cases, this test may be easier to understand, and consequently easier to apply, than the economic exposure test, since this test references the direct economic consequences of a monetization transaction. Accordingly, if an insider enters into an arrangement which has the effect, for example, of divesting the insider of the risk that certain securities owned by the insider may fall in value, and none of the exemptions in the Instrument otherwise applies, s. 2.1(a)(~~ii~~i) makes it clear that there is a reporting obligation. It is not necessary to then consider the issue of whether this arrangement has the effect of altering the insider's economic exposure.

An additional reason for retaining the economic interest test is that this test generally approximates the approach taken by the U.S. insider reporting requirements. Under the U.S. insider reporting requirements, insiders are generally required to report any transaction resulting in a change in "beneficial ownership" of equity securities of the issuer. For reporting purposes, a person is deemed to be the "beneficial owner" of securities if the person has a "pecuniary interest" in the securities. The term "pecuniary interest" in any class of equity securities is defined to mean "the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities". See generally SEC Rule 16a-1(a)(2). One of the objectives underlying the adoption of the ~~instrument~~Instrument is to introduce greater consistency in the reporting requirements under U.S. securities law and Canadian securities laws in relation to monetization arrangements. Consequently, the reference to an "economic~~, financial or pecuniary reward, benefit or return" in the definition of "economic~~ interest in a security" in the Instrument is intended to parallel the "pecuniary interest" test in the U.S., and to clarify that monetization transactions which are reportable under U.S. insider reporting requirements will also generally be covered by Canadian insider reporting law requirements, unless covered by one of the exemptions.

5. What are the exemptions to the insider reporting requirement contained in the Multilateral Instrument?

The Multilateral Instrument contains a number of exemptions for insider transactions which satisfy one of the tests in section 2.1 of the Multilateral Instrument. These include:

- arrangements which do not involve, directly or indirectly, a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer;
- a compensation arrangement such as a phantom stock plan, deferred share unit ("DSU") plan or stock appreciation right ("SAR") plan which would otherwise be caught by the Instrument if:
    - the existence and material terms of the compensation arrangement are disclosed in any public document (such as the annual audited financial statements of the issuer or an annual filing made under any provision of Canadian securities legislation); *or*
    - the material terms of the compensation arrangement are set out in a written document, and the alteration to economic exposure or economic interest referred to in section 2.1 occurs as a result of the satisfaction of a pre-established condition or criterion described in the document, and does not involve a discrete investment decision by the insider.
- a person or company exempt from the insider reporting requirements under ~~a provision of NI 55-101,~~an exemption contained in Canadian securities legislation (such as, for example, National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (NI 55-101) or National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*), to the same extent and on the same conditions as are applicable to such exemption;
- a person or company who has obtained exemptive relief in a jurisdiction from the insider reporting requirements of that jurisdiction, to the same extent and on the same conditions as are applicable to such exemptive relief; ~~and~~
- a transfer, pledge or encumbrance of securities by a person or company for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the person or company for any amount payable under such debt~~.~~;

- the receipt by an insider of a transfer, pledge or encumbrance of securities of an issuer if the securities are transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;

- to an insider, other than an insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;

- a person or company who does not know and could not reasonably know of the alteration to economic exposure or economic interest referred to in section 2.1; and

- the acquisition or disposition of a security of certain investment funds.

6. What does the reference to "material component" in paragraph 2.2(a) of the Multilateral Instrument mean?

This is intended to ensure that if an insider entered into a derivative arrangement which satisfied one of the alteration tests in section 2.1, and in respect of which the underlying interest was a basket of securities or an index which included securities of the reporting issuer, such arrangement would trigger a reporting requirement only if the derivative involved securities of the reporting issuer "as a material component". In determining materiality, similar considerations to those involved in the concepts of material fact and material change would apply.

7. Why is there an exemption for compensation arrangements?

Many compensation arrangements are specifically adopted for the purpose of creating incentives for the directors, officers and employees who participate in such arrangements to improve their performance. Such arrangements are specifically intended to align the economic~~,~~ or financial ~~or pecuniary~~ interests of the recipient with the economic~~,~~ or financial ~~or pecuniary~~ interests of the employer. In many cases, such arrangements would likely satisfy the economic exposure test contained in section 2.1 of the Instrument.

Many compensation arrangements, such as stock option plans, phantom stock plans, deferred share unit plans and stock appreciation right plans, involve, directly or indirectly, a security of the reporting issuer or a derivative which involves a security of the reporting issuer. Consequently, the exemption in subsection 2.2(a) would likely not be available for such plans.

We have added a broad exemption in subsection 2.2(b) to address compensation arrangements, as compensation arrangements are not the primary focus of the Multilateral Instrument. In most cases, we do not expect there to be any change to the existing approach to reporting (or not reporting) such compensation arrangements.

A compensation arrangement will only be caught by the Multilateral Instrument if:

- the insider ~~"~~"is not otherwise required to file an insider report in respect of such ... arrangement ... under any provision of Canadian securities legislation~~"~~"; (see s. 2.1(b))

- the arrangement ~~"~~"... involve[s], directly or indirectly, a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer~~"~~"; (see 2.2(a))

- the arrangement is not disclosed in any public document (such as audited annual financial statements or any other regulatory filing); and (see 2.2(b)(i))

- the insider is able to alter his or her economic interest in securities of the reporting issuer, or his or her economic exposure to the reporting issuer, through discrete investment decisions. (see 2.2(b)(ii))

We believe that most compensation arrangements will be excluded on several grounds. To the extent a compensation arrangement is not excluded on any of these grounds, we believe that there is a compelling case for public disclosure of such arrangement.

Subparagraph 2.2(b)(i) provides an exemption for a compensation arrangement which is required to be disclosed, or is disclosed, in a public document such as audited annual financial statements or another form of regulatory filing. For example, an issuer may establish a deferred share unit (DSU) plan with a view to enhancing the alignment of the interests of its directors with those of its shareholders. Assuming that the DSU plan is not otherwise covered by the insider reporting requirements under Canadian securities legislation, an insider who participated in the plan would likely be required to file insider reports as a result of the insider's participation in the plan since the plan would likely satisfy the economic exposure test contained in section 2.1 of the Instrument. However, if the DSU plan is disclosed in a public document such as a Management Proxy Circular, an insider who participated in the DSU plan would not be required to file insider reports relating to the insider's participation in the plan, since the insider would be entitled to rely on the exemption in subparagraph 2.2(b)(i).

Subparagraph 2.2(b)(ii) provides an exemption for a compensation arrangement which is not publicly disclosed, and which has the effect of altering the insider's economic exposure to the reporting issuer, or the insider's economic interest in securities of the reporting issuer, if

- the compensation arrangement is ~~described in a written document,~~ in writing,
- the alteration occurs as a result of the satisfaction of a pre-established condition or criterion ~~described in the document~~ (such as the insider's retirement from office or ceasing to be a director), and
- the alteration does not involve a "discrete investment decision" by the insider.

Part 5 of NI 55-101 provides a similar exemption from the insider reporting requirements for securities which are acquired under an "automatic securities purchase plan". Section 4.2 of the Companion Policy to NI 55-101, Companion Policy 55-101 CP *Exemption from Certain Insider Reporting Requirements*, similarly refers to the concept of a "discrete investment decision".

8. Why is the exemption for a pledge of securities as collateral for a good faith debt limited to a debt in which there is no limitation on recourse?

We believe that it is important to restrict the debt exemption to debts in which there is no limitation on recourse for the reason that a limitation on recourse may effectively allow the borrower to "put" the securities to the lender in satisfaction of the debt. The limitation on recourse may effectively represent a transfer of the risk that the securities may fall in value from the insider to the lender. We believe that, in these circumstances, the transaction should be transparent to the market.

A loan secured by a pledge of securities may contain a term limiting recourse against the borrower to the pledged securities (a legal limitation on recourse). Similarly, a loan secured by a pledge of securities may be structured as a limited recourse loan if the loan is made to a limited liability entity (such as a holding corporation) owned or controlled by the insider (a structural limitation on recourse). If there is a limitation on recourse as against the insider either legally or structurally, the exemption would not be available.

Part 3 – Other Information

1. How do I complete an insider report for an arrangement covered by the Multilateral Instrument?

An insider will file the same form of insider report as he or she would in the case of an ordinary purchase or sale of securities of the reporting issuer in question.

A CSA staff notice containing examples of various types of monetization arrangements, together with examples of completed forms for such arrangements, will be published on or before the date the Multilateral Instrument takes effect.

2. Why does the Multilateral Instrument require disclosure of certain arrangements which were entered into prior to the effective date of the Instrument?

The Multilateral Instrument contemplates that, in certain circumstances, it will be necessary for insiders to disclose the existence of pre-existing monetization arrangements.

If an insider of a reporting issuer, prior to the effective date of the Multilateral Instrument, entered into an agreement, arrangement or understanding in respect of which

- the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the effective date, *and*
- the agreement, arrangement or understanding remains in effect on or after the effective date of the Instrument,

then the insider will be required to file a report under the Multilateral Instrument.

We believe it is necessary for the Multilateral Instrument also to address pre-existing arrangements *which continue in force after the effective date* since, if such arrangements are not disclosed, the insider reporting regime will continue to convey materially misleading information about certain insiders' true economic positions in their issuers.

For example, if an insider, *before* the Multilateral Instrument comes into force, enters into a monetization arrangement which has the effect of divesting the insider of substantially all of the economic risk and return associated with the insider's securities in the reporting issuer, and the insider then files an insider report *after* the Multilateral Instrument comes into force that indicates that the insider continues to have a substantial ownership position in the issuer, we believe the pre-existing arrangement will render

the insider report (and all future insider reports) materially misleading. The insider report will not convey an accurate picture of the insider's true economic positions in his or her issuer.

For these reasons, we believe that it is necessary for insiders to disclose the existence of pre-existing monetization arrangements which have a continuing impact on publicly reported holdings.

5.1.2 Multilateral Instrument 55-103 Insider Reporting for Certain Derivative Transactions (Equity Monetization)

MULTILATERAL INSTRUMENT 55-103

INSIDER REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS (EQUITY MONETIZATION)

PART 1 DEFINITIONS

1.1 Definitions – In this Instrument

"compensation arrangement" includes, but is not limited to, any plan, contract, authorization or arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, restricted shares or restricted share units, performance units and performance shares, or similar instruments may be received or purchased;

"control person" means

(a) a person holding a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer,

(b) one or a combination of persons acting in concert by virtue of an agreement, arrangement, commitment or understanding and holding a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, or

(c) a person or combination of persons holding more than 20% of the voting rights attached to all outstanding voting securities of an issuer, unless there is evidence that the holding does not affect materially the control of the issuer;

"credit derivative" means a derivative in respect of which the underlying security, interest, benchmark or formula is, or is related to or derived from, in whole or in part, a debt or other financial obligation of a reporting issuer;

"derivative" means an instrument, agreement or security, the market price, value or payment obligations of which are derived from, referenced to or based on an underlying security, interest, benchmark or formula;

"economic exposure" in relation to a reporting issuer means the extent to which the economic or financial interests of a person or company are aligned with the trading price of securities of the reporting issuer or the economic or financial interests of the reporting issuer;

"economic interest in a security" means

(a) a right to receive or the opportunity to participate in a reward, benefit or return from the security, or

(b) exposure to a loss or a risk of loss in respect to the security;

"effective date" means the date specified in Part 5 of this Instrument;

"exemptive relief" has the meaning ascribed to that term in National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications*;

"insider report" means a report in the form prescribed for insider reports under securities legislation;

"reporting issuer" does not include a mutual fund that is a reporting issuer;

"security of a reporting issuer" is deemed to include

(a) a put, call, option or other right or obligation to purchase or sell securities of the reporting issuer; and

(b) a security, the value or market price of which are derived from, referenced to or based on the value, market price or payment obligations of a security of the reporting issuer;

"stock appreciation right" ("SAR") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or otherwise in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

PART 2 REPORTING FOR CERTAIN DERIVATIVE TRANSACTIONS

2.1 **Reporting Requirement** – If an insider of a reporting issuer

(a) enters into, materially amends or terminates an agreement, arrangement or understanding of any nature or kind, the effect of which is to alter, directly or indirectly,

i) the insider's economic interest in a security of the reporting issuer, or

ii) the insider's economic exposure to the reporting issuer; and

(b) the insider is not otherwise required to file an insider report in respect of such event under any provision of Canadian securities legislation, then

the insider shall file a report in accordance with Section 3.1 of this Instrument.

2.2 **Exemptions** – Section 2.1 does not apply to

(a) an agreement, arrangement or understanding which does not involve, directly or indirectly, an interest in

(j) a security of the reporting issuer, or

(ii) a derivative in respect of which the underlying security, interest, benchmark or formula is or includes as a material component a security of the reporting issuer;

(b) an agreement, arrangement or understanding in the nature of a compensation arrangement established by the reporting issuer or an affiliate of the reporting issuer if

(i) the existence and material terms of the compensation arrangement are, or are required to be, described in

(A) the annual audited financial statements of the reporting issuer;

(B) an annual filing of the reporting issuer relating to executive compensation, or any other filing required to be made under any provision of Canadian securities legislation; or

(C) any public filing required to be made under the rules or policies of a stock exchange or market on which securities of the reporting issuer are listed or trade; or

(ii) the terms of the compensation arrangement are set out in writing, and the alteration to economic exposure or economic interest referred to in section 2.1 occurs as a result of the satisfaction of a pre-established condition or criterion and does not involve a discrete investment decision by the insider;

(c) a person or company exempt from the insider reporting requirements by virtue of an exemption contained in Canadian securities legislation, to the same extent and on the same conditions as are applicable to such exemption;

(d) a person or company who has obtained exemptive relief in a jurisdiction from the insider reporting requirements of that jurisdiction, to the same extent and on the same conditions as are applicable to such exemptive relief;

(e) a transfer, pledge or encumbrance of securities by an insider for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the insider for any amount payable under such debt;

(f) to the receipt by an insider of a transfer, pledge or encumbrance of securities of an issuer if the securities are transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;

(g) to an insider, other than an insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;

(h) a person or company who did not know and, in the exercise of reasonable diligence, could not have known of the alteration to economic exposure or economic interest described in section 2.1;

(i) the acquisition or disposition of a security, or an interest in a security, of an investment fund, provided that securities of the reporting issuer do not form a material component of the investment fund's market value; or

(j) the acquisition or disposition of a security, or an interest in a security, of an issuer which holds directly or indirectly securities of the reporting issuer, if:

(i) the insider is not a control person of the issuer; and

(ii) the insider does not have or share investment control over the securities of the reporting issuer.

2.3 **Existing agreements which continue in force** – If an insider of a reporting issuer, prior to the effective date of this Instrument, entered into an agreement, arrangement or understanding in respect of which

(a) the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the effective date, and

(b) the agreement, arrangement or understanding remains in effect on or after the effective date of this Instrument,

then the insider shall file a report in accordance with Section 3.2 of this Instrument.

2.4 **Same** – If an insider of a reporting issuer, prior to the date the insider most recently became an insider of the reporting issuer, entered into an agreement, arrangement or understanding in respect of which

(a) the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the date the insider most recently became an insider, and

(b) the agreement, arrangement or understanding remains in effect on or after the date the insider most recently became an insider,

then the insider shall file a report in accordance with Section 3.3 of this Instrument.

PART 3 FORM AND TIMING OF REPORT

3.1 A person or company who is required under Section 2.1 of this Instrument to file a report shall, within 10 days from the day on which the person or company enters into, materially amends or terminates, as the case may be, the agreement, arrangement or understanding described in Section 2.1 of this Instrument, or such shorter period as may be prescribed, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

3.2 A person or company who is required under Section 2.3 of this Instrument to file a report shall, within 10 days, or such shorter period as may be prescribed, from the effective date of this Instrument, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

3.3 A person or company who is required under Section 2.4 of this Instrument to file a report shall, within 10 days, or such shorter period as may be prescribed, from the date the person or company most recently became an insider, file a report in the form prescribed for insider reports under securities legislation disclosing the existence and material terms of the agreement, arrangement or understanding.

PART 4 EXEMPTION

4.1 The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

4.2 Despite section 4.1, in Ontario only the regulator may grant such an exemption.

PART 5 EFFECTIVE DATE

5.1 Effective Date - This Instrument comes into force on February 28, 2004.

COMPANION POLICY 55-103CP
TO MULTILATERAL INSTRUMENT 55-103

INSIDER REPORTING FOR
CERTAIN DERIVATIVE TRANSACTIONS
(EQUITY MONETIZATION)

The members of the Canadian Securities Administrators (the CSA) that have adopted Multilateral Instrument 55-103 *Insider Reporting for Certain Derivative Transactions (Equity Monetization)* (the Multilateral Instrument) have adopted this Policy to clarify their views on several matters relating to the Instrument including:

- the regulatory objectives underlying the Multilateral Instrument and the reasons why we feel the Multilateral Instrument is necessary;
- the general approach taken by the Multilateral Instrument to certain derivative-based transactions by insiders; and
- other information that we believe will be helpful to insiders and other market participants in understanding the operation of the Multilateral Instrument.

Part 1 Purpose

1. What is the purpose of the Multilateral Instrument?

We have developed the Multilateral Instrument to respond to concerns that the existing insider reporting requirements in Canadian securities legislation may not cover certain derivative-based transactions, including equity monetization transactions (described below), which satisfy one or more of the fundamental policy rationale for insider reporting. We believe that timely public disclosure of such transactions is necessary in order to maintain and enhance the integrity of, and public confidence in, the insider reporting regime in Canada.

The Multilateral Instrument seeks to maintain and enhance the integrity of, and public confidence in, the insider reporting regime in Canada by:

- ensuring that insider derivative-based transactions which have a similar effect in economic terms to insider trading activities are fully transparent to the market;
- ensuring that, where an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, the insider is required to file an insider report, even though the transaction may, for technical reasons, fall outside of the existing rules governing insider reporting; and
- reducing uncertainty as to which arrangements and transactions are subject to an insider reporting requirement and which are not.

These objectives are discussed in greater detail below.

2. What are the current insider reporting rules?

Canadian securities legislation requires “insiders” of a reporting issuer (i.e., a public company) to file insider reports disclosing their ownership of and trading in securities of their reporting issuer (the insider reporting requirements).

The insider reporting requirements serve a number of functions, including deterring illegal insider trading and increasing market efficiency by providing investors with information concerning the trading activities of insiders of the issuer, and, by inference, the insiders’ views of their issuer’s prospects.

We have adopted the Multilateral Instrument in response to the concern that the existing insider reporting requirements may not in all cases cover certain derivative-based transactions, including equity monetization transactions.

3. What are equity monetization transactions?

In recent years, a variety of sophisticated derivative-based financial products have become available which permit investors to dispose, in economic terms, of an equity position in a public company without attracting certain tax and non-tax consequences associated with a conventional disposition (e.g., a sale) of such position.

These products, which are sometimes referred to as "equity monetization" products, allow an investor to receive a cash amount similar to proceeds of disposition, and transfer part or all of the economic risk and/or return associated with securities of an issuer, without actually transferring the legal and beneficial ownership of such securities. (The term "monetization" generally refers to the conversion of an asset (such as securities) into cash.)

4. What are the concerns with equity monetization transactions?

Where an *insider* of a reporting issuer enters into a monetization transaction, and does not disclose the existence or material terms of that transaction, there is potential for harm to investors and the integrity of the insider reporting regime because:

- an insider in possession of material undisclosed information, although prohibited from trading in securities of the issuer, may be able improperly to profit from such information by entering into derivative-based transactions which mimic trades in securities of the reporting issuer;

- market efficiency will be impaired since the market is deprived of important information relating to the market activities of the insider; and

- since the insider's publicly reported holdings no longer reflect the insider's true economic position in the issuer, requirements relating to the public reporting of such holdings (e.g., an insider report or proxy circular) may in fact materially mislead investors.

Although we believe that many such transactions fall within the existing rules governing insider reporting, we accept that, in certain cases, it may be unclear whether the existing insider reporting rules apply. Accordingly, we have developed the Multilateral Instrument to respond to this ambiguity.

The Multilateral Instrument reflects a principles-based approach to monetization transactions and ties the obligation to report to the fundamental policy rationale underlying the insider reporting regime. Consequently, if an insider enters into a transaction which satisfies one or more of the policy rationale for insider reporting, but for technical reasons it may be argued that the insider falls outside of the existing insider reporting requirements, the insider will be required to file an insider report under the Multilateral Instrument unless the insider is otherwise covered by one of the exemptions. In this way, the market can make its own determination as to the significance, if any, of the transaction in question.

5. Does the Multilateral Instrument prohibit insiders from entering into monetization transactions?

No. The Multilateral Instrument imposes a reporting requirement only. It does not prohibit insiders from entering into a monetization transaction. An insider may, however, be prohibited on other grounds from entering into a monetization transaction. For example, Canadian securities legislation generally prohibits insiders (and certain others) from trading in securities of a reporting issuer while in possession of material undisclosed information about that issuer (the insider trading prohibition). It should be noted that, in many cases, the scope of the insider trading prohibition is broader than the scope of the existing insider reporting obligation.

An insider may also be prohibited from entering into a monetization arrangement by the terms of an escrow agreement. The standard form of agreement prescribed by National Policy 46-201 *Escrow for Initial Public Offerings*, for example, contains restrictions on parties to the agreement entering into monetization arrangements.

6. Why do investors enter into monetization transactions?

Investors, including insiders, may have legitimate reasons for entering into monetization transactions. These reasons may include:

- *Tax planning* – where there has been significant appreciation in the value of securities held by an investor, a conventional disposition of such securities may trigger a significant tax liability; a monetization transaction may permit the investor to receive a cash amount similar to proceeds of disposition while deferring this tax liability.

- *Liquidity* – an investor may have a short-term need for cash and wish to borrow against his or her securities. A monetization arrangement may permit the investor to borrow an amount equal to a substantially higher proportion of the current market price of his or her securities (e.g., 90%) than he or she could with a simple pledge of the securities.

- *Retained ownership* – an investor may wish to monetize a portion of his or her position but retain the full voting rights and/or entitlement to dividends associated with that position.

- *Risk management/portfolio diversification* – an investor is able to "lock in" the present value of his or her position, and avoid the risk of a future decline in the value of the holding, by means of a monetization transaction. The investor may

use the funds released as a result of the transaction to diversify his or her portfolio, thereby avoiding the risk of having all of his or her assets "in one basket".

7. Does the requirement to report undermine any of these reasons for entering into a monetization transaction?

No. A requirement to report the existence and material terms of a monetization transaction is not inconsistent with any of these objectives and does not prevent the insider from achieving any of these objectives.

8. Does the Multilateral Instrument apply only to monetization transactions?

No. The Multilateral Instrument applies to any agreement, arrangement or understanding which satisfies the conditions in section 2.1, 2.3 or 2.4 of the Instrument.

Part 2 – Application of the Multilateral Instrument

1. When does the Multilateral Instrument apply?

If you are an "insider" of a reporting issuer, and you enter into, materially amend or terminate an agreement, arrangement or understanding of any kind which

- changes your "economic interest in a security" of your reporting issuer, or
- changes your "economic exposure" to your reporting issuer, *and*

you are not required under any other provision of Canadian securities law to file an insider report about this agreement, arrangement or understanding, you must file an insider report under the Multilateral Instrument, unless you are covered by one of the exemptions.

2. What does "economic exposure" mean?

The term "economic exposure" in relation to a reporting issuer is defined in the Multilateral Instrument to mean the extent to which the economic or financial interests of a person or company are aligned with the market price of securities of the reporting issuer or the economic or financial interests of the reporting issuer.

The concept of "economic exposure" also appears in section 6.2 of National Policy 46-201 *Escrow for Initial Public Offerings*:

> ***6.2 Restrictions on dealing with escrow securities***
>
> Escrow restricts the ability of holders to deal with their escrow securities while they are in escrow. The standard form of escrow agreement sets out these restrictions. Except to the extent that the escrow agreement expressly permits, a principal cannot sell, transfer, assign, mortgage*, enter into a derivative transaction concerning,* or otherwise deal in any way with the holder's escrow securities or any related share certificates or other evidence of the escrow securities. A private company, controlled by one or more principals of the issuer, that holds escrow securities of the issuer, *may not participate in a transaction that results in* a change of its control *or a change in the economic exposure* of the principals to the risks of holding escrow securities.
>
> [Emphasis added.]

The term "economic exposure" in relation to a reporting issuer generally refers to the link between a person's economic or financial interests and the economic or financial interests of the reporting issuer in which the person is an insider. The term is intended to have broad application and is best illustrated by way of example.

An insider with a substantial proportion of his or her personal wealth invested in securities of his or her reporting issuer will be highly exposed to changes in the fortunes of the reporting issuer. Conversely, an insider who holds no securities of a reporting issuer (and does not participate in a compensation arrangement involving securities of the reporting issuer such as a stock option plan) will generally have significantly less exposure to the reporting issuer. The insider's exposure will generally be limited to the insider's salary and other compensation arrangements which do not involve securities of the reporting issuer.

All other things being equal, if an insider changes his or her ownership interest in a reporting issuer (either directly, through a purchase or sale of securities of the reporting issuer, or indirectly, through a derivative transaction involving securities of the reporting issuer), the insider will generally be changing his or her economic exposure to the reporting issuer. Similarly, if an insider enters into a hedging transaction which has the effect of reducing the sensitivity of the insider to changes in the reporting issuer's share price or performance, the insider will generally be changing his or her economic exposure to the reporting issuer.

3. What does "economic interest" in a security mean?

The term "economic interest in a security" is defined in the Multilateral Instrument to mean

- a right to receive or the opportunity to participate in a reward, benefit or return from the security, or
- exposure to a loss or a risk of loss in respect to the security.

The term is intended to have broad application and is intended to refer to the economic attributes ordinarily associated with beneficial ownership of a security, such as the following:

- the potential for gain in the nature of interest, dividends or other forms of distributions of income on the security;
- the potential for gain in the nature of a capital gain realized on a disposition of the security, to the extent that the proceeds of disposition exceed the beneficial owner's tax cost (that is, gains associated with an appreciation in the security's value); and
- the potential for loss in the nature of a capital loss on a disposition of the security, to the extent that the proceeds of disposition are less than the beneficial owner's tax cost (that is, losses associated with a fall in the security's value).

The beneficial owner could, for example, eliminate the risk associated with a fall in the value of the securities, while retaining legal and beneficial ownership of the securities, by entering into a derivative transaction such as an equity swap. If the beneficial owner is an insider, and the securities are securities of the insider's reporting issuer, such a transaction would likely trigger the test in section 2.1 of the Instrument. (Such a transaction might also be covered by the existing insider reporting rules, depending on the particular facts and circumstances of the transaction.)

4. Why is it necessary to refer to both "economic exposure" in relation to a reporting issuer and "economic interest"in a security of the reporting issuer? How are they different?

In many cases, an arrangement which satisfies the "economic exposure" test in subparagraph 2.1(a)(ii) will also satisfy the "economic interest" test in subparagraph 2.1(a)(i). However, the tests are not identical. For example, there will be arrangements which satisfy the latter test, but not the former test, but which would nevertheless impinge upon the policy rationale for insider reporting.

For example, if an insider holds no securities of his or her reporting issuer, and enters into a short position (a "naked short"), or a synthetic arrangement that replicates a short position, in the expectation that the share price will fall, the test in s. 2.1(a)(i) may not apply, since the insider would not be altering his or her economic interest in any securities of the reporting issuer. A similar result would occur if the number of securities sold short exceeded the number of securities held. Such arrangements would appear to satisfy the policy rationale for insider reporting, and should be transparent to the market.

Secondly, the "economic interest" test may not catch certain derivative-based compensation arrangements that we believe should be subject to a disclosure requirement. If a compensation arrangement allows for an exercise of discretion similar to the exercise of discretion contemplated by a conventional stock option plan, we believe that this exercise of discretion should be transparent to the market. If the arrangement provides for a payout in the form of cash reflecting the change in value of a security, rather than a payout in the form of a security, there may be a question as to whether the arrangement involves a "security". In this case, there may be a question whether such an arrangement would be caught by the "economic interest" test.

Thirdly, the economic exposure test requires consideration of related financial positions. If an insider, for example, holds a long position and an offsetting short position, the acquisition of the short position arguably does not directly affect the insider's economic interest in the long position. Arguably the insider retains his or her economic interest in the long position (viewed in isolation). It is only through consideration of the related offsetting positions together that the insider may be said to have changed his or her economic position. The insider has neutralized his or her economic exposure to the issuer.

Although it may be argued that the "economic interest in a security" test may be subsumed within the "economic exposure" test, we believe there are advantages to retaining this test as a separate test. The economic interest test references the means by which an insider may alter his or her economic exposure to the reporting issuer. We believe that, in some cases, this test may be easier to understand, and consequently easier to apply, than the economic exposure test, since this test references the direct economic consequences of a monetization transaction. Accordingly, if an insider enters into an arrangement which has the effect, for example, of divesting the insider of the risk that certain securities owned by the insider may fall in value, and none of the exemptions in the Instrument otherwise applies, s. 2.1(a)(i) makes it clear that there is a reporting obligation. It is not necessary to then consider the issue of whether this arrangement has the effect of altering the insider's economic exposure.

An additional reason for retaining the economic interest test is that this test generally approximates the approach taken by the U.S. insider reporting requirements. Under the U.S. insider reporting requirements, insiders are generally required to report any transaction resulting in a change in "beneficial ownership" of equity securities of the issuer. For reporting purposes, a person is deemed to be the "beneficial owner" of securities if the person has a "pecuniary interest" in the securities. The term "pecuniary interest" in any class of equity securities is defined to mean "the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities". See generally SEC Rule 16a-1(a)(2). One of the objectives underlying the adoption of the Instrument is to introduce greater consistency in the reporting requirements under U.S. securities law and Canadian securities laws in relation to monetization arrangements. Consequently, the reference to an "economic interest in a security" in the Instrument is intended to parallel the "pecuniary interest" test in the U.S., and to clarify that monetization transactions which are reportable under U.S. insider reporting requirements will also generally be covered by Canadian insider reporting law requirements, unless covered by one of the exemptions.

5. What are the exemptions to the insider reporting requirement contained in the Multilateral Instrument?

The Multilateral Instrument contains a number of exemptions for insider transactions which satisfy one of the tests in section 2.1 of the Multilateral Instrument. These include:

- arrangements which do not involve, directly or indirectly, a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer;
- a compensation arrangement such as a phantom stock plan, deferred share unit ("DSU") plan or stock appreciation right ("SAR") plan which would otherwise be caught by the Instrument if:
    - the existence and material terms of the compensation arrangement are disclosed in any public document (such as the annual audited financial statements of the issuer or an annual filing made under any provision of Canadian securities legislation); *or*
    - the material terms of the compensation arrangement are set out in a written document, and the alteration to economic exposure or economic interest referred to in section 2.1 occurs as a result of the satisfaction of a pre-established condition or criterion described in the document, and does not involve a discrete investment decision by the insider.
- a person or company exempt from the insider reporting requirements under an exemption contained in Canadian securities legislation (such as, for example, National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* (NI 55-101) or National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*), to the same extent and on the same conditions as are applicable to such exemption;
- a person or company who has obtained exemptive relief in a jurisdiction from the insider reporting requirements of that jurisdiction, to the same extent and on the same conditions as are applicable to such exemptive relief;
- a transfer, pledge or encumbrance of securities by a person or company for the purpose of giving collateral for a debt made in good faith so long as there is no limitation on the recourse available against the person or company for any amount payable under such debt;
- the receipt by an insider of a transfer, pledge or encumbrance of securities of an issuer if the securities are transferred, pledged or encumbered as collateral for a debt under a written agreement and in the ordinary course of business of the insider;
- to an insider, other than an insider that is an individual, that enters into, materially amends or terminates an agreement, arrangement or understanding which is in the nature of a credit derivative;
- a person or company who does not know and could not reasonably know of the alteration to economic exposure or economic interest referred to in section 2.1; and
- the acquisition or disposition of a security of certain investment funds.

6. What does the reference to "material component" in paragraph 2.2(a) of the Multilateral Instrument mean?

This is intended to ensure that if an insider entered into a derivative arrangement which satisfied one of the alteration tests in section 2.1, and in respect of which the underlying interest was a basket of securities or an index which included securities of the reporting issuer, such arrangement would trigger a reporting requirement only if the derivative involved securities of the reporting issuer "as a material component". In determining materiality, similar considerations to those involved in the concepts of material fact and material change would apply.

7. Why is there an exemption for compensation arrangements?

Many compensation arrangements are specifically adopted for the purpose of creating incentives for the directors, officers and employees who participate in such arrangements to improve their performance. Such arrangements are specifically intended to align the economic or financial interests of the recipient with the economic or financial interests of the employer. In many cases, such arrangements would likely satisfy the economic exposure test contained in section 2.1 of the Instrument.

Many compensation arrangements, such as stock option plans, phantom stock plans, deferred share unit plans and stock appreciation right plans, involve, directly or indirectly, a security of the reporting issuer or a derivative which involves a security of the reporting issuer. Consequently, the exemption in subsection 2.2(a) would likely not be available for such plans.

We have added a broad exemption in subsection 2.2(b) to address compensation arrangements, as compensation arrangements are not the primary focus of the Multilateral Instrument. In most cases, we do not expect there to be any change to the existing approach to reporting (or not reporting) such compensation arrangements.

A compensation arrangement will only be caught by the Multilateral Instrument if:

- the insider "is not otherwise required to file an insider report in respect of such ... arrangement ... under any provision of Canadian securities legislation"; (see s. 2.1(b))

- the arrangement "... involve[s], directly or indirectly, a security of the reporting issuer or a derivative in respect of which the underlying interest is or includes as a material component a security of the reporting issuer"; (see 2.2(a))

- the arrangement is not disclosed in any public document (such as audited annual financial statements or any other regulatory filing); and (see 2.2(b)(i))

- the insider is able to alter his or her economic interest in securities of the reporting issuer, or his or her economic exposure to the reporting issuer, through discrete investment decisions. (see 2.2(b)(ii))

We believe that most compensation arrangements will be excluded on several grounds. To the extent a compensation arrangement is not excluded on any of these grounds, we believe that there is a compelling case for public disclosure of such arrangement.

Subparagraph 2.2(b)(i) provides an exemption for a compensation arrangement which is required to be disclosed, or is disclosed, in a public document such as audited annual financial statements or another form of regulatory filing. For example, an issuer may establish a deferred share unit (DSU) plan with a view to enhancing the alignment of the interests of its directors with those of its shareholders. Assuming that the DSU plan is not otherwise covered by the insider reporting requirements under Canadian securities legislation, an insider who participated in the plan would likely be required to file insider reports as a result of the insider's participation in the plan since the plan would likely satisfy the economic exposure test contained in section 2.1 of the Instrument. However, if the DSU plan is disclosed in a public document such as a Management Proxy Circular, an insider who participated in the DSU plan would not be required to file insider reports relating to the insider's participation in the plan, since the insider would be entitled to rely on the exemption in subparagraph 2.2(b)(i).

Subparagraph 2.2(b)(ii) provides an exemption for a compensation arrangement which is not publicly disclosed, and which has the effect of altering the insider's economic exposure to the reporting issuer, or the insider's economic interest in securities of the reporting issuer, if

- the compensation arrangement is in writing,

- the alteration occurs as a result of the satisfaction of a pre-established condition or criterion (such as the insider's retirement from office or ceasing to be a director), and

- the alteration does not involve a "discrete investment decision" by the insider.

Part 5 of NI 55-101 provides a similar exemption from the insider reporting requirements for securities which are acquired under an "automatic securities purchase plan". Section 4.2 of the Companion Policy to NI 55-101, Companion Policy 55-101 CP *Exemption from Certain Insider Reporting Requirements*, similarly refers to the concept of a "discrete investment decision".

8. Why is the exemption for a pledge of securities as collateral for a good faith debt limited to a debt in which there is no limitation on recourse?

We believe that it is important to restrict the debt exemption to debts in which there is no limitation on recourse for the reason that a limitation on recourse may effectively allow the borrower to "put" the securities to the lender in satisfaction of the debt.

The limitation on recourse may effectively represent a transfer of the risk that the securities may fall in value from the insider to the lender. We believe that, in these circumstances, the transaction should be transparent to the market.

A loan secured by a pledge of securities may contain a term limiting recourse against the borrower to the pledged securities (a legal limitation on recourse). Similarly, a loan secured by a pledge of securities may be structured as a limited recourse loan if the loan is made to a limited liability entity (such as a holding corporation) owned or controlled by the insider (a structural limitation on recourse). If there is a limitation on recourse as against the insider either legally or structurally, the exemption would not be available.

Part 3 – Other Information

1. How do I complete an insider report for an arrangement covered by the Multilateral Instrument?

An insider will file the same form of insider report as he or she would in the case of an ordinary purchase or sale of securities of the reporting issuer in question.

A CSA staff notice containing examples of various types of monetization arrangements, together with examples of completed forms for such arrangements, will be published on or before the date the Multilateral Instrument takes effect.

2. Why does the Multilateral Instrument require disclosure of certain arrangements which were entered into prior to the effective date of the Instrument?

The Multilateral Instrument contemplates that, in certain circumstances, it will be necessary for insiders to disclose the existence of *pre-existing* monetization arrangements.

If an insider of a reporting issuer, prior to the effective date of the Multilateral Instrument, entered into an agreement, arrangement or understanding in respect of which

- the insider would have been required to file an insider report under this Instrument if the agreement, arrangement or understanding had been entered into on or after the effective date, *and*
- the agreement, arrangement or understanding remains in effect on or after the effective date of the Instrument,

then the insider will be required to file a report under the Multilateral Instrument.

We believe it is necessary for the Multilateral Instrument also to address pre-existing arrangements *which continue in force after the effective date* since, if such arrangements are not disclosed, the insider reporting regime will continue to convey materially misleading information about certain insiders' true economic positions in their issuers.

For example, if an insider, *before* the Multilateral Instrument comes into force, enters into a monetization arrangement which has the effect of divesting the insider of substantially all of the economic risk and return associated with the insider's securities in the reporting issuer, and the insider then files an insider report *after* the Multilateral Instrument comes into force that indicates that the insider continues to have a substantial ownership position in the issuer, we believe the pre-existing arrangement will render the insider report (and all future insider reports) materially misleading. The insider report will not convey an accurate picture of the insider's true economic positions in his or her issuer.

For these reasons, we believe that it is necessary for insiders to disclose the existence of pre-existing monetization arrangements which have a continuing impact on publicly reported holdings.

5.1.3 Amendment to OSC Rule 13-502 Fees

AMENDMENT TO
RULE 13-502 FEES

PART 1 AMENDMENTS TO RULE 13-502 FEES

1.1 Amendments to Rule 13-502 Fees

(1) Rule 13-502 Fees is amended by this Part of this instrument.

(2) Section 1.1(1) is amended by

(a) the deletion of the definition of "capital markets activities" and the substitution of the following:

" "capital markets activities" means

(a) activities for which registration under the Act or an exemption from registration is required,

(b) acting as an investment fund manager, and

(c) activities for which registration under the *Commodity Futures Act* or an exemption from registration under the *Commodity Futures Act* is required;";

(b) the deletion of the definition of "corporate debt" and the substitution of the following:

" "corporate debt" means debt issued in Canada by a person or company that has a remaining term to maturity of one year or more;";

(c) the deletion of the definition of "entity";

(d) the deletion of the definition of "equity security" and the substitution of the following:

" "equity security" means a security

(a) within the meaning of the term "equity security" in subsection 89(1) of the Act, or

(b) of an issuer that is exchangeable for an equity security, within the meaning of subsection 89(1) of the Act, of another issuer."; and

(e) the deletion of the definition of "investment fund" and the substitution of the following:

" "investment fund" means a mutual fund or a non-redeemable investment fund;";

(3) Subsection 2.3(1) is deleted and the following substituted:

"(1) A reporting issuer shall pay the participation fee by the earlier of the date on which its annual financial statements are required to be filed and the date on which its annual financial statements are filed.".

(4) Section 2.5 is deleted and the following substituted:

"2.5 **Calculation of Capitalization for Class 1 Reporting Issuers –** The capitalization of a Class 1 reporting issuer at the end of a financial year of the reporting issuer is the aggregate of

(a) the market value of each class or series of the reporting issuer's equity securities listed or quoted on a marketplace on that date, calculated by multiplying

(i) the total number of securities of the class or series outstanding on that date; and

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on

(A) the marketplace in Canada on which the highest volume of the class or series of securities were traded in that financial year, or

(B) if none of the class or series of securities were traded on a marketplace in Canada, the marketplace in the United States of America on which the highest volume of the class or series of securities were traded in that financial year, and

(b) as determined by the reporting issuer, the aggregate market value, at the end of the financial year, of each class or series of corporate debt and of each class or series of preferred shares of the reporting issuer, and of a subsidiary entity of the reporting issuer that is exempt from the requirement to pay a participation fee under subsection 2.2(2), if securities of that class or series are listed, quoted or traded on a marketplace, trade over the counter or, after their initial issuance, are otherwise generally available for purchase or sale by way of transactions carried out through, or with, dealers.".

(5) Section 2.6 is amended by:

(a) the renumbering of the existing section 2.6 as subsection 2.6(1);

(b) the addition of the following as subsection 2.6(2):

"(2) Despite subsection (1), a reporting issuer may base the calculation of its market capitalization on unaudited financial statements if it is not required to prepare, and does not ordinarily prepare, audited financial statements."; and

(c) the addition of the following as subsection 2.6(3):

"(3) Despite subsections (1) and (2), a reporting issuer that is a trust that issues only asset-backed securities through pass-through certificates may base the calculation of its market capitalization on the monthly filed distribution report for the last month of its financial year, if the reporting issuer is not required to prepare, and does not ordinarily prepare, annual financial statements.".

(6) Section 2.7 is amended by

(a) the deletion of the words "debt or equity securities listed or traded", in the first line of each of paragraphs (a) and (b) of section 2.7 and the substitution of "securities listed, quoted or traded";

(b) the deletion of the words ", or held beneficially by," in subparagraph (iii) of paragraph 2.7(a); and

(c) the deletion of the words ", or held beneficially by," in subparagraph (ii) of paragraph 2.7(b).

(7) Subsection 2.8(4) is amended by the deletion of the introductory words and the substitution of the following:

"(4) Despite sections 2.2 and 2.3, and subject to subsection (5), a person or company that becomes a reporting issuer other than through the filing of a prospectus shall pay a participation fee within two business days of the date on which the person or company becomes a reporting issuer, calculated by multiplying.".

(8) The following is added as section 2.9, and sections 2.9 and 2.10 are renumbered:

"**2.9 Participation Fee for an Issuer Ceasing to be a Reporting Issuer –** Despite sections 2.2 and 2.3, an issuer that ceases to become a reporting issuer before it has paid its participation fee for the current financial year, and before that participation fee has been required to be paid, shall pay a participation fee at the time that it ceases to be a reporting issuer, calculated by multiplying

(a) the participation fee that would be otherwise payable for that financial year; and

(b) the number of entire months in the financial year before it submitted its application to cease to become a reporting issuer, divided by 12.".

(9) Old subsection 2.10(2) is deleted and the following substituted as subsection 2.11(2):

"(2) Subsection (1) does not apply if the reporting issuer knows that the information made available by the marketplace is incorrect and

(a) knows the correct information; or

(b) has not used reasonable efforts to learn the correct information.".

(10) Paragraphs (a) of section 3.4, (a) of section 3.5 and (1)(a) of section 3.6 are amended by the addition of the words "less any amounts not attributable to capital markets activities" immediately before the words "for a financial year" in each paragraph.

(11) Paragraph 3.6(3)(a) is amended by the addition of the words "or a registrant firm as defined in Rule 13-503 (*Commodity Futures Act)* (Ontario)" immediately after the words "another registrant firm in Ontario".

(12) Section 3.6 is amended by the addition of the following as subsection 3.6(4):

"(4) Despite subsection (1), a registrant firm registered only as one or more of a limited market dealer, an international dealer or an international adviser may base the calculation of its gross revenues on unaudited financial statements if it is not required to prepare, and does not ordinarily prepare, audited financial statements.".

(13) Subsection 7.2(5) is amended by the addition of the words "that is a reporting issuer" after the words "investment fund" in the first line of the subsection.

(14) Section 4.1 is amended by the deletion of the period at the end of the sentence and the insertion of "; except that a person or company shall pay the fee for the late filing of an insider report on Form 55-102F2 upon receiving an invoice from the Commission.".

1.2 Amendments to Appendices to Rule 13-502 Fees

(1) The Appendices to Rule 13-502 are amended by this Part of this instrument.

(2) Appendix A is amended by

(a) the deletion of the words "$0 to under $25 million" and the substitution of the words "under $25 million"; and

(b) the deletion of the words "Over $25 billion" and the substitution of the words "$25 billion and over";

(3) Appendix B is amended by

(a) the deletion of the words "$0 to under $500,000" and the substitution of the words "under $500,000"; and

(b) the deletion of the words "Over $1 billion" and the substitution of the words "$1 billion and over";

(4) Appendix C is amended by

(a) the deletion of the words "or issuers" and "or issuer" in Note (iv) to item A(1);

(b) the addition of the following as Note (v) to item A(1):

"Each named issuer should pay its proportionate share of the fee in the case of a prospectus for multiple issuers (other than in the case of investment funds).";

(c) the addition of the following as Note (vi) to item A(1):

"The fee for a prospectus showing minimum and maximum offering sizes shall be based on the maximum offering size.";

(d) the addition of the word "Canadian" before the words "gross proceeds", wherever appearing, in item A(3) and the deletion of the Note in item A(3);

(e) the addition of the following, as item B(2):

(i) under the heading "Document or Activity" – "Filing of a Form 45-501F1 for a distribution of securities for an issuer that is not subject to a participation fee", and

(ii) under the heading "Fee" – "$500";

(f) the deletion of the words under the heading "Fee" of item C, and the substitution of the words "$2,000 (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule)";

(g) the addition of the following as new item D, and the renumbering of the items after item D:

Document or Activity		**Fee**
D.	**Provision of Notice under section 72(1)(h)(ii) of the Act**	$2,000

(h) the deletion of old item E and the substitution of the following as item F:

Document or Activity		**Fee**
F.	**Applications for Discretionary Relief**	
1.	Application under clause 72(1)(m), sections 74, 104 and 127, subsection 140(2) or section 147 of the Act (not including an application under section 3.1 of Rule 31-503 or section 4.1 of Rule 35-502), Multilateral Instrument 45-102, Rule 45-501, Rule 45-502, Rule 45-503, National Instrument 51-101, Rule 56-501, Rule 61-501, National Instrument 62-101, National Instrument 62-103 or Rule 62-501.	$5,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act)* (Ontario)) subject to the overall limitation set out below
2.	Application under: (a) subsection 38(3), subsection 72(8) or section 83 of the Act or subsection 1(6) of the *Business Corporations Act* (Ontario); (b) application under section 144 of the Act for an order revoking a cease-trade order to permit trades solely for the purpose of establishing a tax loss in accordance with Commission Policy 57-602; (c) relief from section 213 of the *Loan and Trust Corporations Act (*Ontario*);* (d) application for waiver of the requirements of Rule 51-501; and (e) application where the discretionary relief or regulatory approval is evidenced by the issuance of a receipt for the	Nil

	applicants' final prospectus (such as certain applications under Rule 41-501 or National Instrument 81-101).	
3.	Any application for discretionary relief from, or regulatory approval under, any section of the Act, the Regulations or any Rule of the Commission not listed in items F(1) or (2) above. *Note: It is noted that the following applications for recognition or approval under the Act are subject to the fees contained in this item F(3):* *(i) recognition of an exchange under section 21 of the Act, a self-regulatory organization under section 21.1 of the Act, a clearing house under section 21.2 of the Act or a quotation and trade reporting system under section 21.2.1 of the Act;* *(ii) approval of a compensation fund or contingency trust fund under section 110 of the Regulations to the Act; and* *(iii) approval of the establishment of a council, committee or ancillary body under section 21.3 of the Act.*	$1,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act)* (Ontario)) subject to the overall limitation set out below
		The maximum fee for an application to which this item F applies, regardless of the number of sections under which application is made, shall be $7,500 if the applicant is subject to, or is reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act*) (Ontario), or $9,500 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 *(Commodity Futures Act*) (Ontario). These limits apply to the application even if the application is made under both the Act and the *Commodities Futures Act* (Ontario); i.e. an application under both statutes will not be subject to a fee of more

	than $7,500 or $9,500, as applicable.

(i) the deletion of old item G(1) and the substitution of the following as item H(1):

Document or Activity		Fee
1.	Filing of a take-over bid or issuer bid circular under subsection 100(3) or (7) of the Act	$5,500 (plus $2,000 if neither the offeror nor an issuer of which the offeror is a wholly-owned subsidiary is subject to, or reasonably expected to become subject to, a participation fee under this Rule)

(j) the deletion of the words "subsection 98(2) or subsection 98(4)" and the substitution of the words "subsection 100(4)" in item H(2), as renumbered;

(k) the addition of numbering for the Notes to item J(3), as renumbered, and the addition of the following Note (iii) to such item:

"A registration fee will not be charged if an individual makes an application to register with a new registrant firm within three months of terminating employment with his or her previous registrant firm provided that the individual's category of registration remains unchanged."; and

(l) the deletion of item M and the substitution of the following as item N:

Document or Activity		Fee
N.	**Late Filing**	
1.	Fee for late filing of any of the following documents:	$100 per business day (subject to a maximum of $5,000 per reporting issuer or registrant firm for all documents within any financial year of the reporting issuer or registrant firm)
(a)	Annual financial statements and interim financial statements;	
(b)	Annual information form filed under Rule 51-501;	
(c)	Report of Form 45-501F1 filed by a reporting issuer;	
(d)	Notice under Section 104 of the Regulation;	
(e)	Report under Section 141 or 142 of the Regulation;	
(f)	Filings for the purpose of amending Form 3 and Form 4 or Form 33-109F4 under Multilateral Instrument 33-109; and	
(g)	Any document required to be filed by a registrant firm or individual in connection with the registration of the registrant firm or individual under the Act with respect to	
	(i) terms and conditions imposed on a registrant firm or individual; or	
	(ii) an order of the Commission.	

2.	Fee for late filing of an insider report on Form 55-102F2	$50 per calendar day per insider per issuer (subject to a maximum of $1,000 within any one year beginning on April 1st and ending on March 31st.) The late fee does not apply to an insider that is under an obligation to pay a late fee for filing a Form 55-102F2 in a jurisdiction other than Ontario.

PART 2 AMENDMENTS TO FORMS TO RULE 13-502

2.1 Amendments to Form 13-502F1

(1) Form 13-502F1 is amended by the deletion of the words "Participation Fee for the Financial Year Ending:" on the second line of the Form and the substitution of the words "Financial Year Ending, used in calculating the participation fee:".

(2) Form 13-502F1 is amended by changing the formula for calculating a reduced participation fee for new reporting issuers, wherever appearing, to read

$$\text{Total Fee Payable} \times \frac{\text{Number of entire months remaining in the issuer's financial year}}{12}$$

(3) Form 13-502F1 is amended by the deletion of the words ", or held beneficially by," under the heading *3. Class 3 Reporting Issuers (Foreign Issuers)*, subheading *Market value of securities.*

(4) Form 13-502F1 is amended by the deletion of the words ", or held beneficially by," under the heading *3. Class Reporting Issuers (Foreign Issuers)*, subheading *Financial Statement Values.*

(5) Paragraph 1 of the Notes and Instructions to Form 13-502F1 is deleted and the following substituted:

"This participation fee is payable by all reporting issuers, except in the case of investment funds. An investment fund that is a reporting issuer and that has an investment fund manager does not pay a corporate finance participation fee. The only investment funds that pay a corporate finance participation fee are those that are reporting issuers and that do not have an investment fund manager.".

(6) Paragraph 2 of the Notes and Instructions to Form 13-502F1 is amended by the deletion of the word "posting" and the substitution of the word "posted".

(7) Paragraph 3 of the Notes and Instructions to Form 13-502F1 is amended by the addition of the words "exchange rate" immediately after the words "daily noon" and the removal of the square brackets enclosing "daily noon".

2.2 Amendments to Form 13-502F2 - Form 13-502F2 is amended to read as set out in Appendix A to these amendments.

2.3 Amendments to Form 13-502F3

(1) Note 1 to the Notes and Instructions of Form 13-502F3 (including the footnotes thereto) is deleted and the following substituted:

"1. Registrant firms are required to complete the Part that applies to their particular category of registration, as follows:

Part I - Investment Dealers Association of Canada members

Part II - Mutual Fund Dealers Association of Canada members

Part III - Advisers[1], other Dealers[2] and unregistered Investment Fund Managers.

[1] Includes all adviser categories as per section 99 of the Regulations in the *Securities Act* (Ontario), as well as non-resident advisors, extra-provincial advisors and registrant firms within the meaning of Rule 13-503 (*Commodity Futures Act*) (Ontario).

[2] Includes all dealer categories as per section 98 of the Regulations in the *Securities Act* (Ontario) and registrant firms within the meaning of Rule 13-503 (*Commodity Futures Act*) (Ontario) except IDA and MFDA members which are treated separately in Parts I and II."

(2) Form 13-502F3 is amended to read as set out in Appendix B to these amendments.

(3) Paragraph 1 of the Notes and Instructions to Part III of Form 13-502F3 is amended by the addition of the following at the end of that paragraph:

"Gross revenues are reduced by amounts not attributable to capital markets activities. A registrant firm registered only as one or more of a limited market dealer, international dealer or international adviser may use its unaudited financial statements as the basis for determining its gross revenues if it is not required to, and does not ordinarily prepare, audited financial statements.".

(4) Paragraph 3 of the Notes and Instructions to Part III of Form 13-502F3 is amended by the deletion of the words "mutual funds" and the substitution of the words "investment funds".

(5) Paragraph 4 of the Notes and Instructions to Part III of Form 13-502F3 is amended by the addition of the words "or registrant firms within the meaning of Rule 13-503 (*Commodity Futures Act)* Ontario)" immediately after the words "another Ontario registrant firm".

2.4 **Amendment to Form 13-502F4** – Form 13-502F4 is amended by the deletion of the words "Participation Fee for the Calendar Year" and the substitution of the words "Participation Fee based on the Specified Ontario Revenues for the Calendar or Financial Year Ended:".

Appendix A

FEES RULE
FORM 13-502F2

ADJUSTMENT OF FEE PAYMENT
UNDER SUBSECTION 2.4(2) OF RULE 13-502

Reporting Issuer Name: _____

Financial Year Ending, used in calculating the Participation Fee: _____

State the amount paid under subsection 2.3(3) of Rule 13-502: _____(A)

Show calculation of actual capitalization based on audited financial statements:

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit

Contributed surplus

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes)

Long term debt (including the current portion)

Capital leases (including the current portion)

Minority or non-controlling interest

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above)

Any other item forming part of shareholders' equity and not set out specifically above

Total Capitalization

Total Fee payable: _____(B)

Difference between A and B: _____

Indicate refund due (balance owing): _____

Appendix B

Revenue for Participation Fee

Firm Name: _____

Calendar or Financial Year Ending, used in calculating the Participation Fee: _____

Part I – Investment Dealers Association of Canada Members

	Current Year $	Prior Year $
1. Line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report		
2. Less Amounts not attributable to capital markets activities		
3. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 2)		

Part II – Mutual Fund Dealers

REVENUE SUBJECT TO PARTICIPATION FEE

1. Line 12 of Statement D of the MFDA Financial Questionnaire and Report		
2. Less Amounts not attributable to capital markets activities		
3. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 2)		

Part III – Advisers, Other Dealers, and Unregistered Investment Fund Managers

1. Gross Revenue as per the audited financial statements (note 1)		
Less the following items:		
2. Amounts not attributable to capital markets activities		
3. Redemption Fees (note 2)		
4. Administration Fees (note 3)		
5. Advisory or Sub-Advisory fees paid to other Ontario registrant firms and registrant firms within the meaning of Rule 13-503 *(Commodity Futures Act)* (Ontario) (note 4)		
6. Trailer fees paid to other Ontario registrant firms (note 5)		
7. Total Deductions – sum of lines 2 to 6		
8. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 7)		

Part IV – Calculation of Revenue Attributable to Ontario

Firm Name: _____

Calendar or Financial Year Ending, used in calculating the Participation Fee: _____

	$
Line 3 from Part I	
Line 3 from Part II	
Line 8 from Part III	
Total	
Percentage attributable to Ontario (based on most recent tax return)	%
Specified Revenue attributed to Ontario	
Total Fee payable (refer to Appendix B of the Rule)	

AMENDMENT TO
COMPANION POLICY 13-502CP
FEES

PART 1 AMENDMENTS TO COMPANION POLICY 13-502CP FEES

1.1 Amendments to Companion Policy 13-502CP Fees

(1) Companion Policy 13-502CP is amended by this instrument.

(2) The following is added to the Companion Policy as section 2.3:

"Registrants under the Act and the *Commodity Futures Act*

(1) The Rule imposes an obligation to pay a participation fee on registrant firms, as defined in the Rule. A registrant firm is a person or company registered as a dealer or adviser under the Act. An entity so registered may also be registered as a dealer or adviser under the *Commodity Futures Act*; however an entity registered under both statutes will be a registrant firm under the Rule and will therefore pay a participation fee under the Rule. The revenue of such an entity from *Commodity Futures Act* activities will be included in the calculation of revenues made by the entity for purposes of calculating its fee under the Rule, as the definition of "capital markets activities" includes activities for which registration or an exemption from registration under the *Commodity Futures Act* is required. Section 2.8 of Rule 13-503 (*Commodity Futures Act)* (Ontario) exempts such an entity from paying any participation fee under that rule if the entity is current in paying its participation fees under the (*Securities Act*) Rule.

(2) It is noted that registrant firms will pay activity fees under Rule 13-503 (*Commodity Futures Act)* (Ontario) even if they are not required to pay participation fees under that Rule."

(3) The following is added to the Companion Policy as section 2.4:

"**2.4 Registrant Firms** - A participation fee is paid by a "registrant firm", which is defined in the Rule as " a person or company that is registered as one or both of a dealer or an adviser under the Act". This definition ensures that a participation fee is paid at the firm level, and not by individual partners, directors, officers, representatives or salespersons of a firm."

(4) Old sections 2.3, 2.4 and 2.5 are renumbered as sections 2.5, 2.6 and 2.7, respectively, and references to such sections appearing in the Companion Policy are amended accordingly.

(5) Section 3.2 is amended by the deletion of the last sentence of subsection 3.2(1) and the substitution of the following:

"Subsection 2.3(1) of the Rule requires the payment of this participation fee to be made by the earlier of the date on which the reporting issuer's financial statements are required to be filed and the date on which the reporting issuer's annual financial statements are filed."

(6) Subsection 3.3(1) is deleted and the following substituted:

"(1) Section 2.5 of the Rule requires the calculation of the capitalization of a Class 1 reporting issuer to include the aggregate market value, at the end of the relevant financial year, of each class or series of corporate debt and of each class or series of preferred shares of the reporting issuer or, if applicable, a subsidiary entity of the reporting issuer. It is noted that the requirement that corporate debt or preferred shares be valued in accordance with market value excludes from the calculation corporate debt or preferred shares that are not normally traded after their initial issuance. For instance, corporate debt or an issue to its bankers generally would have no market value and would not be included in these calculations."

(7) Section 3.4 is amended by the deletion of the first sentence and the substitution of the following:

"Paragraph 2.7(b) of the Rule requires that the participation fee for a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world be determined by reference to the percentage of outstanding equity securities of the Class 3 reporting issuer registered in the name of Ontario persons.".

(8) Section 3.3 is amended by the addition of the following as subsections (3) and (4):

"(3) It is noted that market value calculation of a class of securities included in a calculation under section 2.5 will include all of the securities of the class, even if some of those securities are still subject to a hold period or are otherwise not freely tradable.

(4) If the closing price of a security on a particular date is not ascertainable because there is no trade on that date or the marketplace does not generally provide closing prices, a reasonable alternative, such as the most recent closing price before that date, the average of the high and low trading prices for that date, or the average of the bid and ask prices on that date is acceptable."

(9) Section 4.4 is amended by

(a) renumbering the existing section as subsection (1); and

(b) adding the following as subsection (2):

"The definition of "capital market activities" also includes activities for which registration or an exemption from registration under the *Commodity Futures Act* is required. The Commission is of the view that these activities would include, without limitation, trading in commodity futures contracts, providing commodity futures contracts-related advice and portfolio management services involving commodity futures contracts.".

(10) Section 5.1 is deleted, and subsequent sections renumbered.

1.2 Amendments to Appendices to Companion Policy 13-502CP

(1) The Appendices to Companion Policy 13-502CP are amended by this Part of this instrument.

(2) Appendix A is amended by

(a) the change of the Activity Fee in respect of "files application for relief pursuant to sections 104 and 121 of the Act" from "$5,500" to "$7,000 ($5,500 plus $1,500)", and the addition of the following footnote to that Activity Fee, with subsequent footnotes renumbered:

"as to the $5,500 fee, see item F.1 of Appendix C to the Rule and, as to the $1,500 fee, see item F.3 of Appendix C to the Rule.".

(b) the deletion of the Item "files a Form 42 Report of Issuer Bid";

(c) the change of the second last Item to "files final short form prospectus"; and

(d) the change of the Activity Fee payable in the last Item from "$500" to "nil".

(3) Appendix B is amended by the deletion of the reference to "Form 13-502F1" in the first Item and the substitution of a reference to "Form 13-502F3".

(4) Appendix E is amended by the deletion of the reference to "Form 13-502F2" in the first Item and the substitution of a reference to "Form 13-502F3".

(5) The footnotes to Appendices A to E are amended by the following changes to the following footnotes, as numbered without regard to the renumbering of footnotes referred to in paragraph 2(a) above:

Footnote	Old Reference	New Reference
1	E.1	F.1
6	H	I
7	M.1	N.1
9	I.3	J.3
10	I.3	J.3
11	I.4	J.4

Footnote	Old Reference	New Reference
13	E.3	F.3
14	I.3	J.3
15	I.4	J.4
17	I.3	J.3
18	E.3	F.3
20	E.3	F.3
21	E.3	F.3

5.1.4 Consolidated Version – OSC Rule 13-502, Related Forms and Companion Policy

CONSOLIDATED VERSION – OSC RULE 13-502, RELATED FORMS AND POLICY

Note: November 28, 2003 – The following documents represent a consolidated version of OSC Rule 13-502, related Forms and Companion Policy, as amended. These documents incorporate the recent amendments to these documents. The consolidated version is provided for your convenience. The amendments are in effect as of December 1, 2003.

ONTARIO SECURITIES COMMISSION
RULE 13-502
FEES

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION
RULE 13-502
FEES

PART 1 DEFINITIONS

1.1 Definitions

(1) In this Instrument,

"capitalization" means, for a reporting issuer, the capitalization determined in accordance with section 2.5, 2.6 or 2.7;

"capital markets activities" means

(a) activities for which registration under the Act or an exemption from registration is required,

(b) acting as an investment fund manager, and

(c) activities for which registration under the *Commodity Futures Act* or an exemption from registration under the *Commodity Futures Act* is required;

"Class 1 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction and that has a class of equity securities listed and posted for trading, or quoted on, a marketplace in either or both of Canada or the United States of America;

"Class 2 reporting issuer" means a reporting issuer that is incorporated or that exists under the laws of Canada or a jurisdiction other than a Class 1 reporting issuer;

"Class 3 reporting issuer" means a reporting issuer that is not incorporated and that does not exist under the laws of Canada or a jurisdiction;

"corporate debt" means debt issued in Canada by a person or company that has a remaining term to maturity of one year or more;

"education savings plan" means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards to further the beneficiaries' education;

"equity security" means a security

(a) within the meaning of the term "equity security" in subsection 89(1) of the Act, or

(b) of an issuer that is exchangeable for an equity security, within the meaning of subsection 89(1) of the Act, of another issuer;

"IDA" means the Investment Dealers' Association of Canada;

"investment fund" means a mutual fund or a non-redeemable investment fund;

"investment fund family" means two or more investment funds that have

(a) the same manager, or

(b) managers that are affiliated entities of each other;

"investment fund manager" means the person or company that directs the business, operations and affairs of an investment fund;

"marketplace" has the meaning ascribed to that term in National Instrument 21-101 Market Operation;

"MFDA" means the Mutual Fund Dealers Association of Canada;

"Ontario percentage" means, for the financial year of a person or company

(a) that has a permanent establishment in Ontario, the percentage of the income of the person or company allocated to Ontario for the financial year in the corporate tax filings made for the person or company under the ITA, or

(b) that does not have a permanent establishment in Ontario, the percentage of the total revenues of the person or company attributable to capital markets activities in Ontario;

"registrant firm" means a person or company registered as one or both of a dealer or an adviser under the Act;

"scholarship plan" means an issuer of a document constituting, or representing an interest in, an education savings plan and that issues securities that are related to discrete pools of assets referable to more than one education savings plan;

"specified Ontario revenues" means, for a registrant firm or an unregistered investment fund manager, the revenues determined in accordance with section 3.4, 3.5 or 3.6;

"subsidiary entity" has the meaning ascribed to "subsidiary" under GAAP; and

"unregistered investment fund manager" means an investment fund manager that is not registered under the Act.

(2) In this Rule, the person or company of which another person or company is a subsidiary entity is considered to be a parent of the subsidiary entity.

PART 2 CORPORATE FINANCE PARTICIPATION FEES

2.1 Application - This Part does not apply to an investment fund other than an investment fund that does not have an investment fund manager.

2.2 Participation Fee

(1) A reporting issuer shall pay, for each of its financial years, the participation fee shown in Appendix A that applies to the reporting issuer according to the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of its previous financial year.

(2) Subsection (1) does not apply to a reporting issuer that is a subsidiary entity for a financial year of the subsidiary entity, if

(a) the parent of the subsidiary entity is a reporting issuer;

(b) the parent of the subsidiary entity has paid the participation fee required for itself by subsection (1) for the financial year; and

(c) the net assets and gross revenues of the subsidiary entity represent more than 90 percent of the net assets and gross revenues of the parent for the previous financial year of the parent of the subsidiary entity.

2.3 Time of Payment

(1) A reporting issuer shall pay the participation fee by the earlier of the date on which its annual financial statements are required to be filed and the date on which its annual financial statements are filed.

(2) If the financial statements of a Class 2 reporting issuer or a Class 3 reporting issuer that calculates its participation fee under paragraph 2.7(b) are not available by the date referred to in subsection (1), the Class 2 reporting issuer or Class 3 reporting issuer shall pay the participation fee for a financial year on the basis on a good faith estimate of its capitalization as at the end of that financial year.

(3) A Class 2 reporting issuer or Class 3 reporting issuer that paid a participation fee under subsection (2) shall, when it files its annual financial statements for the applicable financial year, calculate the participation fee on the basis of those financial statements, and

(a) pay any amount of the participation fee not paid under subsection (2); or

(b) be entitled to receive from the Commission a refund of any amount paid under subsection (2) in excess of the participation fee payable for that financial year.

2.4 Form Requirements

(1) A reporting issuer shall file a Form 13-502F1, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

(2) A Class 2 reporting issuer or Class 3 reporting issuer shall file a Form 13-502F2, completed in accordance with its terms, in connection with the adjustment of a payment made under subsection 2.3(2) in accordance with subsection 2.3(3).

2.5 Calculation of Capitalization for Class 1 Reporting Issuers - The capitalization of a Class 1 reporting issuer at the end of a financial year of the reporting issuer is the aggregate of

(a) the market value of each class or series of the reporting issuer's equity securities listed or quoted on a marketplace on that date, calculated by multiplying

(i) the total number of securities of the class or series outstanding on that date; and

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on

(A) the marketplace in Canada on which the highest volume of the class or series of securities were traded in that financial year, or

(B) if none of the class or series of securities were traded on a marketplace in Canada, the marketplace in the United States of America on which the highest volume of the class or series of securities were traded in that financial year, and

(b) as determined by the reporting issuer, the aggregate market value, at the end of the financial year, of each class or series of corporate debt and of each class or series of preferred shares of the reporting issuer, and of a subsidiary entity of the reporting issuer that is exempt from the requirement to pay a participation fee under subsection 2.2(2), if securities of that class or series are listed, quoted or traded on a marketplace, trade over the counter or, after their initial issuance, are otherwise generally available for purchase or sale by way of transactions carried out through, or with, dealers.

2.6 Calculation of Capitalization for Class 2 Reporting Issuers

(1) The capitalization of a Class 2 reporting issuer at the end of a financial year of the reporting issuer is the aggregate of each of the following items, as shown in its audited balance sheet as at the end of the financial year,

(a) retained earnings or deficit;

(b) contributed surplus;

(c) share capital or owners' equity, options, warrants and preferred shares;

(d) long term debt, including the current portion;

(e) capital leases, including the current portion;

(f) minority or non-controlling interest;

(g) items classified on the balance sheet between current liabilities and shareholders' equity, and not otherwise referred to in this subsection (1); and

(h) any other item forming part of shareholders' equity not otherwise referred to in this subsection (1).

(2) Despite subsection (1), a reporting issuer may base the calculation of its market capitalization on unaudited financial statements if it is not required to prepare, and does not ordinarily prepare, audited financial statements.

(3) Despite subsections (1) and (2), a reporting issuer that is a trust that issues only asset-backed securities through pass-through certificates may base the calculation of its market capitalization on the monthly filed distribution report for the last month of its financial year, if the reporting issuer is not required to prepare, and does not ordinarily prepare, annual financial statements.

2.7 Calculation of Capitalization for Class 3 Reporting Issuers - The capitalization of a Class 3 reporting issuer at the end of a financial year of the Class 3 reporting issuer is

(a) if the Class 3 reporting issuer has any securities listed, quoted or traded on a marketplace located anywhere in the world, the aggregate of the value of each class or series of securities so listed or traded, calculated by multiplying

(i) the number of securities of the class or series outstanding on the date,

(ii) the simple average of the closing price of the class or series of securities as of the last trading day of each of the months of the financial year of the reporting issuer on the marketplace on which the highest volume of the class or series of securities were traded in that financial year, and

(iii) the percentage of the class or series registered in the name of an Ontario person; or

(b) if the Class 3 reporting issuer has no securities listed, quoted or traded on a marketplace located anywhere in the world, calculated by multiplying

(i) the amount determined under section 2.6 for the Class 3 reporting issuer, as if its capitalization were determined under that section, and

(ii) the percentage of outstanding equity securities of the Class 3 reporting issuer registered in the name of Ontario persons.

2.8 Participation Fee for a New Reporting Issuer

(1) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a prospectus that relates to a distribution of securities shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under subsection (2); and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(2) The capitalization of a reporting issuer referred to in subsection (1) for the purpose of calculating the participation fee shall be determined as provided under section 2.5, 2.6 or 2.7, adjusted by

(a) assuming the completion of all distributions contemplated by the prospectus as at the date of filing of the prospectus;

(b) for a Class 1 reporting issuer or a Class 3 reporting issuer, using the issue price of the securities being distributed under the prospectus, as disclosed in the prospectus, as the amount required to be calculated under subparagraph 2.5(a)(ii), paragraph 2.5(b) or paragraph 2.7(a)(ii); and

(c) for a Class 2 reporting issuer, basing its capitalization on the audited financial statements for the most recent financial year contained in the prospectus, adjusted as provided in paragraph (a).

(3) Despite sections 2.2 and 2.3, a person or company that becomes a reporting issuer by filing a non-offering prospectus shall pay a participation fee at the time that the person or company becomes a reporting issuer, calculated by multiplying

(a) the participation fee for the person or company based on a capitalization determined under section 2.6, based on the audited financial statements for the most recent financial year contained in the prospectus; and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(4) Despite sections 2.2 and 2.3, and subject to subsection (5), a person or company that becomes a reporting issuer other than through the filing of a prospectus shall pay a participation fee within two business days of the date on which the person or company becomes a reporting issuer, calculated by multiplying

(a) for

(i) a Class 1 reporting issuer, the participation fee based on a capitalization determined under section 2.5,

(ii) a Class 2 reporting issuer, the participation fee based on a capitalization determined under section 2.6, and

(iii) a Class 3 reporting issuer, the participation fee based on a capitalization determined under section 2.7, and

(b) the number of entire months remaining in the financial year of the person or company after it becomes a reporting issuer, divided by 12.

(5) The section does not apply to a reporting issuer formed from a statutory amalgamation or arrangement, or a person or company continuing from a transaction to which clause 72(1)(i) of the Act applies.

2.9 Participation Fee for an Issuer Ceasing to be a Reporting Issuer - Despite sections 2.2 and 2.3, an issuer that ceases to become a reporting issuer before it has paid its participation fee for the current financial year, and before that participation fee has been required to be paid, shall pay a participation fee at the time that it ceases to be a reporting issuer, calculated by multiplying

(a) the participation fee that would be otherwise payable for that financial year; and

(b) the number of entire months in the financial year before it submitted its application to cease to become a reporting issuer, divided by 12.

2.10 Late Fee

(1) Subject to subsection (2), a reporting issuer that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A reporting issuer is not required to pay a fee under this section in excess of 25 percent of the participation fee otherwise payable under this Part.

2.11 Reliance on Published Information

(1) Subject to subsection (2), in determining its capitalization for purposes of this Part, a reporting issuer may rely upon information made available by a marketplace on which securities of the reporting issuer trade.

(2) Subsection (1) does not apply if the reporting issuer knows that the information made available by the marketplace is incorrect and

(a) knows the correct information; or

(b) has not used reasonable efforts to learn the correct information.

PART 3 CAPITAL MARKETS PARTICIPATION FEES

3.1 Participation Fee - A person or company that is a registrant firm shall pay, for each calendar year, and an unregistered investment fund manager shall pay, for each of its financial years, the participation fee shown in Appendix

B that applies to the registrant firm or unregistered investment fund manager according to the specified Ontario revenues of the registrant firm or unregistered investment fund manager for its previous financial year earned from capital markets activities.

3.2 Time of Payment

(1) A registrant firm shall pay the participation fee referred in section 3.1 by December 31 of each year.

(2) An unregistered investment fund manager shall pay the participation fee referred in section 3.1 no later than 90 days after the end of each financial year of the unregistered investment fund manager.

3.3 Form Requirement

(1) A registrant firm shall file a Form 13-502F3, completed in accordance with its terms, by December 1 of each year.

(2) An unregistered fund manager shall file a Form 13-502F3, completed in accordance with its terms, at the time that it pays the participation fee required by this Part.

(3) If the annual financial statements of a registrant firm have not been completed by December 1 in a year, the registrant firm shall

(a) file the Form 13-502F3 due on that date on the basis on a good faith estimate of its specified Ontario revenues as at the end of its previous financial year, and

(b) pay its participation fee by December 31 based on the estimate of the Ontario specified revenues contained in the Form 13-502F3.

(4) A registrant firm that filed its Form 13-502F3 under subsection (3) shall, when its annual financial statements for the applicable financial year have been completed,

(a) file a revised Form 13-502F3 reflecting the annual financial statements;

(b) calculate the participation fee on the basis of those financial statements; and

(c) either

(i) pay any amount of the participation fee not paid under subsection (3), or

(ii) be entitled to receive from the Commission a refund of any amount paid under subsection (3) in excess of the participation fee payable.

(5) A registrant firm shall file a Form 13-502F4, completed in accordance with its terms, in connection with the adjustment in accordance with subsection 3.3(4).

3.4 Calculation of Specified Ontario Revenue for a Member of the IDA - The specified Ontario revenue for a financial year of a registrant firm that is a member of the IDA is calculated by multiplying

(a) the amount indicated by the registrant firm as the Total Revenue on the Summary statement of income contained in the Joint Regulatory Financial Questionnaire and Report of the IDA less any amounts not attributable to capital markets activities for the financial year; and

(b) the Ontario percentage of the member of the IDA for the financial year.

3.5 Calculation of Specified Ontario Revenues for a Member of the MFDA - The specified Ontario revenues for a financial year of a registrant firm that is a member of the MFDA is calculated by multiplying

(a) the amount indicated by the registrant firm as its Total Revenue on the Summary statement of the Financial Questionnaire and Report of the MFDA less any amounts not attributable to capital markets activities for the financial year; and

(b) the Ontario percentage of the member of the MFDA for the financial year.

3.6 Calculation of Specified Ontario Revenues for Others

(1) The specified Ontario revenues for a financial year of a registrant firm that is not a member of the IDA or the MFDA or of an unregistered investment fund manager is calculated by multiplying

(a) the gross revenues earned from capital markets activities of the registrant firm or unregistered investment fund manager contained in its audited financial statements less any amounts not attributable to capital markets activities for the financial year, less the reductions of that amount taken under subsections (2) and (3); and

(b) the Ontario percentage of the registrant firm or unregistered investment fund manager for the financial year.

(2) A person or company may reduce the amount referred to in subsection (1) by deducting the following items otherwise included in total revenue:

(a) redemption fees earned on the redemption of investment fund securities sold on a deferred sales charge basis; and

(b) administration fees relating to the recovery of costs from investment funds managed by the person or company for operating expenses paid on behalf of the investment fund by the person or company.

(3) A person or company may reduce the amount referred to in subsection (1) by deducting the following expenses incurred by the person or company in the applicable financial year:

(a) advisory or sub-advisory fees paid by the person or company to another registrant firm in Ontario or a registrant firm as defined in Rule 13-503 (*Commodity Futures Act)* (Ontario); and

(b) trailing commissions paid by the person or company to another registrant firm in Ontario.

(4) Despite subsection (1), a registrant firm registered only as one or more of a limited market dealer, an international dealer or an international adviser may base the calculation of its gross revenues on unaudited financial statements if it is not required to prepare, and does not ordinarily prepare, audited financial statements.

3.7 Late Fee

(1) Subject to subsection (2), a person or company that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A person or company is not required to pay a fee under subsection (1) in excess of 25 percent of the participation fee otherwise payable under this Part.

PART 4 ACTIVITY FEES

4.1 Activity Fees - A person or company that files a document or takes an action listed in Appendix C shall, concurrently with the filing of the document or taking of the action, pay the activity fee shown in Appendix C beside the description of the document or action; except that a person or company shall pay the fee for the late filing of an insider report on Form 55-102F2 upon receiving an invoice from the Commission.

4.2 Investment Fund Families - Despite section 4.1, only one activity fee need be paid for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund.

PART 5 CURRENCY CALCULATIONS

5.1 Currency Calculations - Any calculation of money required to be made under this Rule that results in a currency other than Canadian dollars shall be translated into a Canadian dollar amount at the daily noon exchange rate posted by the Bank of Canada website on the date for which the calculation is made.

PART 6 EXEMPTIONS

6.1 Exemptions - The Director may grant an exemption from the provisions of this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 EFFECTIVE DATE AND TRANSITIONAL

7.1 Effective Date - This Rule comes into force on March 31, 2003.

7.2 Transitional

(1) Each reporting issuer to whom Part 2 will apply shall pay an initial participation fee, no later than 90 days after this Rule came into force, for the remainder of its current financial year.

(2) The fee referred to in subsection (1) shall be calculated by multiplying

(a) the participation fee provided for under Appendix A applicable to the capitalization of the reporting issuer, as determined under section 2.5, 2.6 or 2.7, as at the end of the previous financial year of the reporting issuer, and

(b) the number of entire months remaining in the current financial year of the reporting issuer after the date that this Rule comes into force, divided by 12.

(3) Each unregistered investment fund manager shall pay an initial participation fee, no later than 90 days after this Rule came into force, for the remainder of its current financial year.

(4) The fee referred to in subsection (3) shall be calculated by multiplying

(a) the participation fee provided for under Appendix B applicable to the specified Ontario revenues of the unregistered investment fund manager, as determined under section 3.6, as at the end of the previous financial year of the unregistered investment fund manager; and

(b) the number of entire months remaining in the current financial year of the unregistered investment fund manager after the date that this Rule came into force, divided by 12.

(5) An investment fund that is a reporting issuer the securities of which are in continuous distribution shall pay any fees owing to the Commission based on the amount of securities distributed in Ontario up to the date that this Rule came into force, as determined under the fee requirements that existed before this Rule came into force, on the earlier of

(a) 90 days after this Rule came into force; and

(b) the time of filing of the pro forma prospectus of the investment fund after this Rule came into force.

APPENDIX A – CORPORATE FINANCE PARTICIPATION FEES

Capitalization	Participation Fee
under $25 million	$1,000
$25 million to under $50 million	$2,500
$50 million to under $100 million	$7,500
$100 million to under $250 million	$15,000
$250 million to under $500 million	$25,000
$500 million to under $1 billion	$35,000
$1 billion to under $5 billion	$50,000
$5 billion to under $10 billion	$65,000
$10 billion to under $25 billion	$75,000
$25 billion and over	$85,000

APPENDIX B – CAPITAL MARKETS PARTICIPATION FEES

Specified Ontario Revenues	Participation Fee
under $500,000	$1,000
$500,000 to under $1 million	$5,000
$1 million to under $5 million	$10,000
$5 million to under $10 million	$25,000
$10 million to under $25 million	$50,000
$25 million to under $50 million	$75,000
$50 million to under $100 million	$150,000
$100 million to under $200 million	$250,000
$200 million to under $500 million	$500,000
$500 million to under $1 billion	$650,000
$1 billion and over	$850,000

APPENDIX C - ACTIVITY FEES

Document or Activity			Fee
A. Prospectus Filing			
1.	Preliminary or Pro Forma Prospectus in Form 41-501F1, (including if PREP procedures are used)		
	(a)	with Canadian gross proceeds of $5 million or less, or if no proceeds are disclosed	$1,000
	(b)	with Canadian gross proceeds of more than $5 million to $20 million	$5,500
	(c)	with Canadian gross proceeds of more than $20 million	$7,500
	(d)	non-offering prospectus	$2,000
Notes: *(i)* *This applies to most issuers, including investment funds that prepare prospectuses in accordance with Form 41-501F1; investment funds that prepare prospectuses in accordance with Form 81-101F1, Form 15 or Form 45 will pay the fees shown in item 5 below.* *(ii)* *In calculating gross proceeds, include any "green shoe" options and underwriters' over-allotment options.* *(iii)* *These filing fees and calculation of gross proceeds are applicable to a preliminary prospectus in Form 41-501F1 filed in connection with special warrant offerings.* *(iv)* *Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.* *(v)* *Each named issuer should pay its proportionate share of the fee in the case of a prospectus for multiple issuers (other than in the case of investment funds).* *(vi)* *The fee for a prospectus showing minimum and maximum offering sizes shall be based on the maximum offering size.*			
2.	Additional fee for Preliminary or Pro Forma Prospectus in Form 41-501F1 of a resource issuer that is accompanied by engineering reports		$2,000
3.	Final Prospectus in Form 41-501F1 showing Canadian gross proceeds, or supplemented PREP prospectus showing Canadian gross proceeds, if the corresponding preliminary prospectus did not disclose Canadian gross proceeds, or pricing supplement to a PREP prospectus in Form 41-501F1, filed by any person or company, including an investment fund		The fee is the amount appropriate to the gross proceeds of the distribution stated in this column opposite item A.1(a), (b) or (c), less $1,000
4.	Preliminary Short Form Prospectus in Form 44-101F3 (including if shelf or PREP procedures are used) or a Registration Statement on Form F-9 or F-10 filed by an issuer that is incorporated or that exists under the laws of Canada or a jurisdiction in connection with a distribution solely in the United States under MJDS as described in 71-101CP.		$2,000
5.	Prospectus Filing by or on behalf of Certain Investment Funds		
	(a)	Preliminary or Pro Forma Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2	$600
	(b)	Preliminary or Pro Forma Prospectus in Form 15	$600
	(c)	Preliminary or Pro Forma Prospectus in Form 45	$600

Document or Activity	Fee
(d) Final Simplified Prospectus and Annual Information Form in Form 81-101F1 and Form 81-101F2, Final Prospectus in Form 15, and Final Prospectus in Form 45	None
Note: Where a single prospectus document is filed on behalf of one or more investment funds, the applicable fee is payable for each investment fund.	
B. Fees relating to Rule 45-501 Exempt Distributions	
1. Application for recognition, or renewal of recognition, as an accredited investor	$500
2. Filing of a Form 45-501F1 for a distribution of securities for an issuer that is not subject to a participation fee	$500
C. Filing of Rights Offering Circular in Form 45-101F	$2,000 (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule)
D. Provision of Notice under section 72(1)(h)(ii) of the Act	$2,000
E. Filing of Prospecting Syndicate Agreement	$500
F. Applications for Discretionary Relief.	
1. Application under clause 72(1)(m), sections 74, 104 and 127, subsection 140(2) or section 147 of the Act (not including an application under section 3.1 of Rule 31-503 or section 4.1 of Rule 35-502), Multilateral Instrument 45-102, Rule 45-501, Rule 45-502, Rule 45-503, National Instrument 51-101, Rule 56-501, Rule 61-501, National Instrument 62-101, National Instrument 62-103 or Rule 62-501.	$5,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act)* (Ontario)) subject to the overall limitation set out below
2. Application under (a) subsection 38(3), subsection 72(8) or section 83 of the Act or subsection 1(6) of the *Business Corporations Act* (Ontario); (b) application under section 144 of the Act for an order revoking a cease-trade order to permit trades solely for the purpose of establishing a tax loss in accordance with Commission Policy 57-602; (c) relief from section 213 of the *Loan and Trust Corporations Act (*Ontario)*;* (d) application for waiver of the requirements of Rule 51-501; and (e) application where the discretionary relief or regulatory approval is evidenced by the issuance of a receipt for the applicants' final prospectus (such as certain applications under Rule 41-501 or National Instrument 81-101).	Nil

Document or Activity	Fee
3. Any application for discretionary relief from, or regulatory approval under, any section of the Act, the Regulations or any Rule of the Commission not listed in items F(1) or (2) above. *Note: It is noted that the following applications for recognition or approval under the Act are subject to the fees contained in this item F(3):* *(i) recognition of an exchange under section 21 of the Act, a self-regulatory organization under section 21.1 of the Act, a clearing house under section 21.2 of the Act or a quotation and trade reporting system under section 21.2.1 of the Act; and* *(ii) approval of a compensation fund or contingency trust fund under section 110 of the Regulations to the Act; and* *(iii) approval of the establishment of a council, committee or ancillary body under section 21.3 of the Act.*	$1,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act)* (Ontario)) subject to the overall limitation set out below
	The maximum fee for an application to which this item F applies, regardless of the number of sections under which application is made, shall be $7,500 if the applicant is subject to, or is reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 (*Commodity Futures Act*) (Ontario), or $9,500 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-503 *(Commodity Futures Act*) (Ontario). These limits apply to the application even if the application is made under both the Act and the *Commodities Futures Act* (Ontario); i.e. an application under both statutes will not be subject to a fee of more than $7,500 or $9,500, as applicable.
G. Pre-Filings *Note: The fee for a pre-filing shall be credited against the applicable fee payable if and when the formal filing is actually proceeded with; otherwise, the fee is non-refundable.*	The lower of $2,000 and the amount that would have been payable pursuant to this Appendix if the formal filing were made without the pre-filing
H. Take-Over Bid and Issuer Bid Documents	
Filing of a take-over bid or issuer bid circular under section 100(3) or (7) of the Act	$5,500 (plus $2,000 if neither the offeror nor an issuer of which the offeror is a wholly-owned subsidiary is subject to, or reasonably expected to become subject to, a participation fee under this Rule)
Filing of a notice of change or variation under subsection 100(4) of the Act	$500
I. Filing an initial annual information form under National Instrument 44-101	$2,000

Document or Activity	Fee
J. Registration-Related Activity	
1. New registration of a firm in any category of registration *Note: If a firm is registering as both a dealer and an adviser, it will be required to pay two activity fees.*	$800
2. Change in registration category *Note: This would include a dealer becoming an adviser or vice versa, or changing a category of registration within the general categories of dealer or adviser. A dealer adding a category of registration, such as a dealer becoming both a dealer and an adviser, would be covered in the preceding section.*	$800
3. Registration of a new director, officer or partner (trading and/or advising), salesperson or representative *Notes:* *(i) Registration of a new non-trading or non-advising director, officer or partner does not trigger an activity fee.* *(ii) If an individual is registering as both a dealer and an adviser, they will be required to pay two activity fees.* *(iii) A registration fee will not be charged if an individual makes an application to register with a new registrant firm within three months of terminating employment with his or her previous registrant firm provided that the individual's category of registration remains unchanged.*	$400 per person
4. Change in status from a non-trading and/or non-advising capacity to a trading and/or advising capacity	$400 per person
5. Registration of a new registrant firm, or the continuation of registration of an existing registrant firm, resulting from or following an amalgamation of registrant firms	$6,000
6. Application for amending terms and conditions of registration	$1,500
K. Notice to Director under section 104 of the Regulation	$1,500
L. Request for certified statement from the Commission or the Director under section 139 of the Act	$500
M. Commission Requests	
1. Request for a photocopy of Commission records	$0.50 per page
2. Request for a search of Commission records	$10

Document or Activity	Fee
N. Late Filing	
1. Fee for late filing of any of the following documents:	
(a) Annual financial statements and interim financial statements; (b) Annual information form filed under Rule 51-501; (c) Report of Form 45-501F1 filed by a reporting issuer; (d) Notice under Section 104 of the Regulation; (e) Report under Section 141 or 142 of the Regulation; (f) Filings for the purpose of amending Form 3 and Form 4 or Form 33-109F4 under Multilateral Instrument 33-109; and (g) Any document required to be filed by a registrant firm or individual in connection with the registration of the registrant firm or individual under the Act with respect to (i) terms and conditions imposed on a registrant firm or individual; or (ii) an order of the Commission.	$100 per business day (subject to a maximum of $5,000 per reporting issuer or registrant firm for all documents within any financial year of the reporting issuer or registrant firm)
2. Fee for late filing of insider report of Form 55-102F2	$50 per calendar day per insider per issuer (subject to a maximum of $1,000 within any one year beginning on April 1st and ending on March 31st. The late fee does not apply to an insider that is under an obligation to pay a late fee for filing a Form 55-102F2 in a jurisdiction other than Ontario.

FEE RULE

FORM 13-502F1
ANNUAL PARTICIPATION FEE FOR REPORTING ISSUERS

Reporting Issuer Name: _____

Financial Year Ending, used in calculating the participation fee: _____

Complete Only One of 1, 2 or 3:

1. Class 1 Reporting Issuers (Canadian Issuers – Listed in Canada and/or the U.S.)

Market value of equity securities:
Total number of equity securities of a class or series outstanding at the end of the issuer's most recent financial year _____

Simple average of the closing price of that class or series as of the last trading day of each of the months of the financial year (under paragraph 2.5(a)(ii)(A) or (B) of the Rule) X _____

Market value of class or series = _____ (A)

(Repeat the above calculation for each class or series of equity securities of the reporting issuer that are listed and posted for trading, or quoted on a marketplace in Canada or the United States of America at the end of the financial year) (A)

Market value of corporate debt or preferred shares of Reporting Issuer or Subsidiary Entity referred to in Paragraph 2.5(b)(ii): (B)
[Provide details of how determination was made.]

(Repeat for each class or series of corporate debt or preferred shares) (B)

Total Capitalization (add market value of all classes and series of equity securities and market value of debt and preferred shares) (A) + (B) = _____

Total fee payable in accordance with Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule) _____

$$\text{Total Fee Payable} \times \frac{\text{Number of entire months remaining in the issuer's financial year}}{12}$$

Late Fee, if applicable
(please include the calculation pursuant to section 2.9 of the Rule) _____

2. Class 2 Reporting Issuers (Other Canadian Issuers)

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Total Capitalization _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

$$\text{Total Fee Payable} \times \frac{\text{Number of entire months remaining in the issuer's financial year}}{12}$$ _____

Late Fee, if applicable (please include the calculation pursuant to section 2.9 of the Rule) _____

3. Class 3 Reporting Issuers (Foreign Issuers)

Market value of securities:
If the issuer has debt or equity securities listed or traded on a marketplace located anywhere in the world (see paragraph 2.7(a) of the Rule):

Total number of the equity or debt securities outstanding at the end of the reporting issuer's most recent financial year _____

Simple average of the published closing market price of that class or series of equity or debt securities as of the last trading day of each of the months of the financial year on the marketplace on which the highest volume of the class or series of securities were traded in that financial year. X _____

Percentage of the class registered in the name of an Ontario person X _____

(Repeat the above calculation for each class or series of equity or debt securities of the reporting issuer) = _____

Capitalization (add market value of all classes and series of securities) _____

Or, if the issuer has no debt or equity securities listed or traded on a marketplace located anywhere in the world (see paragraph 2.7(b) of the Rule):

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit _____

Contributed surplus _____

Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes) _____

Long term debt (including the current portion) _____

Capital leases (including the current portion) _____

Minority or non-controlling interest _____

Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above) _____

Any other item forming part of shareholders' equity and not set out specifically above _____

Percentage of the outstanding equity securities registered in the name of an Ontario person X _____

Capitalization _____

Total Fee payable pursuant to Appendix A of the Rule _____

Reduced fee for new Reporting Issuers (see section 2.8 of the Rule)

$$\text{Total Fee Payable} \times \frac{\text{Number of entire months remaining in the issuer's financial year}}{12}$$ _____

Late Fee, if applicable
(please include the calculation pursuant to section 2.9 of the Rule) _____

Notes and Instructions

1. This participation fee is payable by all reporting issuers, except in the case of investment funds. An investment fund that is a reporting issuer and that has an investment fund manager does not pay a corporate finance participation fee. The only investment funds that pay a corporate finance participation fee are those that are reporting issuers and that do not have an investment fund manager.

2. The capitalization of income trusts or investment funds that have no investment fund manager, which are listed or posted for trading, or quoted on, a marketplace in either or both of Canada or the U.S. should be determined with reference to the formula for Class 1 Reporting Issuers. The capitalization of any other investment fund that has no investment fund manager should be determined with reference to the formula for Class 2 Reporting Issuers.

3. All monetary figures should be expressed in Canadian dollars and rounded to the nearest thousand. Closing market prices for securities of Class 1 and Class 3 Reporting Issuers should be converted to Canadian dollars at the daily noon exchange rate in effect at the end of the issuer's last financial year, if applicable.

4. A reporting issuer shall pay the appropriate participation fee no later than the date on which it is required to file its annual financial statements.

5. The number of listed securities and published market closing prices of such listed securities of a reporting issuer may be based upon the information made available by a marketplace upon which securities of the reporting issuer trade, unless the issuer has knowledge that such information is inaccurate and the issuer has knowledge of the correct information.

6. Where the securities of a class or series of a Class 1 Reporting Issuer have traded on more than one marketplace in Canada, the published closing market prices shall be those on the marketplace upon which the highest volume of the class or series of securities were traded in that financial year. If none of the class or series of securities were traded on a marketplace in Canada, reference should be made to the marketplace in the United States on which the highest volume of that class or series were traded.

7. Where the securities of a class or series of securities of a Class 3 Reporting Issuer are listed on more than one exchange, the published closing market prices shall be those on the marketplace on which the highest volume of the class or series of securities were traded in the relevant financial year.

FEES RULE
FORM 13-502F2

ADJUSTMENT OF FEE PAYMENT
UNDER SUBSECTION 2.4(2) OF RULE 13-502

Reporting Issuer Name: _____

Financial Year Ending, used in calculating the Participation Fee: _____

State the amount paid under subsection 2.3(3) of Rule 13-502: _____(A)

Show calculation of actual capitalization based on audited financial statements:

Financial Statement Values (use stated values from the audited financial statements of the reporting issuer as at its most recent audited year end):

Retained earnings or deficit	_____
Contributed surplus	_____
Share capital or owners' equity, options, warrants and preferred shares (whether such shares are classified as debt or equity for financial reporting purposes)	_____
Long term debt (including the current portion)	_____
Capital leases (including the current portion)	_____
Minority or non-controlling interest	_____
Items classified on the balance sheet between current liabilities and shareholders' equity (and not otherwise listed above)	_____
Any other item forming part of shareholders' equity and not set out specifically above	_____
Total Capitalization	_____

Total Fee payable: _____(B)

Difference between A and B: _____

Indicate refund due (balance owing): _____

FEES RULE
FORM 13-502 F3

PARTICIPATION FEE CALCULATION
FOR REGISTRANT FIRMS
AND UNREGISTERED FUND MANAGERS

Notes and Instructions

1. Registrant firms are required to complete the Part that applies to their particular category of registration, as follows:

   Part I - Investment Dealers Association of Canada members

   Part II - Mutual Fund Dealers Association of Canada members

   Part III - Advisers[1], other Dealers[2] and unregistered Investment Fund Managers.

2. The components of revenue reported in each Part should be based on the same principles as the comparative statement of income which is prepared in accordance with generally accepted accounting principles ("GAAP"), or such equivalent principles applicable to the audited financial statements of international dealers and advisers and foreign investment fund managers, except that revenues should be reported on an unconsolidated basis. It is recognized that the components of the revenue classification may vary between firms. However, it is important that each firm be consistent between periods.

3. Each Part should be read in conjunction with the related notes and instructions of that section where applicable.

4. Members of the Investment Dealers Association of Canada may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

5. Members of the Mutual Fund Dealers Association of Canada may refer to Statement D of the MFDA Financial Questionnaire and Report for guidance.

6. Comparative figures are required for the registrant firms' and unregistered investment fund managers' year end date.

7. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario. The percentage attributable to Ontario for the reported year end should be the provincial allocation rate used in the corporate tax return for the same fiscal period. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from capital markets activities in Ontario. Refer to Part IV.

8. All figures should be expressed in Canadian dollars and rounded to the nearest thousand.

9. Information reported on this questionnaire must be certified by two members of senior management in Part V to attest to its completeness and accuracy.

[1] Includes all adviser categories as per section 99 of the Regulations in the *Securities Act* (Ontario), as well as non-resident advisors, extra-provincial advisors and registrant firms within the meaning of Rule 13-503 (*Commodity Futures Act*) (Ontario).

[2] Includes all dealer categories as per section 98 of the Regulations in the *Securities Act* (Ontario) and registrant firms within the meaning of Rule 13-503 (*Commodity Futures Act*) (Ontario) except IDA and MFDA members which are treated separately in Parts I and II.

Revenue for Participation Fee

Firm Name: _____

Calendar or Financial Year Ending, used in calculating the Participation Fee: _____

Part I – Investment Dealers Association of Canada Members

	Current Year $	Prior Year $
1. Line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report		
2. Less Amounts not attributable to capital markets activities		
3. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 2)		

Part II – Mutual Fund Dealers

REVENUE SUBJECT TO PARTICIPATION FEE

1. Line 12 of Statement D of the MFDA Financial Questionnaire and Report		
2. Less Amounts not attributable to capital markets activities		
3. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 2)		

Part III – Advisers, Other Dealers, and Unregistered Investment Fund Managers

1. Gross Revenue as per the audited financial statements (note 1)		
Less the following items:		
2. Amounts not attributable to capital markets activities		
3. Redemption Fees (note 2)		
4. Administration Fees (note 3)		
5. Advisory or Sub-Advisory fees paid to other Ontario registrant firms and registrant firms within the meaning of Rule 13-503 *(Commodity Futures Act)* (Ontario) (note 4)		
6. Trailer fees paid to other Ontario registrant firms (note 5)		
7. Total Deductions – sum of lines 2 to 6		
8. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 7)		

Notes and Instructions - Part III

1. Gross Revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements prepared in accordance with GAAP, or such equivalent principles applicable to the audited financial statements of international dealers and advisers and foreign investment fund managers, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation. Gross revenues are reduced by amounts not attributable to capital markets activities. A registrant firm registered only as one or more of a limited market dealer, international dealer or international adviser may use its unaudited financial statements as the basis for determining its gross revenues if it is not required to, and does not ordinarily prepare, audited financial statements.

2. Redemption fees earned upon the redemption of investment fund units sold on a deferred sales charge basis are permitted as a deduction from total revenue on this line.

3. Administration fees permitted as a deduction from line 1 are limited solely to those that represent the recovery of costs from the investment funds for operating expenses paid on their behalf by the registrant firm or unregistered investment fund manager. Operating expenses include legal, audit, trustee, custodial and safekeeping fees, registrar and transfer agent charges, taxes, rent, advertising, unitholder services and financial reporting costs.

4. Where the advisory services of **another Ontario registrant firm or registrant firms within the meaning of Rule 13-503 *(Commodity Futures Act)* (Ontario)** are used by the registrant firm to advise on a portion of its assets under management, such sub-advisory costs are permitted as a deduction on this line.

5. Trailer fees paid to **other Ontario registrant firms** are permitted as a deduction on this line.

6. To the extent that a registrant firm is also registered under the category of a mutual fund dealer defined in subsection 98(7) of the Regulations in the *Securities Act* (Ontario) and to the extent that revenues attributable to this category of registration were already reported in Part II, this amount may be deducted from total revenue on this line.

Part IV – Calculation of Revenue Attributable to Ontario

Firm Name: _____

Participation Fee based on the Specified Ontario Revenues for the Calendar or Financial Year Ended: _____

Gross Revenue subject to Participation Fee:	$
Line 3 from Part I	_____
Line 3 from Part II	_____
Line 8 from Part III	_____
Total	_____
Percentage attributable to Ontario (based on most recent tax return)	_____ %
Specified Revenue attributed to Ontario	_____
Total Fee payable (refer to Appendix B of the Rule)	_____

Part V - Management Certification

Registrant Firm Name: _____

We have examined the attached statements and certify that, to the best of our knowledge, they present fairly the revenues of the firm for the period ended _____ and are prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

Name and Title	Signature	Date
1. _____	_____	_____
_____		
2. _____	_____	_____
_____		

FEES RULE
FORM 13-502F4

ADJUSTMENT OF FILING OR FEE PAYMENT
UNDER SUBSECTION 3.3(4) OF RULE 13-502

Registrant Firm Name: _____

Participation Fee based on the Specified Ontario Revenues for the Calendar or Financial Year Ended: _____

1. State the amount of the participation fee estimated under the filing of Form 13-502F3 previously made:

   _____

2. Show the amount of the participation fee based on the audited financial statements for the last completed financial year:

   _____

3. **[Include revised and completed Form 13-502F3]** _____

4. Difference between 1 and 2: _____

5. Indicate refund due (balance owing): _____

CONSOLIDATED VERSION – OSC COMPANION POLICY 13-502CP

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

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ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-502CP
FEES

PART 1 PURPOSE OF COMPANION POLICY

1.1 Purpose of Companion Policy - The purpose of this Companion Policy is to state the views of the Commission on various matters relating to Rule 13-502 Fees (the "Rule"), including

(a) an explanation of the overall approach of the Rule;

(b) explanation and discussion of various parts of the Rule; and

(c) examples of some matters described in the Rule.

PART 2 PURPOSE AND GENERAL APPROACH OF THE RULE

2.1 Purpose and General Approach of the Rule

(1) The general approach of the Rule is to establish a fee regime that accomplishes three primary purposes – to reduce the overall fees charged to market participants from what existed previously in Ontario, to create a clear and streamlined fee structure and to adopt fees that accurately reflect the Commission's costs of providing services.

(2) The fee regime implemented by the Rule is based on the concept of "participation fees" and "activity fees".

2.2 Participation Fees

(1) Participation fees generally are designed to represent the benefit derived by market participants from participating in Ontario's capital markets. Reporting issuers, registrant firms and unregistered investment fund managers are required to pay participation fees annually. The participation fee is based on a measure of the market participant's size, which is intended to serve as a proxy for the market participant's use of the Ontario capital markets. The amounts of the participation fees have been based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities. Participation fees replace most of the continuous disclosure filing fees and other activity fees formerly charged to market participants under the previous fees regime.

(2) The Rule provides for

(a) corporate finance participation fees, which are applicable to reporting issuers other than most investment funds; and

(b) capital markets participation fees, which are applicable to registrant firms and unregistered investment fund managers.

2.3 Registrants under the Act and the Commodity Futures Act

(1) The Rule imposes an obligation to pay a participation fee on registrant firms, as defined in the Rule. A registrant firm is a person or company registered as a dealer or adviser under the Act. An entity so registered may also be registered as a dealer or adviser under the *Commodity Futures Act*; however an entity registered under both statutes will be a registrant firm under the Rule and will therefore pay a participation fee under the Rule. The revenue of such an entity from *Commodity Futures Act* activities will be included in the calculation of revenues made by the entity for purposes of calculating its fee under the Rule, as the definition of "capital markets activities" includes activities for which registration or an exemption from registration under the *Commodity Futures Act* is required. Section 2.8 of Rule 13-503 (*Commodity Futures Act)* (Ontario) exempts such an entity from paying any participation fee under that rule if the entity is current in paying its participation fees under the (*Securities Act*) Rule.

(2) It is noted that registrant firms will pay activity fees under Rule 13-503 (*Commodity Futures Act)* (Ontario) even if they are not required to pay participation fees under that Rule.

2.4 Registrant Firms - A participation fee is paid by a "registrant firm", which is defined in the Rule as " a person or company that is registered as one or both of a dealer or an adviser under the Act". This definition ensures that a

participation fee is paid at the firm level, and not by individual partners, directors, officers, representatives or salespersons of a firm.

2.5 Activity Fees - Activity fees are designed to represent the direct cost of Commission staff resources expended in undertaking certain activities requested of staff by market participants, for example in connection with the review of prospectuses, applications for discretionary relief or the processing of registration documents. Market participants are charged activity fees only for activities undertaken by staff at the request of the market participant. Activity fees are charged for a limited number of activities only and are flat rate fees based on the average cost to the Commission of providing the service.

2.6 No Refunds

(1) Generally speaking, a person or company that pays a fee under the Rule is not entitled to a refund of that fee. For example, there is no refund available for an activity fee paid in connection with an action that is subsequently abandoned by the payor of the fee. Also, there is no refund available for a participation fee paid by a reporting issuer, registrant firm or unregistered investment fund manager that loses that status later in the financial year for which the fee was paid.

(2) An exception to the principle discussed in subsection (1) is provided for in subsection 2.3(3) of the Rule. This provision allows for the adjustment of a participation fee paid by a Class 2 or some Class 3 reporting issuers based on a good faith estimate of its capitalization as at the end of a financial year if its financial statements are not available.

(3) The Commission will also consider requests for adjustments to fees paid in the case of incorrect calculations made by fee payors.

2.7 Indirect Avoidance of Rule -The Commission may examine arrangements or structures implemented by market participants and their affiliates that raise the suspicion of being structured for the purpose of reducing the fees payable under the Rule. In particular, the Commission will be interested in circumstances in which revenues from registrable activities carried on by a corporate group are not treated as revenues of a registrant firm, thereby possibly artificially reducing the specified Ontario revenue calculations used in determining fees payable under the Rule.

PART 3 CORPORATE FINANCE PARTICIPATION FEES

3.1 Application to Investment Funds - Section 2.1 of the Rule excludes investment funds from the application of Part 2 of the Rule, except if they do not have an investment fund manager. An investment fund that has an investment fund manager does not have to pay corporate finance participation fees because its manager will be paying the capital markets participation fees in respect of revenues generated from managing the investment fund. However, if the investment fund does not have an investment fund manager, the fund is made subject to the corporate finance participation fees to ensure that it does not have an unfair advantage over other reporting issuers that are required to pay such fees.

3.2 Fees Payable in Advance

(1) Section 2.2 of the Rule prescribes the annual payment of a participation fee by each reporting issuer other than those that are exempt from this fee under section 2.1 of the Rule. Subsection 2.2(1) of the Rule requires the payment of a fee, for each of its financial years, to be based on the capitalization of the reporting issuer as at the end of its previous financial year. Subsection 2.3(1) of the Rule requires the payment of this participation fee to be made by the earlier of the date on which the reporting issuer's financial statements are required to be filed and the date on which the reporting issuer's annual financial statements are filed.

(2) The Commission notes that the effect of sections 2.2 and 2.3 of the Rule is that a participation fee is payable in advance by a reporting issuer for its current financial year, even though the fee is based on the capitalization of the reporting issuer at the end of its previous financial year.

(3) Section 2.8 of the Rule pertains to the payment of a participation fee for a new reporting issuer. This section is consistent with the principle that a participation fee is payable in advance. A new reporting issuer is required to pay a participation fee when it becomes a reporting issuer for the remainder of its current financial year; the reporting issuer is required to calculate an annual participation fee in accordance with the requirements of section 2.8 of the Rule, and pay a proportionate amount based on the number of months left in the financial year.

(4) A person or company that ceases to be a reporting issuer in a financial year is not entitled to any refund of the participation fee payable for that financial year, as discussed in subsection 2.6(1) of this Policy.

3.3 Determination of Corporate Debt Market Value

(1) Section 2.5 of the Rule requires the calculation of the capitalization of a Class 1 reporting issuer to include the aggregate market value, at the end of the relevant financial year, of each class or series of corporate debt and of each class or series of preferred shares of the reporting issuer or, if applicable, a subsidiary entity of the reporting issuer. It is noted that the requirement that corporate debt or preferred shares be valued in accordance with market value excludes from the calculation corporate debt or preferred shares that are not normally traded after their initial issuance. For instance, corporate debt or an issue to its bankers generally would have no market value and would not be included in these calculations.

(2) The Commission recognizes that the determination of the market value of corporate debt or preferred shares is a more difficult task than the determination of the market value of equity securities, which are usually listed and for which trading prices are generally readily available. Therefore, the Commission wishes to allow reporting issuers to use the best available source for pricing its corporate debt and preferred shares. The Commission notes that, at the time of this Policy, the best available source may be one or more of

(a) pricing services;

(b) quotations from one or more dealers; or

(c) transaction prices on recent transactions.

(3) It is noted that market value calculation of a class of securities included in a calculation under section 2.5 will include all of the securities of the class, even if some of those securities are still subject to a hold period or are otherwise not freely tradable.

(4) If the closing price of a security on a particular date is not ascertainable because there is no trade on that date or the marketplace does not generally provide closing prices, a reasonable alternative, such as the most recent closing price before that date, the average of the high and low trading prices for that date, or the average of the bid and ask prices on that date is acceptable.

3.4 Class 3 Reporting Issuers - Paragraph 2.7(b) of the Rule requires that the participation fee for a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world be determined by reference to the percentage of outstanding equity securities of the Class 3 reporting issuer registered in the name of Ontario persons. It is noted that this calculation would be made on the basis of the aggregate numbers of all outstanding equity securities of all classes of equity securities of the Class 3 reporting issuer.

3.5 "Green Shoes" and Over-Allotment Options - Paragraph 2.8(2)(b) of the Rule requires that the participation fee for Class 1 and Class 3 reporting issuers be based on the issue price of the securities being distributed under a prospectus. The Commission notes that this calculation should assume the issue of any securities under "green shoes" or over-allotment options.

PART 4 CAPITAL MARKET PARTICIPATION FEES

4.1 Fees Payable in Advance

(1) As with corporate finance participation fees, capital market participation fees are paid in advance by a registrant firm or an unregistered investment fund manager. The discussion contained in section 3.2 of this Policy is relevant to capital market participation fees as well as corporate finance participation fees.

(2) Subsections 3.2(1) and 3.3(1) of the Rule require each registrant firm to file its Form 13-502F3 respecting its participation fee by December 1, and to pay its participation fee by December 31, in each year. The fixing of one date for each of the filing and fee payment by a registrant firm is consistent with the National Registration Database ("NRD") system to be implemented by the Canadian securities regulatory authorities; the NRD system contemplates a common renewal date for all registrants of December 31 in each year. This participation fee is paid for the next calendar year, based on the specified Ontario revenues for its previous financial year, even if the financial year of the registrant firm ends on December 31. Therefore, a registrant firm with a financial year end of December 31 will, by December 1, 2002, file its Form 13-502F3, and pay its participation fee by December 31, 2002, in order to pay its participation fee for the 2003 calendar year. Even though that filing and payment will satisfy the registrant firm's obligations contained in Part 3 of the Rule for

the 2003 calendar year, the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended December 31, 2002.

(3) A registrant firm with a financial year end of June 30, will, for instance, file a Form 13-502F3 by December 1, 2002 and pay its participation fee by December 31, 2002. That filing and payment will satisfy the registrant firm's obligations contained in Part 3 of the Rule for the 2003 calendar year, but the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended June 30, 2002.

(4) An unregistered investment fund manager must file its Form 13-502F3 and pay its participation fee within 90 days after the end of each of its financial years. The participation fee for an unregistered fund manager is for its current financial year, rather than for a calendar year, and is calculated on the basis of the audited financial statements of the unregistered investment fund manager for its previous financial year. Therefore, an unregistered investment fund manager having a financial year end of June 30, will in 2003 file its Form 13-502F3 and pay its participation fee by September 29, 2003. That payment will satisfy the unregistered investment fund manager's obligations contained in Part 3 of the Rule for its financial year of July 1, 2003 to June 30, 2004, but the calculation of the participation fee will be based on the specified Ontario revenues of the unregistered investment fund manager firm for the financial year ended June 30, 2003.

4.2 Late Fees - Section 3.7 of the Rule prescribes the payment of additional fees in case of overdue payment of fees. The Commission notes that it will, in appropriate circumstances, consider tardiness in the payment of fees as a matter going to the fitness for registration of a registrant firm in considering the registration status of that registrant firm. The Commission may also consider other appropriate measures in the case of late payment of fees by an unregistered investment fund manager, such as prohibiting the delinquent unregistered investment fund manager from continuing to manage any investment fund or cease trading the investment funds managed by that manager.

4.3 Form of Payment of Fees - Unregistered fund managers will not be participants in the NRD, so it will be necessary for them to make filings and pay fees under Part 3 of the Rule by paper copy. The filings and payment should be sent to the Ontario Securities Commission, Investment Funds.

4.4 "Capital Market Activities"

(1) A number of the capital market participation fees involve consideration of the capital market activities undertaken by a person or company. The term "capital market activities" is defined in Section 1.1 of the Rule to include "activities for which registration under the Act or an exemption from registration is required". The Commission is of the view that these activities would include, without limitation, trading in securities, providing securities-related advice and portfolio management services. The Commission notes that corporate advisory services may not require registration or an exemption from registration and would therefore, in those contexts, not be capital markets activities.

(2) The definition of "capital market activities" also includes activities for which registration or an exemption from registration under the *Commodity Futures Act* is required. The Commission is of the view that these activities would include, without limitation, trading in commodity futures contracts, providing commodity futures contracts-related advice and portfolio management services involving commodity futures contracts.

4.5 Owners' Equity - A Class 2 reporting issuer and a Class 3 reporting issuer that has no debt or equity securities listed or traded on a marketplace located anywhere in the world, calculate its capitalization on the basis of certain items reflected in its audited balance sheet. One such item is "share capital or owners' equity". The Commission notes that "owners' equity" is designed to describe the equivalent of share capital for non-corporate issuers, such as partnerships or trusts.

PART 5 ACTIVITY FEES

5.1 Permitted Deductions

(1) For the purpose of calculating specified Ontario revenues that would be the basis for determining the participation fee payable by a registrant firm that is not a member of the IDA or MFDA or an unregistered investment fund manager, subsections 3.6(2) and (3) permit certain deductions to be made. These deductions are intended to prevent "double counting" of revenues that would otherwise occur in the absence of the deductions.

(2) It is noted that the permitted deduction of administration fees is limited solely to those that represent the recovery of costs from investment funds for operating expenses paid on their behalf's by the registrant firm or

unregistered investment fund manager. No registrant firm or unregistered investment fund manager may make a deduction for more than the amount of administration fees it has paid on behalf of an investment fund managed by the registrant firm or unregistered investment fund manager.

5.2 **Investment Funds** - Section 4.2 of the Rule provides for the payment of only one fee for an application made by or on behalf of investment funds in an investment fund family, if the application pertains to each investment fund. It is contemplated that discretionary relief required by investment funds in an investment fund family in circumstances that are the same for all of them can be sought by way of a single application.

5.3 **Calculation Examples** - Appendices A through E contain some examples of how fees would be calculated under the Rule.

Appendix A
Reporting Issuer

Assume that:

- a reporting issuer is an Ontario corporation that was not previously a reporting issuer in Ontario
- the issuer's financial year-end is December 31
- the issuer obtains a receipt for the prospectus in connection with its initial public offering on August 17
- the issuer's capitalization on August 17, as determined in accordance with section 2.6 of the Rule, is $22 million, before taking into account the proceeds of an IPO
- the issuer becomes listed on the Toronto Stock Exchange in November, and its capitalization as of December 31 as determined in accordance with section 2.5 of the Rule is $55 million

Item	Participation Fee	Activity Fee
files an application pursuant to section 74 of the Act for relief from sections 25 and 53 of the Act prior to becoming a reporting issuer		$7,500[1] ($5,500 plus $2,000 because issuer does not pay a participation fee)
files a preliminary prospectus in connection with initial public offering, where the preliminary prospectus shows gross proceeds of $4 million		$1,000[2]
files a final prospectus		nil
becomes a reporting issuer under the Act upon the issuance of a receipt for a prospectus on August 17	$833.33[3] ($2,500 times 4 full remaining months divided by 12)	
files a material change report within prescribed period		nil
files application pursuant to section 38(3) of the Act		nil
files application for relief pursuant to clause 80(b)(iii) of the Act		$1,500
files application for relief pursuant to sections 104 and 121 of the Act		$7,000 ($5,500 plus $1,500)[4]
files AIF pursuant to Rule 51-501		nil
files annual proxy materials		nil
timing - files annual financial statements on May 20 (within prescribed period)		nil
files a Notice of Intention to Make an Issuer Bid		nil
files insider trading report within prescribed period		nil
files preliminary prospectus that does not disclose gross proceeds		$1,000[5]
files final prospectus with gross proceeds of $75 million		$6,500[6] ($7,500 less $1,000)
files initial AIF under National Instrument 44-101		$2,000[7]
files preliminary short form prospectus		$2,000
files final short form prospectus		nil
files material change report 5 days late		nil[8]

1 See item F.1 of Appendix C of the Rule.

2 See item A.1(a) of Appendix C of the Rule.

3 See subsection 2.8(1) and Appendix A of the Rule.

4 as to the $5,500 fee, see item F.1 of Appendix C to the Rule and, as to the $1,500 fee, see item F.3 of Appendix C to the Rule.

5 See item A.1(a) of Appendix C of the Rule.

6 See item A.1(c) of Appendix C of the Rule.

7 See item I of Appendix C of the Rule.

8 See item N.1 of Appendix C of the Rule.

Appendix B
Dealer – Member of the Investment Dealers Association of Canada

Assume that:

- Financial year-end is December 31st
- Firm had specified Ontario revenues of $150 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $150 million	$250,000[9]	
files annual financial statements		nil
1 renewal of registration		nil
3 appointments of new trading officers/directors		$400 x 3 = $1,200[10]
24 appointments of salespersons		$400 x 24 = $9,600[11]
28 new branches		Nil
4 branch closures		Nil
12 terminations of salespersons		Nil
1 termination of officer		Nil
2 requests for change in the status of officers from non-trading to trading		$400 x 2 = $800[12]

9 See Appendix B of the Rule.

10 See item J.3 of Appendix C of the Rule.

11 See item J.3 of Appendix C of the Rule.

12 See item J.4 of Appendix C of the Rule.

Appendix C
Mutual Fund Dealer ("MFD")

Assume that:

- MFD's financial year-end is March 31st
- MFD had specified Ontario revenues of $35 million as at March 31, 2001
- MFD currently has 12 sales representatives and 2 branch offices
- audited financial statements have to be filed
- MFD is applying for discretionary relief from a registration requirement in the Act

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $35 million	$75,000[13]	
files for discretionary relief of one requirement under the Act		$1,500[14]
files annual financial statements		Nil
1 renewal of registration		Nil
2 appointments of new officers/directors		$400 x 2 = $800[15]
8 appointments of new salespersons		$400 x 8 = $3,200[12]
3 new branches		Nil
change in business name		Nil
2 terminations of sales representatives		Nil
1 termination of officer		Nil
2 requests for change in the status of officers		$400 x 2 = $800[16]

[13] See Appendix B of the Rule.

[14] See item F.3 of Appendix C of the Rule.

[15] See item J.3 of Appendix C of the Rule.

[16] See item J.4 of Appendix C of the Rule.

Appendix D
Investment Counsel/Portfolio Manager ("ICPM")

Assume that:

- ICPM's financial year-end is December 31st
- ICPM had specified Ontario revenues of $600 million as at December 31, 2001
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-502F3 stating specified Ontario revenues of $600 million	$650,000[17]	
files annual financial statements		Nil
1 renewal of registration		Nil
5 appointments of new advising officers		$400 x 5 = $2,000[18]
1 appointments of new non-advising officer		Nil
1 application for exemption from Rule 31-502 requirements		$1,500[19]

[17] See Appendix B of the Rule.

[18] See item J.3 of Appendix C of the Rule.

[19] See item F.3 of Appendix C of the Rule.

Appendix E
Unregistered Investment Fund Manager ("UIFM")

Assume that:

- UIFM's financial year-end is December 31st
- UIFM had specified Ontario revenues of $375 million as at December 31, 2001
- UIFM currently manages 40 investment funds, 38 (IF1-IF38) of which are in continuous distribution and subject to NI81-101, while 2 (IF39 and IF40) are listed and traded on the Toronto Stock Exchange
- UIFM is establishing 5 new investment funds (IF41-IF45) that are all going to be in continuous distribution and are subject to NI81-101
- IF41 and IF42 need exemption from one section of the Act
- IF43, IF44 and IF45 need exemptions from four sections of NI81-102
- UIFM is establishing one new investment fund (IF46) that will do a one-time offering and whose securities will be listed and traded on the Toronto Stock Exchange
- IF46 needs exemptions from six sections of NI81-102
- audited financial statements for IF1-IF40 have to be filed
- material changes occurred for IF39 and IF40
- current SP and AIF of IF1-IF38 have to be renewed

Item	Participation Fee	Activity Fee
Files Form 13-502F3 stating specified Ontario revenues of $375 million	$500,000[20]	
Files 1 application on behalf of IF41 and IF 42 for relief from one section of the Act		$1,500[21]
Files 1 application on behalf of IF43, IF44 and IF45 for relief from four sections of NI81-102		$5,500[22]
Files preliminary SP and AIF for IF41-IF45 in a single document		$600 x 5=$3,000[23]
Files annual financial statements for IF1-IF40 within prescribed period		Nil
Files application on behalf of IF46 for relief from six sections of NI81-102		$5,500
Files preliminary prospectus in Form 41-501F1 for IF46, with gross proceeds bulleted		$1,000[24]
Files pro forma SP and AIF for IF1-IF38 in a single document		$600 x 38=$22,800[25]
Files final SP and AIF for IF41-IF45 in a single document		Nil[26]
Files amendment to SP and AIF for IF1-IF20 in a single document		Nil
Files final prospectus in Form 41-501F1 for IF46, with gross proceeds of $75 million		$7,500-$1,000=$6,500[27]
Files material change report for IF39-IF40		Nil
Files final SP and AIF for IF1-IF38 in a single document		Nil

20 See Section 3.1 and Appendix B of the Rule.

21 See item F.3 of Appendix C and section 4.2 of the Rule of the Rule.

22 See item F.3 of Appendix C and section 4.2 of the Rule.

23 See item A.5(a) of Appendix C of the Rule.

24 See item A.1(a) of Appendix C of the Rule.

25 See item A.5(a) of Appendix C of the Rule.

26 See item A.5(d) of Appendix C of the Rule.

27 See item A.3(a), in conjunction with item A.1(c), of Appendix C of the Rule.

5.1.5 Ontario Securities Commission Rule 13-503 (Commodity Futures Act) Fees

ONTARIO SECURITIES COMMISSION
RULE 13-503 (*COMMODITY FUTURES ACT*)
FEES

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ONTARIO SECURITIES COMMISSION
RULE 13-503 (*COMMODITY FUTURES ACT*)
FEES

PART 1 DEFINITIONS

1.1 Definitions **- In this Rule,**

"CFA" means the *Commodity Futures Act*;

"CFA activities" means activities for which registration under the CFA or an exemption from registration is required;

"IDA" means the Investment Dealers Association of Canada;

"Ontario percentage" means, for the financial year of a registrant firm

(a) that has a permanent establishment in Ontario, the percentage of the income of the registrant firm allocated to Ontario for the financial year in the corporate tax filings made for the person or company under the *Income Tax Act* (Canada), or

(b) that does not have a permanent establishment in Ontario, the percentage of the total revenues of the registrant firm attributable to CFA activities in Ontario;

"registrant firm" means a person or company registered as one or both of a dealer or an adviser under the CFA; and

"specified Ontario revenues" means, for a registrant firm, the revenues determined in accordance with section 2.5 or 2.6.

PART 2 PARTICIPATION FEES

2.1 Participation Fee- Subject to section 2.8, a registrant firm shall pay, for each calendar year, the participation fee shown in Appendix A that applies to the registrant firm according to the specified Ontario revenues of the registrant firm for its previous financial year earned from CFA activities.

2.2 Time of Payment- A registrant firm shall pay the participation fee referred to in section 2.1 by December 31 of each year.

2.3 Form Requirements

(1) A registrant firm shall file a Form 13-503F1, completed in accordance with its terms, by December 1 of each year.

(2) The Form 13-503F1 referred to in subsection (1) shall be based on the audited financial statements of the registrant firm for its financial year last completed or to be completed before January 1 of the calendar year for which the participation fee calculated in the Form 13-503F1 will be paid.

(3) If the financial year referred to in subsection (2) is not completed, or the financial statements of the registrant firm for that financial year are not available, by December 1, the registrant firm shall

(a) file the Form 13-503F1 due on that date on the basis of a good faith estimate of its specified Ontario revenues for that financial year; and

(b) pay its participation fee by December 31 based on the estimate of the Ontario specified revenues contained in the Form 13-503F1.

(4) A registrant firm that filed its Form 13-503F1 under subsection (3) shall, when it files its annual financial statements for the applicable financial year,

(a) file a revised Form 13-503F1 reflecting the annual financial statements;

(b) calculate the participation fee on the basis of those financial statements; and

(c) either

(i) pay any amount of the participation fee not paid under subsection (3), or

(ii) be entitled to receive from the Commission a refund of any amount paid under subsection (3) in excess of the participation fee payable.

2.4 Filing of Form 13-502F2- A registrant firm shall file a Form 13-503F2, completed in accordance with its terms, in connection with the adjustment made in accordance with subsection 2.3(4).

2.5 Calculation of Specified Ontario Revenues for a Member of the IDA - The specified Ontario revenues for a financial year of a registrant firm that is a member of the IDA are calculated by multiplying

(a) the amount indicated by the registrant firm as the Total Revenue on the statement of income contained in the Joint Financial Questionnaire and Report of the IDA for the financial year, less amounts not attributable to CFA activities; and

(b) the Ontario percentage of the member of the IDA for the financial year.

2.6 Calculation of Specified Ontario Revenues for Others

(1) The specified Ontario revenues for a financial year of a registrant firm that is not a member of the IDA are calculated by multiplying

(a) the gross revenues earned from CFA activities of the registrant firm contained in its audited financial statements for the financial year, less amounts not attributable to CFA activities, and further less the reductions of that amount taken under subsection (2); and

(b) the Ontario percentage of the registrant firm for the financial year.

(2) A registrant firm may reduce the amount referred to in subsection (1) by deducting the amount of the advisory or sub-advisory fees paid by the registrant firm to another registrant firm in Ontario in the applicable financial year.

2.7 Late Fee

(1) Subject to subsection (2), a registrant firm that is late in paying a participation fee under this Part shall pay an additional fee of one percent of the participation fee payable apart from this section for each business day on which the participation fee remains due and unpaid.

(2) A registrant firm is not required to pay a fee under subsection (1) in excess of 25 percent of the participation fee otherwise payable under this Part.

2.8 Exemption - This Part does not apply to a registrant firm registered under the *Securities Act* (Ontario) that is current in paying its participation fees under Rule 13-502 under the *Securities Act* (Ontario).

PART 3 ACTIVITY FEES

3.1 Activity Fees- A person or company that files a document or takes an action listed in Appendix B shall, concurrently with the filing of the document or taking of the action, pay the activity fee shown in Appendix B beside the description of the document or action.

PART 4 CURRENCY CALCULATIONS

4.1 Currency Calculations- Any calculation of money required to be made under this Rule that results in a currency other than Canadian dollars shall be translated into a Canadian dollar amount at the daily noon exchange rate posted on the Bank of Canada website for the date for which the calculation is made.

PART 5 EXEMPTIONS

5.1 Exemptions - The Director may grant an exemption from the provisions of this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 6 EFFECTIVE DATE

6.1 Effective Date- This Rule comes into force on December 1, 2003.

APPENDIX A – PARTICIPATION FEES

Specified Ontario Revenues	Participation Fee
Under $500,000	$1,000
$500,000 to under $1 million	$5,000
$1 million to under $5 million	$10,000
$5 million to under $10 million	$25,000
$10 million to under $25 million	$50,000
$25 million to under $50 million	$75,000
$50 million to under $100 million	$150,000
$100 million to under $200 million	$250,000
$200 million to under $500 million	$500,000
$500 million to under $1 billion	$650,000
$1 billion and over	$850,000

APPENDIX B - ACTIVITY FEES

Document or Activity	Fee
A. Applications for Discretionary Relief	
1. Application under section 38 or 80	$5,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-502 under the *Securities Act* (Ontario)) subject to the overall limitation set out below
2. Application under (a) Sections 36(1), 40, 46(2) of the CFA; and (b) Subsection 27(1) of the Regulation to the CFA.	Nil
3. Any application for discretionary relief from, or regulatory approval under, any other section of the CFA, Regulation and any Rule of the Commission made under the CFA but not listed in items A.1 or A.2 above. *Note: It is noted that the following applications for recognition, registration or approval under the CFA are subject to the fees contained in this item A(2):* *(i) recognition of an exchange under section 34 of the CFA, a self-regulatory organization under section 16 of the CFA or a clearing house under section 17 of the CFA;* *(ii) registration of an exchange under section 15 of the CFA; and* *(iii) approval of the establishment of a council, committee or ancillary body under section 18 of the CFA.*	$1,500 for each section under which an application is made (plus $2,000 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-502 under the *Securities Act* (Ontario)) subject to the overall limitation set out below
	The maximum fee for an application, or, regardless of the number of sections under which application is made, shall be $7,500 if the applicant is subject to, or is reasonably expected to become subject to, a participation fee under this Rule or Rule 13-502 under the *Securities Act* (Ontario), or $9,500 if the applicant is not subject to, and is not reasonably expected to become subject to, a participation fee under this Rule or Rule 13-502 under the *Securities Act* (Ontario). These limits apply to the application even if the application is made under both the CFA and the *Securities Act* (Ontario); i.e. an application under both statutes will not be subject to a fee of more than $7,500 or $9,500, as applicable.
B. Registration-Related Activity	
1. New registration of a firm in any category of registration	$800

Document or Activity	Fee
Note: If a firm is registering as both a dealer and an adviser, it will be required to pay two activity fees.	
2. Change in registration category *Note: This would include a dealer becoming an adviser or vice versa, or changing a category of registration within the general category of adviser. A dealer adding a category of registration, such as a dealer becoming both a dealer and an adviser, would be covered in the preceding section.*	$800
3. Registration of a new director, officer or partner (trading and/or advising), salesperson, floor trader or representative *Notes:* *(i) Registration of a new non-trading or non-advising director, officer or partner does not trigger an activity fee.* *(ii) An individual registering as both a dealer and an adviser will be required to pay two activity fees.* *(iii) A registration fee will not be charged if an individual makes application to register with a new registrant firm within three months of terminating employment with his or her previous registrant firm provided that the individual's category of registration remains unchanged.*	$400 per person
4. Change in status from a non-trading and/or non-advising capacity to a trading and/or advising capacity	$400 per person
5. Registration of a new registrant firm, or the continuation of registration of an existing registrant firm, resulting from or following an amalgamation of registrant firms	$6,000
6. Application for amending terms and conditions of registration	$1,500
C. Application for Approval of the Director under Section 9 of the Regulation	$1,500
D. Request for Certified Statement from the Commission or the Director under Section 62 of the CFA	$500
E. Commission Requests	
1. Request for a photocopy of Commission records	$0.50 per page
2. Request for a search of Commission records	$10
F. Late Filing	
1. Fee for late filing of any of the following documents:	
(a) Annual financial statements and interim financial statements;	$100 per business day (subject to a maximum of $5,000 per registrant firm for all documents within one financial year of the registrant firm)

Document or Activity	Fee
(b) Report under section 15 of Regulation to the CFA; (c) Report under section 17 of Regulation to the CFA; (d) Filings for the purpose of amending Form 5 and Form 7 or Form 33-506F4 under Rule 33-506; and (e) Any document required to be filed by a registrant firm or individual in connection with the registration of the registrant firm or individual under the CFA with respect to (i) terms and conditions imposed on a registrant firm or individual; or (ii) an order of the Commission.	

ONTARIO SECURITIES COMMISSION
FORM 13-503F1
(*COMMODITY FUTURES ACT*)

PARTICIPATION FEE CALCULATION
FOR REGISTRANT FIRMS

Notes and Instructions

1. Registrant firms are required to complete the Part that applies to their particular category of registration, as follows:

   Part I - Investment Dealers Association of Canada members

   Part II – Advisers and other Dealers

2. The components of revenue reported in this Form should be based on the same principles as the comparative statement of income that is prepared in accordance with generally accepted accounting principles ("GAAP"), or such equivalent principles applicable to the audited financial statements of non-resident advisers, except that revenues should be reported on an unconsolidated basis. It is recognized that the components of the revenue classification may vary between firms. However, it is important that each firm be consistent between periods.

3. Each Part of this Form should be read in conjunction with the related notes and instructions of that Part where applicable.

4. Members of the Investment Dealers Association of Canada may refer to Statement E of the Joint Regulatory Financial Questionnaire and Report for guidance.

5. Comparative figures are required for the registrant firm's year end date.

6. Participation fee revenue will be based on the portion of total revenue that can be attributed to Ontario. The percentage attributable to Ontario for the reported year end should be the provincial allocation rate used in the corporate tax return for the same fiscal period. For firms that do not have a permanent establishment in Ontario, the percentage attributable to Ontario will be based on the proportion of total revenues generated from CFA activities in Ontario.

7. All figures should be expressed in Canadian dollars and rounded to the nearest thousand.

8. Information reported on this questionnaire must be certified by two members of senior management in Part IV to attest to its completeness and accuracy.

Revenue for Participation Fee

Firm Name: _____

Calendar or Financial Year Ending, used in calculating the Participation Fee: _____

PART I – Investment Dealers Association of Canada Members

	Current Year $	Prior Year $
REVENUE SUBJECT TO PARTICIPATION FEE		
1. Line 18 of Statement E of the Joint Regulatory Financial Questionnaire and Report		
2. Less amounts not attributable to CFA activities		
3. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less line 2)		

Part II – Advisers and Other Dealers

1. Gross Revenue as per the audited financial statements (note 1)		
Less the following items:		
2. Amounts not attributable to CFA activities		
3. Advisory or Sub-Advisory fees paid to other Ontario registrant firms (note 2)		
4. **REVENUE SUBJECT TO PARTICIPATION FEE** (line 1 less lines 2 and 3)		

[See Notes and Instructions]

Notes and Instructions

1. Gross Revenue is defined as the sum of all revenues reported on a gross basis as per the audited financial statements prepared in accordance with GAAP, or such equivalent principles applicable to the audited financial statements of non-resident advisers, except that revenues should be reported on an unconsolidated basis. Items reported on a net basis must be adjusted for purposes of the fee calculation. Gross revenues are reduced by amounts not attributable to CFA activities.

2. Where the advisory or sub-advisory services of another Ontario registrant firm are used by the registrant firm to advise on a portion of its assets under management, such advisory or sub-advisory costs are permitted as a deduction on this line.

Part III – Calculation of Revenue Attributable to Ontario

Firm Name: _____

Calendar or Financial Year Ending, used in calculating the Participation Fee: _____

Gross Revenue subject to Participation Fee:	$
Line 3 from Part I	_____
Line 4 from Part II	_____
Percentage attributable to Ontario (based on most recent tax return)	_____ %
Specified Revenue attributable to Ontario	_____
Total Fee payable (refer to Appendix A of the Rule)	_____

Part IV - Management Certification

Registrant Firm Name: _____

We have examined the attached statements and certify that, to the best of our knowledge, they present fairly the revenues of the firm for the period ended _____ and are prepared in agreement with the books of the firm.

We certify that the reported revenues of the firm are complete and accurate and in accordance with generally accepted accounting principles.

	Name and Title	Signature	Date
1.	_____	_____	_____
2.	_____	_____	_____

FEES RULE
FORM 13-503F2
(*COMMODITY FUTURES ACT*)

ADJUSTMENT OF FILING OR FEE PAYMENT
UNDER SUBSECTION 2.3(4) OF RULE 13-503

Registrant Firm Name: _____

Calendar or Financial Year Ending,
used in calculating the Participation Fee: _____

1. State the amount of the participation fee estimated under the filing of Form 13-503F1 previously made: _____

2. Show the amount of the participation fee based on the audited financial statements for the last completed financial year: _____

3. [Include revised and completed Form 13-503F1.]

4. Difference between 1 and 2: _____

5. Indicate refund due (balance owing): _____

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-503CP
(COMMODITY FUTURES ACT)

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ONTARIO SECURITIES COMMISSION
COMPANION POLICY 13-503CP
(*COMMODITY FUTURES ACT*)

PART 1 PURPOSE OF COMPANION POLICY AND INTERPRETATION

1.1 Purpose of Companion Policy - The purpose of this Companion Policy is to state the views of the Commission on various matters relating to Rule 13-503 Fees under the CFA (the "Rule"), including

(a) an explanation of the overall approach of the Rule;

(b) explanation and discussion of various parts of the Rule; and

(c) examples of some matters described in the Rule.

1.2 Interpretation - Terms defined in the Rule and used in this Companion Policy have the respective meaning ascribed to them in the Rule.

PART 2 PURPOSE AND GENERAL APPROACH OF THE RULE

2.1 Purpose and General Approach of the Rule

(1) The general approach of the Rule is to establish a fee regime that is consistent with the approach of Rule 13-502 (the "OSA Fees Rule"), which governs fees paid under the *Securities Act* (Ontario). That rule is designed to accomplish three primary purposes – to reduce the overall fees charged to market participants from what existed previously in Ontario, to create a clear and streamlined fee structure and to adopt fees that accurately reflect the Commission's costs of providing services.

(2) The fee regime implemented by the Rule is based on the concept of "participation fees" and "activity fees".

2.2 Participation Fees - Participation fees generally are designed to represent the benefit derived by registrant firms from participating in Ontario's capital markets. Registrant firms are required to pay participation fees annually. The participation fee is based on a measure of the registrant firm's revenues from CFA activities in Ontario, which is intended to serve as a proxy for the registrant firm's activities under the CFA. The amounts of the participation fees have been based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities. Participation fees replace most of the filing fees and other activity fees formerly charged to registrant firms under the previous fees regime.

2.3 Registrants under the CFA and the *Securities Act* (Ontario)

(1) The Rule imposes an obligation to pay a participation fee only on registrant firms, as defined in the Rule. A registrant firm is a person or company registered as a dealer or adviser under the CFA. The only registrant firms to pay a participation fee under the Rule will be those firms registered in Ontario only under the CFA. An entity that is registered both under the CFA and the *Securities Act* (Ontario) is exempted by section 2.8 of the Rule from the requirement to pay a participation fee under the Rule if it is current in paying its participation fees under the OSA Fees Rule. Such an entity will pay its participation fee under the OSA Fees Rule, and will include its revenues derived from CFA activities as part of its revenues for purposes of determining its participation fee under that Rule.

(2) It is noted, of course, that dual registrants will pay activity fees under the Rule in accordance with Appendix B of the Rule even though they may pay their participation fees under the OSA Fees Rule.

2.4 Registrant Firms - A participation fee is paid by a "registrant firm", which is defined in the Rule as "a person or company that is registered as one or both of a dealer or an adviser under the CFA". This definition ensures that a participation fee is paid at the firm level, and not by individual partners, directors, officers, representatives, salespersons and floor traders of a firm.

2.5 Activity Fees - Activity fees are designed to represent the direct cost of Commission staff resources expended in undertaking certain activities requested of staff by registrant firms or other persons or companies, for example in connection with the applications for discretionary relief or the processing of registration documents. Market participants are charged activity fees only for activities undertaken by staff at the request of the market participant. Activity fees are

charged for a limited number of activities only and are flat rate fees based on the average cost to the Commission of providing the service.

2.6 No Refunds

(1) Generally speaking, a person or company that pays a fee under the Rule is not entitled to a refund of that fee. For example, there is no refund available for an activity fee paid in connection with an action that is subsequently abandoned by the payor of the fee. Also, there is no refund available for a participation fee paid by a registrant firm whose registration is terminated later in the calendar year for which the fee was paid.

(2) An exception to the principle discussed in subsection (1) is provided for in subsection 2.3(4) of the Rule. This provision allows for the adjustment of a participation fee paid by a registrant firm based on a good faith estimate of its revenues if its financial statements are not available, or its relevant financial year is not completed, at the time that the Form 13-503F1 is required to be filed under subsection 2.3(1) of the Rule.

(3) The Commission will also consider requests for adjustments to fees paid in the case of incorrect calculations made by fee payors.

2.7 Indirect Avoidance of Rule - The Commission may examine arrangements or structures implemented by registrant firms and their affiliates that raise the suspicion of being structured solely for the purpose of reducing the fees payable under the Rule. In particular, the Commission will be interested in circumstances in which revenues from registrable activities carried on by a corporate group are not treated as revenues of a registrant firm, thereby possibly artificially reducing the specified Ontario revenue calculations used in determining fees payable under the Rule.

PART 3 PARTICIPATION FEES

3.1 Fees Payable in Advance

(1) Section 2.1 of the Rule prescribes the annual payment of a participation fee by each registrant firm, for each calendar year, to be based on the specified Ontario revenues of the registrant firm for its previous financial year earned from CFA activities. Section 2.2 of the Rule requires the payment of a participation fee for a calendar year on December 31 of each year.

(2) The Commission notes that the effect of sections 2.1 and 2.2 of the Rule is that a participation fee is payable in advance by a registrant firm for a calendar year, even though the fee is based on the specified Ontario revenues of the registrant firm for the last financial year of the registrant firm that ends before the beginning of the calendar year for which the participation fee is paid. In respect of a participation fee for the 2004 calendar year, the calculation of the fee would be based on the financial year of the registrant firm ending in 2003.

(3) Section 2.2 and subsection 2.3(1) of the Rule require each registrant firm to file its Form 13-503F1 respecting its participation fee by December 1, and to pay its participation fee by December 31, of the year before the calendar year for which the participation fee applies. The fixing of one date for each of the filing and fee payment by a registrant firm is consistent with the National Registration Database ("NRD") system of the Canadian securities regulatory authorities; the NRD system uses a common renewal date for all registrants of December 31 in each year.

(4) By way of illustration, a registrant firm with a financial year end of June 30, will file a Form 13-503F1 by December 1, 2003 and pay its participation fee by December 31, 2003. That filing and payment will satisfy the registrant firm's obligations contained in the Rule for the 2004 calendar year, but the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended June 30, 2003.

(5) A registrant firm with a financial year end of December 31 will, by December 1, 2003, file its Form 13-503F1, and pay its participation fee by December 31, 2003, in order to pay its participation fee for the 2004 calendar year. Even though that filing and payment will satisfy the registrant firm's obligations contained in the Rule for the 2004 calendar year, the calculation of the participation fee will be based on the specified Ontario revenues of the registrant firm for the financial year ended December 31, 2003. In such circumstances, the registrant firm would use the mechanism of subsection 2.3(3) and (4) and section 2.4 to pay a participation fee based on an estimation of its specified Ontario revenues and later to adjust its payment.

3.2 Late Fees - Section 2.7 of the Rule prescribes the payment of additional fees in case of overdue payment of fees. The Commission notes that it will, in appropriate circumstances, consider tardiness in the payment of fees as a matter going to the fitness for registration of a registrant firm in considering the registration status of that registrant firm.

3.3 "CFA Activities" - Calculation of the participation fee involves consideration of the CFA activities undertaken by a person or company. The term "CFA activities" is defined in Section 1.1 of the Rule to include "activities for which registration under the CFA or an exemption from registration is required". The Commission is of the view that these activities would include, without limitation, trading in commodity futures contracts, providing commodity futures contracts-related advice and portfolio management services involving commodity futures contracts.

PART 4 CALCULATION EXAMPLES

4.1 Calculation Examples - Appendices A and B contain some examples of how fees would be calculated under the Rule.

Appendix A
Commodity Trading Manager

Assume that:

- Financial year-end is December 31st
- Firm had specified Ontario revenues of $450,000 for the financial year ended December 31, 2003
- audited financial statements have to be filed

Item	Participation Fee	Activity Fee
files Form 13-503F1 on December 1, 2003, estimating its specified Ontario revenues for the year ending December 31, 2003 as $550,000	$5,000[1]	
files annual financial statements, showing actual specified Ontario revenues of $450,000		nil
files revised Form 13-503F1 and Form 13-503F2, reflecting actual specified Ontario revenues of $450,000 and actual participation fee for 2004 of $1,0000	Refund of $4,000[2]	
1 renewal of registration		nil
3 appointments of new advising officers/directors		$400 x 3 = $1,200[3]
2 appointments of new non-advising officer/director		nil
2 new branches		nil
1 branch closure		nil
1 termination of director		nil
1 termination of officer		nil
2 requests for change in the status of officers from non-advising to advising		$400 x 2 = $800[4]

1 See Section 2.3 and Appendix A of the Rule.

2 See Subsection 2.3(4) and Section 2.4 of the Rule.

3 See item B.3 of Appendix B of the Rule.

4 See item B.4 of Appendix B of the Rule.

Appendix B
Futures Commission Merchant ("FCM")

Assume that:

- FCM's financial year-end is December 31st
- FCM had specified Ontario revenues of $600,000 for the financial year ended on December 31, 2003
- FCM currently has 5 sales representatives
- audited financial statements have to be filed with the IDA

Item	Participation Fee	Activity Fee
files Form 13-503F1 on December 1, 2003, estimating its specified Ontario revenues for the year ending December 31, 2003 as $475,000	$1,000[5]	
files annual financial statements, showing actual specified Ontario revenues of $600,000		nil
Files revised Form 13-503F1 and Form 13-503F2, reflecting actual specified Ontario revenues of $600,000 and actual participation fee for 2004 of $5,000	$4,000[6]	
1 application for discretionary relief of one requirement under the Act		$1,500 x 1 = $1,500[7]
files annual financial statements		Nil
1 renewal of registration		Nil
2 appointments of new trading officers/directors		$400 x 2 = $800[8]
1 appointment of new salesperson		$400 x 1 = $400[9]
2 transfers of salespersons		nil
3 transfers of registration of trading officer/director		nil
1 change in business name		nil
3 terminations of sales representatives or officer/director		nil
3 appointments of non-trading officers/directors		nil
1 request for change in the status of officers from non-trading to trading		$400 x 1 = $400[10]

5 See Section 2.3 and Appendix A of the Rule.

6 See Subsection 2.3(4) and Section 2.4 of the Rule.

7 See item A.2 of Appendix B of the Rule.

8 See item B.3 of Appendix B of the Rule.

9 See item B.3 of Appendix B of the Rule.

10 See item B.4 of Appendix B of the Rule.

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
14-Nov-2003	3 Purchaser	Dexit Inc. Shares	93,000.00	37,200.00
29-Oct-2003	1530403 Ontario Inc.	Abacus Mining & Exploration Corporation - Common Shares	35,000.00	100,000.00
01-Nov-2003	3 Purchasers	ABC Fully-Managed Fund - Units	300,800.00	32,550.00
01-Nov-2003	3 Purchasers	ABC Fundamental - Value Fund - Units	541,778.00	32,929.00
31-Oct-2003	Sprott Asset Management Inc.	Acrex Ventures Ltd. - Units	407,000.00	1,850,000.00
30-Oct-2003	Bluefish Corporation	Acuity Pooled Core Canadian Equity Fund - Trust Units	200,000.00	12,723.00
31-Oct-2003 06-Nov-2003	8 Purchasers	Acuity Pooled High Income Fund - Trust Units	866,000.00	50,525.00
13-Nov-2003	4 Purchasers	Acuity Pooled High Income Fund - Trust Units	515,518.01	30,156.00
31-Oct-2003	3 Purchasers	Alternum Capital - North American Value Hedge Fund - Common Shares	3,639.00	7.00
24-Oct-2003	Chris and Anita Bicknell and Evergreen Investment MGMT	Altrinsic Global Opportunities Fund - Units	1,438,250.00	12,968.00
31-Oct-2003	Andrew and Christine Blow	Altrinsic Global Opportunities Fund - Units	120,000.00	1,099.00
14-Nov-2003	3 Purchasers	ANGOSS Software Corporation - Common Shares	50,000.00	50,000.00
03-Nov-2003	National Bank Financial Inc.	Apollo Trust - Bonds	1,800,000.00	1.00
20-Aug-2003	Salida Capital Corp.	Apria Healthcare - Notes	250,000.00	250,000.00

15-Oct-2003	4 Purchasers	Arctic Star Diamond Corp. - Common Shares	200,199.00	333,666.00
19-Aug-2003	3 Purchasers	AtheroGenics, Inc. - Notes	4,250,000.00	4,250,000.00
18-Aug-2003	CI Mutual Funds Inc. A/C Omnibus	Avalon Bay - Stock Option	5,750,000.00	125,000.00
12-Nov-2003	6 Purchasers	AXMIN Inc. - Units	3,168,000.00	4,525,714.00
31-Oct-2003	4 Purchasers	Bard Ventures Ltd. - Flow-Through Shares	21,000.00	210,000.00
31-Oct-2003	12 Purchasers	Bariview Invesment Corporation - Common Shares	117,400.00	1,174.00
30-Sep-2003	Harold J. Cumming;Gardner Group capital Limited	Bear Creek Energy Ltd. - Common Shares	2,020,200.00	400,000.00
13-Nov-2003	5 Purchasers	Biox Corporation - Common Shares	4,955,811.21	536,943.00
13-Nov-2003	Donald Edwards	Birch Mountain Resources Ltd. - Units	25,000.00	83,333.00
30-Oct-2003	Micheal De La Roce Jones Gable & Co. Ltd.	Bonaventure Enterprises Inc. - Units	31,500.00	150,000.00
10-Nov-2003	19 Purchasers	Boyd Group Income Fund - Units	520,000.00	520.00
31-Oct-2003	Robert Glass	BPI American Opportunities Fund - Units	25,000.00	205.00
10-Oct-2003	Sine Herold Judith Raddatz	BPI Global Opportunites III Fund - Redeemable Shares	300,619.00	3,173.00
24-Oct-2003	George N. Uza and William Alfred Hadley	BPI Global Opportunites III Fund - Units	161,958.00	1,725.00
17-Oct-2003	Fay Greenholtz Maureen Pope	BPI Global Opportunites III RSP Fund - Redeemable Shares	160,834.00	1,595.00
24-Oct-2003	Barry Schneider	BPI Global Opportunites III RSP Fund - Units	129,913.00	1,299.00
14-Nov-2003	Frederick F. Dalley	Caldera Resources Inc. - Units	65,000.00	1,000,000.00
14-Nov-2003	Leonard Muti	Caldera Resources Inc. - Units	37,000.00	389,747.00
04-Nov-2003	CMP 2003 Resources Limited Partnership	Campbell Resources Inc. - Flow-Through Shares	1,000,000.00	1,000,000.00
10-Nov-2003	47 Purchasers	Canadian Zinc Corporation - Units	2,862,500.00	5,725,000.00
04-Nov-2003	4 Purchasers	CanAlaska Ventures Ltd. - Units	35,604.00	154,800.00
13-Nov-2003	Keith Gummow	CareVest First Mortgage Investment Corporation - Preferred Shares	20,966.00	20,966.00

19-Nov-2003	Douglas Fleming;Anne Kosterman	CareVest First Mortgage Investment Corporation - Preferred Shares	32,000.00	32,000.00
14-Nov-2003	Parkway Retirement Limited Partnership	Chartwell Master Care LP - Units	1,500,000.00	150,000.00
14-Nov-2003	5 Purchasers	Chartwell Seniors Housing Real Estate Investment Trust - Units	9,566,000.00	957,200.00
13-Nov-2003	TD Asset Management Inc.	CHUM LIMITED - Shares	5,999,962.50	114,285.00
10-Nov-2003	16 Purchasers	Cinch Energy Corp. - Common Shares	1,793,000.00	1,630,000.00
14-Nov-2003	Sun Life Assurance Company of Canada	CI Fund Management Inc. - Common Shares	254,517,896.00	19,837,716.00
31-Oct-2003	44 Purchasers	Contemporary Investment Corp. - Common Shares	800,417.00	800,417.00
10-Nov-2003	7 Purchasers	Corona Gold Corporation - Common Shares	80,000.00	161,000.00
05-Nov-2003	25 Purchasers	Corriente Resources Inc. - Units	5,837,500.00	2,335,000.00
13-Nov-2003	26 Purchasers	Cream Minerals Ltd. - Units	450,000.00	15,000,000.00
01-Nov-2003	Crown Cork & Seal Canada Inc.	CROWN Metal Packaging Canada LP - Limited Partnership Interest	456,426,823.00	456,426,823.00
31-Oct-2003	Michael Young	CWT Investments Limited - Warrants	25,000.00	250,000.00
12-Nov-2003	5 Purchasers	Delta Systems Inc. - Notes	586,010.00	11.00
27-Oct-2003	Pluris Investments Inc. Helen Koturbash	Destiny Solutions Inc. - Common Shares	75,000.00	256,696.00
14-Nov-2003	Canamerica Capital Corp.;Loewen Ondaatje mcCutcheon Limited	Diagem International Resource Corp. - Units	199,999.80	571,428.00
30-Oct-2003	33 Purchasers	Dimethaid Research Inc. - Special Warrants	7,179,938.00	7,179,938.00
10-Nov-2003	Fiducie Desjardins	DR Residential Mortgage Trust - Notes	15,000,000.00	1.00
28-Aug-2003	RBC Capital Partners	e-Success Incorporated - Preferred Shares	3,000,000.00	4,210,526.00
10-Nov-2003	21 Purchasers	Endeavour Mining Capital Corp. - Units	10,376,565.00	3,007,700.00
13-Nov-2003	12 Purchasers	Escavar Energy Inc. - Common Shares	6,030,000.00	6,030,000.00
13-Nov-2003	8 Purchasers	ExAlta Energy Inc. - Common Shares	2,081,650.00	1,343,000.00
11-Nov-2003	Sherfam Inc. and Sandra Florence	Excalibur Limited Partnership - Limited Partnership Units	4,208,085.00	17.00

12-Nov-2003	Peter Dowbiggin	EZEDIA INC. - Common Shares	6,679.20	133,584.00
17-Nov-2003	Altamira Management Ltd. MFC Global Investment Management	F5 Networks, Inc. - Shares	1,069,023.38	35,000.00
03-Nov-2003 Corporation - Units	Gerri J. Greenham	First Venture Technologies	100,000.00	400,000.00
04-Nov-2003	Mark Wellings	Forest Gate Resources Inc. - Flow-Through Shares	25,000.00	125,000.00
04-Nov-2003	22 Purchasers	Forest Gate Resources Inc. - Units	383,000.00	2,553,333.00
04-Nov-2003	22 Purchasers	Forest Gate Resources Inc. - Units	383,300.00	2,553,333.00
12-Nov-2003	9 Purchasers	Franconia Minerals Corporation - Units	357,000.06	5,950,001.00
10-Nov-2003	Royal Bank of Canada	FrontPoint Offshore Value Discovery Fund, Ltd. - Shares	1,965,900.00	1,500.00
06-Nov-2003	New Matth Inc.	Galileo Equity Management Inc. - Units	1,638,560.00	190,375.00
10-Nov-2003	Goldcorp Inc.	Geoinformatics Explorations Limited - Common Shares	1,000,000.00	1,000,000.00
13-Nov-2003	Zeus Trust;BMO Nesbitt Burns Inc.	Gloucester Credit Card Trust - Notes	359,500,000.00	2.00
07-Nov-2003	Ontario Power Generation Inc.	GMO Emerging Markets Equity Fund - Units	1,332,603.83	84,602.00
07-Nov-2003	Ontario Power Generation Inc.	GMO Emerging Markets Equity Fund - Units	798,865.29	50,717.00
06-Nov-2003	Gordon Bub;Colin Benner	Gold Hawk Resources Inc. - Common Shares	220,000.00	55,000,000.00
13-Nov-2003	12 Purchasers	Grand Banks Energy Corporation - Shares	3,327,060.00	3,024,600.00
21-Nov-2003	VentureLink Diversified Income Fund Inc.	Groove Media Inc. - Common Shares	1.00	50,000.00
21-Nov-2003	VentureLink Diversified	Groove Media Inc. - Debentures	760,000.00	760,000.00
04-Nov-2003 12-Nov-2003	22 Purchasers	HydraLogic Systems Inc. - Units	615,000.00	1,230,000.00
31-Oct-2003	Polar Capital Corporation;Andrew Gutman	Imagis Technologies Inc. - Special Warrants	100,000.00	579,710.00
14-Oct-2003	5 Purchasers	Imagis Technologies Inc. - Special Warrants	300,000.00	1,739,130.00
10-Oct-2003	Murray Sinclair	Imagis Technologies Inc. - Special Warrants	100,000.00	579,710.00

13-Nov-2003 18-Nov-2003	4 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	23,000.00	23,000.00
03-Nov-2003 05-Nov-2003	3 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	10,000.00	10,000.00
19-Nov-2003	6 Purchasers	IMAX Corporation - Notes	5,851,350.00	58.00
13-Nov-2003	Guang Luan	International Wex Technologies Inc. - Warrants	264,000.00	165,000.00
13-Nov-2003	Guang Luan	International Wex Technologies Inc. - Warrants	782,560.00	489,100.00
13-Nov-2003	Guang Luan	International Wex Technologies Inc. - Warrants	601,440.00	375,900.00
09-Oct-2003	66 Purchasers	Intrawest Corporation - Notes	462,226,550.00	8.00
31-Oct-2003	3 Purchasers	Ivanhoe Mines Ltd. - Special Warrants	45,800,000.00	4,000,000.00
13-Nov-2003	The K2 Principal Fund L.P.	Jaguar Nickel Inc. - Common Shares	250,000.00	200,000.00
31-Oct-2003	Bridget O'Brien	JED Oil Inc. - Shares	11,974.46	3,300.00
14-Nov-2003	44 Purchasers	Killam Properties Inc. - Common Shares	9,551,073.00	909,000.00
01-Mar-2003 01-Jul-2003	4 Purchasers	King Street Capital, Ltd. - Shares	31,237,508.04	109,949.00
31-Oct-2003	5 Purchasers	Kingwest Avenue Portfolio - Units	522,000.00	25,917.00
31-Oct-2003	Chris Holland	Kingwest U.S. Equity Portfolio - Units	56,348.61	0.00
14-Nov-2003	12 Purchasers	Kirkland Lake Gold Inc. - Common Shares	7,700,000.00	1,925,000.00
06-Nov-2003	7 Purchasers	Klondike Gold Corp. - Units	115,000.00	11,500,000.00
06-Nov-2003	Paul Sabourin and 981184 Ontario Ltd.	Krang Energy Inc. - Shares	399,996.00	228,570.00
10-Nov-2003	George Schroeder	Landmark Capital Corp. - Units	15,000.00	75,000.00
10-Oct-2003	Pescara Fund of Funds	Landmark Global Opportunities Fund - Redeemable Shares	100,000.00	821.00
17-Oct-2003	Pescara Fund of Funds Lidia Farano	Landmark Global Opportunities Fund - Redeemable Shares	112,000.00	913.00
24-Oct-2003	3 Purchasers	Landmark Global Opportunities Fund - Units	167,770.00	1,353.00
24-Oct-2003	4 Purchasers	Landmark Global Opportunities Fund - Units	1,299,735.00	10,218.00
31-Oct-2003	3 Purshasers	Landmark Global Opportunities Fund - Units	222,976.98	1,695.00

07-Nov-2003	Rosseau Asset Management Ltd.;John Kaiser	Leeward Capital Corp. - Shares	150,000.00	1,150,000.00
20-Nov-2003	49 Purchasers	Linear Resources Inc. - Units	6,000,000.00	3,000,000.00
12-Nov-2003	David C. Holmes	Longbow Capital Limited Partnership - Limited Partnership Units	100,000.00	100.00
13-Nov-2003	Arnold Polan;Ewan Downie	LongBow Energy Corp. - Units	30,000.00	150,000.00
28-Oct-2003	CMP 2003 Resource Limited Partnership	MacDonald Mines Exploration Ltd. - Common Shares	300,000.00	1,200,000.00
30-Oct-2003	Kingwold Holdings Inc.	Mandorin Goldfields Inc. - Common Shares	10,000.00	200,000.00
19-Nov-2003	GWD Ventures Inc.	MarketingForce, Inc. - Notes	421,050.00	320,000.00
18-Nov-2003	Ewan S. Downie	Mesa Resources Inc. - Flow-Through Shares	20,000.00	100,000.00
03-Oct-2003	JMM Trading	Metallic Ventures Inc. - Warrants	231,250.00	125,000.00
14-Nov-2003	Creststreet 2003 Limited Partnership	Mount Copper Wind Power Energy Inc. - Shares	2,400,000.00	1,200,000.00
10-Nov-2003	3 Purchasers	Mount Copper Wind Power Energy Inc. - Shares	0.03	3.00
06-Nov-2003	1278603 Ontario Inc.	N-able Technologies Inc. - Shares	225,015.00	30,000.00
04-Nov-2003	Credit Risk Advisors	Nalco Company - Notes	13,320,000.00	1.00
23-Oct-2003	Francesco Labricciosa and Daryl Charanduk	Navaho Networks Inc. - Common Shares	126,750.00	126,750.00
17-Sep-2003	Altamira Management Ltd.	Neurocrine Biosciences - Stock Option	795,000.00	15,000.00
16-Sep-2003	4 Purchasers	NII Holdings Inc. - Notes	2,250,000.00	2,250,000.00
12-Nov-2003	George Grant;Peter M. Karlechuk	Northwestern Mineral Ventures Inc. - Special Warrants	200,000.00	2,000,000.00
14-Nov-2003	6 Purchasers	O'Donnell Emerging Companies Fund - Units	345,348.20	43,984.00
06-Nov-2003	AIG Global Investment Corp. (Canada)	Oban Trust - Notes	30,000,000.00	30,000,000.00
11-Nov-2003	Gilbert M. Plummer;David Lick	Online Hearing.com Inc. - Debentures	3,500.00	3,500.00
06-Nov-2003	3 Purchasers	OntZinc Corporation - Common Shares	52,500.00	350,000.00
29-Oct-2003	11 Purchasers	OnX Enterprise Solutions Inc. - Units	2,080,006.00	5,473,700.00

07-Nov-2003	First Assciates Inc.;Global Securities	ORE-LEAVE CAPITAL INC. - Units	9,900.00	2,650,000.00
17-Nov-2003	Robert D'Alessandro	Oxford Software Developers Inc. - Common Shares	3,000.00	3,000.00
05-Nov-2003	8 Purchasers	Pan-Ocean Energy Corporation Limited - Special Warrants	7,800,000.00	975,000.00
10-Nov-2003	Brian L. Bickerton	Pan African Mining Corp. - Common Shares	100,000.00	200,000.00
13-Nov-2003	George Vautour	Paragon Pharmacies Ltd. - Common Shares	25,000.00	25,000.00
12-Nov-2003	Larry Barakett	Partners in Planning Financial Group Ltd. - Common Shares	40,000.00	2,000.00
30-Jan-2003	4 Purchasers	Patricia Mining Corp. - Common Shares	115,000.00	383,334.00
06-Nov-2003	HSBC SECURITIES ITF LYNN	Pele Mountain Resources Inc. - Units	100,000.00	200,000.00
31-Oct-2003	6 Purchasers	Performance Market Neutral Fund - Limited Partnership Units	3,445,000.00	2,087.00
07-Nov-2003	Matthew McCormack Greg Roberts	PGM Ventures Corporation - Common Shares	15,000.00	34,090.00
06-Nov-2003	Ontario Teachers' Pension Plan	PICC Property and Casualty Company Limited - Shares	113,286.59	366,000.00
10-Oct-2003	Silvercreek Management Inc.	Placer Dome Inc. - Debentures	100,000.00	100,000.00
07-Nov-2003	4 Purchasers	Probe Mines Limited - Common Shares	120,000.00	2,000,000.00
03-Nov-2003	Sun Life Assurance Company of Canada	QSPE-VFC Trust II - Notes	1,500,000.00	1.00
29-Oct-2003	8 Purchasers	Quincy Resources Inc. - Common Shares	455,000.00	1,300,000.00
13-Nov-2003	3 Purchasers	Radius Explorations Ltd. - Units	480,000.00	320,000.00
10-Nov-2003	Robert Pollock	Recognia Inc. - Promissory note	5,000.00	1.00
04-Nov-2003	Canadian Medical Discoveries Fund Inc.	Resonant Medical Technologies Inc. - Preferred Shares	500,000.00	235,849.00
04-Nov-2003	Canadian Medical Discoveries Fund II Inc.	Resonant Medical Technologies Inc. - Shares	3,000,000.00	1,415,094.00
04-Nov-2003	Canadian Medical Discoveries Fund Inc.	Resonant Medical Technologies Inc. - Shares	2,500,000.00	1.00
06-Nov-2003	5 Purchasers	Rosetta Exploration Inc. - Common Shares	2,312,900.00	2,721,058.00
07-Nov-2003	11 Purchasers	RSX Energy Inc. - Flow-Through Shares	2,494,399.00	3,005,300.00

07-Nov-2003	Sprott Asset Management Inc.	Samex Mining Corp. - Units	980,000.00	1,400,000.00
07-Nov-2003	N/A	SciVest Canadian Holdings Inc. - Debentures	2,000,000.00	2,000,000.00
11-Nov-2003	NCE Flow-Through (2003-2) Limited Partnership	Seabridge Gold Inc. - Common Shares	1,008,000.00	240,000.00
03-Nov-2003 17-Nov-2003	468 Purchasers	Second World Trader Inc. - Units	746,530.00	3,020.00
06-Nov-2003	NCE Flow-Through (2003-2) Limited Partnership MRF 2003 II Resource Limited Partnership	Shaker Resources Inc. - Flow-Through Shares	-1,250,028.00	694,460.00
04-Nov-2003	Sprott Asset Management Inc.	Solitario Resources Corporation - Shares	1,800,000.00	1,500,000.00
10-Nov-2003	William White	South American Gold and Copper Company Limited - Units	269,990.00	3,857,000.00
10-Nov-2003	Galileo Equity Management Inc.	Sparton Resources Inc. - Special Warrants	86,000.00	200,000.00
13-Nov-2003	Band-Ore Resources Ltd	Staccato Gold Resources Ltd. - Shares	15,000.00	150,000.00
13-Nov-2003	7 Purchasers	Staccato Gold Resources Ltd. - Units	47,500.00	475,000.00
01-Nov-2003	Paul J. Schellenberg;Speare Investments Limited	Stacey Investment Limited Partnership - Limited Partnership Units	115,017.10	4,121.00
05-Nov-2003	Steve Brunelle	Stingray Resources Inc. - Common Shares	160,000.00	1,066,667.00
04-Nov-2003	CMP 2003 Resource Limited Partnership;Mavrix Exploration	Stratagold Exploration NC - Special Warrants	400,000.00	1,000,000.00
12-Nov-2003	Jeffrey Mackie	Synenco Energy Inc. - Units	24,000.00	300.00
18-Nov-2003	30 Purchasers	Tahera Corporation - Units	2,099,400.00	13,122,050.00
05-Nov-2003	3 Purchasers	Telebec Limited Partnership - Debentures	13,000,000.00	3.00
10-Nov-2003	Credit Risk Advisors Bank of Montreal	Terex Corporation - Notes	910,364,994.00	7,000,000.00
01-Oct-2003	Henry Fiorillo Investments Ltd. Ronald & Nancy Webb	The Alpha Fund - Limited Partnership Units	1,250,000.00	10.00
17-Nov-2003	Elliott & Page	Thornburg Mortgage, Inc. - Notes	2,064,781.25	8.00
31-Oct-2003	Covington Fund II Inc.	TNR Industrial Doors Inc. - Common Shares	250,000.00	250,000.00
10-Nov-2003	78 Purchasers	Toronto Realty Growth Fund IV Limited Partnership - Units	18,395,750.00	18,395,750.00

31-Oct-2003	3323455 Canada Inc.;Total First Aid;Inc.	Total First Aid Inc. - Common Shares	1,938,516.90	9,785,178.00
06-Nov-2003	Steel Investments Ltd.	Trez Capital Corporation - Mortgage	150,000.00	150,000.00
17-Nov-2003	Perry English	Tribute Minerals Inc. - Common Shares	37,500.00	150,000.00
17-Oct-2003	Faye Caswell	Trident Global Opportunities Fund - Redeemable Shares	500,000.00	4,402.00
24-Oct-2003	John Weinseis	Trident Global Opportunities Fund - Units	25,271.00	251.00
24-Oct-2003	3 Purchasers	Trident Global Opportunities Fund - Units	325,465.00	3,018.00
31-Oct-2003	IRV Kleiner	Trident Global Opportunities RSP Fund - Units	25,000.00	248.00
10-Nov-2003	The Canadian Medial Protective Association	TriWest Capital Growth Fund Limited Partnership No.II - Limited Partnership Interest	10,000,000.00	1.00
31-Oct-2003	Wayne Fowler	Tubtron Controls Corp. - Common Shares	50,000.00	100,000.00
13-Nov-2003	7 Purchasers	TVI Pacific Inc. - Units	123,500.79	1,764,297.00
01-Jan-2003 31-Mar-2003	13 Purchasers	UBS (Canada) American Equity Fund - Units	11,805,744.00	980,948.00
01-Apr-2003 30-Jun-2003	13 Purchasers	UBS (Canada) American Equity Fund - Units	18,721,562.00	1,490,679.00
01-Jul-2003 30-Sep-2003	9 Purchasers	UBS (Canada) American Equity Fund - Units	10,674,021.00	0.00
01-Jul-2003 30-Sep-2003	Sunlife Alliance	UBS (Canada) Balanced Capped Fund - Units	641,006.19	75,382.00
01-Apr-2003 30-Jun-2003	Sun Life Alliance	UBS (Canada) Balanced Capped Fund - Units	1,695,173.11	206,329.00
01-Jan-2003 31-Mar-2003	Sun Life Alliance	UBS (Canada) Balanced Capped Fund - Units	1,950,475.14	244,250.00
01-Jan-2003 31-Mar-2003	Clarica Non-Taxable and Standard Life Assurance	UBS (Canada) Balanced Fund - Units	6,468,237.47	473,450.00
01-Apr-2003 30-Jun-2003	Clarica Non-Taxable and Standard Life Assurance	UBS (Canada) Balanced Fund - Units	7,267,828.20	504,667.00
01-Jul-2003 30-Sep-2003	Clarica Non-Taxable and Standard Life Assurance	UBS (Canada) Balanced Fund - Units	3,924,958.29	266,802.00
01-Jul-2003 30-Sep-2003	13 Purchasers	UBS (Canada) Bond Fund - Units	29,200,510.00	3,259,092.00
01-Apr-2003 30-Jun-2003	13 Purchasers	UBS (Canada) Bond Fund - Units	42,104,866.00	4,696,571.00

01-Jan-2003 31-Mar-2003	10 Purchasers	UBS (Canada) Bond Fund - Units	12,242,106.00	1,385,287.00
01-Jan-2003	9 Purchasers	UBS (Canada) Canada Equity Capped Fund - Units	15,793,865.00	195,844.00
01-Jul-2003	3 Purchasers	UBS (Canada) Canada Plus Equity Fund - Units	7,473,622.00	550,916.00
01-Jan-2003 31-Mar-2003	4 Purchasers	UBS (Canada) Canada Plus Equity Fund - Units	12,098,143.00	986,570.00
01-Apr-2003 30-Jun-2003	3 Purchasers	UBS (Canada) Canada Plus Equity Fund - Units	16,398,738.00	1,262,201.00
01-Jul-2003 30-Jun-2003	5 Purchasers	UBS (Canada) Canadian Equity Capped Fund - Units	1,058,251.00	133,668.00
01-Apr-2003 30-Jun-2003	7 Purchasers	UBS (Canada) Canadian Equity Capped Fund - Units	5,563,862.00	729,739.00
01-Jan-2003 31-Mar-2003	4 Purchasers	UBS (Canada) Canadian Equity Capped Fund - Units	3,490,366.00	489,675.00
01-Jul-2003 30-Sep-2003	9 Purchasers	UBS (Canada) Canadian Equity Fund - Units	77,360,744.00	869,727.00
01-Apr-2003 30-Jun-2003	9 Purchasers	UBS (Canada) Canadian Equity Fund - Units	96,844,091.00	1,102,748.00
01-Jan-2003 31-Mar-2003	6 Purchasers	UBS (Canada) Diversified Fund - Units	3,955,464.00	274,724.00
01-Apr-2003 30-Jun-2003	4 Purchasers	UBS (Canada) Diversified Fund - Units	87,139,568.00	5,692,644.00
01-Jul-2003 30-Sep-2003	4 Purchasers	UBS (Canada) Diversified Fund - Units	80,570,304.00	5,249,917.00
01-Apr-2003 30-Jun-2003	Clarica Non-taxable	UBS (Canada) Emerging Technology Fund - Units	5,977.00	2,034.00
01-Jan-2003 31-Mar-2003	Clarica Non-Taxable	UBS (Canada) Emerging Technology Fund - Units	36,096.00	11,591.00
01-Jan-2003 31-Mar-2003	CDA Life Taxable Alliance	UBS (Canada) Global Bond Fund - Units	1,281,364.00	111,992.00
01-Apr-2003 30-Jun-2003 Fund	CDA Life Taxable Alliance and Empire global Balanced	UBS (Canada) Global Bond Fund - Units	805,598.99	74,767.00
01-Jul-2003 30-Sep-2003	CDA Life Taxable Alliance and Empire Global Balanced Fund	UBS (Canada) Global Bond Fund - Units	366,149.32	34,447.00
19-Nov-2003	10 Purchasers	Val Vista Energy Ltd. - Shares	2,129,000.00	9,200,000.00
13-Nov-2003	6 Purchasers	Veteran Resources Inc. - Flow-Through Shares	2,021,366.00	2,887,666.00
06-Nov-2003	3 Purchasers	Volcanic Metals Exploration Inc. - Common Shares	33,750.00	225,000.00

06-Nov-2003	11 Purchasers	Vulcan Minerals Inc. - Units	1,827,299.70	5,268,476.00
07-Nov-2003	RoyNat Business Capital Inc.	Xentel DM Incorporated - Warrants	301,500.00	450,000.00
05-Nov-2003	31 Purchasers	Yangtze Telecom Corp. - Units	2,687,500.00	2,150,000.00
11-Nov-2003	Joseph L. Rotman;Abraham Strahl	Zidane Energy Inc. - Common Shares	270,000.00	675,000.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
05-Nov-2003	LH Enterprises Company Inc.	Crowflight Minerals Inc. - Common Shares		30,000.00

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

Seller	Security	Number of Securities
GrowthWorks WV Canadian Fund Inc.	AlarmForce Industries Inc. - Common Shares	2,353,995.00
Pinetree Capital Corp.	Brownstone Resources Inc. - Common Shares	1,000,000.00
Arnold T. Kondrat	BRC Development Corporation - Common Shares	400,000.00
Larry Melnick	Champion Natural Health.com Inc. - Shares	429,665.00
CMG Reservoir Simulation Foundation	Computer Modelling Group Ltd. - Common Shares	615,900.00
Estill Holdings Limited	EMJ Data Systems Ltd. - Common Shares	344,500.00
Taronga Holdings Limited	Extendicare Inc. - Shares	12,000.00
The Schad Foundation	Husky Injection Molding Systems Ltd. - Common Shares	999,900.00
824401 Alberta Inc.	Husky Injection Molding Systems Ltd. - Common Shares	499,900.00
Ahmad Akrami	Industrialex Manufacturing Corp. - Common Shares	633,000.00
G. Michael Newman	InterRent International Properties Inc. - Common Shares	600,000.00
Dixie Gillies	InterRent International Properties Inc. - Common Shares	300,000.00
Mustang Minerals Corp.	JML Resources Ltd. - Common Share Purchase Warrant	697,483.00
Mustang Minerals Corp.	JML Resources Ltd. - Common Shares	2,431,999.00
Belinda Stronach	Magna International Inc. - Shares	677.00
Miles S. Nadal	MDC Corporation Inc. - Common Shares	200,000.00
Global Communications Limited	Medbroadcast Corporation - Common Shares	4,895,833.00

Stephen Sham	MedMira Inc. - Common Shares	499,000.00
Susan M. S. Gastle	Microbix Biosystems Inc. - Common Shares	7,548.00
William J. Gastle	Microbix Biosystems Inc. - Common Shares	477,133.00
Paros Enterprises Limited	Morguard Corporation - Common Shares	2,000,000.00
J. Paul Kraik	Ontario Hose Specialties Inc. - Common Shares	22,367,180.00
Lee Heitman	Partner Jet Corp. - Common Shares	2,703,544.00
Conor Pacific Canada Inc.	Precision Assessment Technology Corporation - Common Shares	612,021.00
Andrew J. Malion	Spectra Inc. - Common Shares	275,000.00
DKRT Family Corp.	The Thomson Corporation - Common Shares	100,000.00
Donald R. Sheldon	Vertigo Software Corp. - Common Shares	500,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AltaLink, L.P.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 25, 2003
Mutual Reliance Review System Receipt dated November 25, 2003
Offering Price and Description:
$125,000,000.00 - 5.43% Senior Bonds, Series 03-2, due June 5, 2013
Price: 101.049% per Series 03-2 Bond
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #592155

Issuer Name:
Bissett Canadian Short Term Bond Fund
Bisset Income Trust and Dividend Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated November 19, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
Series A, F, and O Units
Underwriter(s) or Distributor(s):
Franklin Templeton Investments Corp.
Franklin Templeton Investments Corp.
Promoter(s):
-
Project #590806

Issuer Name:
Covington Strategic Capital Fund Inc.
Type and Date:
Preliminary Prospectus dated November 21, 2003
Receipted on November 21, 2003
Offering Price and Description:
Class A Shares, Series I and II
Initial Offering Price: $12.00 per Class A Share
Continuous Offering Price: Net Asset Value per Series I Share or Series II Share
Minimum Initial Subscription: $500
Minimum Subsequent Subscription: $25
For Pre-Authorized Chequing Plan, Minimum Subscription $25
Underwriter(s) or Distributor(s):
Promoter(s):
Covington Capital Corporation
Project #591085

Issuer Name:
Crescent Point Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 24, 2003
Mutual Reliance Review System Receipt dated November 24, 2003
Offering Price and Description:
$30,000,000.00 - 2,500,000 Trust Units Price: $12.00 per Trust Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
FirstEnergy Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
First Associates Investments Inc.
Haywood Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #591943

Issuer Name:
Dundee Wealth Management Inc.
Principal Regulator - Ontario
Type and Date:
Amendment dated November 18, 2003 to Preliminary Long Form Prospectus dated September 29, 2003
Mutual Reliance Review System Receipt dated November 20, 2003
Offering Price and Description:
$ * - * Subscription Receitps, each representing the right to receive one Common Share Price: $ * per Subscription Receipt
Underwriter(s) or Distributor(s):
Grtffiths McBurney & Partners
National Bank Financial Inc.
CIBC World Markets Inc.
Dundee Securities Corporation
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
-
Project #576820

Issuer Name:
Dynamic Venture Opportunities Fund Ltd.
Type and Date:
Preliminary Prospectus dated November 24, 2003
Receipted on November 24, 2003
Offering Price and Description:
Shares, Series II
Continuous Offering Price - Net Asset Value Per Share
Underwriter(s) or Distributor(s):
Dynamic Mutual Funds Ltd.
Promoter(s):
-
Project #591676

Issuer Name:
Enerplus Resources Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 19, 2003
Mutual Reliance Review System Receipt dated November 19, 2003
Offering Price and Description:
$142,600,000.00 - 4,000,000 Trust Units Price: $35.65 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Desjardins Securities Inc.
Raymond James Ltd.
Dundee Securities Corporation
Peters & Co. Limited
Promoter(s):
-
Project #590346

Issuer Name:
Financial Industry Opportunities Fund Inc.
Type and Date:
Preliminary Prospectus dated November 25, 2003
Receipted on November 25, 2003
Offering Price and Description:
CLASS A SHARES - Initial Offering Price: $10 per Class A Share
Continuous Offering: Net Asset Value per Class A Share
Minimum Subscription: $500 initially and $50 subsequently
Underwriter(s) or Distributor(s):
-
Promoter(s):
CFPA Sponsor Inc.
Triax-Covington Corporation
Project #592221

Issuer Name:
First One Capital Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 24, 2003
Offering Price and Description:
$1,250,000 Minimum and $1,500,000 Maximum
Offering of: A minimum of 4,166,667 Common Shares and a maximum of 5,000,000 Common Shares
Price: $0.30 per Common Share
Underwriter(s) or Distributor(s):
Investpro Securities Inc.
Promoter(s):
Jennifer Dewling
Allan Bezanson
Chris Tambakis
John Hamilton
Project #591722

Issuer Name:
Harmony RSP Maximum Growth Portfolio
Harmony RSP Growth Portfolio
Harmony RSP Balanced Portfolio
Harmony RSP Aggressive Growth Portfolio
Harmony Maximum Growth Portfolio
Harmony Growth Portfolio
Harmony Conservative Portfolio
Harmony Balanced Portfolio
Harmony Aggressive Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated November 20, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
Wrap Series and Embedded Series Units
Underwriter(s) or Distributor(s):
AGF Fund Inc.
AGF Funds Inc.
Promoter(s):
AGF Funds Inc.
Project #590973

Issuer Name:
Hawk Energy Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated November 20, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
3,500,000 Class A Shares Issuable upon the Exercise of Special Warrants
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Promoter(s):
Stephen J. Fitzmaurice
Erik A. DeWiel
Randolph D. Deodald
David N. Bonnar
Project #591464

Issuer Name:
Hot House Growers Income Fund
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Prospectus dated November 18, 2003
Mutual Reliance Review System Receipt dated November 19, 2003
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Promoter(s):
Canagro Produce Ltd.
Century Pacific Greenhouses Ltd.
Project #588443

Issuer Name:
MINERALFIELDS 2003 FLOW-THROUGH LIMITED PARTNERSHIP
Principal Regulator - Ontario
Type and Date:
Amended Preliminary Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 25, 2003
Offering Price and Description:
$15,000,000 (Maximum Offering) -$3,000,000 (Minimum Offering)
A Maximum of 1,500,000 and a Minimum of 300,000 Limited Partnership Units
Minimum Subscription: 500 Units Subscription Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Queensbury Securities Inc.
Haywood Securities Inc.
Promoter(s):
MineralFields 2003 Inc.
Project #583450

Issuer Name:
Peak Energy Services Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
$9,450,000.00 - 3,500,000 Common Shares Price: $2.70 per Common Share
Underwriter(s) or Distributor(s):
Orion Securities Inc.
Sprott Securities Inc.
Griffiths McBurney & Partners
National Bank Financial Inc.
Promoter(s):
-
Project #591416

Issuer Name:
Petrofund Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 20, 2003
Mutual Reliance Review System Receipt dated November 20, 2003
Offering Price and Description:
$97,200,000.00 - 6,000,000 Trust Units Price: $16.20 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Raymond James Ltd.
FirstEnergy Capital Corp.
First Associates Investments Inc.
Promoter(s):
-
Project #590780

Issuer Name:
RBC Investments North American-Canadian Focus Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 24, 2003
Offering Price and Description:
Advisor Series and Series F Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
RBC Dominion Securities Inc.
Promoter(s):
RBC Asset Management Inc.
Project #591823

Issuer Name:
Scandinavian Gold Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
A Minimum of * Units and a Maximum of * Units and 696,000 Common Shares and 696,000 Series A Share Purchase Warrants issuable upon the exercise of 696,000 previously issued Special Warrants
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
-
Project #591247

Issuer Name:
Vermilion Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
$77,550,000.00 - 5,500,000 Trust Units Price : $14.10 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Scotia Capital Inc.
FirstEnergy Corp.
Promoter(s):
-
Project #591450

Issuer Name:
Advantage Energy Income Fund
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
$80,325,000.00 - 5,100,000 Trust Units $60,000,000 8.25% Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
FirstEnergy Capital Corp.
Raymond James Ltd.
Promoter(s):
-
Project #588427

Issuer Name:
BMO International Equity Fund
BMO Global Opportunities Class
Principal Regulator - Ontario
Type and Date:
Amendment #4 dated November 20, 2003 to the Final Simplified Prospectuses and Annual Information Forms dated February 22, 2003
Mutual Reliance Review System Receipt dated November 24, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Investments Inc.
BMO Investments Inc.
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #505622

Issuer Name:
Imperial Canadian Income Trust Pool
(Formerly TAL Private Income Trust Fund)
Imperial Canadian Dividend Pool
(Formerly TAL Private Dividend Income Fund)
Imperial Overseas Equity Pool
(Formerly TAL Private International Equity Fund)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated November 19, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Canadian Imperial Bank of Commerce
Project #570262

Issuer Name:
Mackenzie Universal RSP Sustainable Opportunities Fund
(Formerly Mackenzie Universal RSP Global Ethics Fund)
Mackenzie Universal RSP Growth Trends Fund
Mackenzie Select Managers RSP Far East Fund
(Formerly Mackenzie Universal RSP Select Managers Far East Fund)
Mackenzie Select Managers RSP International Fund
(Formerly Mackenzie Universal RSP Select Managers International Fund)
Mackenzie Select Managers RSP Japan Fund
(Formerly Mackenzie Universal RSP Select Managers Japan Fund)
Mackenzie Universal RSP Financial Services Fund
Mackenzie Universal RSP Emerging Technologies Fund
Mackenzie Universal RSP Health Sciences Fund
Mackenzie Universal RSP World Science & Technology Fund
Principal Regulator - Ontario
Type and Date:
Amendment No. 4 dated November 17th, 2003 to the Simplified Prospectuses dated December 20th, 2002 and Amendment No. 5 dated November 17th, 2003 to the Annual Information Forms dated December 20th, 2002
Mutual Reliance Review System Receipt dated November 25, 2003
Offering Price and Description:
Series A, F, I and O Units
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Mackenzie Financial Corporation
Promoter(s):
Mackenzie Financial Corporation
Project #494068

Issuer Name:
NSC Global Balanced Fund
NSC Canadian Equity Fund
NSC Canadian Balanced Income Fund
Type and Date:
Final Simplified Prospectuses dated November 21, 2003
Receipted on November 25, 2003
Offering Price and Description:
Class A and Class I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #581544

Issuer Name:
Renaissance Canadian Money Market Fund
Renaissance Canadian T-Bill Fund
Renaissance U.S. Money Market Fund
Renaissance Canadian Bond Fund
Renaissance Canadian Real Return Bond Fund
Renaissance Canadian Dividend Income Fund
Renaissance Canadian High Yield Bond Fund
Renaissance Canadian Income Trust Fund
Renaissance Canadian Income Trust Fund II
Renaissance Canadian Balanced Fund
Renaissance Canadian Balanced Value Fund
Renaissance Canadian Core Value Fund
Renaissance Canadian Growth Fund
Renaissance Canadian Small Cap Fund
Renaissance U.S. Basic Value Fund
Renaissance U.S. Fundamental Growth Fund
Renaissance U.S. RSP Index Fund
Renaissance Developing Capital Markets Fund
Renaissance Euro Fund
Renaissance International Growth Fund
Renaissance International Growth RSP Fund
Renaissance International RSP Index Fund
Renaissance Tactical Allocation Fund
Renaissance Tactical Allocation RSP Fund
Renaissance Global Growth Fund
Renaissance Global Growth RSP Fund
Renaissance Global Opportunities Fund
Renaissance Global Opportunities RSP Fund
Renaissance Global Sectors Fund
Renaissance Global Sectors RSP Fund
Renaissance Global Technology Fund
Renaissance Global Technology RSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated November 17, 2003
Mutual Reliance Review System Receipt dated November 19, 2003
Offering Price and Description:
Class A and Class F Units
Underwriter(s) or Distributor(s):
CIBC Securities Inc.
Promoter(s):
CIBC Asset Management Inc.
Project #579043

Issuer Name:
Saxon High Income Fund
Saxon Balanced Fund
Saxon Stock Fund
Saxon Small Cap
Saxon World Growth
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated November 19, 2003
Mutual Reliance Review System Receipt dated November 21, 2003
Offering Price and Description:
Class A Units and Class B Units
Underwriter(s) or Distributor(s):
Saxon Mutual Funds Limited
Howson Tattersall Investment Counsel Limited
Promoter(s):
Saxon Funds Management Limited
Project #581529

Issuer Name:
Trimark Enterprise Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated November 24, 2003 to Final Simplified Prospectuses and Annual Information Forms dated August 15, 2003
Mutual Reliance Review System Receipt dated November 25, 2003
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
AIM Funds Management Inc.
AIM Funds Management Inc.
AIM Funds Group Canada Inc.
Promoter(s):
AIM Funds Management Inc.
Project #555579

Issuer Name:
TriOil Ltd.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated November 21, 2003
Mutual Reliance Review System Receipt dated November 24, 2003
Offering Price and Description:
Minimum: $750,000.00 - (2,500,000 Flow-Through Shares)
Maximum: $1,500,000.00 - (5,000,000 Flow-Through Shares)
Price: $0.30 per Flow-Through Share
Underwriter(s) or Distributor(s):
Woodstone Capital Inc.
Promoter(s):
Joseph M. Dutton
Robert M. Libin
Project #578342

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Barret Capital Management Inc. Attention: Jamie Cohen 55 Eglinton Avenue East Suite 205 Toronto ON M4P 1G8	Futures Commission Merchant	Nov 19/03
New Registration	Enhanced Investment Technologies, LLC Attention: Laurie Cook c/o Borden Ladner Gervais LLP Scotia Plaza 40 King Street West Suite 4400 Toronto ON M5H 3Y4	International Adviser (Investment Counsel & Portfolio Manager)	Nov 20/03
New Registration	Lee Overlay Partners Limited Attention: Allan M. Barry 38 Wellington Road Ballsbridge, Dublin Ireland 4	International Adviser (Investment Counsel & Portfolio Manager)	Nov 21/03

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Disciplinary Hearing - James Moon and Benjamin Gelfand

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF
JAMES MOON AND BENJAMIN GELFAND

November 21, 2003 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing is scheduled to commence on December 8, 2003 before a panel of the Ontario District Council of the Association in respect of matters for which James Moon and Benjamin Gelfand may be disciplined by the Association.

The hearing relates to allegations that while registered representatives at the Toronto office of TD Evergreen, Mr. Moon and Mr. Gelfand engaged in an unsuitable trading strategy, executed authorized trades and improperly updated an Account Application Form in relation to one of their clients.

The hearing is scheduled for 7 days commencing on December 8, 2003 at 1:00 p.m. or as soon as thereafter at ADR Chambers located at 48 Yonge Street, Suite 1100, in Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters. Copies of the Decision of the District Council will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

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

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

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