The Ontario Securities Commission

OSC Bulletin

June 25, 2004

Volume 27, Issue 26

(2004), 27 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.

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ISSN 0226-9325
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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JUNE 25, 2004

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
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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
July 5, 2004 10:00 a.m.	**Argus Corporation Ltd.** s.127 J. Naster in attendance for Staff Panel: SWJ/RWD/ST
July 9, 2004 10:00 a.m.	**Gouveia et al** s. 127 M. Britton in attendance for Staff Panel: PMM
July 9, 2004 2:00 p.m.	**First Federal Capital Inc. and Monte Morris Friesner** s. 127 A. Clark in attendance for Staff Panel: PMM/MTM/HPH
July 30, 2004 (on or about) 10:00 a.m.	**Mark E. Valentine** s. 127 A. Clark in attendance for Staff Panel: TBD
August 26, 2004 (on or about) 10:00 a.m.	**Brian Anderson and Flat Electronic Data Interchange ("F.E.D.I.")** s. 127 K. Daniels in attendance for Staff Panel: HLM/RLS

October 18 to 22, 2004 October 27 to 29, 2004 November 2, 3, 5, 8, 10-12, 15, 17, 19, 2004 10:00 a.m.	**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: PMM/MTM/PKB

ADJOURNED SINE DIE

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 Ministerial Approval of Amendments to OSC Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions

NOTICE OF MINISTERIAL APPROVAL OF AMENDMENTS TO RULE 61-501 – *INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS*

On June 14, 2004, the Chair of the Management Board of Cabinet approved amendments to Ontario Securities Commission Rule 61-501 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*. The amendments will come into force on June 29, 2004. Amendments to Companion Policy 61-501CP will come into force on the same date.

The amendments to the Rule and Companion Policy are published in Chapter 5 of this Bulletin. Materials related to the amendments were previously published in the Bulletin on February 28, 2003, January 9, 2004 and May 7, 2004.

1.1.3 Statement of Priorities for the Financial Year to End March 31, 2005

NOTICE OF STATEMENT OF PRIORITIES

FOR FINANCIAL YEAR TO END MARCH 31, 2005

The *Securities Act* requires the Commission to deliver to the Minister by June 30th of each year a statement of the Commission setting out its priorities for its current financial year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities. The first such statement was delivered for the year ended March 31, 1995 (18 OSCB 2962).

In the notice published by the Commission on April 16, 2004 (27 OSCB 4033), the Commission set out its proposed Statement of Priorities and invited public input in advance of finalizing and publishing the 2004/2005 Statement of Priorities. As of June 15, 2004, eleven responses had been received. The Commission wants to thank all the parties who have provided comments.

Most of the suggestions were supportive and focused on specific action steps that could be taken to achieve the identified priorities. There continues to be strong support for initiatives that would improve the efficiency of our markets through harmonization of regulatory requirements. The approaches preferred by respondents to improve the regulatory system ranged from the development of a single, harmonized regulatory regime to implementation of a single, national regulator model. In response to the comments received related to the Fair Dealing Model initiative, the wording for this initiative has been revised. The 2004/2005 Financial Outlook was also revised to reflect our finalized budget.

June 24, 2004.

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THE ONTARIO SECURITIES COMMISSION

STATEMENT OF PRIORITIES

FOR

FISCAL 2004/2005

June 2004

The *Securities Act* requires the Ontario Securities Commission (OSC) to deliver to the Minister, and to publish in its Bulletin by June 30 of each year, a statement by the Chair setting out the proposed priorities for the Commission for its current financial year. The OSC remains committed to delivering its regulatory services in a businesslike manner and to working closely with its CSA colleagues and market participants to ensure that the regulatory system remains relevant to the changing marketplace. The Statement of Priorities articulates the business strategy and priorities the OSC has set for 2004/2005 to accomplish these goals.

Our Vision Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they are cost efficient and have integrity.

Our Mandate To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity.

Our Approach We will be:

- Proactive, innovative and cost effective in carrying out our mandate,
- Fair and rigorous in applying the rules to the marketplace, and
- Timely, flexible and sensible in applying our regulatory powers to a rapidly changing marketplace.

Key challenges

The OSC recognizes that we must address a number of key trends and changes affecting our business

environment, capital markets, market participants and the global regulatory framework.

Enhancing public confidence in capital markets

The need to promote public confidence in our capital market continues. In March 2004, the OSC finalized three rules as part of its investor confidence initiative. We need to ensure that we actively monitor compliance with these new requirements. The *Securities Act* has been amended to include provisions that strengthen the regulatory framework and enhance investor confidence. The OSC will also need to ensure that we apply and administer these powers in an appropriate and balanced fashion.

Streamlining the securities regulatory process

The costs and complexities associated with doing business with as many as 35 different regulators with differing rules and regulations across Canada are generating increasing dissatisfaction with the structure of financial services regulation, and in particular, securities regulation, in Canada. This fragmented regulatory environment is cumbersome, costly and frustrating for stakeholders. It negatively impacts the competitiveness of our capital market and ultimately the ability of our market participants to raise capital on a cost effective basis.

Global integration of markets and market participants

Financial markets are global. Borders no longer serve as barriers to capital flows. Those seeking to invest and those seeking capital go where they see the opportunity for the best returns for the risks assumed. As capital flows become global, so do the market intermediaries and infrastructure servicing the business. Many of the largest intermediaries are global conglomerates combining banking, insurance and securities services in one entity.

Changing investor demographics

The past decade has seen significant growth in the investor community in Canada. Institutional investors are becoming larger and more sophisticated, while investment in the markets by retail investors has grown significantly - both directly and through the purchase of investment funds. Both groups need to have confidence in the integrity of the capital market, but their informational and educational needs may be very different.

Rapid pace of innovation

Competition is driving market innovation both in terms of radical changes to the form, risk profile and presentation of traditional products as well as in the creation of ever more sophisticated financial products, trading techniques and strategies. Technology facilitates these changes, making innovative products and services easier and cheaper to design, market and deliver to the consumer. The functions of intermediaries are changing. Trades can be executed directly from any location. The emergence of direct links into existing trading platforms, bypassing investment dealers, and the proliferation of alternative marketplaces have fundamentally altered the structure of the financial environment.

What this means for the OSC

For Canadian financial markets to be attractive to all market participants, they must be and be seen to be fair and efficient while still protecting investors. Given the trends and challenges outlined above, we need to find creative and innovative solutions to new issues, be willing to re-evaluate existing practices in light of changing circumstances and to make decisions at the pace at which our markets are changing. We need to operate in a transparent and accountable manner and to enforce clear rules in a consistent and visible manner.

To meet the challenges facing our capital market, we will focus on:

- Maintaining a globally competitive regulatory regime that effectively addresses investor protection,
- Developing and distributing targeted, understandable and relevant public education programs and resources designed to help investors with financial decision making so they can protect themselves,
- Insisting that investors have access to understandable, accurate and complete disclosure they need to make informed investment decisions,
- Preventing, detecting and deterring abuses in our capital market,
- Ensuring that our reliance on self regulatory organizations (SRO's) is providing appropriate results for market participants,
- Fostering cohesive regulation to minimize the burden on market participants,
- Facilitating the fair and efficient operation of exchanges, clearing and settlement functions and other elements of the market infrastructure,
- Building on our relationships in the regulatory community, both domestic and international, making use of the best lessons from each and relying on their expertise when practical.

The identified trends and challenges also underscore the ongoing need for us to ensure that our operations are efficient and effective and to continuously work to improve our client service delivery. As part of this process we will work to develop appropriate responses to the issues identified in the Report of the Five Year Review Committee, the Insider Trading Task Force Report and the Regulatory Burden Task Force Report.

Our goals

The OSC is committed to achieving our vision. To do so, we have developed a four-year strategic plan. In implementing it, we will at all times act consistently with our mandate.

Fundamentally, the OSC will focus on making our capital market safer, more efficient and easier to access and use for market participants. Our plan calls for stepping up our efforts in the following areas:

- Promoting harmonization of regulatory systems both domestically and internationally, including pursuing a single securities regulator administering a Canada-wide securities code,
- Undertaking prevention-oriented activities, including proactive public education,
- Taking a risk-based approach to regulation, and
- Being less prescriptive and more flexible in our regulatory approach wherever practical.

Across the planning horizon we will strive to achieve the following outcomes:

1. Ontario's capital market and financial services regulatory system will be fully consolidated, harmonized nationally, and coordinated internationally.

We will achieve this outcome by:

a) Engaging regulators, governments and industry participants in moving towards a single securities regulator or a more effective national securities regulatory system with a uniform securities code,

b) Participating actively in the International Organization of Securities Commissions (IOSCO), the Council of Securities Regulators of the Americas (COSRA) and the national and international Joint Forum of Financial Regulators and, where appropriate, providing leadership on initiatives. Fostering inter-jurisdictional co-operation to reduce impediments to information sharing and enforcement support.

c) Providing an effective enforcement deterrent through increased coordination with other enforcement agencies and regulators, including participation with the RCMP on Integrated Market Enforcement Teams (IMETs) designed to respond to major capital markets fraud and market-related crimes.

d) Continuing to improve the national electronic information systems (e.g. SEDI, SEDAR, NRD) and to lever these investments to facilitate the activities of market participants, and

e) Pursuing measures to strengthen the Canadian securities clearing and settlement system, including leading CSA initiatives to support implementation of a Uniform Securities Transfer Act and regulatory measures to facilitate the implementation of fully electronic, straight-through processing of securities by June 2005.

We will measure success in achieving this outcome by the following:

- Market participants will use fewer points to access the market conduct regulatory system in Canada
- As impediments to investigation and enforcement initiatives created by international boundaries are reduced, we will re-focus resources on other initiatives.
- Harmonized measures developed internationally will be implemented domestically.

2. Market participants and investors will have confidence in the integrity of Ontario's capital market.

We will achieve this outcome by:

a) Working with the provincial government and our CSA colleagues to respond to the Report of the Five Year Review Committee and to develop legislative initiatives to strengthen our regulatory system and improve investor confidence.

b) Appropriately applying the new powers arising from changes to the *Securities Act*,

c) Actively monitoring compliance with new rules and placing increased resources into their enforcement,

d) Adopting project management techniques to increase the efficiency of the investigation process,

e) Working with our regulatory partners to respond to the recommendations of the Insider Trading Task Force by March 2007,

f) Developing and proposing a revised framework for regulating mutual funds and their managers that relies on independent oversight as a means to address conflicts of interest,

g) Examining the "best execution" issue, including assessment of the impact of "soft dollars", market structure, and market fragmentation and developing strategies to address the findings.

h) Developing a revised regulatory approach to address the emergence of alternative investment products, and

i) Working with our CSA colleagues and the SRO's to put in place by 2006 the four pillars of a Fair Dealing Model which are:

- Clarity of relationship (on both sides)
- Transparency of compensation and conflict
- Transparency of performance against promise, and
- Simplified, harmonized and streamlined approach to registration.

We will measure success in achieving this outcome by the following:

- ❑ Public surveys of market participants will show an increase in confidence.
- ❑ The revised framework for regulating mutual funds will significantly update and simplify product regulation for mutual funds in the area of conflicts of interest and result in fewer requests for exemptions.
- ❑ Implementation of a revised and re-focused national regulatory regime for securities intermediaries.

3. Regulatory interventions in Ontario will be balanced and merit-based.

We will achieve this outcome by:

a) Making appropriate changes to our practices as a result of the recommendations of the Regulatory Burden Task Force,

b) Consistently applying risk-based criteria in enforcement cases to ensure matters pursued by staff give appropriate consideration to Commission priorities, and

c) Improving accountability through the use of rigorous cost benefit analysis, impact analysis and risk based assessments for all proposed initiatives.

We will measure success in achieving this outcome by the following:

- ❑ It will be clear to investors, issuers and intermediaries that the benefits of regulation measurably and significantly outweigh the costs of regulation.
- ❑ We will be a leader in fostering and implementing non-regulatory alternatives where such action is supported by a better cost/benefit relationship than new regulation.
- ❑ The effective cost and burden of regulation will be competitive with our peers, without undermining investor protection and confidence.

4. Our stakeholders will be confident that the OSC is a fair and effective regulator with superior and transparent governance and accountability mechanisms and strong investor education programs.

We will achieve this outcome by:

a) Continuing to promote a customer focused approach to our communications and service delivery,

b) Expanding the use of partnerships to deliver investor education products to target groups,

c) Continuing to enhance the transparency of OSC corporate governance practices, adjudicative policies and accountability mechanisms,

d) Continuing to tailor the form and method of access to OSC communications to the needs of OSC constituents, including implementing predominantly electronic-based communications vehicles, and

e) Completing the re-design of the OSC website in 2004.

We will measure success in achieving this outcome by the following:

- ❑ Investors, issuers and other market participants who use the Ontario capital market will be afforded access, protection, education and information at levels similar or superior to those of the best of our peer group.
- ❑ OSC governance practices and policies meet or exceed disclosure requirements for public issuers
- ❑ Public surveys of market participants will sustain positive ratings for OSC customer service.
- ❑ 100% of OSC communications will be accessible electronically by 2005.

2004/2005 Financial Outlook

In 2003/2004, $76.6 million was collected under the *Securities Act* and the *Commodity Futures Act*. The new OSC fee structure, which became effective March 31, 2003, was designed to reduce the potential for significant fluctuations in revenues arising from market volatility. The revised fee structure has generated surpluses for the following reasons:

- fee levels were set to generate a small surplus given the newness of the fee model and because a significant number of variables had to be estimated;
- incomplete data resulted in conservative estimates for certain fee revenues;
- a year over year timing difference occurred due to early receipt of fees; and
- the level of fees from late filings was difficult to forecast.

The OSC revenue forecast for 2004/2005 is $67.3 million, 12.1% lower than actual 2003/2004 revenues. The forecast was reduced due to the timing difference noted above and reflects our experience with the new fee structure. The forecast does not anticipate a material change in the level of market activity.

Before the introduction of the new fee rule, the OSC had a $7.0 million surplus. For the three year period ending March 2006, the OSC is forecasting a $22.2 million surplus for a total projected surplus of $29.2 million. The introduction of CD Rule 51-102, which accelerated filing and fee payment dates, explains $15.4 million of this surplus. The OSC remains committed to ensuring that our market participants pay fees equivalent to the costs of regulation. Before setting fees for the three year period ending March 2009, we will review each service activity and its related cost. Activity fees will be set based on the cost to provide the service. Participation fees will be set at levels to generate a cumulative deficit equal to the surplus collected from market participants as at March 2006. Fee levels will also reflect our goal to ensure that the fees paid by issuers and registrants reflect the projected costs to regulate each group. The Commission will review its financial position at the end of 2004 to assess the potential to implement fee revisions earlier than March 2006 in order to accelerate the return of any surplus to stakeholders.

The OSC has budgeted total 2004/2005 net operating expenditures of $61.1million, a 5.7% increase over the 2003/2004 budget. The key budget components are salaries and benefits costs, which are projected to rise by 8.7% to $44.2 million. This increase reflects the annualized cost impact of previous hiring as well as new staff in enforcement and the investment funds area. Total staffing is projected to increase by nine.

Report on 2003/2004 organizational priorities

A summary of our performance in meeting the goals and priorities identified in the 2003/2004 Statement of Priorities is provided below.

1. Ontario's capital market and financial services regulatory system will be fully consolidated, harmonized nationally and coordinated internationally.

2003/2004 Initiatives

a) Complete the CSA project to propose Uniform Securities Laws,

b) Work with regulators, governments and industry participants in moving towards a more effective national securities regulatory system,

c) Participate actively in International Organization of Securities Commissions (IOSCO) and Council of Securities Regulators of the Americas (COSRA) initiatives and, where appropriate, provide leadership,

d) Continue to work with the Financial Services Commission of Ontario (FSCO) on initiatives to coordinate our regulatory activities and on the proposed creation of a new regulatory structure,

e) Initiate and foster initiatives which reduce the use of off shore trading to circumvent securities laws,

f) Reduce inter-jurisdictional impediments to information sharing and enforcement support,

g) With the Joint Forum of Financial Regulators, develop and implement harmonized financial services regulatory solutions,

h) Continue development of national electronic information systems to facilitate the activities of market participants,

i) In accord with the plan made in 2002, continue to work with industry through the Bond Market Transparency Committee to ensure implementation of ATS Rules with respect to application to fixed income markets that achieves effective regulation and also supports innovation and efficiency in the bond markets, and

j) In accord with the plan for completion by 2004, develop a model to permit flexibility in the business models that registrants can use.

During 2003/2004 the OSC will focus resources on restructuring the registration system. As part of this process, the OSC will continue work towards harmonizing categories of registration and conditions of registration across Canada and to creating a passport system permitting a registrant in one province to trade or advise in another. The OSC will also work to effectively manage the starting-up of the National Registration Database.

2003/2004 Results

In December 2003, the CSA published for comment consultation drafts of a Uniform Securities Act and a Model Administration Act. The Act would also permit regulators across Canada to implement "one stop access" for registrants and issuers through mechanisms of legal delegation and mutual recognition. Consultations on the Uniform Securities legislation (USL) proposals were held in February 2004. Market participants are generally supportive of the USL initiative as a significant improvement to our current securities regulatory regime.

The Wise Persons' Committee released their report in December 2003 recommending a single securities regulator built on a joint federal-provincial model. The report concluded that there is broad industry support across Canada for a single regulator and a single code for securities legislation. The OSC made a submission to the Committee outlining concerns with the current securities regulatory structure and supporting a single regulator. The Ontario government has also signaled its support and is pursuing actively with other governments the creation of a single regulator.

OSC staff participated actively on IOSCO Standing Committee 2 (Regulation of Secondary Markets) and provided input to a paper focused on a Corporate Bond Transparency mandate. The OSC now chairs Standing Committee 3 (Regulation of Market Intermediaries) which produced a paper on factors to consider for firms conducting cross-border activities.

Staff continue to work with the Financial Services Commission of Ontario (FSCO) on initiatives of common concern through the Joint Forum of Financial Market Regulators. Progress on joint initiatives included the development of principles and practices for the sale of products and services in the financial sector; point of sale disclosure for segregated funds and mutual funds; and guidelines for capital accumulation plans. The next steps are for the constituent groups of the Joint Forum to propose implementation of these initiatives.

Substantial work has been done through IOSCO to reduce the abusive use of offshore havens to perpetrate capital market offences. The ongoing development of the IOSCO Memorandum of Understanding (MOU) will provide a list of jurisdictions that are able to cooperate with international investigations. We have worked with IOSCO, and informally with many jurisdictions which historically have been uncooperative, to improve processes for information sharing. These processes include developing protocols for the provision of assistance by conducting investigations on behalf of regulators from foreign jurisdictions.

Our staff worked with the Investment Dealers Association (IDA) to identify rule changes and better practices that will reduce the use of brokerage firms by insider traders in their illegal conduct. The IDA has proposed rules (IDA Regulation 1300 - Beneficial ownership of institutional accounts) that reflect certain recommendations of the Financial Action Task Force on Money Laundering, and the Insider Trading Task Force. Staff are working closely with the IDA and CSA to ensure that the appropriate recommendations are taken into account.

In recent investigations into insider trading activity significant success was achieved in piercing the secrecy provisions of several jurisdictions. Lessons learned from those processes will assist future investigations. The OSC has also partnered with the RCMP to form investigative units to strengthen enforcement action and to target those who use privileged information in illegal insider trading.

During the year, the MFDA has made a number of changes to its governance structure and has strengthened its enforcement and disciplinary process. Specifically, the MFDA amended its corporate governance structure to ensure that the public and different MFDA members are properly represented on its board. It has also clarified the functions of its regional councils with respect to enforcement and policy matters. The composition of these councils and hearing panels are amended to ensure their effectiveness in the conduct of enforcement proceedings. These amendments were effected by changes in the MFDA By-laws, which were approved by the Commission. The Commission has also amended and restated its order that recognizes the MFDA as a self-regulatory organization to reflect these developments.

The System for Electronic Disclosure by Insiders (SEDI) was launched in June, 2003. SEDI is an electronic insider reporting system that replaces paper-based reporting for most issuers. SEDI requires insiders to file insider reports electronically using the SEDI website. The public can search and view insider reporting information over the same website.

The National Registration Database (NRD) was implemented in April. There has been good feedback from the industry relating to the ease of use of the NRD. An Operational Procedures and Policy Committee, comprised of representatives from Ontario, Manitoba, Alberta, British Columbia, New Brunswick and the IDA, has been established. The Committee is chaired by the OSC and is responsible for making decisions relating to harmonized registration processes, information recording and interpretations of the NRD forms.

In Fall 2003, a Registration Advisory Committee was established. The committee is comprised of representatives from the bank owned dealers, large and small investment dealers, mutual fund dealers, and advisers, as well as representatives from the IDA, the Mutual Funds Dealers Association, and the Canadian Depository for Securities (CDS). The committee meets each month to discuss and recommend solutions to registration related issues. Members of the CSA join by conference call on quarterly basis to discuss national issues.

The National Registration System (NRS) proposal was approved by all jurisdictions and was published for comment in January 2004. It is expected that the NRS will be approved June 2004. A two-stage implementation may

be required to facilitate changes to the NRD. This will allow individual registrations to continue to be completely electronic while firms will be able to submit applications in paper format.

Industry committees were established to reconsider data consolidation and market integration requirements for equity markets and fixed income issues. Amendments to ATS rules were implemented to reflect the work of these advisory committees.

The non-employment relationships project, which will establish a flexible business model for mutual fund sales representatives, was deferred this year because of staff commitments to the USL project. Work on the project will resume in 2004/2005.

2. Market participants and investors will have confidence in the integrity of Ontario's capital market.

2003/2004 Initiatives

a) Work with the provincial government and our CSA colleagues on legislative initiatives to strengthen our regulatory system and improve investor confidence:

   - in response to the Report of the Five Year Review Committee, and

   - in response to U.S. initiatives (e.g., Sarbanes-Oxley and the new NYSE listing standards),

b) Respond to the introduction of Keeping the Promise for a Strong Economy Act (Budget Measures), 2002 including developing and proposing any necessary rules and enforcement protocols,

c) Work with our CSA and SRO colleagues to develop and implement strategies to reduce unlawful insider trading in Canada,

d) Coordinate with foreign regulators to identify and close "gaps" in regulation between jurisdictions that may be used to support illegal market conduct,

e) Develop and propose a revised framework for regulating mutual funds and their managers that relies on independent oversight as a means to address conflicts of interest and focuses on the responsibilities of the fund manager in managing mutual funds, and

f) Complete development of a Fair Dealing Model proposal.

During 2003/2004 the OSC plans to publish draft rules for comment to address the following issues:

- Auditor Oversight

- CEO/CFO Certification of Financial Information

- Composition and Responsibilities of Audit Committees

The OSC will also examine potential approaches to address issues related to Board independence including guidelines for committees (nominating, compensation etc.).

2003/2004 Results

Three new rules were implemented in March 2004 to respond to the U.S. investor confidence initiatives. National Instrument 52-108 requires financial statements of reporting issuers to be audited by a public accounting firm that participates in the oversight program of the Canadian Public Accountability Board. Multilateral Instrument 52-109 requires chief executive officers and chief financial officers (or persons performing similar functions) of all reporting issuers (other than investment funds) to certify their issuers' annual and interim filings. Multilateral Instrument 52-110 prescribes the composition, responsibilities and reporting obligations for audit committees of reporting issuers (other than investment funds). In order to raise awareness about the instruments, staff delivered a series of speeches and participated in a webcast that is available through the Commission website.

In addition, proposed Multilateral Policy 58-201 *Effective Corporate Governance* and Multilateral Instrument 58-101 *Disclosure of Corporate Governance Practices* were published for comment on January 16, 2004. The purpose of the proposed policy is to confirm as best practice certain governance standards and guidelines that have evolved through legislative and regulatory reforms and the initiatives of other capital market participants. The purpose of the proposed instrument is to provide greater transparency for the marketplace regarding the nature and adequacy of issuers' corporate governance practices. The comment period expires on May 31, 2004.

Operationally, we have restructured the Corporate Finance Branch to better reflect the continually increasing emphasis on continuous disclosure. Under the revised structure, all three teams in the Branch carry out a mix of prospectus and continuous disclosure related work. Previously, the continuous disclosure review function was the responsibility of only one team. In addition, each team manager is now supported by an assistant manager in order to facilitate an effective, efficient and consistent review process throughout the Branch.

The OSC Chief Economist (OCE) participated in the policy development and completed cost-benefit analyses for each of these rules. The OCE also contributed a paper on the empirical impact of insider trading and consulted with the Insider Trading Task Force to inform policy on insider trading and as part of the OSC submission to the Federal Government on Bill C-13.

OSC staff has overseen the publication by the Investment Dealers Association of new standards to reduce or eliminate analysts' conflicts of interest.

OSC staff also worked with the Canadian Institute of Chartered Accountants to promulgate new rules governing auditor independence.

Staff developed and published Staff Notice 21-702, a framework for dealing with foreign exchanges. The notice addresses investor protection, market integrity and regulatory efficiency issues.

The Five Year Review Committee made many recommendations with respect to the securities regulatory framework. Through the USL process, enforcement staff did a considerable amount of work on enforcement related initiatives. The draft USL provisions not only incorporate recommendations of the Committee, they also incorporate best legislation from across CSA jurisdictions, as well as new provisions that would further strengthen enforcement and enhance inter-jurisdictional cooperation and support.

The Insider Trading Task Force, which was comprised of staff of several Commissions and Self Regulatory Organizations (SRO), produced thirty-two recommendations for preventing, detecting and deterring insider trading in Canada. The OSC is taking the lead in working with other Canadian Securities Administrator (CSA) jurisdictions in the analysis and, where appropriate, development and implementation of those recommendations.

OSC enforcement staff is organizing an international conference to be held in Toronto in September 2004, which would bring together offshore jurisdictions with North American regulators and enforcement officials to discuss ways of identifying and preventing market abuses.

With the goal of reaffirming investor confidence in the mutual fund industry, the OSC initiated a three stage probe of mutual fund firms in Ontario in order to determine whether illegal and improper trading practices such as late trading and market timing are occurring in mutual funds sold in Ontario. An initial questionnaire was sent to 105 mutual fund managers in November 2003. Based on the responses received and a sampling of the industry, 32 fund managers were selected in February 2004 to provide specified trading data. Following statistical analysis of this data, certain fund managers will be subject to an on-site review by OSC staff. The findings of the third phase of our probe will assist us in determining what corrective measures, if any, the OSC needs to take.

A concept paper for independent oversight of mutual funds was released in January 2004 along with preliminary results of the cost-benefit analysis.

The proposed Fair Dealing Model (FDM) was released in stages over the year. Industry feedback was received through the use of an innovative interactive website. A concept paper which included an analysis of the results of the website survey, and further developed the ideas of how the FDM would work in practice, was published for comment. The release of the concept paper attracted very favourable media attention. Seven industry working groups have been established to provide feedback on implementation issues and data for a cost benefit analysis. The next phase of the project will build on the results of the working groups and comment process, and will also provide more detail on the single service provider license concept, proficiency requirements, and the role of industry governance bodies, including SROs, and accreditation bodies. A series of FDM round table industry discussions in CSA jurisdictions led by senior OSC officials has been arranged with the CSA.

3. Regulatory interventions in Ontario will be balanced and merit based.

2003/2004 Initiatives

a) Make appropriate changes to our practices as a result of the recommendations of the Regulatory Burden Task Force,

b) Assess the impact of "soft dollars" on market efficiency, analyst bias and competitiveness,

c) Improve accountability through the use of rigorous Cost Benefit Analysis and risk-based assessments for all proposed initiatives,

d) Monitor changes in the regulation of the structure of investment banks and research units in other countries to determine the need (if any) for change in Canada.

2003/2004 Results

Changes to our practices as a result of the recommendations of the Regulatory Burden Task Force will be presented in our 2003 Annual Report.

A decision was made to combine soft dollar analysis with a study of best execution under the leadership of the Capital Markets branch. A preliminary quantitative report on the cost of execution in Canada relative to other jurisdictions will be completed by April 2004. Through industry conferences and research, the OCE has monitored regulatory developments in primarily the US and UK and the potential impact of those developments has been used to inform the policy development process.

The OCE developed a series of Risk Criteria for Earnings Manipulation which is being used by Corporate Finance as a basis for Continuous Disclosure Review. These statistical criteria will be refined based on further research by the OCE and feedback from Corporate Finance.

The Compliance team implemented a risk-based approach to compliance field reviews of non-SRO members in April 2003. A "sweep" was performed of all market participants identified as high risk in Spring 2003. The approach to Compliance field reviews has been amended so that

resources are focused on higher risk market participants and the higher risk areas of their operations.

4. The OSC will have superior and transparent governance and accountability mechanisms.

2003/2004 Initiatives

a) Adopt a more customer focused approach to our communications and service delivery,

b) Improve the transparency of OSC corporate governance practices and accountability mechanisms, and

c) Tailor the form and method of access to OSC communications to the needs of OSC constituents, including implementing predominantly electronic-based communications vehicles and redesigning the OSC Website.

2003/2004 Results

The OSC Investor Communications team continued to implement community outreach and public awareness initiatives, with success measured by feedback from exit surveys and retention data gleaned from follow-up telephone calls. During the past year the OSC fulfilled requests for more than 59,000 printed brochures and Investor Kits and directly reached more than 12,000 Ontario investors through events and trade shows including the following programs:

- *Protect Your Money*, a joint project with the Ontario Senior Secretariat on fraud awareness for senior investors which is delivered by senior volunteers from the Volunteer Centre of Toronto. Twenty-nine "Protect Your Money" presentations were hosted by Members of Provincial Parliament across Ontario during the fiscal year

- *OSCAR* (Ontario Securities Commission Agent Representative) an investor education outreach program designed to engage community leaders who, on behalf of the OSC, speak to audiences in their community on fraud awareness and investor protection. The OSC ran fifty-five *OSCAR* sessions in communities across Ontario during the fiscal year.

- Staff Ambassadors, a program to train OSC staff to deliver messages on investor protection, fraud awareness and regulatory issues, to high school students and community and industry groups across Ontario. Since the Staff Ambassadors launch in November 2003, the OSC has expanded outreach capabilities by training 56 Ambassadors and delivering 9 presentations.

A new, powerful search engine was installed on the OSC website in September 2003. The engine will be integrated into the second generation web-site, which is in the final stages of development. User testing is planned for April 2004, with launch in early June 2004.

The OSC has enhanced the transparency of its corporate governance practices and accountability mechanisms through greater public disclosure including the introduction of a revised corporate governance disclosure section on the OSC website. The OSC has reviewed and updated the mandates of each Board committee and has appointed a Part-time Commissioner as the Lead Director with responsibility for enhancing the Board's capacity for independent oversight of the Commission's corporate and business operations. A new Adjudicative Committee was established to monitor the Commission's adjudicative procedures and practices and to recommend improvements in the Commission's adjudicative functions.

The OSC currently solicits advice from sixteen advisory committees made up of accomplished professionals in the marketplace from a broad range of backgrounds and disciplines who actively represent the views of various stakeholders.

A survey of key stakeholder satisfaction was conducted in late 2003/2004. The survey indicated that the strengths of the OSC are its key competencies, regulation and enforcement. New initiatives, such as the mutual fund probe and investor confidence rules, were reviewed positively. Areas for continued improvement were the rule-making process and communicating with the public. There was also strong support among key stakeholders for a single, national securities regulator.

1.3 New Releases

1.3.1 OSC Hearing in the Matter of James Anderson

FOR IMMEDIATE RELEASE
June 16, 2004

OSC HEARING IN THE MATTER OF JAMES ANDERSON

TORONTO – On June 15, 2004, a Notice of Hearing and Statement of Allegations was issued pursuant to s.127 of the Ontario Securities Act in respect of the conduct of James Anderson. The hearing is to be held on June 22, 2004 at 2:30 p.m. at 20 Queen St. W., 17th Floor, Toronto, Ontario, at which time it is anticipated the Commission will consider whether to approve a settlement agreement entered into between Staff of the Commission and the Respondents.

The conduct at issue concerns secondary market trading (short sales) in shares of an issuer by Mr. Anderson, a junior portfolio manager, at a time subsequent to Mr. Anderson being solicited to invest in a private placement of that issuer, and prior to general disclosure of the private placement.

Copies of the Notice of Hearing and Statement of Allegations are available on the OSC's web site (**www.osc.gov.on.ca**)

For Media Inquiries: Wendy Dey
Director, Communications
416-593-8120

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

1.3.2 OSC Issues Reasons in the Matter of John Dunn

FOR IMMEDIATE RELEASE
June 17, 2004

OSC ISSUES REASONS IN THE MATTER OF JOHN DUNN

TORONTO – On June 15, 2004, the Ontario Securities Commission (OSC) issued reasons in the matter of John Dunn. The hearing was held on May 10, 12 and 13, 2004.

From July 1986 to February 2002, Dunn was the Branch Manager of the BMO Nesbitt Burns Inc. branch located at 1 Robert Speck Parkway, Mississauga, Ontario. The Commission found that between April 1996 and June 1999, Dunn provided and caused others to provide Patrick Lett with proof of funds letters regarding the accounts of Milehouse Investment Management Limited and Pierrepont Trading Inc. (the "Lett Accounts"). Dunn was the investment advisor for Lett and his companies, Milehouse and Pierrepont. Seven investors deposited $21 million dollars into the Lett Accounts during the period in question.

The Commission found that the twenty six proof of funds letters were intended to be relied on by third parties and to mislead a reader that:

- there was sufficient money in the accounts to buy certain debentures;
- the money would be held in the account for a specified period of time, when in fact no such facility to ensure this existed; and
- the monies in the account belonged to the account holder and were of non-criminal origin, when nothing was done to ensure this.

Dunn was a registrant and a branch manager of a registered dealer. The Commission held that:

> [r]egistration serves an important gate-keeping mechanism which ensures that only properly qualified and suitable individuals are permitted to be registrants. The investing public must be entitled to expect and rely on the fact that anyone who acts as an advisor has satisfied the necessary proficiency and good character requirements.

The Commission found that "Dunn's conduct was particularly egregious as he was a registrant and a branch manager" during the period when he signed the letters and caused others to sign them. "The branch manager holds a crucial role in compliance in the securities industry."

After considering Staff's submissions, the Commission issued the following sanctions:

- Dunn's registration is terminated for a period of 10 years and he is prohibited permanently from having a supervisory or managerial role;
- Dunn is permanently prohibited from becoming or acting as a director or officer of a registrant;
- Dunn is reprimanded; and
- Dunn will pay the costs of staff's investigation and the hearing in the amount of $126,938.50.

A copy of the Reasons is available at the Commission's website at **www.osc.gov.ca**.

For Media Inquiries: Wendy Dey
Director, Communications
416-595-8120

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

1.3.3 OSC to Consider a Settlement Reached between Staff and Rick Fangeat in the Saxton Matter

FOR IMMEDIATE RELEASE
June 18, 2004

OSC TO CONSIDER A SETTLEMENT REACHED BETWEEN STAFF AND RICK FANGEAT IN THE SAXTON MATTER

TORONTO – On June 21, 2004, commencing at 10:00 a.m., the Ontario Securities Commission (OSC) will convene a hearing to consider a settlement reached by Staff of the Commission and the respondent Rick Fangeat.

Between 1995 and 1998, various Saxton companies issued securities. The sale of such securities raised approximately $37 million from investors. Staff allege that the distributions of the Saxton securities did not comply with Ontario securities law. Staff allege that between 1996 and late spring 1998, Fangeat sold at least $10 million worth of the Saxton Securities to Ontario investors.

It is further alleged that Fangeat continued to sell the Saxton Securities notwithstanding his knowledge of a late August 1997 legal opinion that the distribution of such securities contravened Ontario securities law.

In 1998, Fangeat was the president of Sussex International Ltd., another Saxton vehicle. Staff allege that Fangeat participated in the illegal distribution of the Sussex International securities by soliciting investors and by executing investor subscription agreements and share certificates as the corporation's authorized signing officer.

The terms of the settlement agreement between Staff and Fangeat are confidential until approved by the Commission. Copies of the Amended Notice of Hearing and Amended Statement of Allegations of Staff of the Commission are available on the Commission's website or from the Commission offices at 20 Queen Street West, Toronto.

For Media Inquiries: Eric Pelletier
Communications
416-593-8913

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

1.3.4 OSC Approves the Settlement between Staff and Rick Fangeat in the Saxton Matter

FOR IMMEDIATE RELEASE
June 22, 2004

ONTARIO SECURITIES COMMISSION APPROVES THE SETTLEMENT BETWEEN STAFF AND RICK FANGEAT IN THE SAXTON MATTER

TORONTO – The Ontario Securities Commission approved the settlement between Staff of the Commission and Rick Fangeat yesterday. During most of the material time, Fangeat was registered with the Commission. Fangeat also had been a well-respected agent in the insurance industry for many years.

For the purposes of the settlement agreement, Fangeat agreed to the following facts. Over 2½ years, Fangeat participated in the illegal distributions of Saxton and Sussex International securities. Between 1995 and 1998, various Saxton companies issued securities. The sale of such securities raised approximately $37 million from investors. The distributions of the Saxton securities did not comply with Ontario securities law.

Between 1996 and late spring 1998, Fangeat sold at least $10 million worth of the Saxton securities to Ontario investors. Among other things, he endorsed the securities to his clients as a no, or low, risk investment notwithstanding that the Offering Memoranda described the securities as “speculative”. Fangeat admitted that he ought to have been aware that the quarterly account statements distributed by Saxton misrepresented the value of his clients’ investments.

Fangeat acted as an intermediary between Saxton and many of the Saxton salespeople. A number of the salepeople regarded Fangeat as a “mentor” given his vast experience and success in the insurance industry. In this role, he made several misrepresentations to salespeople.

In the spring of 1998, Fangeat was the president of Sussex International Ltd. Fangeat solicited investors to purchase shares in the company and executed subscription agreements as the corporation’s authorized signing officer. The distribution of the Sussex International securities did not comply with Ontario securities law.

The Commission settlement hearing panel imposed a 20 year cease trade order against Fangeat (with the exception of certain trading in Fangeat’s RRSP account after six years). Fangeat is prohibited from becoming or acting as an officer or a director of any issuer for 20 years.

Copies of the approved Settlement Agreement, Order, Amended Notice of Hearing and Amended Statement of Allegations of Staff of the Commission are available on the Commission’s website (**www.osc.gov.on.ca**).

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

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Bank of Nova Scotia and Scotia Mortgage Investment Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption from the requirements to file annual certificates and interim certificates under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings granted to a special purpose finance vehicle established by parent bank to provide the parent bank with a cost-effective means of raising capital for Canadian bank regulatory purposes – finance vehicle previously had been exempted from the requirements to file financial statements, MD&A and AIFs.

Applicable Instruments

Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.
National Instrument 51-102 Continuous Disclosure Obligations.

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

AND

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

AND

IN THE MATTER OF
THE BANK OF NOVA SCOTIA AND
SCOTIA MORTGAGE INVESTMENT CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Alberta, Saskatchewan, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut and Yukon (the "Jurisdictions") has received an application from the Bank of Nova Scotia (the "Bank") and Scotia Mortgage Investment Corporation (the "Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to:

(a) file annual certificates ("Annual Certificates") with the Decision Makers under section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"); and

(b) file interim certificates ("Interim Certificates" and together with the Annual Certificates, the "Certification Filings") with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Corporation, subject to certain terms and conditions;

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;

AND WHEREAS pursuant to a Mutual Reliance Review System decision document dated March 13, 2002 (the "Previous Decision"), the Corporation is exempt from the requirements of securities legislation in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland, as applicable, concerning the preparation, filing and delivery of (i) interim financial statements and audited annual financial statements, (ii) annual filings in lieu of filing an information circular, where applicable and (iii) an annual information form (an "AIF") and management's discussion and analysis of the financial condition and results of operation of the Corporation ("MD&A");

AND WHEREAS the Corporation has delivered a notice dated May 18, 2004 to the applicable securities regulatory authorities or regulators under subsection 13.2(2) of National Instrument 51-102 *Continuous Disclosure Obligations* stating that it intends to rely on the Previous Decision to the same extent and on the same conditions as contained in the Previous Decision;

AND WHEREAS the Bank and the Corporation represented to the Decision Makers that:

1. Since the date of the Previous Decision, there have been no material changes to the

representations of either the Corporation or the Bank contained in the Previous Decision.

2. The Previous Decision exempts the Corporation from the requirements to file its own interim financial statements and interim MD&A (collectively, the “Interim Filings”) and (ii) its own AIF, annual financial statements and annual MD&A, as applicable (collectively, the “Annual Filings”) and therefore, it would not be meaningful or relevant for the Corporation to file its own Certification Filings.

3. Because of the terms of securities publicly offered by the Corporation, and by virtue of certain agreements and covenants of the Bank in connection therewith, information regarding the affairs and financial condition of the Bank, as opposed to that of the Corporation, is meaningful to holders of such securities and it is appropriate that the Bank’s Certification Filings be available to such securityholders of the Corporation in lieu of the Certification Filings of the Corporation.

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

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

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation:

(a) to file Annual Certificates with the Decision Makers under section 2.1 of MI 52-109; and

(b) to file Interim Certificates with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Corporation for so long as:

(i) the Corporation is not required to, and does not, file its own Interim Filings and Annual Filings;

(ii) the Bank files with the Decision Makers, in electronic format under the Corporation’s SEDAR profile, the following documents at the same time as such documents are required under the Legislation to be filed by the Bank:

a. Annual Filings of the Bank;

b. Interim Filings of the Bank;

c. Annual Certificates of the Bank; and

d. Interim Certificates of the Bank;

(iii) the Corporation qualifies for the relief contemplated by, and is in compliance with, the requirements and conditions set out in the Previous Decision;

and provided that if a material adverse change occurs in the affairs of the Corporation, this Decision shall expire 30 days after the date of such change.

June 15, 2004.

"Cameron McInnis"

2.1.2 The Toronto-Dominion Bank and TD Mortgage Investment Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption from the requirements to file annual certificates and interim certificates under Multilateral Instrument 52-109 *Certification* of Disclosure in Issuers' Annual and Interim Filings granted to a special purpose finance vehicle, subject to specified conditions – finance vehicle was established by a bank to provide the bank with a cost effective means of raising capital for Canadian bank regulatory purposes – finance vehicle previously had been exempted from the requirements to file financial statements, MD&A and AIFs.

Applicable Instruments

Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.
National Instrument 51-102 Continuous Disclosure Obligations.

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

AND

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

AND

IN THE MATTER OF
THE TORONTO-DOMINION BANK AND
TD MORTGAGE INVESTMENT CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Alberta, Saskatchewan, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut and Yukon (the "Jurisdictions") has received an application from The Toronto-Dominion Bank (the "Bank") and TD Mortgage Investment Corporation (the "Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to:

(a) file annual certificates ("Annual Certificates") with the Decision Makers under section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"); and

(b) file interim certificates ("Interim Certificates" and together with the Annual Certificates, the "Certification Filings") with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Corporation, subject to certain terms and conditions;

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;

AND WHEREAS pursuant to Mutual Reliance Review System decision documents dated March 11, 2002 and March 19, 2002 (collectively, the "Previous Decision"), the Corporation is exempt from the requirements of securities legislation in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland, as applicable, concerning the preparation, filing and delivery of (i) interim financial statements and audited annual financial statements, (ii) annual filings in lieu of filing an information circular, where applicable and (iii) an annual information form (an "AIF") and management's discussion and analysis of the financial condition and results of operation of the Corporation ("MD&A");

AND WHEREAS the Corporation has delivered a notice dated May 13, 2004 to the applicable securities regulatory authorities or regulators under subsection 13.2(2) of National Instrument 51-102 *Continuous Disclosure Obligations* stating that it intends to rely on the Previous Decision to the same extent and on the same conditions as contained in the Previous Decision;

AND WHEREAS the Bank and the Corporation represented to the Decision Makers that:

1. Since the date of the Previous Decision, there have been no material changes to the representations of either the Corporation or the Bank contained in the Previous Decision.

2. The Previous Decision exempts the Corporation from the requirements to file its own interim financial statements and interim MD&A (collectively, the "Interim Filings") and (ii) its own AIF, annual financial statements and annual MD&A, as applicable (collectively, the "Annual Filings") and therefore, it would not be meaningful or relevant for the Corporation to file its own Certification Filings.

3. Because of the terms of securities publicly offered by the Corporation, and by virtue of certain agreements and covenants of the Bank in connection therewith, information regarding the affairs and financial condition of the Bank, as opposed to that of the Corporation, is meaningful to holders of such securities and it is appropriate that the Bank's Certification Filings be available to such securityholders of the Corporation in lieu of the Certification Filings of the Corporation.

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

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

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation:

(a) to file Annual Certificates with the Decision Makers under section 2.1 of MI 52-109; and

(b) to file Interim Certificates with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Corporation for so long as:

(i) the Corporation is not required to, and does not, file its own Interim Filings and Annual Filings;

(ii) the Bank files with the Decision Makers, in electronic format under the Corporation's SEDAR profile, the following documents at the same time as such documents are required under the Legislation to be filed by the Bank:

a. Annual Filings of the Bank;

b. Interim Filings of the Bank;

c. Annual Certificates of the Bank; and

d. Interim Certificates of the Bank;

(iii) the Corporation qualifies for the relief contemplated by, and is in compliance with, the requirements and conditions set out in the Previous Decision;

and provided that if a material adverse change occurs in the affairs of the Corporation, this Decision shall expire 30 days after the date of such change.

June 14, 2004.

"Erez Blumberger"

2.1.3 InterTAN, Inc. - MRRS Decision

Headnote

Issuer meets the requirements set out in OSC Staff Notice 12-703 – issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

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

June 17, 2004

G. Paolo Berard
Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Dear Mr. Berard,

Re: InterTAN, Inc. (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan (collectively, the "Jurisdictions")

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.

"Iva Vranic"

2.1.4 First Technology plc et al. - MRRS Decision

Headnote

Mutual Reliance Review System – Take-over bid – Relief from the prohibition against collateral benefits. Employment agreements entered into with six selling security holders who are also senior officers or directors of the target company. Agreements negotiated at arm's length and on commercially reasonable terms. Agreements entered into for reasons other than to increase the value of the consideration paid to the selling security holders for their shares. Agreements may be entered into despite the prohibition against collateral benefits. Rule 61-501 – Going private transactions - Target company permitted to count selling security holders' securities as part of minority vote required in connection with going private transaction. Value of net benefits payable to three shareholders is minimal in comparison to the value of consideration to be received by them for their securities. Three shareholders hold less than one percent of target's shares. Benefits not conditional on support of transaction.

Statute Cited

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

Applicable Ontario Rules

Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 4.7, 4.8 and 9.1.

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

AND

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

AND

**IN THE MATTER OF
FIRST TECHNOLOGY PLC,
FIRST TECHNOLOGY ACQUISITION CANADA INC.
AND BW TECHNOLOGIES LTD.**

MRRS DECISION DOCUMENT

WHEREAS First Technology plc ("**First Technology**"), through its indirect subsidiary First Technology Acquisition Canada Inc. (the "**Offeror**"), has made a take-over bid (the "**Offer**") to acquire all of the outstanding common shares (the "**BWT Shares**") of BW Technologies Ltd. ("**BWT**");

AND WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of

Alberta, British Columbia, Ontario and Quebec (the "**Jurisdictions**") has received an application from First Technology and the Offeror (collectively, the "**Filers**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that, in connection with the Offer, certain retention agreements (the "**Retention Agreements")** between First Technology and each of Cody Slater, Bryan D. Bates, Thomas A. Jones, Barry D. Moore, Kevin J. Meyers, and Gerry M. Robitaille (collectively, the "**Executives**") may be entered into notwithstanding the requirement contained in the Legislation which prohibits, in the context of a take-over bid, the entering into of any collateral agreement with any holder of securities of the offeree issuer that has the effect of providing to the holder a consideration of greater value than that offered to the other holders of the same class of securities (the "**Prohibition on Collateral Agreements**");

AND WHEREAS the Decision Maker in each of Ontario and Quebec has received an application from the Filers for a decision under section 9.1 of Ontario Securities Commission (the "**OSC**") Rule 61-501 and section 9.1 of Agence nationale d'encadrement du secteur financier ("**AMF**") Policy Statement Q-27 (collectively, the "**Rules**") that the votes attached to the BWT Shares that may be tendered by the Executives under the Offer may be included as votes in favour of a subsequent going private transaction in the determination of whether the requisite minority approval has been obtained, notwithstanding the entering into of the Retention Agreements by the Executives;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the OSC 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 AMF Notice 14-101;

AND WHEREAS the Filers have represented to the Decision Makers that:

1. The Offeror is a corporation formed under the *Business Corporations Act* (Alberta) and is headquartered in Surrey, United Kingdom with a registered office in Calgary, Alberta. The Offeror is 100% indirectly owned by First Technology.

2. First Technology is a company incorporated pursuant to the laws of England and Wales. First Technology is a public company whose shares are listed on the London Stock Exchange.

3. Neither the Offeror nor First Technology is a reporting issuer in any jurisdiction in Canada and no securities of either of them are listed on any stock exchange in Canada.

4. BWT is a corporation amalgamated under the *Business Corporations Act* (Alberta) with its head and registered offices in Calgary, Alberta.

5. BWT has represented to the Offeror that its authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at May 5, 2004, 6,885,230 BWT Shares and no preferred shares were outstanding. In addition, as at May 5, 2004, there were outstanding options ("BWT Options") granted under the stock option plan of BWT providing for the issuance of 337,066 BWT Shares on the exercise of those options, all of which have an exercise price per common share less than the price per BWT Share under the Offer. On a fully diluted basis there would be 7,222,296 BWT Shares outstanding.

6. The BWT Shares are listed on the Toronto Stock Exchange.

7. Neither the Offeror nor First Technology nor any of its subsidiaries currently holds any BWT Shares.

8. Mr. Slater is President, Chief Executive Officer and a director of BWT. Mr. Slater has represented to the Offeror that he holds 385,780 BWT Shares and BWT Options to acquire an additional 87,500 BWT Shares. The aggregate BWT Shares held by Mr. Slater on a fully diluted basis represent approximately 6.553% of the outstanding BWT Shares on a fully diluted basis.

9. Pursuant to his employment agreement, Mr. Slater's base salary is $360,000/year with a maximum annual potential bonus of $180,000. In the employment agreement, BWT and Mr. Slater have agreed to negotiate a reasonable severance package if Mr. Slater's employment were to be terminated without cause.

10. Mr. Bates is Executive Vice-President, Chief Operating Officer and a director of BWT. Mr. Bates has represented to the Offeror that he holds 136,300 BWT Shares and BWT Options to acquire an additional 37,500 BWT Shares. The aggregate BWT Shares held by Mr. Bates on a fully diluted basis represent approximately 2.406% of the outstanding BWT Shares on a fully diluted basis.

11. Pursuant to his employment agreement, Mr. Bates' base salary is US$205,000/year with an annual potential bonus of US$145,000 if BWT achieves certain sales and profit targets. In the employment agreement, BWT and Mr. Bates have agreed to negotiate a reasonable severance package if Mr. Bates' employment were to be terminated without cause.

12. Mr. Jones is Senior Vice-President, Chief Financial Officer and a director of BWT. Mr. Jones has represented to the Offeror that he holds 94,685 BWT Shares and BWT Options to acquire an additional 27,500 BWT Shares. The aggregate BWT Shares held by Mr. Jones on a fully diluted

basis represent approximately 1.692% of the outstanding BWT Shares on a fully diluted basis.

13. Pursuant to his employment agreement, Mr. Jones' base salary is $205,000/year with a maximum annual potential bonus of $105,000. In the employment agreement, BWT and Mr. Jones have agreed to negotiate a reasonable severance package if Mr. Jones' employment were to be terminated without cause.

14. Mr. Moore is Vice-President, Product Development of BWT. Mr. Moore has represented to the Offeror that he holds 8,500 BWT Shares and BWT Options to acquire an additional 20,000 BWT Shares. The aggregate BWT Shares held by Mr. Moore on a fully diluted basis represent approximately 0.395% of the outstanding BWT Shares on a fully diluted basis. Mr. Moore's annual salary is $150,000 and he does not have a written employment agreement with BWT.

15. Mr. Meyers is Vice-President, Operations of BWT. Mr. Meyers has represented to the Offeror that he does not hold any BWT Shares and that he holds BWT Options to acquire 7,000 BWT Shares. The aggregate BWT Shares held by Mr. Meyers on a fully diluted basis represent approximately 0.097% of the outstanding BWT Shares on a fully diluted basis. Mr. Meyers' annual salary is $155,000 and he does not have a written employment agreement with BWT.

16. Mr. Robitaille is Vice-President, Corporate Development of BWT. Mr. Robitaille has represented to the Offeror that he does not hold any BWT Shares and that he holds BWT Options to acquire 15,000 BWT Shares. The aggregate BWT Shares held by Mr. Meyers on a fully diluted basis represent approximately 0.207% of the outstanding BWT Shares on a fully diluted basis. Mr. Robitaille's annual salary is $165,000 and he does not have a written employment agreement with BWT.

17. The intention of the Offeror to make the Offer was publicly announced on May 6, 2004. The Offer was mailed to holders of BWT Shares (the "**Shareholders**") on May 6, 2004 and, unless withdrawn or extended, will expire on June 11, 2004.

18. The Offer is subject to conditions, including that more than 66 2/3% of the outstanding BWT Shares (calculated on a fully diluted basis) be deposited to the Offer and not withdrawn, and that all required regulatory approvals are obtained on terms and conditions satisfactory to the Offeror.

19. The Offeror, First Technology and BWT are parties to an agreement (the "**Pre-Acquisition Agreement**") under which, among other things, the Offeror agreed to make the Offer on the terms and conditions set forth in the Pre-Acquisition Agreement. The Pre-Acquisition Agreement also includes representations and warranties by BWT that its board of directors has determined, after reviewing, among things, a fairness opinion from its independent financial adviser, that the price offered under the Offer is fair from a financial point of view to the Shareholders and that the Offer is in the best interests of the Shareholders and that its board of directors recommends that Shareholders accept the Offer.

20. The principal terms of each of the Retention Agreements are as follows:

    (a) in addition to the Executive's current annual base salary and potential bonus (if any), in the event that:

        (i) the Offeror acquires more than 50% of the BWT Shares under the Offer, and

        (ii) BWT achieves certain threshold levels of annual profitability, and

        (iii) the Executive remains employed on the relevant dates,

    BWT will pay the Executive 20% of his current annual base salary on the first anniversary of the Effective Date, 30% of his current annual base salary on the second anniversary of the Effective Date and 50% of his current annual base salary on the third anniversary of the Effective Date. The "Effective Date" is the date on which the Offeror's nominees constitute a majority of the board of directors of BWT;

    (b) in consideration of the retention payments (the "**Retention Payments**") to be made pursuant to section (a) above, each Executive represents and warrants to First Technology that it is his bona fide current intention to remain in the employment of BWT and not to voluntarily resign from his employment at least until the third anniversary date of the Effective Date and that he will devote his full-time earnest commitment to BWT and the First Technology group through such period, consistent with his past commitment to BWT;

    (c) if the Executive's employment is terminated by BWT other than for cause, the Executive is entitled to receive 100% of the Executive's current annual base salary less Retention Payments already made to the Executive and less required statutory deductions; and

(d) if the Executive's employment terminates other than as described in section (c) above, the Executive shall not be entitled to receive any further Retention Payments except for amounts then due and owing.

21. Neither First Technology nor the Offeror has any operations in Canada and it is currently intended that all of the existing employees will remain with the business and that the business will continue to be managed by the Executives as a team which has a demonstrated successful track record.

22. The Offeror would not have agreed to make the Offer unless satisfactory arrangements had been entered into in respect of the ongoing employment of the Executives with BWT, the Offeror or First Technology following completion of the Offer. The lending syndicate providing part of the funding for the Offer specifically requested that retention agreements with key management personnel be put in place.

23. The terms of each of the Retention Agreements were negotiated at arm's length and are reasonable in light of:

(a) the unique knowledge, experience and reputation of each of the Executives; and

(b) the significant possibility that in the absence of the incentives provided by the Retention Agreements the Executives might be inclined to leave the employ of BWT taking with them such knowledge, experience and reputation and thereby reducing the value of the BWT Shares to the Offeror and First Technology.

24. The Retention Payments relate solely to the Executives' value and contributions as employees.

25. All Executives were treated the same, without regard to their shareholdings and the Retention Payments are only payable if budget targets approved by First Technology are met each applicable year.

26. The Retention Agreements are entered into for valid business reasons and not for the purpose of conferring an economic or collateral benefit on the Executives that other Shareholders do not enjoy.

27. None of the Retention Agreements were entered into for the purpose, in whole or in part, of increasing the value of the consideration paid for BWT Shares tendered under the Offer.

28. The receipt by the Executives of compensation pursuant to any of the Retention Agreements is not conditional on any of the Executives supporting the Offer in any manner.

29. Full particulars of the Retention Agreements are disclosed in the BWT directors' circular.

30. Each of Barry D. Moore, Kevin J. Meyers and Gerry M. Robitaille beneficially owns or exercises control or direction over less than one per cent of the BWT Shares.

31. The value of the net benefit to each of Cody Slater, Thomas A. Jones and Bryan D. Bates pursuant to his respective Retention Agreement is minimal in comparison to the value that each is entitled to receive under the Offer in exchange for his BWT Shares.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that the Retention Agreements are being made for reasons other than to increase the value of the consideration to be paid to the Executives for their BWT Shares and that the Retention Agreements and may be entered into or paid notwithstanding the Prohibition on Collateral Agreements.

June 10, 2004.

"Robert W. Davis" "Paul M. Moore"

THE DECISION of the OSC and the AMF pursuant to the Rules is that, notwithstanding the entering into of the Retention Agreements, the votes attached to the BWT Shares tendered by the Executives under the Offer may be included as votes in favour of a subsequent going private transaction in the determination of whether the requisite minority approval has been obtained, provided that the Offeror complies with the other applicable provisions of the Rules.

June 10, 2004.

"Ralph Shay"

2.1.5 Inmet Mining Corporation and Aur Resources Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer preparing a joint information circular in connection with a proposed amalgamation – information circular will contain or incorporate by reference information with respect to two of the issuer's material properties contained in the issuer's annual information form but in respect of which the issuer has not filed current technical reports - no new material technical information exists - issuer exempt from requirement to file a technical report in connection with technical disclosure contained or incorporated by reference in the information circular.

Rules Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, ss. 4.2(1)2, 4.2(1)3, and 9.1(1).

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

AND

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

AND

IN THE MATTER OF
INMET MINING CORPORATION AND AUR RESOURCES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (collectively the Jurisdictions) has received an application from Inmet Mining Corporation (Inmet) and Aur Resources Inc. (Aur) (collectively the Applicants) for a decision pursuant to subsection 9.1(1) of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* (NI 43-101), that Inmet be exempt from the requirement contained in subsection 4.2(1)3 of NI 43-101 to file current technical reports to support information relating to certain mineral projects of Inmet to be contained and incorporated by reference in a joint management information circular of the Applicants (the Joint Circular) being prepared in connection with a proposed business combination transaction (the Transaction) involving the Applicants;

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

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101, *Definitions* or in Notice 14-101 of L'Agence nationale d'encadrement du secteur financier;

AND WHEREAS the Applicants have, or one of the Applicants has, represented to the Decision Makers that:

1. Inmet is a corporation existing under *Canada Business Corporations Act* (the CBCA) with its registered and principal office located in Toronto, Ontario.

2. Inmet is a copper mining, exploration and development company, the principal property interests of which consist of:

   (a) a 55% equity interest in Çayeli Bakir Isletmeleri A.S. (ÇBI), which owns and operates the Çayeli copper and zinc mine in north eastern Turkey (Çayeli);

   (b) a 100% equity interest in Pyhäsalmi Mine Oy, which owns and operates the Pyhäsalmi copper-zinc-pyrite mine in central Finland (Pyhäsalmi);

   (c) a 100% interest in the Troilus open pit gold and copper mine in northern Quebec (Troilus);

   (d) an 18% equity interest in Ok Tedi Mining Limited, the owner and operator of the Ok Tedi mine, an open-pit copper and gold mine in Papua New Guinea (Ok Tedi)**;**

   (e) a 100% interest in the Izok property, a zinc-copper deposit in the territory of Nunavut, Canada (Izok);

   (f) a 48% equity interest in Minera Petaquilla S.A., which owns the Petaquilla copper deposit located in Panama (Petaquilla); and

   (g) a 55% interest (through ÇBI) in the Cerattepe property a copper and gold deposit located in north eastern Turkey (Cerattepe)

   (collectively the Inmet Property Interests), of which Inmet's operating mines Çayeli, Pyhäsalmi, Troilus and Ok Tedi (Inmet Material Properties) are material to Inmet.

3. Inmet is a reporting issuer or its equivalent under the securities legislation of each of the Jurisdictions (the Legislation) and is not in default of its requirements under the Legislation and is eligible to file a short form prospectus under National Instrument 44-101, *Short Form Prospectus Distributions* (NI 44-101).

4. Inmet is authorized to issue an unlimited number of common shares (Inmet Shares), of which 40,275,289 common shares were outstanding on May 4, 2004. The Inmet Shares are listed on the Toronto Stock Exchange (the TSX).

5. Aur is a corporation existing under the CBCA with its registered and principal office located in Toronto, Ontario.

6. Aur is a copper mining company with primary interests in the following properties:

   (a) a 76.5% equity interest in Compania Minera Quebrada Blanca S.A., the owner and operator of the Quebrada Blanca Mine (the Quebrada Blanca Mine) located in northern Chile;

   (b) a 63% equity interest in Compania Minera Carmen de Andacollo, the owner and operator of the Andacollo mine (the Andacollo Mine) located in Central Chile; and

   (c) a 30% joint venture interest in the Louvicourt Mine located in Val d'Or, Québec (the Louvicourt Mine)

   (collectively the Aur Property Interests).

7. Aur is a reporting issuer or its equivalent under the securities legislation of each of the provinces of Canada and is not in default of its requirements under the Legislation and is eligible to file a short form prospectus under NI 44-101.

8. Aur is authorized to issue an unlimited number of common shares (Aur Shares), of which 94,108,296 common shares were outstanding on May 4, 2004. The Aur Shares are listed on the TSX.

9. The Transaction will be completed by the amalgamation of Aur with a wholly-owned subsidiary of Inmet pursuant to a merger agreement (the Merger Agreement) between Inmet and Aur dated May 4, 2004, with the holders of Aur Shares receiving Inmet Shares on the basis of 0.368 of an Inmet Share for each one Aur Share. In addition, each outstanding option to acquire Aur Shares (an Aur Option) will, upon completion of the Transaction, entitle the holder thereof to receive upon the exercise thereof 0.368 of an Inmet Share in lieu of one Aur Share. Upon completion of the Transaction, the corporation resulting from the amalgamation of Aur with the wholly-owned subsidiary of Inmet will be a wholly-owned subsidiary of Inmet and the Aur Shares will be delisted from the TSX. Upon completion of the merger, Inmet will change its name to Aur Mining Corporation.

10. The Transaction is subject to approval by the shareholders of Inmet and Aur. A meeting of the shareholders of Inmet and a meeting of the shareholders of Aur have each been called for July 6, 2004 to consider the Transaction. The record date for each of the foregoing meetings (the Meetings) is June 4, 2004.

11. The Joint Circular is being prepared by Inmet and Aur in connection with the Meetings. The Joint Circular will contain and/or incorporate by reference information regarding Inmet and Aur, including information regarding the Inmet Property Interests and the Aur Property Interests.

12. With respect to the Inmet Material Properties, Inmet has filed technical reports in respect of the Pyhäsalmi Mine and the Troilus Mine. Material information regarding the Çayeli Mine and the Ok Tedi Mine is contained in disclosure documents filed before February 1, 2001. Since February 1, 2001, no new material information exists regarding the Çayeli Mine or the Ok Tedi Mine which would require the filing of a current technical report under NI 43-101. Izok, Petaquilla and Cerattepe are not material to Inmet and as such relief is not required with respect to them.

13. Aur has filed technical reports in respect of the Quebrada Blanca Mine and the Louvicourt Mine. Aur will file a technical report in respect of the Andacollo Mine prior to filing the Joint Circular.

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

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

THE DECISION of the Decision Makers under the Legislation is that Inmet is exempt from the requirement contained in subsection 4.2(1)3 of NI 43-101 to file current technical reports to support information relating to the Çayeli Mine and the Ok Tedi Mine to be contained and incorporated by reference in the Joint Circular.

June 10, 2004.

"Erez Blumberger"

2.1.6 Enbridge Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Trust exempt from prospectus and registration requirements in connection with issuance of units to existing unitholders under a distribution reinvestment and unit purchase plan, subject to certain conditions. First trade relief provided for units acquired pursuant to this decision, subject to certain conditions.

Applicable Ontario Statutes

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

Rules Cited

Ontario Securities Commission Rule 45-502 Dividend or Interest Reinvestment and Stock Dividend Plans.
Multilateral Instrument 45-102 Resale of Securities.

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

AND

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

AND

**IN THE MATTER OF
ENBRIDGE INCOME FUND**

MRRS DECISION DOCUMENT

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

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

AND WHEREAS, unless otherwise defined, the terms herein shall have the meanings set out in National Instrument 14-101 *Definitions* or in Notice 14-101 of the Agence nationale d'encadrement du secteur financier;

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

1. The Fund is an unincorporated open-ended trust established under the laws of Alberta by a trust indenture dated May 22, 2003, as amended and restated on June 30, 2003 and August 18, 2003 (the "**Trust Indenture**"). The head office of the Fund is located in Calgary, Alberta.

2. The Fund is a limited purpose trust and its activities are restricted to acquiring, investing in, holding, transferring, disposing of and otherwise dealing with debt or equity securities of Enbridge Commercial Trust ("**ECT**") and other corporations, limited partnerships, trusts or other persons involved in the transportation of energy, having investments and other direct or indirect rights in persons involved in such businesses and engaging in all activities ancillary or incidental thereto including, but not limited to, borrowing funds and guaranteeing the debts or liabilities of any person in furtherance of any of the aforementioned purposes.

3. The Fund is not a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Fund as contemplated in the definition of "mutual fund" contained in the legislation.

4. Under the Trust Indenture, the Fund is authorized to issue an unlimited number of two classes of units: (i) ordinary units ("**Ordinary Units**"); and (ii) subordinated units ("**Subordinated Units**"), of which there were 20,125,000 Ordinary Units outstanding and 14,500,000 Subordinated Units outstanding on March 31, 2004. All of the Subordinated Units are owned by Enbridge Inc.

5. The Fund is a reporting issuer or the equivalent thereof in each of the Jurisdictions.

6. The Ordinary Units are listed on The Toronto Stock Exchange (the "**TSX**") under the symbol "ENF.UN".

7. CIBC Mellon Trust Company is the trustee of the Fund and Enbridge Management Services Inc. is the administrator of the Fund (the "**Administrator**").

8. The Fund currently makes monthly cash distributions out of its distributable cash on or about the 15th day of a given month (each, a

"**Distribution Payment Date**") to persons who are Unitholders of record as of the close of business on the last business day of the immediately preceding month (each, a "**Record Date**").

9. The Fund has established the Plan to permit Unitholders, other than Unitholders who are resident in the United States or who are otherwise prohibited from participating in the Plan by the law of the jurisdiction in which they reside, at their discretion, to automatically reinvest the distributable cash paid on their Ordinary Units in additional Ordinary Units ("**Plan Units**") as an alternative to receiving cash distributions, in accordance with a distribution reinvestment plan agency agreement (the "**Plan Agreement**") to be entered into by the Fund, the Administrator and CIBC Mellon Trust Company in its capacity as agent under the Plan (in such capacity, the "**Plan Agent**").

10. The Plan was approved, subject to necessary regulatory approval, by the board of trustees of ECT on May 3, 2004.

11. Unitholders holding a minimum of 100 Ordinary Units may elect to participate in the plan (the "**Plan Participants**") by notifying the Plan Agent, via the investment dealer through which they hold their Ordinary Units who is a participant (a "**CDS Participant**") in The Canadian Depository for Securities Limited ("**CDS**") depository service, that the Unitholder wishes to become a Plan Participant. A CDS Participant must provide such notice on behalf of a Plan Participant to CDS in the prescribed form prior to 5:00 p.m. (Toronto time) on the day immediately preceding the Record Date in respect of the initial distribution in which the Unitholder intends to participate in the Plan.

12. The Fund will disclose in a press release or on its website information regarding participation in the Plan including the minimum number of Ordinary Units to be held and any residency or related requirements.

13. Distributions due to Plan Participants will be paid to the Plan Agent and applied to the purchase of Plan Units. Such Plan Units will, at the discretion and direction of the Administrator, be acquired either through: (i) the facilities of the TSX (the "**Market Purchase Option**"), in which case the issue price of the Plan Units will be based upon the average price at which such Plan Units are purchased; (ii) through issuance directly from the treasury of the Fund (the "**Treasury Issuance Option**"), in which case the issue price of the Plan Units will be based upon the weighted average of the trading prices for the Ordinary Units on the TSX on the ten (10) trading days preceding a Distribution Payment Date (and for which purposes "trading day" will mean a day on which not less than 500 Ordinary Units were traded); or (iii) some combination of the Market Purchase Option and the Treasury Issuance Option.

14. The Plan also allows Plan Participants to make optional cash payments of up to $1,000 per month (subject to a minimum of $100 per month) (the "**Optional Cash Payments**") which will be used by the Plan Agent to purchase Plan Units in the manner described in paragraph 13 above. Under the Treasury Issuance Option, the Fund may not issue in any financial year, pursuant to Optional Cash Payments, more than the maximum number of Ordinary Units permitted by applicable law and regulatory policies (as at the effective date of the Plan, this maximum was equal to 2% of the number of Ordinary Units outstanding at the start of the financial year).

15. Optional Cash Payments, along with a Plan Participant's notice in the prescribed form of his or her intention to make an Optional Cash Payment, must be received by the Plan Agent via the applicable CDS Participant on or before 5:00 p.m. (Toronto time) on the day immediately preceding the Record Date to be used to purchase Plan Units on the immediately following Distribution Payment Date. Optional Cash Payments received after the above referenced deadline will be held by the Plan Agent and will not be used by the Plan Agent to purchase Plan Units until the next Distribution Payment Date.

16. As all Ordinary Units, including the Plan Units to be issued pursuant to the Plan, are issued in book-entry only form and are held by, and registered in the name of CDS, Plan Participants will not be entitled to receive certificates representing Plan Units purchased or issued under the Plan.

17. Each CDS Participant will have its own procedures with respect to fractional units and each Plan Participant will be required to consult their respective CDS Participant as to the manner in which fractional entitlements will be handled.

18. No commission, service charges or brokerage fees will be payable by the Plan Participants. All commissions and administrative costs associated with the operation of the Plan will be paid by the Fund as set out in the Plan Agreement.

19. Plan Participants may terminate their participation in the Plan by providing written notice to the relevant CDS Participant prior to 5:00 p.m. (Toronto time) on the day immediately preceding the Record Date that the Unitholder wishes to terminate his or her participation in the Plan. Such notice, if actually received by the relevant CDS Participant by the above referenced deadline will have effect in respect of the distribution to be

paid to the withdrawing Plan Participant following such Record Date.

20. The Administrator may terminate the Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants via the CDS Participants through which the Plan Participants hold their Ordinary Units. The Plan Agreement also contains provisions to allow the Administrator to amend, modify or suspend the Plan under certain circumstances.

21. A distribution of securities by an issuer to its security holders pursuant to a dividend/distribution reinvestment plan or similar arrangement is subject to the Registration and Prospectus Requirements of the Legislation unless appropriate exemptions are available.

22. The distributions of the Plan Units pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions in the Legislation as the Plan involves the reinvestment of distributable cash distributed by the Fund and the not the reinvestment of dividends or interest of the Fund, capital gains or distribution out of earnings or surplus.

23. In addition, Legislation in some of the Jurisdictions provides exemptions from the Registration and Prospectus Requirements for reinvestment plans of mutual funds. However, such exemptions are not available to the Fund because the Fund is not a “mutual fund” as defined in the Legislation.

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

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

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

(a) at the time of the trade the Fund is a reporting issuer or the equivalent under the Legislation and is not in default of any requirements of the Legislation;

(b) no sales charge is payable by Plan Participants in respect of the trade;

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

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

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

(d) in the financial year during which the trade takes place, the aggregate number of Plan Units issued under the Treasury Issuance Option in respect of the Optional Cash Payments shall not exceed two (2%) percent of the aggregate number of Ordinary Units outstanding at the commencement of that financial year;

(e) except in Quebec, the first trade or resale of Plan Units acquired pursuant to the Plan will be a distribution or primary distribution to the public under the Legislation unless the conditions in paragraphs 1 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and

(f) in Quebec, the first trade (alienation) of Plan Units acquired pursuant to the Plan will be a distribution unless:

    (i) at the time of the first trade, the Fund is a reporting issuer in Quebec and is not in default of any of the requirements of the Legislation in Quebec;

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

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

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

June 17, 2004.

“Wendell S. Wigle” “Harold P. Hands”

2.1.7 Glusken Sheff + Associates Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from requirement to provide discretionary management clients with statement of policies and to obtain specific and informed written consent from clients once in each twelve-month period with respect to certain funds – subject to conditions.

Applicable Ontario Legislation

Ontario Regulation 1015, R.R.O. 1990, ss. 227(2)(b), 233.

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO**

AND

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

AND

**IN THE MATTER OF
GLUSKIN SHEFF + ASSOCIATES INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **Decision Maker**) in each of the provinces of Alberta and Ontario (the **Jurisdictions**) has received an application (the **Application**) from Gluskin Sheff + Associates Inc. (**GS+A**) for a decision (the **Decision**) pursuant to the securities legislation of the Jurisdictions (the **Legislation**) that the restriction against an adviser exercising discretionary authority with respect to a client's account to purchase or sell the securities of a related issuer of the registrant without providing the client with the statement of policies of the registrant and securing the specific and informed written consent of the client once in each twelve month period (the **Annual Consent Requirement**) does not apply to any of the mutual funds or pooled funds managed or to be managed by GS+A (the **Funds**) subject to certain conditions.

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;

AND WHEREAS it has been represented by GS+A to the Decision Makers that:

1. GS+A is a corporation established under the laws of the Province of Ontario with its head office in Toronto, Ontario and is registered as an Investment Counsel, Portfolio Manager, Mutual Fund Dealer and Limited Market Dealer in Ontario and has equivalent registration in Alberta.

2. GS+A manages some of its clients' assets on a discretionary basis with segregated, separate portfolios of securities for each client that consists of securities of one or more of the Funds. All discretionary clients of GS+A enter in to an investment management agreement with GS+A in which the client specifically consents to GS+A exercising its discretion under the agreement to trade in the securities of one or more of the Funds.

3. GS+A may also act as an adviser without discretionary investment authority, and where required as a dealer, to other clients in connection with such other clients' investment in one or more Funds.

4. All discretionary management clients of GS+A receive a statement of policies which lists related issuers of GS+A. These related issuers include the Funds. In the event of a significant change in its statement of policies, GS+A will provide to each of its clients a copy of the revised version of, or amendment to, the statement of policies.

5. Units of each of the Funds are or will be offered for sale on an exempt basis to investors.

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

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

THE DECISION of the Decision Makers pursuant to the Legislation is that GS+A is exempt from the Annual Consent Requirement under the Legislation in respect of the exercise of discretionary authority to invest in the securities of the Funds set out in GS+A's statement of policies, provided GS+A has secured the specific and informed written consent of the client in advance of the exercise of discretionary authority in respect of the Funds.

May 28, 2004.

"Susan Wolburgh Jenah" "Wendell S. Wigle"

2.1.8 Smithfield Canada Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

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

June 11, 2004

Shea Small
McCarthy Tétrault LLP
Toronto Dominion Bank Tower
Suite 4700
Toronto, ON M5K 1E6

Dear Mr. Small,

Re: Smithfield Canada Limited (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of Ontario, Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Quebec and Saskatchewan (the "Jurisdictions")

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.

"Cameron McInnis"

2.1.9 VOXCOM Incorporated - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

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

June 1, 2004

Bryan & Company
2600 Manulife Place
10180 –101 Street
Edmonton, AB T5J 3Y2

Attention: Kimberly D. Silverberg

Dear Ms. Silverberg:

Re: VOXCOM Incorporated (Applicant) - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Ontario and Nova Scotia (the "Jurisdictions")

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,

1. 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;
2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
3. 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
4. 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 in the Jurisdictions.

"Patricia M. Johnston"

2.1.10 Rubicon Energy Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

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

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

AND

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

AND

IN THE MATTER OF RUBICON ENERGY CORPORATION

MRRS DECISION DOCUMENT

1. WHEREAS the Canadian securities regulatory authority or regulator (the “Decision Maker”) in each of the provinces of Alberta, Saskatchewan and Ontario (the “Jurisdictions”) has received an application from Rubicon Energy Corporation (“Rubicon”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that Rubicon be deemed to have ceased to be a reporting issuer under the Legislation;

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

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

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

   4.1 Rubicon was incorporated under the British Columbia Company Act on September 20, 1989 as Kalman Communications Incorporated (“Kalman”). Effective August 6, 1996 Kalman changed its name to Ancilla Technologies, Inc. (“Ancilla”) and was continued under the Business Corporations Act (Alberta) effective March 30, 1998. Effective November 23, 1998 Ancilla changed its name to Rubicon Energy Corporation;

   4.2 Rubicon amalgamated with HighWest Acquisition Corp. (“Highwest”) on March 5, 2004 and as a result, Rubicon became a wholly-owned subsidiary of Highwest;

   4.3 Rubicon’s head office is located in Calgary, Alberta;

   4.4 Rubicon is currently a reporting issuer in Alberta, Saskatchewan and Ontario and ceased to be a reporting issuer in British Columbia on May 21, 2004;

   4.5 the authorized capital of Rubicon is an unlimited number of common shares (the “Common Shares”) and as at the date hereof there are 13,683,281 Common Shares outstanding, all of which are held by Highwest;

   4.6 the outstanding securities of Rubicon, 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;

   4.7 no securities of Rubicon are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

   4.8 Rubicon 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

   4.9 Rubicon is not in default of any of its obligations under the Legislation as a reporting issuer other than the following requirements:

      4.9.1 to file its annual financial statements and annual information form for the fiscal year ended December 31, 2003; and

      4.9.2 to pay its annual participation fees in Ontario which were due on May 2, 2004;

5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (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 pursuant to the Legislation is that Rubicon is deemed to have ceased to be a reporting issuer under the Legislation.

June 15, 2004.

"Patricia M. Johnston"

2.2 Orders

2.2.1 Sprucegrove Investment Management Ltd. - s. 6.1 of OSC Rule 13-502

Headnote

Exemption regarding the calculation of Capital Markets Participation Fees payable by a registrant registered as an adviser in the category of investment counsel and portfolio manager and dealer in the category of limited market dealer under the Securities Act (Ontario). The registrant's revenues include revenues earned from advice provided to clients located outside of Ontario. Because the registrant does not have a permanent establishment in any other jurisdiction in Canada, the income allocated to Ontario in its corporate tax filings is not an accurate proxy for the registrant's use of the Ontario capital markets. Exemption granted so that the "Ontario percentage" is calculated as the percentage of the registrant's income derived from its capital markets activities in Ontario and not as the percentage of its income allocated to Ontario in its corporate tax filings.

Ontario Rules

Ontario Securities Commission Rule 13-502 - Fees.

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

AND

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 13-502
FEES (THE "RULE")

AND

IN THE MATTER OF
SPRUCEGROVE INVESTMENT MANAGEMENT LTD.

EXEMPTION ORDER
(Section 6.1 of Rule 13-502)

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Sprucegrove Investment Management Ltd. ("Sprucegrove"), pursuant to section 6.1 of the Rule, for an order exempting Sprucegrove, in part, from the requirement to pay participation fees calculated in the manner prescribed by Part 3 of the Rule;

AND WHEREAS, the Rule requires that certain registrants under the Act which have a permanent establishment in Ontario determine their participation fees by taking into account income allocated to Ontario in the corporate income tax filings for the registrant under the Income Tax Act (Canada) which includes income from certain non-Ontario sources where the registrant does not have a permanent establishment in that jurisdiction;

AND WHEREAS, unless otherwise defined, the terms herein have the meanings set out in Ontario Securities Commission Rule14-501- Definitions;

AND WHEREAS the Registrant has represented to the Commission that:

1. Sprucegrove was incorporated under the laws of the Province of Ontario with its head office in Toronto. Other than its Toronto office, Sprucegrove has no other permanent establishment in Canada.

2. Sprucegrove is registered as an adviser in the categories of investment counsel and portfolio manager under the Act, and as a dealer in the category of limited market dealer under the Act. Sprucegrove is also registered as an adviser (or the equivalent) in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, and Newfoundland. Sprucegrove is also registered in the United States of America with the Securities and Exchange Commission as an investment adviser under the *Investment Advisers Act of 1940*.

3. Sprucegrove is not in default of any of the requirements of the securities legislation of Ontario.

4. As a registrant firm in Ontario, Sprucegrove must pay, for each of its financial years, the participation fee shown in Appendix B of the Rule that applies to it according to Sprucegrove's specified Ontario revenues earned from its capital market activities.

5. In accordance with section 3.6 of the Rule, Sprucegrove's specified Ontario revenue for a financial year is calculated by multiplying the gross revenues earned by it as disclosed in its annual financial statements for the financial year less specified deductions, by its Ontario percentage.

6. Registrants that have a permanent establishment in Ontario must calculate their Ontario percentage by referring to the amount allocated to Ontario in their corporate income tax filings made under Income Tax Act (Canada). Registrants who do not have a permanent establishment in Ontario must calculate their Ontario percentage by determining the percentage of its total revenues which are attributable to its capital markets activities in Ontario.

7. Sprucegrove does not have a permanent establishment in any other jurisdiction in Canada other than Ontario. Accordingly, Sprucegrove reports all of its Ontario income and all of its non-Ontario income in its Ontario corporate income tax returns. Sprucegrove does not file corporate income tax returns in any other jurisdiction in

Canada. Sprucegrove's corporate tax filings do not distinguish between income earned in Ontario and income earned in jurisdictions outside of Ontario.

8. Based on the calculation method disclosed above there is a material difference between the Ontario percentage for Sprucegrove and the percentage of its total revenues which are attributable to its capital markets activities in Ontario.

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

IT IS THE DECISION of the Director pursuant to section 6.1 of Rule 13-502, that for purposes of calculating the Capital Markets Participation Fees pursuant to Part 3 of Rule 13-502, Sprucegrove is granted relief to the extent that the "Ontario percentage" for each financial year of Sprucegrove should be calculated as the percentage of the total revenues of Sprucegrove attributable to capital markets activities in Ontario and not as the percentage of its income allocated to Ontario in its corporate income tax filings.

June 15, 2004.

"David M. Gilkes"

2.2.2 Smithfield Canada Limited - ss. 1(6) of the OBCA

Headnote

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

Statutes Cited

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

IN THE MATTER OF
THE BUSINESS CORPORATIONS ACT (ONTARIO)
R.S.O. 1990, CHAPTER B.16, AS AMENDED
(THE "OBCA")

AND

IN THE MATTER OF
SMITHFIELD CANADA LIMITED

ORDER
(Subsection 1(6) of the OBCA)

UPON the application of Smithfield Canada Limited (the Applicant) for an order pursuant to subsection 1(6) of the OBCA that the Applicant be deemed to have ceased to be offering its securities to the public;

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

AND UPON the Applicant having represented to the Commission that:

1. the Applicant has its head office in Toronto, Ontario;

2. the authorized capital of the Applicant consists of an unlimited number of common shares of which 11 common shares are issued and outstanding;

3. all of the issued and outstanding common shares are held directly or indirectly by Maple Leaf Foods Inc.;

4. the Applicant is an "offering corporation" as defined in the OBCA.

5. 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

6. the Applicant is not in default of any of its obligations under the *Securities Act* (Ontario) (the "Act") as a reporting issuer;

7. other than the common shares which are all held by directly or indirectly Maple Leaf Foods Inc., the

Applicant has no outstanding securities, including debt securities;

8. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation; and

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

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

IT IS ORDERED, pursuant to subsection 1(6) of the OBCA, that the Applicant is deemed to have ceased to be offering its securities to the public for the purposes of the OBCA.

June 11, 2004.

"Wendell S. Wigle" "Harold P. Hands"

2.2.3 Network Portfolio Management Inc - ss. 74(1)

Headnote

Subsection 74(1) – Ruling pursuant to subsection 74(1) of the Act that the registration requirements of the Act do not apply to Network Portfolio Management Inc., a registered adviser in Alberta, with respect to its provision of advice to a flow-through limited partnership with addresses in Ontario and Alberta.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1)(c) and 74(1).
Ontario Securities Commission Rule 35-502 – Non-Resident Advisers, s. 7.4

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

AND

IN THE MATTER OF
NETWORK PORTFOLIO MANAGEMENT INC.
AND
DOMINION EQUITY 2004 FLOW-THROUGH LIMITED PARTNERSHIP

ORDER
(Section 74(1))

UPON the application of Network Portfolio Management Inc. (**Network**) to the Ontario Securities Commission (the **Commission**) for a ruling under section 74(1) of the *Securities Act* (Ontario) (the **Act**) that Network is not subject to the registration requirement in clause 25(1)(c) of the Act with respect to advice given to Dominion Equity 2004 Flow-Through Limited Partnership (the **Partnership**);

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

AND UPON Network representing to the Commission as follows:

1. Network is a corporation incorporated under the laws of Alberta and is registered as an advisor under the *Securities Act* (Alberta).

2. The Partnership is a limited partnership formed under the laws of Ontario to invest in flow-through shares of resource issuers whose shares are listed on a Canadian stock exchange and flow-through shares of private resource issuers, in each case, whose principal business is oil and gas exploration, development and production, mineral exploration, development and/or production and the generation of electrical and heat energy.

3. The general partner of the Partnership is Dominion Equity Management 2004 Inc., (the **General Partner**), which is a corporation incorporated under the laws of Alberta. The General Partner is an indirect wholly-owned subsidiary of Network.

4. Units of the Partnership will be offered by way of prospectus dated May 31, 2004 in the Provinces of Alberta, British Columbia and Ontario.

5. The Partnership's principal place of business in Alberta is Suite 175, Kipling Square, 601 – 10th Avenue S.W., Calgary, Alberta, T2B 0B2. The Partnership's principal place of business in Ontario is Suite 3400, 1 First Canadian Place, P.O. Box 130, Toronto, Ontario M5X 1A7. None of the mind or management of the General Partner or Network are resident in Ontario.

6. Pursuant to an investment management agreement, Network will provide investment management services to the General Partner acting on behalf of the Partnership. Network has been appointed as the exclusive manager of all investments on behalf of the Partnership and as such will have the exclusive authority to make all investment decisions with respect to proceeds available for investment.

7. All advice provided by Network to the Partnership will be given and received outside Ontario.

AND WHEREAS clause 25(l)(c) of the Act prohibits a company acting as an advisor unless the person or company is registered as an advisor and the registration has been made in accordance with Ontario securities laws;

AND UPON the Commission being satisfied that to make this order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to subsection 74(1) of the Act that Network and its representatives, partners and officers are not subject to the requirement of clause 25(l)(c) of the Act in respect of the advice it provides to the Partnership provided that:

a) Network remains not ordinarily resident in Ontario;

b) Network is registered as an adviser under the *Securities Act* (Alberta);

c) no activities in respect of the operation of the Partnership occur in Ontario except in respect of the distribution of units of the Partnership; and

d) Network's advice to the Partnership is given outside the Province of Ontario.

June 15, 2004.

"Paul M. Moore" "Suresh Thakrar"

2.3 Rulings

2.3.1 Westwind Partners Inc. and Westwind Partners (USA) Inc. - ss. 74(1)

Headnote

U.S. registered broker-dealer, which is a subsidiary of an Ontario registered dealer, exempted from the requirements of subsection 25(1)(a) of the Act with respect to trades effected by salespersons who are registered representatives of both the broker-dealer and the investment dealer, where trades are made with or on behalf of persons or companies who are resident in the U.S. – Salespersons of broker-dealer also exempted from requirements of subsection 25(1)(a) of the Act with respect to their trading on behalf of broker-dealer – Broker-dealer and salespersons of broker-dealer to comply with all applicable United States securities law – Broker-dealer will not trade with or on behalf of persons or companies who are resident in Canada.

Statues Cited

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

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

AND

IN THE MATTER OF
WESTWIND PARTNERS INC. AND
WESTWIND PARTNERS (USA) INC.

RULING
(Section 74(1) of the Act)

UPON the application of Westwind Partners Inc. ("Westwind Cda") and Westwind Partners (USA) Inc. ("Westwind US") to the Ontario Securities Commission (the "Commission") pursuant to subsection 74(1) of the *Securities Act* (Ontario) (the "Act") for a ruling that where persons who are salespersons or officers of Westwind US and who are also registered under the Act to trade on behalf of Westwind Cda as salespeople or officers of Westwind Cda ("dual representatives") act on behalf of Westwind US in respect of trades in securities with or for persons or entities who are resident in the United States ("US Clients"), the dual representatives and Westwind US shall not be subject to section 25(1) of the Act;

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

AND UPON representation to the Commission that:

1. Westwind Cda is incorporated under the laws of Canada. Westwind's head office is located in Toronto, Ontario;

2. Westwind Cda is registered as a dealer under the Act in the categories of broker and investment dealer and is a member of the investment Dealers Association of Canada;

3. Westwind US is incorporated pursuant to the laws of the Province of Ontario and is an affiliate of Westwind Cda. Westwind US and Westwind Cda operate out of the same premises in Toronto, Ontario;

4. Westwind US is registered as a broker-dealer under the *U.S. Securities Exchange Act of 1934*, as amended, and is a member of the National Association of Securities Dealers, Inc.;

5. Westwind US was established as a vehicle for trading in Canadian securities with or for US Clients, primarily institutional investors;

6. Westwind US does not trade in securities with or on behalf of persons or entities who are resident in Canada;

7. Where Westwind US trades with or on behalf of US Clients, Westwind US and any dual representatives who act on behalf of Westwind US in respect of such trades comply with applicable US securities laws;

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

IT IS RULED, pursuant to section 74(1) of the Act, that:

1. Dual representatives shall not be subject to the registration requirements of section 25(1)(a) of the Act where the dual representatives act on behalf of Westwind US in respect of trades in securities with or for US Clients, provided that the dual representatives comply with applicable US Securities laws; and

2. Westwind US shall not be subject to the registration requirements of section 25(1)(a) of the Act with respect to trading in securities with or on behalf of US Clients provided that:

   i) Westwind US complies with all registration and other requirements under applicable United States securities laws;

   ii) a dual representative acts on behalf of Westwind US in respect of such trading; and

iii) Westwind US shall file with the Commission such reports as to trading in securities as the Commission may from time to time require.

June 18, 2004.

"Susan Wolburgh Jenah" "Robert L. Shirriff"

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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
Apiva Ventures Limited	23 Jun 04	05 Jul 04		
CPG Capital Corp.	16 Jun 04	28 Jun 04		
Hardwood Properties Ltd.	16 Jun 04	28 Jun 04		
Wardley China Investment Trust	16 Jun 04	28 Jun 04		

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
AFM Hospitality Corporation	25 May 04	07 Jun 04	07 Jun 04		
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Aspen Group Resources Corp.	20 May 04	02 Jun 04	02 Jun 04		
Atlantis Systems Corp.	25 May 04	07 Jun 04	07 Jun 04		
Cabletel Communications Corp.	25 May 04	07 Jun 04	07 Jun 04		
Denninghouse Inc.	15 Jun 04	25 Jun 04			
Hollinger Canadian Newspapers, Limited Partnership	18 May 04	01 Jun 04	01 Jun 04		
Hollinger Inc.	18 May 04	01 Jun 04	01 Jun 04		
Hollinger International Inc.	18 May 04	01 Jun 04	01 Jun 04		
McWatters Mining Inc.	26 May 04	08 Jun 04	08 Jun 04		
Nortel Networks Corporation	17 May 04	31 May 04	31 May 04		
Nortel Networks Limited	17 May 04	31 May 04	31 May 04		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Goldstake Explorations Inc.	**21 Jun 04**

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Chapter 5

Rules and Policies

5.1.1 Amendments to OSC Rule 61-501 – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions and Companion Policy 61-501CP

AMENDMENTS TO RULE 61-501 – *INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS* AND COMPANION POLICY 61-501CP

Rule 61-501 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* and Companion Policy 61-501CP are amended by deleting them in their entirety, including their titles, and substituting the following:

ONTARIO SECURITIES COMMISSION RULE 61-501
INSIDER BIDS, ISSUER BIDS, BUSINESS COMBINATIONS
AND RELATED PARTY TRANSACTIONS

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ONTARIO SECURITIES COMMISSION RULE 61-501
INSIDER BIDS, ISSUER BIDS, BUSINESS COMBINATIONS
AND RELATED PARTY TRANSACTIONS

PART 1 INTERPRETATION

1.1 Definitions and Interpretations - In this Rule

"affected security" means

(a) for a business combination of an issuer, an equity security of the issuer in which the interest of a holder would be terminated as a consequence of the transaction, and

(b) for a related party transaction of an issuer, an equity security of the issuer;

"affiliated entity": a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company;

"arm's length" has the meaning ascribed to that term in section 251 of the *Income Tax Act* (Canada), or any successor to that legislation, and, in addition to that meaning, an entity is deemed not to deal at arm's length with a related party of the entity;

"associated entity", where used to indicate a relationship with an entity, has the meaning ascribed to the term "associate" in subsection 1(1) of the Act and also includes any person of which the entity beneficially owns voting securities carrying more than 10 per cent of the voting rights attached to all the outstanding voting securities of the person;

"beneficially owns" includes direct or indirect beneficial ownership, and

(a) despite subsections 1(5) and 1(6) of the Act, a person or company is not deemed to beneficially own securities that are beneficially owned by its affiliated entity, unless the affiliated entity is also its subsidiary entity, and

(b) for the purposes of the definitions of control block holder and related party, section 90 of the Act applies in determining beneficial ownership of securities;

"bona fide lender" means a person or company that

(a) is an issuer insider of an issuer solely through the holding of, or the exercise of control or direction over, securities used as collateral for a debt under a written agreement entered into by the person or company as a lender, assignee, transferee or participant,

(b) is not yet legally entitled to dispose of the securities for the purpose of applying proceeds of realization in repayment of the secured debt, and

(c) was not a related party of the issuer at the time the agreement referred to in paragraph (a) was entered into;

"business combination" means, for an issuer, an amalgamation, arrangement, consolidation, amendment to the terms of a class of equity securities or any other transaction of the issuer, as a consequence of which the interest of a holder of an equity security of the issuer may be terminated without the holder's consent, regardless of whether the equity security is replaced with another security, but does not include

(a) an acquisition of an equity security of the issuer under a statutory right of compulsory acquisition or, if the issuer is not a corporation, under provisions substantially equivalent to those comprising section 188 of the OBCA,

(b) a consolidation of securities that does not have the effect of terminating the interests of holders of equity securities of the issuer in those securities without their consent, through the elimination of post-consolidated fractional interests or otherwise, except to an extent that is nominal in the circumstances,

(c) a termination of a holder's interest in a security, under the terms attached to the security, for the purpose of enforcing an ownership or voting constraint that is necessary to enable the issuer to comply with legislation, lawfully engage in a particular activity or have a specified level of Canadian ownership,

(d) a downstream transaction for the issuer, or

(e) a transaction in which no person or company that is a related party of the issuer at the time the transaction is agreed to

(i) would, as a consequence of the transaction, directly or indirectly acquire the issuer or the business of the issuer, or combine with the issuer, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,

(ii) is a party to any connected transaction to the transaction, or

(iii) is entitled to receive, directly or indirectly, as a consequence of the transaction

(A) consideration per equity security that is not identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class,

(B) a collateral benefit, or

(C) consideration for securities of a class of equity securities of the issuer if the issuer has more than one outstanding class of equity securities, unless that consideration is not greater than the entitlement of the general body of holders in Canada of every other class of equity securities of the issuer in relation to the voting and financial participating interests in the issuer represented by the respective securities;

"class" includes a series of a class;

"collateral benefit", for a transaction of an issuer or for a formal bid for securities of an issuer, means any benefit that a related party of the issuer is entitled to receive, directly or indirectly, as a consequence of the transaction or bid, including, without limitation, an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of the issuer or of another entity, regardless of the existence of any offsetting costs to the related party or whether the benefit is provided, or agreed to, by the issuer, another party to the transaction or the offeror in the bid, but does not include

(a) a payment or distribution per equity security that is identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class,

(b) an enhancement of employee benefits resulting from participation by the related party in a group plan, other than an incentive plan, for employees of a successor to the business of the issuer, if the benefits provided by the group plan are generally provided to employees of the successor to the business of the issuer who hold positions of a similar nature to the position held by the related party, or

(c) a benefit, not described in paragraph (b), that is received solely in connection with the related party's services as an employee, director or consultant of the issuer, of an affiliated entity of the issuer or of a successor to the business of the issuer, if

(i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction or bid,

(ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction or bid in any manner,

(iii) full particulars of the benefit are disclosed in the disclosure document for the transaction, or in the directors' circular in the case of a take-over bid, and

(iv) (A) at the time the transaction is agreed to or the bid is publicly announced, the related party and its associated entities beneficially own or exercise control or direction over less than one per cent of the outstanding securities of each class of equity securities of the issuer, or

(B) if the transaction is a business combination for the issuer or a formal bid for securities of the issuer,

(I) the related party discloses to an independent committee of the issuer the amount of consideration that the related party expects it will be beneficially entitled to receive, under the terms of the transaction or bid, in exchange for the equity securities beneficially owned by the related party,

(II) the independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than five per cent of the value referred to in subclause (I), and

(III) the independent committee's determination is disclosed in the disclosure document for the transaction, or in the directors' circular in the case of a take-over bid;

"connected transactions" means two or more transactions that have at least one party in common, directly or indirectly, and

(a) are negotiated or completed at approximately the same time, or

(b) the completion of at least one of the transactions is conditional on the completion of each of the other transactions,

other than transactions related solely to services as an employee, director or consultant;

"consultant" has the meaning ascribed to that term in section 1.1 of Multilateral Instrument 45-105 - *Trades to Employees, Senior Officers, Directors, and Consultants*;

"control block holder" of an entity means a person or company, other than a bona fide lender, that, whether alone or with joint actors, beneficially owns or exercises control or direction over securities of the entity sufficient to affect materially the control of the entity, and in the absence of evidence to the contrary, beneficial ownership or control or direction over voting securities to which are attached more than 20 per cent of the votes attached to all the outstanding voting securities of the entity is considered sufficient to affect materially the control of the entity;

"controlled": for the purposes only of the definition of "subsidiary entity", an entity is considered to be controlled by a person or company if

(a) in the case of an entity that has directors

(i) the person or company beneficially owns or exercises control or direction over voting securities of the entity carrying more than 50 per cent of the votes for the election of directors, and

(ii) the votes carried by the securities entitle the holder to elect a majority of the directors of the entity,

(b) in the case of a partnership or other entity that does not have directors, other than a limited partnership, the person or company beneficially owns or exercises control or direction over more than 50 per cent of the voting interests in the partnership or other entity, or

(c) in the case of an entity that is a limited partnership, the person or company is the general partner or controls the general partner within the meaning of paragraph (a) or (b);

"convertible" means convertible into, exchangeable for, or carrying the right to purchase or cause the purchase of, another security;

"director", for an issuer that is a limited partnership, includes a director of the general partner of the issuer, except for the purposes of the definition of "controlled";

"disclosure document" means

(a) for a take-over bid (including an insider bid), a take-over bid circular sent to holders of offeree securities,

(b) for an issuer bid, an issuer bid circular sent to holders of offeree securities,

(c) for a business combination, an information circular sent to holders of affected securities, or, if no information circular is required, another document sent to holders of affected securities in connection with a meeting of holders of affected securities, and

(d) for a related party transaction,

(i) an information circular sent to holders of affected securities,

(ii) if no information circular is required, another document sent to holders of affected securities in connection with a meeting of holders of affected securities, or

(iii) if no information circular or other document referred to in subparagraph (ii) is required, a material change report filed for the transaction;

"downstream transaction" means, for an issuer, a transaction between the issuer and a related party of the issuer if, at the time the transaction is agreed to

(a) the issuer is a control block holder of the related party, and

(b) to the knowledge of the issuer after reasonable inquiry, no related party of the issuer, other than a wholly-owned subsidiary entity of the issuer, beneficially owns or exercises control or direction over, other than through its interest in the issuer, more than five per cent of any class of voting or equity securities of the related party that is a party to the transaction;

"entity" means a person or company;

"equity security" has the meaning ascribed to that term in subsection 89(1) of the Act;

"fair market value" means, except as provided in paragraph 6.4(2)(d), the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act;

"formal bid" has the meaning ascribed to that term in subsection 89(1) of the Act;

"formal valuation" means a valuation prepared in accordance with Part 6;

"freely tradeable" means, for securities, that

(a) the securities are transferable,

(b) the securities are not subject to any escrow requirements,

(c) the securities do not form part of the holdings of any person or company or combination of persons or companies referred to in paragraph (c) of the definition of "distribution" in the Act,

(d) the securities are not subject to any cease trade order imposed by a Canadian securities regulatory authority,

(e) all hold periods imposed by Canadian securities legislation before the securities can be traded without a prospectus or in reliance on a prospectus exemption have expired, and

(f) any period of time imposed by Canadian securities legislation for which the issuer has to have been a reporting issuer in a jurisdiction before the securities can be traded without a prospectus or in reliance on a prospectus exemption has passed;

"incentive plan" means a group plan that provides for stock options or other equity incentives, profit sharing, bonuses, or other performance-based payments;

"income trust" means a trust or other entity that issues securities that entitle the holders to net cash flows generated by another entity;

"independent committee" means, for an issuer, a committee consisting exclusively of one or more independent directors of the issuer;

"independent director" means, for an issuer in respect of a transaction, a director who is independent as determined in section 7.1;

"independent valuator" means, for a transaction, a valuator that is independent of all interested parties in the transaction, as determined in section 6.1;

"insider bid" means a take-over bid made by

(a) an issuer insider of the offeree issuer,

(b) an associated or affiliated entity of an issuer insider of the offeree issuer,

(c) an associated or affiliated entity of the offeree issuer,

(d) a person or company described in paragraph (a), (b) or (c) at any time within 12 months preceding the commencement of the bid, or

(e) a joint actor with a person or company referred to in paragraph (a), (b), (c) or (d);

"interested party" means

(a) for a take-over bid (including an insider bid), the offeror or a joint actor with the offeror,

(b) for an issuer bid

(i) the issuer, and

(ii) any control block holder of the issuer, or any person or company that would reasonably be expected to be a control block holder of the issuer upon successful completion of the issuer bid,

(c) for a business combination, a related party of the issuer at the time the transaction is agreed to, if the related party

(i) would, as a consequence of the transaction, directly or indirectly acquire the issuer or the business of the issuer, or combine with the issuer, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,

(ii) is a party to any connected transaction to the business combination, or

(iii) is entitled to receive, directly or indirectly, as a consequence of the transaction

(A) consideration per affected security that is not identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class,

(B) a collateral benefit, or

(C) consideration for securities of a class of equity securities of the issuer if the issuer has more than one outstanding class of equity securities, unless that consideration

is not greater than the entitlement of the general body of holders in Canada of every other class of equity securities of the issuer in relation to the voting and financial participating interests in the issuer represented by the respective securities, and

(d) for a related party transaction, a related party of the issuer at the time the transaction is agreed to, if the related party

(i) is a party to the transaction, unless it is a party only in its capacity as a holder of affected securities and is treated identically to the general body of holders in Canada of securities of the same class on a per security basis, or

(ii) is entitled to receive, directly or indirectly, as a consequence of the transaction

(A) a collateral benefit, or

(B) a payment or distribution made to one or more holders of a class of equity securities of the issuer if the issuer has more than one outstanding class of equity securities, unless the amount of that payment or distribution is not greater than the entitlement of the general body of holders in Canada of every other class of equity securities of the issuer in relation to the voting and financial participating interests in the issuer represented by the respective securities;

“issuer insider” means, for an issuer

(a) a director or senior officer of the issuer,

(b) a director or senior officer of an entity that is itself an issuer insider or subsidiary entity of the issuer, or

(c) a person or company that beneficially owns or exercises control or direction over voting securities of the issuer carrying more than 10 per cent of the voting rights attached to all the outstanding voting securities of the issuer;

“joint actors”, when used to describe the relationship among two or more entities, means persons or companies “acting jointly or in concert” as defined in section 91 of the Act, with necessary modifications where the term is used in the context of a transaction that is not a take-over bid or issuer bid, but a security holder is not considered to be a joint actor with an offeror making a formal bid, or with a person or company involved in a business combination or related party transaction, solely because there is an agreement, commitment or understanding that the security holder will tender to the bid or vote in favour of the transaction;

“liquid market” means a market that meets the criteria specified in section 1.2;

“market capitalization” of an issuer means, for a transaction, the aggregate market price of all outstanding securities of all classes of equity securities of the issuer, the market price of the outstanding securities of a class being

(a) in the case of equity securities of a class for which there is a published market, the product of

(i) the number of securities of the class outstanding as of the close of business on the last business day of the calendar month preceding the calendar month in which the transaction is agreed to or, if no securities of the class were outstanding on that day, on the first business day after that day that securities of the class became outstanding, so long as that day precedes the date the transaction is agreed to, and

(ii) the market price of the securities at the time referred to in subparagraph (i), on the published market on which the class of securities is principally traded, as determined in accordance with subsections 183(1), (2) and (4) of the Regulation,

(b) in the case of equity securities of a class for which there is no published market but that are currently convertible into a class of equity securities for which there is a published market, the product of

(i) the number of equity securities into which the convertible securities were convertible as of the close of business on the last business day of the calendar month preceding the calendar

month in which the transaction is agreed to or, if no convertible securities were outstanding or convertible on that day, on the first business day after that day that the convertible securities became outstanding or convertible, so long as that day precedes the date the transaction is agreed to, and

(ii) the market price of the securities into which the convertible securities were convertible, at the time referred to in subparagraph (i), on the published market on which the class of securities is principally traded, as determined in accordance with subsections 183(1), (2) and (4) of the Regulation, and

(c) in the case of equity securities of a class not referred to in paragraph (a) or (b), the amount determined by the issuer's board of directors in good faith to represent the fair market value of the outstanding securities of that class;

"minority approval" means, for a business combination or related party transaction of an issuer, approval of the proposed transaction by a majority of the votes as specified in Part 8, cast by holders of each class of affected securities at a meeting of security holders of that class called to consider the transaction;

"OBCA" means the *Business Corporations Act*;

"offeree security" means a security that is subject to a take-over bid or issuer bid;

"offeror" has the meaning ascribed to that term in subsection 89(1) of the Act;

"prior valuation" means a valuation or appraisal of an issuer or its securities or material assets, whether or not prepared by an independent valuator, that, if disclosed, would reasonably be expected to affect the decision of a security holder to vote for or against a transaction, or to retain or dispose of affected securities or offeree securities, other than

(a) a report of a valuation or appraisal prepared by an entity other than the issuer, if

(i) the report was not solicited by the issuer, and

(ii) the entity preparing the report did so without knowledge of any material information concerning the issuer, its securities or any of its material assets, that had not been generally disclosed at the time the report was prepared,

(b) an internal valuation or appraisal prepared for the issuer in the ordinary course of business that has not been made available to, and has been prepared without the participation of

(i) the board of directors of the issuer, or

(ii) any director or senior officer of an interested party, except a senior officer of the issuer in the case of an issuer bid,

(c) a report of a market analyst or financial analyst that

(i) has been prepared by or for and at the expense of an entity other than the issuer, an interested party, or an associated or affiliated entity of the issuer or an interested party, and

(ii) is either generally available to clients of the analyst or of the analyst's employer or of an associated or affiliated entity of the analyst's employer or, if not, is not based, so far as the entity required to disclose a prior valuation is aware, on any material information concerning the issuer, its securities or any of its material assets, that had not been generally disclosed at the time the report was prepared,

(d) a valuation or appraisal prepared by an entity or a person or company retained by the entity, for the purpose of assisting the entity in determining the price at which to propose a transaction that resulted in the entity becoming an issuer insider, if the valuation or appraisal is not made available to any of the independent directors of the issuer, or

(e) a valuation or appraisal prepared by an interested party or an entity retained by the interested party, for the purpose of assisting the interested party in determining the price at which to propose a transaction that, if pursued, would be an insider bid, business combination or related party

transaction, if the valuation or appraisal is not made available to any of the independent directors of the issuer;

"related party" of an entity means a person or company that, at the relevant time and after reasonable inquiry, is known by the entity or a director or senior officer of the entity to be

(a) a control block holder of the entity,

(b) a person or company of which a person or company referred to in paragraph (a) is a control block holder,

(c) a person or company of which the entity is a control block holder,

(d) a person or company, other than a bona fide lender, that beneficially owns or exercises control or direction over voting securities of the entity carrying more than 10 per cent of the voting rights attached to all the outstanding voting securities of the entity,

(e) a director or senior officer of

(i) the entity, or

(ii) a person or company described in any other paragraph of this definition,

(f) a person or company that manages or directs, to any substantial degree, the affairs or operations of the entity under an agreement, arrangement or understanding between the person or company and the entity, including the general partner of an entity that is a limited partnership, but excluding a person or company acting under bankruptcy or insolvency law,

(g) a person or company of which persons or companies described in any paragraph of this definition beneficially own, in the aggregate, more than 50 per cent of the securities of any outstanding class of equity securities, or

(h) an affiliated entity of any person or company described in any other paragraph of this definition;

"related party transaction" means, for an issuer, a transaction between the issuer and a person or company that is a related party of the issuer at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with connected transactions, the issuer directly or indirectly

(a) purchases or acquires an asset from the related party for valuable consideration,

(b) purchases or acquires, as a joint actor with the related party, an asset from a third party if the proportion of the asset acquired by the issuer is less than the proportion of the consideration paid by the issuer,

(c) sells, transfers or disposes of an asset to the related party,

(d) sells, transfers or disposes of, as a joint actor with the related party, an asset to a third party if the proportion of the consideration received by the issuer is less than the proportion of the asset sold, transferred or disposed of by the issuer,

(e) leases property to or from the related party,

(f) acquires the related party, or combines with the related party, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,

(g) issues a security to the related party or subscribes for a security of the related party,

(h) amends the terms of a security of the issuer if the security is beneficially owned, or is one over which control or direction is exercised, by the related party, or agrees to the amendment of the terms of a security of the related party if the security is beneficially owned by the issuer or is one over which the issuer exercises control or direction,

(i) assumes or otherwise becomes subject to a liability of the related party,

(j) borrows money from or lends money to the related party, or enters into a credit facility with the related party,

(k) releases, cancels or forgives a debt or liability owed by the related party,

(l) materially amends the terms of an outstanding debt or liability owed by or to the related party, or the terms of an outstanding credit facility with the related party, or

(m) provides a guarantee or collateral security for a debt or liability of the related party, or materially amends the terms of the guarantee or security;

“senior officer”, for an issuer that is a limited partnership, includes a senior officer of the general partner of the issuer;

“subsidiary entity”: a person or company is considered to be a subsidiary entity of another person or company if

(a) it is controlled by

(i) that other,

(ii) that other and one or more persons or companies, each of which is controlled by that other, or

(iii) two or more persons or companies, each of which is controlled by that other, or

(b) it is a subsidiary entity of a person or company that is that other's subsidiary entity; and

“wholly-owned subsidiary entity”: a person or company is considered to be a wholly-owned subsidiary entity of an issuer if the issuer owns, directly or indirectly, all the voting and equity securities and securities convertible into voting and equity securities of the person or company.

1.2 Liquid Market

(1) For the purposes of this Rule, a liquid market in a class of securities of an issuer in respect of a transaction exists at a particular time only

(a) if

(i) there is a published market for the class of securities,

(ii) during the period of 12 months before the date the transaction is agreed to in the case of a business combination, or 12 months before the date the transaction is publicly announced in the case of an insider bid or issuer bid

(A) the number of outstanding securities of the class was at all times at least 5,000,000, excluding securities beneficially owned, or over which control or direction was exercised, by related parties and securities that were not freely tradeable,

(B) the aggregate trading volume of the class of securities on the published market on which the class was principally traded was at least 1,000,000 securities,

(C) there were at least 1,000 trades in securities of the class on the published market on which the class was principally traded, and

(D) the aggregate value of the trades in securities of the class on the published market on which the class was principally traded was at least $15,000,000, and

(iii) the market value of the class of securities on the published market on which the class was principally traded, as determined in accordance with subsection (2), was at least $75,000,000 for the calendar month preceding the calendar month

(A) in which the transaction is agreed to, in the case of a business combination, or

(B) in which the transaction is publicly announced, in the case of an insider bid or issuer bid; or

(b) if the test set out in paragraph (a) is not met,

(i) there is a published market for the class of securities,

(ii) a person or company that is qualified and independent of all interested parties to the transaction, as determined on the same basis applicable to a valuator preparing a formal valuation under section 6.1, provides an opinion to the issuer that there is a liquid market in the class at the date the transaction is agreed to in the case of a business combination, or at the date the transaction is publicly announced in the case of an insider bid or issuer bid,

(iii) the opinion is included in the disclosure document for the transaction, together with a statement that the published market on which the class is principally traded has sent a letter to the Director indicating concurrence with the opinion or providing a similar opinion, and

(iv) the disclosure document for the transaction includes the same disclosure regarding the person or company providing the opinion as is required for a valuator under section 6.2.

(2) For the purpose of determining whether an issuer satisfies the market value requirement of subparagraph (1)(a)(iii), the market value of a class of securities for a calendar month is calculated by multiplying

(a) the number of securities of the class outstanding as of the close of business on the last business day of the calendar month, excluding securities beneficially owned, or over which control or direction was exercised, by related parties of the issuer and securities that were not freely tradeable; by

(b) if

(i) the published market provides a closing price for the securities, the arithmetic average of the closing prices of the securities of that class on the published market on which that class was principally traded for each of the trading days during the calendar month, or

(ii) the published market does not provide a closing price, but provides only the highest and lowest prices of securities traded on a particular day, the arithmetic average of the simple averages of the highest and lowest prices of the securities of that class on the published market on which that class was principally traded for each of the trading days for which the securities traded during the calendar month.

(3) An issuer that relies on an opinion referred to in subparagraph (1)(b)(ii) shall cause the letter referred to in subparagraph (1)(b)(iii) to be sent promptly to the Director.

1.3 Transactions by Wholly-Owned Subsidiary Entity - In this Rule, a transaction of a wholly-owned subsidiary entity of an issuer is deemed to be also a transaction of the issuer, and, for greater certainty, a formal bid made by a wholly-owned subsidiary entity of an issuer for securities of the issuer is deemed to be also an issuer bid made by the issuer.

1.4 Transactions by Underlying Operating Entity of Income Trust - In this Rule, a transaction of an underlying operating entity of an income trust is deemed to be a transaction of the income trust, and a related party of the underlying operating entity is deemed to be a related party of the income trust.

1.5 Redeemable Securities as Consideration in Business Combination - In this Rule, if all or part of the consideration that holders of affected securities receive in a business combination consists of securities that are redeemed for cash within seven days of their issuance, the cash proceeds of the redemption, rather than the redeemed securities, are deemed to be consideration that the holders of the affected securities receive in the business combination.

1.6 Application to Act, Regulation and Other Rules - For the purposes of the Act, the Regulation and the rules, “going private transaction” has the meaning ascribed to the term “business combination” in section 1.1 of this Rule, and “insider bid” and “related party transaction” have the meanings ascribed to those terms in section 1.1 of this Rule.

PART 2 INSIDER BIDS

2.1 Application

(1) This Part does not apply to an insider bid that is exempt from sections 95 to 100 of the Act under

(a) subsection 93(1) of the Act; or

(b) a decision made by the Commission under clause 104(2)(c) of the Act, unless the decision provides otherwise.

(2) This Part does not apply to a take-over bid that is an insider bid solely because of the application of section 90 of the Act to an agreement between the offeror and a security holder of the offeree issuer that offeree securities beneficially owned by the security holder, or over which the security holder exercises control or direction, will be tendered to the bid, if

(a) the security holder is not a joint actor with the offeror; and

(b) the general nature and material terms of the agreement to tender are disclosed in a news release and report filed under section 101 of the Act, or are otherwise generally disclosed.

(3) This Part does not apply to an insider bid in respect of which the offeror complies with National Instrument 71-101 - *The Multijurisdictional Disclosure System*, unless persons or companies whose last address as shown on the books of the offeree issuer is in Canada, as determined in accordance with subsections 12.1(2) to (4) of National Instrument 71-101, hold 20 per cent or more of the class of securities that is the subject of the bid.

2.2 Disclosure

(1) The offeror shall disclose in the disclosure document for an insider bid

(a) the background to the insider bid;

(b) in accordance with section 6.8, every prior valuation in respect of the offeree issuer

(i) that has been made in the 24 months before the date of the insider bid, and

(ii) the existence of which is known, after reasonable inquiry, to the offeror or any director or senior officer of the offeror; and

(c) the formal valuation exemption, if any, on which the offeror is relying under section 2.4 and the facts supporting that reliance.

(2) The board of directors of the offeree issuer shall include in the directors' circular for an insider bid

(a) disclosure, in accordance with section 6.8, of every prior valuation in respect of the offeree issuer not disclosed in the disclosure document for the insider bid

(i) that has been made in the 24 months before the date of the insider bid, and

(ii) the existence of which is known, after reasonable inquiry, to the offeree issuer or to any director or senior officer of the offeree issuer;

(b) a description of the background to the insider bid to the extent the background has not been disclosed in the disclosure document for the insider bid;

(c) disclosure of any bona fide prior offer that relates to the offeree securities or is otherwise relevant to the insider bid, which offer was received by the issuer during the 24 months before the insider bid was publicly announced, and a description of the offer and the background to the offer; and

(d) a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the offeree issuer for the insider bid, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee.

2.3 Formal Valuation

(1) Subject to section 2.4, the offeror in an insider bid shall

(a) obtain, at its own expense, a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) include, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the insider bid, unless the formal valuation is included in its entirety in the disclosure document; and

(d) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) An independent committee of the offeree issuer shall, and the offeror shall enable the independent committee to

(a) determine who the valuator will be;

(b) supervise the preparation of the formal valuation; and

(c) use its best efforts to ensure that the formal valuation is completed and provided to the offeror in a timely manner.

2.4 Exemptions from Formal Valuation Requirement

(1) Section 2.3 does not apply to an offeror in connection with an insider bid in any of the following circumstances:

1. Discretionary Exemption - The offeror has been granted an exemption from section 2.3 under section 9.1.

2. Lack of Knowledge and Representation - Neither the offeror nor any joint actor with the offeror has, or has had within the preceding 12 months, any board or management representation in respect of the offeree issuer, or has knowledge of any material information concerning the offeree issuer or its securities that has not been generally disclosed.

3. Previous Arm's Length Negotiations - If

(a) the consideration per security under the insider bid is at least equal in value to and is in the same form as the highest consideration agreed to with one or more selling security holders of the offeree issuer in arm’s length negotiations in connection with

(i) the making of the insider bid,

(ii) one or more other transactions agreed to within 12 months before the date of the first public announcement of the insider bid, or

(iii) a combination of transactions referred to in clauses (i) and (ii),

(b) at least one of the selling security holders party to an agreement referred to in clause (a)(i) or (ii) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell

(i) at least five per cent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), if the person or company that entered into the agreement with the selling security holder beneficially owned 80 per cent or more of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), or

(ii) at least 10 per cent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), if the person or company that entered into the agreement with the selling security holder beneficially owned less

than 80 per cent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2),

(c) one or more of the selling security holders party to any of the transactions referred to in subparagraph (a) beneficially own or exercise control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell, in the aggregate, at least 20 per cent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (3), beneficially owned, or over which control or direction was exercised, by entities other than the person or company, and joint actors with the person or company, that entered into the agreements with the selling security holders,

(d) the offeror reasonably believes, after reasonable inquiry, that at the time of each of the agreements referred to in subparagraph (a)

(i) each selling security holder party to the agreement had full knowledge and access to information concerning the offeree issuer and its securities, and

(ii) any factors peculiar to a selling security holder party to the agreement, including non-financial factors, that were considered relevant by that selling security holder in assessing the consideration did not have the effect of reducing the price that would otherwise have been considered acceptable by that selling security holder,

(e) at the time of each of the agreements referred to in subparagraph (a), the offeror did not know of any material information in respect of the offeree issuer or the offeree securities that

(i) had not been generally disclosed, and

(ii) if generally disclosed, could have reasonably been expected to increase the agreed consideration,

(f) any of the agreements referred to in subparagraph (a) was entered into with a selling security holder by a person or company other than the offeror, the offeror reasonably believes, after reasonable inquiry, that at the time of that agreement, the person or company did not know of any material information in respect of the offeree issuer or the offeree securities that

(i) had not been generally disclosed, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration, and

(g) the offeror does not know, after reasonable inquiry, of any material information in respect of the offeree issuer or the offeree securities since the time of each of the agreements referred to in subparagraph (a) that has not been generally disclosed and could reasonably be expected to increase the value of the offeree securities.

4. Auction - If

(a) the insider bid is publicly announced or made while

(i) one or more formal bids for securities of the same class that is the subject of the insider bid have been made and are outstanding, or

(ii) one or more proposed transactions are outstanding that

(A) are business combinations in respect of securities of the same class that is the subject of the insider bid, or

(B) would be business combinations in respect of securities of the same class that is the subject of the insider bid, except that they come within the exception in paragraph (e) of the definition of business combination,

and ascribe a per security value to those securities,

(b) at the time the insider bid is made, the offeree issuer has provided equal access to the offeree issuer, and to information concerning the offeree issuer and its securities, to the offeror in the insider bid, all offerors in the other formal bids, and all parties to the proposed transactions described in clause (a)(ii), and

(c) the offeror, in the disclosure document for the insider bid,

(i) includes all material information concerning the offeree issuer and its securities that is known to the offeror after reasonable inquiry but has not been generally disclosed, together with a description of the nature of the offeror's access to the issuer, and

(ii) states that the offeror does not know, after reasonable inquiry, of any material information concerning the offeree issuer and its securities other than information that has been disclosed under clause (i) or that has otherwise been generally disclosed.

(2) For the purposes of subparagraph 3(b) of subsection (1), the number of outstanding securities of the class of offeree securities

(a) is calculated at the time of the agreement referred to in clause 3(a)(i) or (ii) of subsection (1), if the offeror knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based on the information most recently provided by the offeree issuer in a material change report, or under section 2.1 of National Instrument 62-102 - *Disclosure of Outstanding Share Data* or section 5.4 of National Instrument 51-102 - *Continuous Disclosure Obligations*, immediately preceding the date of the agreement referred to in clause 3(a)(i) or (ii) of subsection (1).

(3) For the purposes of subparagraph 3(c) of subsection (1), the number of outstanding securities of the class of offeree securities

(a) is calculated at the time of the last of the agreements referred to in subparagraph 3(a) of subsection (1), if the offeror knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based on the information most recently provided by the offeree issuer in a material change report, or under section 2.1 of National Instrument 62-102 or section 5.4 of National Instrument 51-102, immediately preceding the date of the last of the agreements referred to in subparagraph 3(a) of subsection (1).

PART 3 ISSUER BIDS

3.1 Application

(1) This Part does not apply to an issuer bid that is exempt from sections 95 to 100 of Part XX of the Act under

(a) subsection 93(3) of the Act; or

(b) a decision made by the Commission under clause 104(2)(c) of the Act, unless the decision provides otherwise.

(2) This Part does not apply to an issuer bid that complies with National Instrument 71-101 - *The Multijurisdictional Disclosure System*, unless persons or companies whose last address as shown on the books of the issuer is in Canada, as determined in accordance with subsections 12.1(2) to (4) of National Instrument 71-101, hold 20 per cent or more of the class of securities that is the subject of the bid.

3.2 Disclosure - The issuer shall include in the disclosure document for an issuer bid

(a) the disclosure required by Item 16, “Right of Appraisal and Acquisition”, of Form 32 of the Regulation, to the extent applicable;

(b) a description of the background to the issuer bid;

(c) disclosure, in accordance with section 6.8, of every prior valuation in respect of the issuer

(i) that has been made in the 24 months before the date of the issuer bid, and

(ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer;

(d) disclosure of any bona fide prior offer that relates to the offeree securities or is otherwise relevant to the issuer bid, which offer was received by the issuer during the 24 months before the issuer bid was publicly announced, and a description of the offer and the background to the offer;

(e) a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the issuer bid, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee;

(f) a statement of the intention, if known to the issuer after reasonable inquiry, of every interested party to accept or not to accept the issuer bid;

(g) a description of the effect that the issuer anticipates the issuer bid, if successful, will have on the direct or indirect voting interest in the issuer of every interested party; and

(h) disclosure of the formal valuation exemption, if any, on which the issuer is relying under section 3.4 and the facts supporting that reliance.

3.3 Formal Valuation

(1) Subject to section 3.4, an issuer that makes an issuer bid shall

(a) obtain a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) include, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the issuer bid, unless the formal valuation is included in its entirety in the disclosure document;

(d) if there is an interested party other than the issuer, state in the disclosure document who will pay or has paid for the valuation; and

(e) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

3.4 Exemptions from Formal Valuation Requirement - Section 3.3 does not apply to an issuer in connection with an issuer bid in any of the following circumstances:

1. Discretionary Exemption - The issuer has been granted an exemption from section 3.3 under section 9.1.

2. Bid for Non-Convertible Securities - The issuer bid is for securities that are not equity securities and that are not, directly or indirectly, convertible into equity securities.

3. Liquid Market - The issuer bid is made for securities for which

(a) a liquid market exists,

(b) it is reasonable to conclude that, following the completion of the bid, there will be a market for holders of the securities who do not tender to the bid that is not materially less liquid than the market that existed at the time of the making of the bid, and

(c) if an opinion referred to in subparagraph (b)(ii) of subsection 1.2(1) is provided, the person or company providing the opinion reaches the conclusion described in subparagraph 3(b) of this section 3.4 and so states in its opinion.

PART 4 BUSINESS COMBINATIONS

4.1 Application - This Part does not apply to an issuer carrying out a business combination if

(a) the issuer is not a reporting issuer;

(b) the issuer is a mutual fund; or

(c) (i) at the time the business combination is agreed to,

(A) persons or companies whose last address as shown on the books of the issuer is in Ontario hold less than two per cent of the outstanding securities of each class of affected securities of the issuer, and

(B) the issuer reasonably believes that persons or companies who are in Ontario beneficially own less than two per cent of the outstanding securities of each class of affected securities of the issuer, and

(ii) all documents concerning the transaction that are sent generally to other holders of affected securities of the issuer are concurrently sent to all holders of the securities whose last address as shown on the books of the issuer is in Ontario.

4.2 Meeting and Information Circular

(1) Without limiting the application of any other legal requirements that apply to meetings of security holders and information circulars, this section applies only to a business combination for which section 4.5 requires the issuer to obtain minority approval.

(2) An issuer proposing to carry out a business combination shall call a meeting of holders of affected securities and send an information circular to those holders.

(3) The issuer shall include in the information circular

(a) the disclosure required by Form 33 of the Regulation, to the extent applicable and with necessary modifications;

(b) the disclosure required by Item 16, “Right of Appraisal and Acquisition”, of Form 32 of the Regulation, to the extent applicable, together with a description of rights that may be available to security holders opposed to the transaction;

(c) a description of the background to the business combination;

(d) disclosure in accordance with section 6.8 of every prior valuation in respect of the issuer

(i) that has been made in the 24 months before the date of the information circular, and

(ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer;

(e) disclosure of any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the transaction, which offer was received by the issuer during the 24 months before the business combination was agreed to, and a description of the offer and the background to the offer;

(f) a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary

view or abstention by a director and any material disagreement between the board and the special committee;

(g) disclosure of the formal valuation exemption, if any, on which the issuer is relying under section 4.4 and the facts supporting that reliance; and

(h) disclosure of the number of votes attached to the securities that, to the knowledge of the issuer after reasonable inquiry, will be excluded in determining whether minority approval for the business combination is obtained.

(4) If, after sending the information circular and before the meeting, a change occurs that, if disclosed, would reasonably be expected to affect the decision of a holder of affected securities to vote for or against the business combination or to retain or dispose of affected securities, the issuer shall promptly disseminate disclosure of the change

(a) in a manner that the issuer reasonably determines will inform beneficial owners of affected securities of the change; and

(b) sufficiently in advance of the meeting that the beneficial owners of affected securities will be able to assess the impact of the change.

(5) If subsection (4) applies, the issuer shall file a copy of the disseminated information contemporaneously with its dissemination.

4.3 Formal Valuation

(1) Subject to section 4.4, an issuer shall obtain a formal valuation for a business combination if

(a) an interested party would, as a consequence of the transaction, directly or indirectly acquire the issuer or the business of the issuer, or combine with the issuer, through an amalgamation, arrangement or otherwise, whether alone or with joint actors, or

(b) an interested party is a party to any connected transaction to the business combination, if the connected transaction is a related party transaction for which the issuer is required to obtain a formal valuation under section 5.4.

(2) If a formal valuation is required under subsection (1), the issuer shall

(a) provide the disclosure required by section 6.2;

(b) include, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the business combination, unless the formal valuation is included in its entirety in the disclosure document;

(c) state in the disclosure document for the business combination who will pay or has paid for the valuation; and

(d) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(3) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

4.4 Exemptions from Formal Valuation Requirement

(1) Section 4.3 does not apply to an issuer carrying out a business combination in any of the following circumstances:

1. <u>Discretionary Exemption</u> - The issuer has been granted an exemption from section 4.3 under section 9.1.

2. Issuer Not Listed on Specified Markets - No securities of the issuer are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States.

3. Previous Arm's Length Negotiations - If

(a) the consideration per affected security under the business combination is at least equal in value to and is in the same form as the highest consideration agreed to with one or more selling security holders of the issuer in arm's length negotiations in connection with

(i) the business combination,

(ii) one or more other transactions agreed to within 12 months before the date of the first public announcement of the business combination, or

(iii) a combination of transactions referred to in clauses (i) and (ii),

(b) at least one of the selling security holders party to an agreement referred to in clause (a)(i) or (ii) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell

(i) at least five per cent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), if the person or company that entered into the agreement with the selling security holder beneficially owned 80 per cent or more of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), or

(ii) at least 10 per cent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), if the person or company that entered into the agreement with the selling security holder beneficially owned less than 80 per cent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2),

(c) one or more of the selling security holders party to any of the transactions referred to in subparagraph (a) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell, in the aggregate, at least 20 per cent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (3), beneficially owned or over which control or direction was exercised by entities other than the person or company, and joint actors with the person or company, that entered into the agreements with the selling security holders,

(d) the person or company proposing to carry out the business combination with the issuer reasonably believes, after reasonable inquiry, that at the time of each of the agreements referred to in subparagraph (a)

(i) each selling security holder party to the agreement had full knowledge of and access to information concerning the issuer and its securities, and

(ii) any factors peculiar to a selling security holder party to the agreement, including non-financial factors, that were considered relevant by the selling security holder in assessing the consideration did not have the effect of reducing the price that would otherwise have been considered acceptable by that selling security holder,

(e) at the time of each of the agreements referred to in subparagraph (a), the person or company proposing to carry out the business combination with the issuer did not know of any material information in respect of the issuer or the affected securities that

(i) had not been generally disclosed, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration,

(f) any of the agreements referred to in subparagraph (a) was entered into with a selling security holder by an entity other than the person or company proposing to carry out the business combination with the issuer, the person or company proposing to carry out the business combination with the issuer reasonably believes, after reasonable inquiry, that at the time of that agreement, the entity did not know of any material information in respect of the issuer or the affected securities that

(i) had not been generally disclosed, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration, and

(g) the person or company proposing to carry out the business combination with the issuer does not know, after reasonable inquiry, of any material information in respect of the issuer or the affected securities since the time of each of the agreements referred to in subparagraph (a) that has not been generally disclosed and could reasonably be expected to increase the value of the affected securities.

4. Auction - If

(a) the business combination is publicly announced while

(i) one or more proposed transactions are outstanding that

(A) are business combinations in respect of the affected securities, or

(B) would be business combinations in respect of the affected securities, except that they come within the exception in paragraph (e) of the definition of business combination,

and ascribe a per security value to those securities, or

(ii) one or more formal bids for the affected securities have been made and are outstanding, and

(b) at the time the disclosure document for the business combination is sent to the holders of affected securities, the issuer has provided equal access to the issuer, and to information concerning the issuer and its securities, to the person or company proposing to carry out the business combination with the issuer, all parties to the proposed transactions described in clause (a)(i), and all offerors in the formal bids.

5. Second Step Business Combination - If

(a) the business combination is being effected by an offeror that made a formal bid, or an affiliated entity of that offeror, and is in respect of the securities of the same class for which the bid was made and that were not acquired in the bid,

(b) the business combination is completed no later than 120 days after the date of expiry of the formal bid,

(c) the consideration per security that the security holders would be entitled to receive in the business combination is at least equal in value to and is in the same form as the consideration that the tendering security holders were entitled to receive in the formal bid,

(d) the disclosure document for the formal bid

(i) disclosed that if the offeror acquired securities under the formal bid, the offeror intended to acquire the remainder of the securities under a statutory right of acquisition or under a business combination that would satisfy the conditions in subparagraphs (b) and (c),

(ii) described the expected tax consequences of both the formal bid and the business combination if, at the time the bid was made, the tax consequences arising from the business combination

(A) were reasonably foreseeable to the offeror, and

(B) were reasonably expected to be different from the tax consequences of tendering to the bid, and

(iii) disclosed that the tax consequences of the formal bid and the business combination may be different if, at the time the bid was made, the offeror could not reasonably foresee the tax consequences arising from the business combination.

6. Non-redeemable Investment Fund - The issuer is a non-redeemable investment fund that

(a) at least once each quarter calculates and publicly disseminates the net asset value of its securities, and

(b) at the time of publicly announcing the business combination, publicly disseminates the net asset value of its securities as of the business day before the announcement.

(2) For the purposes of subparagraph 3(b) of subsection (1), the number of outstanding securities of the class of affected securities

(a) is calculated at the time of the agreement referred to in clause 3(a)(i) or (ii) of subsection (1), if the person or company proposing to carry out the business combination with the issuer knows the number of securities of the class outstanding at that time; or

(b) if subparagraph (a) does not apply, is determined based on the information most recently provided by the issuer in a material change report, or under section 2.1 of National Instrument 62-102 - *Disclosure of Outstanding Share Data* or section 5.4 of National Instrument 51-102 - *Continuous Disclosure Obligations*, immediately preceding the date of the agreement referred to in clause 3(a)(i) or (ii) of subsection (1).

(3) For the purposes of subparagraph 3(c) of subsection (1), the number of outstanding securities of the class of affected securities

(a) is calculated at the time of the last of the agreements referred to in subparagraph 3(a) of subsection (1), if the person or company proposing to carry out the business combination with the issuer knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based on the information most recently provided by the issuer in a material change report, or under section 2.1 of National Instrument 62-102 or section 5.4 of National Instrument 51-102, immediately preceding the date of the last of the agreements referred to in subparagraph 3(a) of subsection (1).

4.5 Minority Approval - Subject to section 4.6, an issuer shall not carry out a business combination unless the issuer has obtained minority approval for the business combination under Part 8.

4.6 Exemptions from Minority Approval Requirement

(1) Section 4.5 does not apply to an issuer carrying out a business combination in any of the following circumstances if the exemption relied on, any formal valuation exemption relied on, and the facts supporting reliance on those exemptions are disclosed in the disclosure document for the business combination:

1. Discretionary Exemption - The issuer has been granted an exemption from section 4.5 under section 9.1.

2. 90 Per Cent Exemption - Subject to subsection (2), one or more persons or companies that are interested parties within the meaning of subparagraph (c)(i) of the definition of interested party beneficially own, in the aggregate, 90 per cent or more of the outstanding securities of a class of affected securities at the time that the business combination is agreed to, and either

(a) an appraisal remedy is available to holders of the class of affected securities under the statute under which the issuer is organized or is governed as to corporate law matters, or

(b) if an appraisal remedy referred to in subparagraph (a) is not available, holders of the class of affected securities are given an enforceable right that is substantially equivalent to the appraisal remedy provided for in subsection 185(4) of the OBCA and that is described in the disclosure document for the business combination.

(2) If there are two or more classes of affected securities, paragraph 2 of subsection (1) applies only to a class of which the applicable interested parties beneficially own, in the aggregate, 90 per cent or more of the outstanding securities.

4.7 Conditions for Relief from OBCA Requirements - An issuer that is governed by the OBCA and proposes to carry out a "going private transaction", as defined in subsection 190(1) of the OBCA, is exempt from subsections (2), (3) and (4) of section 190 of the OBCA, and is not required to make an application for exemption from those subsections under subsection 190(6) of the OBCA, if

(a) the transaction is not a business combination;

(b) Part 4 does not apply to the transaction by reason of section 4.1; or

(c) the transaction is carried out in compliance with Part 4, and, for this purpose, compliance includes reliance on any applicable exemption from a requirement of Part 4, including a discretionary exemption granted by the Director under section 9.1.

PART 5 RELATED PARTY TRANSACTIONS

5.1 Application - This Part does not apply to an issuer carrying out a related party transaction if

(a) the issuer is not a reporting issuer;

(b) the issuer is a mutual fund;

(c) (i) at the time the transaction is agreed to,

(A) persons or companies whose last address as shown on the books of the issuer is in Ontario hold less than two per cent of the outstanding securities of each class of affected securities of the issuer, and

(B) the issuer reasonably believes that persons or companies who are in Ontario beneficially own less than two per cent of the outstanding securities of each class of affected securities of the issuer, and

(ii) all documents concerning the transaction that are sent generally to other holders of affected securities of the issuer are concurrently sent to all holders of the securities whose last address as shown on the books of the issuer is in Ontario;

(d) the parties to the transaction consist solely of

(i) an entity and one or more of its wholly-owned subsidiary entities, or

(ii) wholly-owned subsidiary entities of the same entity;

(e) the transaction is a business combination for the issuer;

(f) the transaction would be a business combination for the issuer except that it comes within an exception in any of paragraphs (a) to (e) of the definition of business combination;

(g) the transaction is a downstream transaction for the issuer;

(h) the issuer is obligated to and does carry out the transaction substantially under the terms

(i) that were agreed to, and generally disclosed, before May 1, 2000,

(ii) that were agreed to, and generally disclosed, before the issuer became a reporting issuer, or

(iii) of a previous transaction the terms of which were generally disclosed, including an issuance of a convertible security, if the previous transaction was carried out in compliance with this Rule, including in reliance on any applicable exemption or exclusion, or was not subject to this Rule;

(i) the transaction is a distribution

(i) of securities of the issuer and is a related party transaction for the issuer solely because the interested party is an underwriter of the distribution, and

(ii) carried out in compliance with, including in reliance on any applicable exemption from, National Instrument 33-105 - *Underwriting Conflicts*;

(j) the issuer is subject to the requirements of Part IX of the *Loan and Trust Corporations Act*, Part XI of the *Bank Act* (Canada), Part XI of the *Insurance Companies Act* (Canada), or Part XI of the *Trust and Loan Companies Act* (Canada), or any successor to that legislation, and the issuer complies with those requirements; or

(k) the transaction is a rights offering, dividend, or any other transaction in which the general body of holders in Canada of affected securities of the same class are treated identically on a per security basis, if

(i) the transaction has no interested party within the meaning of paragraph (d) of the definition of interested party, or

(ii) the transaction is a rights offering, there is an interested party only because a related party of the issuer provides a stand-by commitment for the rights offering, and the stand-by commitment complies with Rule 45-101 - *Rights Offerings*.

5.2 Material Change Report

(1) An issuer shall include in a material change report, if any, required to be filed under the Act for a related party transaction

(a) a description of the transaction and its material terms;

(b) the purpose and business reasons for the transaction;

(c) the anticipated effect of the transaction on the issuer's business and affairs;

(d) a description of

(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties, and

(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage;

(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee;

(f) subject to subsection (3), a summary, in accordance with section 6.5, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction;

(g) disclosure, in accordance with section 6.8, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction

(i) that has been made in the 24 months before the date of the material change report, and

(ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer;

(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction; and

(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7, respectively, and the facts supporting reliance on the exemptions.

(2) If the issuer files a material change report less than 21 days before the expected date of the closing of the transaction, the issuer shall explain in the news release required to be issued under the Act and in the material change report why the shorter period is reasonable or necessary in the circumstances.

(3) Despite paragraphs (1)(f) and 5.4(2)(a), if the issuer is required to include a summary of the formal valuation in the material change report and the formal valuation is not available at the time the issuer files the material change report, the issuer shall file a supplementary material change report containing the disclosure required by paragraph (1)(f) as soon as the formal valuation is available.

(4) The issuer shall send a copy of any material change report prepared by it in respect of the transaction to any security holder of the issuer upon request and without charge.

5.3 Meeting and Information Circular

(1) Without limiting the application of any other legal requirements that apply to meetings of security holders and information circulars, this section applies only to a related party transaction for which section 5.6 requires the issuer to obtain minority approval.

(2) An issuer proposing to carry out a related party transaction to which this section applies shall call a meeting of holders of affected securities and send an information circular to those holders.

(3) The issuer shall include in the information circular

(a) the disclosure required by Form 33 of the Regulation, to the extent applicable and with necessary modifications;

(b) the disclosure required by Item 16, “Right of Appraisal and Acquisition”, of Form 32 of the Regulation, to the extent applicable, together with a description of rights that may be available to security holders opposed to the transaction;

(c) a description of the background to the transaction;

(d) disclosure, in accordance with section 6.8, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction

(i) that has been made in the 24 months before the date of the information circular, and

(ii) the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer;

(e) disclosure of any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the transaction, which offer was received by the issuer during the 24 months before the transaction was agreed to, and a description of the offer and the background to the offer;

(f) a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee;

(g) disclosure of the formal valuation exemption, if any, on which the issuer is relying under section 5.5 and the facts supporting that reliance; and

(h) disclosure of the number of votes attached to the securities that, to the knowledge of the issuer after reasonable inquiry, will be excluded in determining whether minority approval for the related party transaction is obtained.

(4) If, after sending the information circular and before the meeting, a change occurs that, if disclosed, would reasonably be expected to affect the decision of a holder of affected securities to vote for or against the related party transaction or to retain or dispose of affected securities, the issuer shall promptly disseminate disclosure of the change

(a) in a manner that the issuer reasonably determines will inform beneficial owners of affected securities of the change; and

(b) sufficiently in advance of the meeting that the beneficial owners of affected securities will be able to assess the impact of the change.

(5) If subsection (4) applies, the issuer shall file a copy of the disseminated information contemporaneously with its dissemination.

5.4 Formal Valuation

(1) Subject to section 5.5, an issuer shall obtain a formal valuation for a related party transaction described in any of paragraphs (a) to (g) of the definition of related party transaction.

(2) If a formal valuation is required under subsection (1), the issuer shall

(a) include, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the related party transaction, unless the formal valuation is included in its entirety in the disclosure document;

(b) state in the disclosure document who will pay or has paid for the valuation; and

(c) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(3) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

5.5 Exemptions from Formal Valuation Requirement - Section 5.4 does not apply to an issuer carrying out a related party transaction in any of the following circumstances:

1. Discretionary Exemption - The issuer has been granted an exemption from section 5.4 under section 9.1.

2. Fair Market Value Not More Than 25% of Market Capitalization - At the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25 per cent of the issuer's market capitalization, and for this purpose

(a) if either of the fair market values is not readily determinable, any determination as to whether that fair market value exceeds the threshold for this exemption shall be made by the issuer's board of directors acting in good faith,

(b) if the transaction is one in which the issuer or a wholly-owned subsidiary entity of the issuer combines with a related party, through an amalgamation, arrangement or otherwise, the subject matter of the transaction shall be deemed to be the securities of the related party held, at the time the transaction is agreed to, by persons or companies other than the issuer or a wholly-owned subsidiary entity of the issuer, and the consideration for the transaction shall be deemed to be the consideration received by those persons or companies,

(c) if the transaction is one of two or more connected transactions that are related party transactions and would, without the exemption in this paragraph 2, require formal valuations under this Rule, the fair market values for all of those transactions shall be aggregated in determining whether the tests for this exemption are met, and

(d) if the assets involved in the transaction (the "initial transaction") include warrants, options or other instruments providing for the possible future purchase of securities or other assets (the "future transaction"), the calculation of the fair market value for the initial transaction shall include the fair market value, as of the time the initial transaction is agreed to, of the maximum number of securities or other consideration that the issuer may be required to issue or pay in the future transaction.

3. Issuer Not Listed on Specified Markets - No securities of the issuer are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States.

4. Distribution of Securities for Cash - The transaction is a distribution of securities of the issuer to a related party for cash consideration, if

(a) neither the issuer nor, to the knowledge of the issuer after reasonable inquiry, the related party has knowledge of any material information concerning the issuer or its securities that has not been generally disclosed, and the disclosure document for the transaction includes a statement to that effect, and

(b) the disclosure document for the transaction includes a description of the effect of the distribution on the direct or indirect voting interest of the related party.

5. Certain Transactions in the Ordinary Course of Business - The transaction is

(a) a purchase or sale, in the ordinary course of business of the issuer, of inventory consisting of personal property under an agreement that has been approved by the board of directors of the issuer and the existence of which has been generally disclosed, or

(b) a lease of real or personal property under an agreement on reasonable commercial terms that, considered as a whole, are not less advantageous to the issuer than if the lease was with a person or company dealing at arm's length with the issuer and the existence of which has been generally disclosed.

6. Transaction Supported by Arm's Length Control Block Holder - The interested party beneficially owns, or exercises control or direction over, voting securities of the issuer that carry fewer voting rights than the voting securities beneficially owned, or over which control or direction is exercised, by another security holder of the issuer who is a control block holder of the issuer and who, in the circumstances of the transaction

(a) is not also an interested party,

(b) is at arm's length to the interested party, and

(c) supports the transaction.

7. Bankruptcy, Insolvency, Court Order - If

(a) the transaction is subject to court approval, or a court orders that the transaction be effected, under

(i) bankruptcy or insolvency law, or

(ii) section 191 of the *Canada Business Corporations Act*, any successor to that section, or equivalent legislation of a jurisdiction,

(b) the court is advised of the requirements of this Rule regarding formal valuations for related party transactions, and of the provisions of this paragraph 7, and

(c) the court does not require compliance with section 5.4.

8. Financial Hardship - If

(a) the issuer is insolvent or in serious financial difficulty,

(b) the transaction is designed to improve the financial position of the issuer,

(c) paragraph 7 is not applicable,

(d) the issuer has one or more independent directors in respect of the transaction, and

(e) the issuer's board of directors, acting in good faith, determines, and at least two-thirds of the issuer's independent directors, acting in good faith, determine that

(i) subparagraphs (a) and (b) apply, and

(ii) the terms of the transaction are reasonable in the circumstances of the issuer.

9. Amalgamation or Equivalent Transaction with No Adverse Effect on Issuer or Minority - The transaction is a statutory amalgamation, or substantially equivalent transaction, resulting in the combination of the issuer or a wholly-owned subsidiary entity of the issuer with an interested party, that is undertaken in whole or in part for the benefit of another related party, if

(a) the transaction does not and will not have any adverse tax or other consequences to the issuer, the entity resulting from the combination, or beneficial owners of affected securities generally,

(b) no material actual or contingent liability of the interested party with which the issuer or a wholly-owned subsidiary entity of the issuer is combining will be assumed by the issuer, the wholly-owned subsidiary entity of the issuer or the entity resulting from the combination,

(c) the related party benefiting from the transaction agrees to indemnify the issuer against any liabilities of the interested party with which the issuer, or a wholly-owned subsidiary entity of the issuer, is combining,

(d) after the transaction, the nature and extent of the voting and financial participating interests of holders of affected securities in the entity resulting from the combination will be the same as, and the value of their financial participating interests will not be less than, that of their interests in the issuer before the transaction, and

(e) the related party benefiting from the transaction pays for all of the costs and expenses resulting from the transaction.

10. Asset Resale - The subject matter of the related party transaction was acquired by the issuer or an interested party, as the case may be, in a prior arm's length transaction that was agreed to not more than 12 months before the date that the related party transaction is agreed to, and a qualified, independent valuator provides a written opinion that, after making such adjustments, if any, as the valuator considers appropriate in the exercise of the valuator's professional judgment

(a) the value of the consideration payable by the issuer for the subject matter of the related party transaction is not more than the value of the consideration paid by the interested party in the prior arm's length transaction, or

(b) the value of the consideration to be received by the issuer for the subject matter of the related party transaction is not less than the value of the consideration paid by the issuer in the prior arm's length transaction,

and the disclosure document for the related party transaction includes the same disclosure regarding the valuator as is required in the case of a formal valuation under section 6.2.

11. Non-redeemable Investment Fund - The issuer is a non-redeemable investment fund that

(a) at least once each quarter calculates and publicly disseminates the net asset value of its securities, and

(b) at the time of publicly announcing the related party transaction, publicly disseminates the net asset value of its securities as of the business day before the announcement.

5.6 Minority Approval - Subject to section 5.7, an issuer shall not carry out a related party transaction unless the issuer has obtained minority approval for the transaction under Part 8.

5.7 Exemptions from Minority Approval Requirement

(1) Subject to subsections (2), (3), (4) and (5), section 5.6 does not apply to an issuer carrying out a related party transaction in any of the following circumstances if the exemption relied on, any formal valuation exemption relied on, and the facts supporting reliance on those exemptions are disclosed in the disclosure document, if any, for the transaction:

1. Discretionary Exemption - The issuer has been granted an exemption from section 5.6 under section 9.1.

2. Fair Market Value Not More Than 25 Per Cent of Market Capitalization - The circumstances described in paragraph 2 of section 5.5.

3. Fair Market Value Not More Than $2,500,000 – Distribution of Securities for Cash - The circumstances described in paragraph 4 of section 5.5, if

   (a) no securities of the issuer are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States,

   (b) at the time the transaction is agreed to, neither the fair market value of the securities to be distributed in the transaction nor the consideration to be received for those securities, insofar as the transaction involves interested parties, exceeds $2,500,000,

   (c) the issuer has one or more independent directors in respect of the transaction who are not employees of the issuer, and

   (d) at least two-thirds of the directors described in subparagraph (c) approve the transaction.

4. Other Transactions Exempt from Formal Valuation - The circumstances described in paragraphs 5, 6 and 9 of section 5.5.

5. Bankruptcy, Insolvency, Court Order - The circumstances described in subparagraph 7(a) of section 5.5, if the court is advised of the requirements of this Rule regarding minority approval for related party transactions, and of the provisions of this paragraph 5, and the court does not require compliance with section 5.6.

6. Financial Hardship - The circumstances described in paragraph 8 of section 5.5, if there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

7. Loan to Issuer, No Equity or Voting Component - The transaction is a loan, or the creation of a credit facility, that is obtained by the issuer from a related party on reasonable commercial terms that are not less advantageous to the issuer than if the loan or credit facility were obtained from a person or company dealing at arm's length with the issuer, and the loan, or each advance under the credit facility, as the case may be, is not

   (a) convertible, directly or indirectly, into equity or voting securities of the issuer or a subsidiary entity of the issuer, or otherwise participating in nature, or

   (b) repayable as to principal or interest, directly or indirectly, in equity or voting securities of the issuer or a subsidiary entity of the issuer,

and for this purpose, any amendment to the terms of a loan or credit facility shall be deemed to create a new loan or credit facility.

8. 90 Per Cent Exemption - One or more persons or companies that are interested parties within the meaning of subparagraph (d)(i) of the definition of interested party beneficially own, in the aggregate, 90 per cent or more of the outstanding securities of a class of affected securities at the time the transaction is agreed to, and either

(a) an appraisal remedy is available to holders of the class of affected securities under the statute under which the issuer is organized or is governed as to corporate law matters, or

(b) if an appraisal remedy referred to in subparagraph (a) is not available, holders of the class of affected securities are given an enforceable right that is substantially equivalent to the appraisal remedy provided for in subsection 185(4) of the OBCA and that is described in an information circular or other document sent to holders of that class of affected securities in connection with a meeting to approve the related party transaction, or, if there is no such meeting, in another document that is sent to those security holders not later than the time by which an information circular or other document would have been required to be sent to them if there had been a meeting.

(2) Despite subparagraph 2(c) of section 5.5, if the transaction is one of two or more connected transactions that are related party transactions and would, without the exemptions in paragraphs 2 and 3 of subsection (1), require minority approval under this Rule, the fair market values for all of those transactions shall be aggregated in determining whether the tests for those exemptions are met.

(3) If the transaction is a material amendment to the terms of a security, or of a loan or credit facility to which the exemption in paragraph 7 of subsection (1) does not apply, the fair market value tests for the exemptions in paragraphs 2 and 3 of subsection (1) shall be applied to the whole transaction as amended, insofar as it involves interested parties, rather than just to the amendment, and, for this purpose, any addition of, or amendment to, a term involving a right to convert into or otherwise acquire equity or voting securities is deemed to be a material amendment.

(4) Subparagraphs 2(a), (b) and (d) of section 5.5 apply to paragraph 3 of subsection 5.7(1).

(5) If there are two or more classes of affected securities, paragraph 8 of subsection (1) applies only to a class of which the applicable interested parties beneficially own, in the aggregate, 90 per cent or more of the outstanding securities.

PART 6 FORMAL VALUATIONS AND PRIOR VALUATIONS

6.1 Independence and Qualifications of Valuator

(1) Every formal valuation required by this Rule for a transaction shall be prepared by a valuator that is independent of all interested parties in the transaction and that has appropriate qualifications.

(2) Subject to subsections (3) and (4), it is a question of fact as to whether a valuator is independent of an interested party or has appropriate qualifications.

(3) A valuator is not independent of an interested party in connection with a transaction if

(a) the valuator is an associated or affiliated entity or issuer insider of the interested party;

(b) except in the circumstances described in paragraph (e), the valuator acts as an adviser to the interested party in respect of the transaction, but for this purpose, a valuator that is retained by an issuer to prepare a formal valuation for an issuer bid is not, for that reason alone, considered to be an adviser to the interested party in respect of the transaction;

(c) the compensation of the valuator depends in whole or in part on an agreement, arrangement or understanding that gives the valuator a financial incentive in respect of the conclusion reached in the formal valuation or the outcome of the transaction;

(d) the valuator is

(i) a manager or co-manager of a soliciting dealer group for the transaction, or

(ii) a member of a soliciting dealer group for the transaction, if the valuator, in its capacity as a soliciting dealer, performs services beyond the customary soliciting dealer's function or receives more than the per security or per security holder fees payable to other members of the group;

(e) the valuator is the external auditor of the issuer or of an interested party, unless the valuator will not be the external auditor of the issuer or of an interested party upon completion of the transaction and that fact is publicly disclosed at the time of or prior to the public disclosure of the results of the valuation; or

(f) the valuator has a material financial interest in the completion of the transaction,

and for the purposes of this subsection, references to the valuator include any affiliated entity of the valuator.

(4) A valuator that is paid by one or more interested parties in a transaction, or paid jointly by the issuer and one or more interested parties in a transaction, to prepare a formal valuation for the transaction is not, by virtue of that fact alone, not independent.

6.2 Disclosure Re Valuator - An issuer or offeror required to obtain a formal valuation for a transaction shall include in the disclosure document for the transaction

(a) a statement that the valuator has been determined to be qualified and independent;

(b) a description of any past, present or anticipated relationship between the valuator and the issuer or an interested party that may be relevant to a perception of lack of independence;

(c) a description of the compensation paid or to be paid to the valuator;

(d) a description of any other factors relevant to a perceived lack of independence of the valuator;

(e) the basis for determining that the valuator is qualified; and

(f) the basis for determining that the valuator is independent, despite any perceived lack of independence, having regard to the amount of the compensation and any factors referred to in paragraphs (b) and (d).

6.3 Subject Matter of Formal Valuation

(1) An issuer or offeror required to obtain a formal valuation shall provide the valuation in respect of

(a) the offeree securities, in the case of an insider bid or issuer bid;

(b) the affected securities, in the case of a business combination;

(c) subject to subsection (2), any non-cash consideration being offered to, or to be received by, the holders of securities referred to in paragraph (a) or (b); and

(d) subject to subsection (2), the non-cash assets involved in a related party transaction.

(2) A formal valuation of non-cash consideration or assets referred to in paragraph (1)(c) or (d) is not required if

(a) the non-cash consideration or assets are securities of a reporting issuer or are securities of a class for which there is a published market;

(b) the person or company that would otherwise be required to obtain the formal valuation of those securities states in the disclosure document for the transaction that the person or company has no knowledge of any material information concerning the issuer of the securities, or concerning the securities, that has not been generally disclosed;

(c) in the case of an insider bid, issuer bid or business combination

(i) a liquid market in the class of securities exists,

(ii) the securities constitute 25 per cent or less of the number of securities of the class that are outstanding immediately before the transaction,

(iii) the securities are freely tradeable at the time the transaction is completed, and

(iv) the valuator is of the opinion that a valuation of the securities is not required; and

(d) in the case of a related party transaction for the issuer of the securities, the conditions in subparagraphs 4(a) and (b) of section 5.5 are satisfied, regardless of the form of the consideration for the securities.

6.4 Preparation of Formal Valuation

(1) A formal valuation shall contain the valuator's opinion as to a value or range of values representing the fair market value of the subject matter of the valuation.

(2) A person or company preparing a formal valuation under this Rule shall

(a) prepare the formal valuation in a diligent and professional manner;

(b) prepare the formal valuation as of an effective date that is not more than 120 days before the earlier of

(i) the date that the disclosure document for the transaction is first sent to security holders, if applicable, and

(ii) the date that the disclosure document is filed;

(c) make appropriate adjustments in the formal valuation for material intervening events of which it is aware between the effective date of the valuation and the earlier of the dates referred to in subparagraphs (i) and (ii) of paragraph (b);

(d) in determining the fair market value of offeree securities or affected securities, not include in the formal valuation a downward adjustment to reflect the liquidity of the securities, the effect of the transaction on the securities or the fact that the securities do not form part of a controlling interest; and

(e) provide sufficient disclosure in the formal valuation to allow the readers to understand the principal judgments and principal underlying reasoning of the valuator so as to form a reasoned judgment of the valuation opinion or conclusion.

6.5 Summary of Formal Valuation

(1) An issuer or offeror required to provide a summary of a formal valuation shall ensure that the summary provides sufficient detail to allow the readers to understand the principal judgments and principal underlying reasoning of the valuator so as to form a reasoned judgment of the valuation opinion or conclusion.

(2) In addition to the disclosure referred to in subsection (1), if an issuer or offeror is required to provide a summary of a formal valuation, the issuer or offeror shall ensure that the summary

(a) discloses

(i) the effective date of the valuation, and

(ii) any distinctive material benefit that might accrue to an interested party as a consequence of the transaction, including the earlier use of available tax losses, lower income taxes, reduced costs or increased revenues;

(b) if the formal valuation differs materially from a prior valuation, explains the differences between the two valuations or, if it is not practicable to do so, the reasons why it is not practicable to do so;

(c) indicates an address where a copy of the formal valuation is available for inspection; and

(d) states that a copy of the formal valuation will be sent to any security holder upon request and without charge or, if the issuer or offeror providing the summary so chooses, for a nominal charge sufficient to cover printing and postage.

6.6 Filing of Formal Valuation

(1) An issuer or offeror required to obtain a formal valuation in respect of a transaction shall file a copy of the formal valuation

(a) concurrently with the sending of the disclosure document for the transaction to security holders; or

(b) concurrently with the filing of a material change report for a related party transaction for which no disclosure document is sent to security holders, or if the formal valuation is not available at the time of filing the material change report, as soon as the formal valuation is available.

(2) If the formal valuation is included in its entirety in the disclosure document, an issuer or offeror satisfies the requirement in subsection (1) by filing the disclosure document.

6.7 Valuator's Consent - An issuer or offeror required to obtain a formal valuation shall

(a) obtain the valuator's consent to the filing of the formal valuation and to the inclusion of the formal valuation or its summary in the disclosure document for the transaction for which the formal valuation was obtained; and

(b) include in the disclosure document a statement, signed by the valuator, substantially as follows:

We refer to the formal valuation dated •, which we prepared for (indicate name of the person or company) for (briefly describe the transaction for which the formal valuation was prepared). We consent to the filing of the formal valuation with the Ontario Securities Commission and the inclusion of [a summary of the formal valuation/the formal valuation] in this document.

6.8 Disclosure of Prior Valuation

(1) A person or company required to disclose a prior valuation shall, in the document in which the prior valuation is required to be disclosed

(a) disclose sufficient detail to allow the readers to understand the prior valuation and its relevance to the present transaction;

(b) indicate an address where a copy of the prior valuation is available for inspection; and

(c) state that a copy of the prior valuation will be sent to any security holder upon request and without charge or, if the issuer or offeror providing the summary so chooses, for a nominal charge sufficient to cover printing and postage.

(2) If there are no prior valuations, the existence of which is known after reasonable inquiry, the person or company that would be required to disclose prior valuations, if any existed, shall include a statement to that effect in the document.

(3) Despite anything to the contrary in this Rule, disclosure of the contents of a prior valuation is not required in a document if

(a) the contents are not known to the person or company required to disclose the prior valuation;

(b) the prior valuation is not reasonably obtainable by the person or company required to disclose it, irrespective of any obligations of confidentiality; and

(c) the document contains statements regarding the prior valuation substantially to the effect of paragraphs (a) and (b).

6.9 Filing of Prior Valuation - A person or company required to disclose a prior valuation shall file a copy of the prior valuation concurrently with the filing of the first document in which that disclosure is required.

6.10 Consent of Prior Valuator Not Required - Despite section 196 of the Regulation, a person or company required to disclose a prior valuation under this Rule is not required to obtain or file the valuator's consent to the filing or disclosure of the prior valuation.

PART 7 INDEPENDENT DIRECTORS

7.1 Independent Directors

(1) Subject to subsections (2) and (3), it is a question of fact as to whether a director of an issuer is independent.

(2) A director of an issuer is not independent in connection with a transaction if he or she

(a) is an interested party in the transaction;

(b) is currently, or has been at any time during the 12 months before the date the transaction is agreed to, an employee, associated entity or issuer insider of an interested party, or of an affiliated entity of an interested party, other than solely in his or her capacity as a director of the issuer;

(c) is currently, or has been at any time during the 12 months before the date the transaction is agreed to, an adviser to an interested party in connection with the transaction, or an employee, associated entity or issuer insider of an adviser to an interested party in connection with the transaction, or of an affiliated entity of such an adviser, other than solely in his or her capacity as a director of the issuer;

(d) has a material financial interest in an interested party or an affiliated entity of an interested party; or

(e) would reasonably be expected to receive a benefit as a consequence of the transaction that is not also available on a pro rata basis to the general body of holders in Canada of offeree securities or affected securities, including, without limitation, the opportunity to obtain a financial interest in an interested party, an affiliated entity of an interested party, the issuer or a successor to the business of the issuer.

(3) For the purposes of this section, in the case of an issuer bid, a director of the issuer is not, by that fact alone, not independent of the issuer.

PART 8 MINORITY APPROVAL

8.1 General

(1) If minority approval is required for a business combination or related party transaction, it shall be obtained from the holders of every class of affected securities of the issuer, in each case voting separately as a class.

(2) Subject to section 8.2, in determining minority approval for a business combination or related party transaction, an issuer shall exclude the votes attached to affected securities that, to the knowledge of the issuer or any interested party or their respective directors or senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by

(a) the issuer;

(b) an interested party;

(c) a related party of an interested party, unless the related party meets that description solely in its capacity as a director or senior officer of one or more entities that are neither interested parties nor issuer insiders of the issuer; or

(d) a joint actor with a person or company referred to in paragraph (b) or (c) in respect of the transaction.

8.2 Second Step Business Combination - Despite subsection 8.1(2), the votes attached to securities acquired under a formal bid may be included as votes in favour of a subsequent business combination in determining whether minority approval has been obtained if

(a) the security holder that tendered the securities to the bid was not a joint actor with the offeror in respect of the bid;

(b) the security holder that tendered the securities to the bid was not

(i) a direct or indirect party to any connected transaction to the formal bid, or

(ii) entitled to receive, directly or indirectly, in connection with the formal bid

(A) consideration per offeree security that was not identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class,

(B) a collateral benefit, or

(C) consideration for securities of a class of equity securities of the issuer if the issuer had more than one outstanding class of equity securities, unless that consideration was not greater than the entitlement of the general body of holders in Canada of every other class of equity securities of the issuer in relation to the voting and financial participating interests in the issuer represented by the respective securities;

(c) the business combination is being effected by the offeror that made the formal bid, or an affiliated entity of that offeror, and is in respect of the securities of the same class for which the bid was made and that were not acquired in the bid;

(d) the business combination is completed no later than 120 days after the date of expiry of the formal bid;

(e) the consideration per security that the holders of affected securities would be entitled to receive in the business combination is at least equal in value to and is in the same form as the consideration that the tendering security holders were entitled to receive in the formal bid; and

(f) the disclosure document for the formal bid

(i) disclosed that if the offeror acquired securities under the formal bid, the offeror intended to acquire the remainder of the securities under a statutory right of acquisition or under a business combination that would satisfy the conditions in paragraphs (d) and (e),

(ii) contained a summary of a formal valuation of the securities in accordance with the applicable provisions of Part 6, or contained the valuation in its entirety, if the offeror in the formal bid was subject to and not exempt from the requirement to obtain a formal valuation,

(iii) stated that the business combination would be subject to minority approval,

(iv) identified the securities, if known to the offeror after reasonable inquiry, the votes attached to which would be required to be excluded in determining whether minority approval for the business combination had been obtained,

(v) identified each class of securities the holders of which would be entitled to vote separately as a class on the business combination,

(vi) described the expected tax consequences of both the formal bid and the business combination if, at the time the bid was made, the tax consequences arising from the business combination

(A) were reasonably foreseeable to the offeror, and

(B) were reasonably expected to be different from the tax consequences of tendering to the bid, and

(vii) disclosed that the tax consequences of the formal bid and the business combination may be different if, at the time the bid was made, the offeror could not reasonably foresee the tax consequences arising from the business combination.

PART 9 EXEMPTION

9.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 61-501CP
TO ONTARIO SECURITIES COMMISSION RULE 61-501
INSIDER BIDS, ISSUER BIDS, BUSINESS COMBINATIONS
AND RELATED PARTY TRANSACTIONS

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ONTARIO SECURITIES COMMISSION
COMPANION POLICY 61-501CP
TO ONTARIO SECURITIES COMMISSION RULE 61-501
INSIDER BIDS, ISSUER BIDS, BUSINESS COMBINATIONS
AND RELATED PARTY TRANSACTIONS

PART 1 GENERAL

1.1 **General -** The Commission regards it as essential, in connection with the disclosure, valuation, review and approval processes followed for insider bids, issuer bids, business combinations and related party transactions, that all security holders be treated in a manner that is fair and that is perceived to be fair. In the view of the Commission, issuers and others who benefit from access to the capital markets assume an obligation to treat security holders fairly, and the fulfilment of this obligation is essential to the protection of the public interest in maintaining capital markets that operate efficiently, fairly and with integrity.

The Commission does not consider that the types of transactions covered by Rule 61-501 (the “Rule”) are inherently unfair. The Commission recognizes, however, that these transactions are capable of being abusive or unfair, and has made the Rule to address this.

This Policy expresses the Commission's views on certain matters related to the Rule.

PART 2 INTERPRETATION

2.1 Equal Treatment of Security Holders

(1) **Security Holder Choice -** The definitions of business combination, collateral benefit and interested party, as well as other provisions in the Rule, include the concept of identical treatment of security holders in a transaction. For the purposes of the Rule, if security holders have an identical opportunity under a transaction, then they are considered to be treated identically. For example, if, under the terms of a business combination, each security holder has the choice of receiving, for each affected security, either $10 in cash or one common share of ABC Co., the Commission regards the security holders as having identical entitlements in amount and form, and as receiving identical treatment, even though they may not all make the same choice. This interpretation also applies where the Rule refers to consideration that is “at least equal in value” and “in the same form”, such as in the provisions on second step business combinations.

(2) **Multiple Classes of Equity Securities -** The definitions of business combination and interested party, and the provisions on second step business combinations in section 8.2 of the Rule, refer to circumstances where an issuer carrying out a business combination or related party transaction has more than one class of equity securities. The Rule’s treatment of these transactions depends on whether the entitlements of the holders of one class under the transaction are greater than those of the holders of the other classes in relation to the voting and financial participating interests in the issuer represented by the respective securities.

For example: An issuer has outstanding Subordinate Voting Shares carrying one vote per share, and Multiple Voting Shares carrying ten votes per share, with the shares of the two classes otherwise carrying identical rights. Under the terms of a business combination, holders of the Subordinate Voting Shares will receive $10 per share. For the Multiple Voting shareholders to be regarded as not being entitled to greater consideration than the Subordinate Voting shareholders under the Rule, the Multiple Voting shareholders must receive no more than $10 per share. As a second example: An issuer has the same share structure as the issuer in the first example. Under the terms of a business combination, Subordinate Voting shareholders will receive, for each Subordinate Voting Share, $10 and one Subordinate Voting Share of a successor issuer, carrying one vote per share. For the Multiple Voting shareholders to be regarded as not being entitled to greater consideration than the Subordinate Voting shareholders under the Rule, the Multiple Voting shareholders must receive, for each Multiple Voting Share, no more than $10 and one Multiple Voting Share of the successor issuer, carrying no more than ten votes per share and otherwise carrying no greater rights than those of the Subordinate Voting Shares of the successor issuer.

(3) **Related Party Holding Securities of Other Party to Transaction -** The Rule sets out specific criteria for determining related party and interested party status. Without limiting the application of those criteria, a related party of an issuer is not considered to be treated differently from other security holders of the issuer in a transaction, or to receive a collateral benefit, solely by reason of being a security holder of another party to the transaction. For example, if ABC Co. proposes to amalgamate with XYZ Co., the fact that a director of ABC Co., who is not a control block holder of ABC Co., owns common shares of XYZ Co. (but less than 50

per cent) will not, in and of itself, cause the amalgamation to be considered a business combination for ABC Co. under the Rule.

(4) **Consolidation of Securities -** One of the methods that may be used to effect a business combination is a consolidation of an issuer's securities at a ratio that eliminates the entire holdings of most holders of affected securities, through the elimination of post-consolidated fractional interests. Where this or a similar method is used, the security holders whose entire holdings are not eliminated are not considered to be treated identically to the general body of security holders under the Rule.

(5) **Principle of Equal Treatment in Business Combinations -** The Rule contemplates that a related party of an issuer might not be treated identically to all other security holders in the context of a business combination in which a person or company other than that related party acquires the issuer. There are provisions in the Rule, including the minority approval requirement, that are intended to address this circumstance. Despite these provisions, the Commission is of the view that, as a general principle, security holders should be treated equally in the context of a business combination, and that differential treatment is only justified if its benefits to the general body of security holders outweigh the principle of equal treatment. While the Commission will generally rely on an issuer's review and approval process, in combination with the provisions of the Rule, to achieve fairness for security holders, the Commission may intervene if it appears that differential treatment is not reasonably justified. Giving a security holder preferential treatment in order to obtain that holder's support of the transaction will not normally be considered justifiable.

2.2 Joint Actors in Bids - The definition of joint actor in the Rule incorporates the interpretation of the term "acting jointly or in concert" in section 91 of the Act, subject to certain qualifications. Among other things, the concept is relevant in determining whether a take-over bid is an insider bid under the Rule and whether securities acquired by an offeror in a formal bid can be included in a minority approval vote regarding a second step business combination under section 8.2 of the Rule. Without limiting the application of the definition, the Commission is of the view that, for a formal bid, an offeror and an insider may be viewed as joint actors if an agreement, commitment or understanding between the offeror and the insider provides that the insider shall not tender to the bid, or provides the insider with an opportunity not offered to all security holders to maintain or acquire a direct or indirect equity interest in the offeror, the issuer or a material asset of the issuer.

2.3 Director for Purposes of Section 1.2 - **Liquid Market -** Subsection 1.2(3) of the Rule requires a letter to be sent to the Director for purposes of satisfying the liquid market test in certain circumstances. That letter should be sent to the Director, Take-over/Issuer Bids, Mergers & Acquisitions.

2.4 Direct or Indirect Parties to a Transaction

(1) The Rule makes references to direct and indirect parties to a transaction in the definition of connected transactions and in subparagraph 8.2(b)(i) regarding minority approval for a second step business combination. For the purposes of the Rule, a person or company is considered to be an indirect party if, for example, a direct party to the transaction is a subsidiary entity, nominee or agent of the person or company. A person or company is not an indirect party merely because it negotiates or approves the transaction on behalf of a party, holds securities of a party or agrees to support the transaction in the capacity of a security holder of a party.

(2) For the purposes of the Rule, the Commission does not consider an entity to be a direct or indirect party to a business combination solely because the entity receives pro rata consideration in its capacity as a security holder of the issuer carrying out the business combination.

2.5 Amalgamations - Under the Rule, an amalgamation may be a business combination, related party transaction or neither, depending on the circumstances. For example, an amalgamation is a business combination for an issuer if, as a consequence of the amalgamation, holders of equity securities of the issuer become security holders of the amalgamated entity, unless an exception in one of the lettered paragraphs in the definition of business combination applies. An amalgamation is a related party transaction for an issuer rather than a business combination if, for example, a wholly-owned subsidiary entity of the issuer amalgamates with a related party of the issuer, leaving the equity securities of the issuer unaffected.

2.6 Transactions Involving More than One Reporting Issuer - The characterization of a transaction or the availability of a valuation or minority approval exemption under the Rule must be considered individually for each reporting issuer involved in the transaction. For example, an amalgamation may be a downstream transaction for one party and a business combination for the other, in which case the latter party is the only party to whom the requirements of the Rule may apply.

2.7 Previous Arm's Length Negotiations Exemption

(1) For the purposes of the formal valuation exemptions based on previous arm's length negotiations in paragraph 3 of subsection 2.4(1) and paragraph 3 of subsection 4.4(1) of the Rule for insider bids and business combinations, respectively, the arm's length relationship must be between the selling security holder and all persons or companies that negotiated with the selling security holder.

(2) The Commission notes that the previous arm's length negotiations exemption is based on the view that those negotiations can be a substitute for a valuation. An important requirement for the exemption to be available is that the offeror or proponent of the business combination, as the case may be, engages in "reasonable inquiries" to determine whether various circumstances exist. In the Commission's view, if this requirement cannot be satisfied through receipt of representations of the parties directly involved or some other suitable method, the offeror or proponent of the transaction is not entitled to rely on this exemption.

2.8 Connected Transactions

(1) "Connected transactions" is a defined term in the Rule, and reference is made to connected transactions in a number of parts of the Rule. For example, subparagraph 2(c) of section 5.5 of the Rule requires connected transactions to be aggregated, in certain circumstances, for the purpose of determining the availability of the formal valuation exemption for a related party transaction that is not larger than 25 per cent of the issuer's market capitalization. In other circumstances, it is possible for an issuer to rely on an exemption for each of two or more connected transactions. However, the Commission may intervene if it believes that a transaction is being carried out in stages or otherwise divided up for the purpose of avoiding the application of a provision of the Rule.

(2) One method of acquiring all the securities of an issuer is through a plan of arrangement or similar process comprised of a series of two or more interrelated steps. The series of steps is the "transaction" for the purposes of the definition of business combination. However, a related party transaction that is carried out in conjunction with a business combination, and that is not simply one of the procedural steps in implementing the acquisition of the affected securities in the business combination, is subject to the Rule's requirements for related party transactions. This applies where, for example, a related party buys some of the issuer's assets that the acquirer in the business combination does not want.

(3) An agreement, commitment or understanding that a security holder will tender to a formal bid or vote in favour of a transaction is not, in and of itself, a connected transaction to the bid or to the transaction for purposes of the Rule.

2.9 Time of Agreement - A number of provisions in the Rule refer to the time a business combination or related party transaction is agreed to. This should be interpreted as the time the issuer first makes a legally binding commitment to proceed with the transaction, subject to any conditions such as security holder approval. Where the issuer does not technically negotiate the transaction with another party, such as in the case of a share consolidation, the time the transaction is agreed to should be interpreted as the time at which the issuer's board of directors determines to proceed with the transaction, subject to any conditions.

2.10 "Acquire the Issuer" - In some definitions and elsewhere in the Rule, reference is made to a transaction in which a related party would "directly or indirectly acquire the issuer … through an amalgamation, arrangement or otherwise, whether alone or with joint actors". This refers to the acquisition of all of the issuer, not merely the acquisition of a control position. For example, a related party "acquires" an issuer when it acquires all of the securities of the issuer that it does not already own, even if that related party held a control position in the issuer prior to the transaction.

PART 3 MINORITY APPROVAL

3.1 Meeting Requirement - The definition of minority approval and subsections 4.2(2) and 5.3(2) of the Rule provide that minority approval, if required, must be obtained at a meeting of holders of affected securities. The issuer may be able to demonstrate that holders of a majority of the securities that would be eligible to be voted at a meeting would vote in favour of the transaction under consideration. In this circumstance, the Director will consider granting an exemption under section 9.1 of the Rule from the requirement to hold a meeting, conditional on security holders being provided with disclosure similar to that which would be available to them if a meeting were held.

3.2 Second Step Business Combination Following an Unsolicited Take-over Bid - Section 8.2 of the Rule allows the votes attached to securities acquired under a formal bid to be included as votes in favour of a subsequent business combination in determining whether minority approval has been obtained if certain conditions are met. One of the conditions is that the security holder that tendered the securities in the bid not receive an advantage in connection with

the bid, such as a collateral benefit, that was not available to other security holders. There may be circumstances where this condition could cause difficulty for an offeror who wishes to acquire all of an issuer through a business combination following a bid that was unsolicited by the issuer. For example, in order to establish that a benefit received by a tendering security holder is not a collateral benefit under the Rule, the offeror may need the cooperation of an independent committee of the offeree issuer during the bid. This cooperation may not be forthcoming if the bid is unfriendly. In this type of circumstance, the fact that the bid was unsolicited would normally be a factor the Director would take into account in considering whether exemptive relief should be granted to allow the securities to be voted.

3.3 **Special Circumstances -** As the purpose of the Rule is to ensure fair treatment of minority security holders, abusive minority tactics in a situation involving a minimal minority position may cause the Director to grant an exemption from the requirement to obtain minority approval. Where an issuer has more than one class of equity securities, exemptive relief may also be appropriate if the Rule's requirement of separate minority approval for each class could result in unfairness to security holders who are not interested parties, or if the policy objectives of the Rule would be accomplished by the exclusion of an interested party's votes in one or more, but not all, of the separate class votes.

PART 4 FORM 33 DISCLOSURE

4.1 **Insider Bids - Form 33 Disclosure -** Form 32 of the Regulation (the form for a take-over bid circular) requires, for an insider bid, the disclosure required by Form 33 of the Regulation, appropriately modified. In the view of the Commission, Form 33 disclosure would generally include, in addition to Form 32 disclosure, disclosure for the following items, with necessary modifications, in the context of an insider bid:

1. Item 10 - Reasons for Bid
2. Item 14 - Acceptance of Bid
3. Item 15 - Benefits from Bid
4. Item 17 - Other Benefits to Insiders, Affiliates and Associates
5. Item 18 - Arrangements Between Issuer and Security Holder
6. Item 19 - Previous Purchases and Sales
7. Item 21 - Valuation
8. Item 24 - Previous Distribution
9. Item 25 - Dividend Policy
10. Item 26 - Tax Consequences
11. Item 27 - Expenses of Bid

4.2 **Business Combinations and Related Party Transactions - Form 33 Disclosure -** Paragraphs 4.2(3)(a) and 5.3(3)(a) of the Rule require in the information circulars for a business combination and a related party transaction, respectively, the disclosure required by Form 33 of the Regulation, to the extent applicable and with necessary modifications. In the view of the Commission, Form 33 disclosure would generally include disclosure for the following items, with necessary modifications, in the context of those transactions:

1. Item 5 - Consideration Offered
2. Item 10 - Reasons for Bid
3. Item 11 - Trading in Securities to be Acquired
4. Item 12 - Ownership of Securities of Issuer
5. Item 13 - Commitments to Acquire Securities of Issuer
6. Item 14 - Acceptance of Bid
7. Item 15 - Benefits from Bid

8. Item 16 - Material Changes in the Affairs of Issuer

9. Item 17 - Other Benefits to Insiders, Affiliates and Associates

10. Item 18 - Arrangements Between Issuer and Security Holder

11. Item 19 - Previous Purchases and Sales

12. Item 20 - Financial Statements

13. Item 21 - Valuation

14. Item 22 - Securities of Issuer to be Exchanged for Others

15. Item 23 - Approval of Bid

16. Item 24 - Previous Distribution

17. Item 25 - Dividend Policy

18. Item 26 - Tax Consequences

19. Item 27 - Expenses of Bid

20. Item 28 - Judicial Developments

21. Item 29 - Other Material Facts

22. Item 30 - Solicitations

PART 5 FORMAL VALUATIONS

5.1 General

(1) The Rule requires formal valuations in a number of circumstances. The Commission is of the view that a conclusory statement of opinion as to the value or range of values of the subject matter of a valuation does not by itself fulfil this requirement.

(2) The disclosure standards for formal valuations in By-laws 29.14 to 29.23 of the Investment Dealers Association of Canada and Appendix A to Standard No. 110 of the Canadian Institute of Chartered Business Valuators each generally represent a reasonable approach to meeting the applicable legal requirements. Specific disclosure standards, however, cannot be construed as a substitute for the professional judgment and responsibility of the valuator and, on occasion, additional disclosure may be necessary.

(3) An issuer that is required to obtain a formal valuation, or the offeree issuer in the case of an insider bid, should work in cooperation with the valuator to ensure that the requirements of the Rule are satisfied. At the valuator's request, the issuer should promptly furnish the valuator with access to the issuer's management and advisers, and to all material information in the issuer's possession relevant to the formal valuation. The valuator is expected to use that access to perform a comprehensive review and analysis of information on which the formal valuation is based. The valuator should form its own independent views of the reasonableness of this information, including any forecasts, projections or other measurements of the expected future performance of the enterprise, and of any of the assumptions on which it is based, and adjust the information accordingly.

(4) The disclosure in the valuation of the scope of review should include a description of any limitation on the scope of the review and the implications of the limitation on the valuator's conclusion. Scope limitations should not be imposed by the issuer, an interested party or the valuator, but should be limited to those beyond their control that arise solely as a result of unusual circumstances. In addition, it is inappropriate for any interested party to exercise or attempt to exercise any influence over a valuator.

(5) Subsection 2.3(2) of the Rule provides that in the context of an insider bid, an independent committee of the offeree issuer shall, and the offeror shall enable the independent committee to, determine who the valuator will be and supervise the preparation of the formal valuation. Although the subsection also requires the

independent committee to use its best efforts to ensure that the valuation is completed and provided to the offeror in a timely manner, the Commission is aware that an independent committee could attempt to use the subsection to delay or impede an insider bid viewed by the committee as unfriendly. In a situation where an offeror is of the view that an independent committee is not acting in a timely manner in having the formal valuation prepared, the offeror may seek relief under section 9.1 of the Rule from the requirement that the offeror obtain a valuation.

(6) Similarly, in circumstances where an independent committee is of the view that a bid that has been announced will not actually be made or that the bid is not being made in good faith, the independent committee may apply for relief from the requirements of subsection 2.3(2) of the Rule.

(7) National Policy 48 - *Future-Oriented Financial Information* does not apply to a formal valuation for which financial forecasts and projections are relied on and disclosed.

5.2 Independent Valuators - While, except in certain prescribed situations, the Rule provides that it is a question of fact as to whether a valuator (which for the purposes of this section includes a person or company providing a liquidity opinion) is independent, situations have been identified in the past that raise serious concerns for the Commission. These situations, which are set out below, must be assessed for materiality by the board or committee responsible for choosing the valuator, and disclosed in the disclosure document for the transaction. In determining the independence of the valuator from an interested party, relevant factors may include whether

(a) the valuator or an affiliated entity of the valuator has a material financial interest in future business under an agreement, commitment or understanding involving the issuer, the interested party or an associated or affiliated entity of the issuer or interested party;

(b) during the 24 months before the valuator was first contacted for the purpose of the formal valuation or opinion, the valuator or an affiliated entity of the valuator

(i) had a material involvement in an evaluation, appraisal or review of the financial condition of the interested party, or an associated or affiliated entity of the interested party, other than the issuer,

(ii) had a material involvement in an evaluation, appraisal or review of the financial condition of the issuer, or an associated or affiliated entity of the issuer, if the evaluation, appraisal or review was carried out at the direction or request of the interested party or paid for by the interested party, other than the issuer in the case of an issuer bid,

(iii) acted as a lead or co-lead underwriter of a distribution of securities by the interested party, or acted as a lead or co-lead underwriter of a distribution of securities by the issuer if the retention of the underwriter was carried out at the direction or request of the interested party or paid for by the interested party, other than the issuer in the case of an issuer bid,

(iv) had a material financial interest in a transaction involving the interested party, other than the issuer in the case of an issuer bid, or

(v) had a material financial interest in a transaction involving the issuer other than by virtue of performing the services referred to in subparagraph (b)(ii) or (b)(iii); or

(c) the valuator or an affiliated entity of the valuator is

(i) a lead or co-lead lender or manager of a lending syndicate in respect of the transaction in question, or

(ii) a lender of a material amount of indebtedness in a situation where the interested party or the issuer is in financial difficulty, and the transaction would reasonably be expected to have the effect of materially enhancing the lender's position.

PART 6 ROLE OF DIRECTORS

6.1 Role of Directors

(1) Paragraphs 2.2(2)(d), 3.2(e), 4.2(3)(f), 5.2(1)(e) and 5.3(3)(f) of the Rule require that the disclosure for the applicable transaction include a discussion of the review and approval process adopted by the board of

directors and the special committee, if any, of the issuer, including any materially contrary view or abstention by a director and any material disagreement between the board and the special committee.

(2) An issuer involved in any of the types of transactions regulated by the Rule should provide sufficient information to security holders to enable them to make an informed decision. Accordingly, the directors should disclose their reasonable beliefs as to the desirability or fairness of the proposed transaction and make useful recommendations regarding the transaction. A statement that the directors are unable to make or are not making a recommendation regarding the transaction, without detailed reasons, generally would be viewed as insufficient disclosure.

(3) In reaching a conclusion as to the fairness of a transaction, the directors should disclose in reasonable detail the material factors on which their beliefs regarding the transaction are based. Their disclosure should discuss fully the background of deliberations by the directors and any special committee, and any analysis of expert opinions obtained.

(4) The factors that are important in determining the fairness of a transaction to security holders and the weight to be given to those factors in a particular context will vary with the circumstances. Normally, the factors considered should include whether the transaction is subject to minority approval, whether the transaction has been reviewed and approved by a special committee and, if there has been a formal valuation, whether the consideration offered is fair in relation to the valuation conclusion arrived at through the application of the valuation methods considered relevant for the subject matter of the formal valuation. A statement that the directors have no reasonable belief as to the desirability or fairness of the transaction or that the transaction is fair in relation to values arrived at through the application of valuation methods considered relevant, without more, generally would be viewed as insufficient disclosure.

(5) The directors of an issuer involved in a transaction regulated by the Rule are generally in the best position to assess the formal valuation to be provided to security holders. Accordingly, the Commission is of the view that, in discharging their duty to security holders, the directors should consider the formal valuation and all prior valuations disclosed and discuss them fully in the applicable disclosure document.

(6) To safeguard against the potential for an unfair advantage for an interested party as a result of that party's conflict of interest or informational or other advantage in connection with the proposed transaction, it is good practice for negotiations for a transaction involving an interested party to be carried out by or reviewed and reported upon by a special committee of disinterested directors. Following this practice normally would assist in addressing the Commission's interest in maintaining capital markets that operate efficiently, fairly and with integrity. While the Rule only mandates an independent committee in limited circumstances, the Commission is of the view that it generally would be appropriate for issuers involved in a material transaction to which the Rule applies to constitute an independent committee of the board of directors for the transaction. Where a formal valuation is involved, the Commission also would encourage an independent committee to select the valuator, supervise the preparation of the valuation and review the disclosure regarding the valuation.

(7) A special committee should, in the Commission's view, include only directors who are independent from the interested party. While a special committee may invite non-independent board members and other persons possessing specialized knowledge to meet with, provide information to, and carry out instructions from, the committee, in the Commission's view non-independent persons should not be present at or participate in the decision-making deliberations of the special committee.

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
31-May-2004	6 Purchasers	1613240 Ontario Limited - Special Warrants	80,999.40	269,998.00
09-Jun-2004	12 Purchasers	Accrete Energy Inc. - Common Shares	828,000.00	828,000.00
03-Jun-2004	23 Purchasers	Adaltis Inc. - Common Shares	19,000,005.00	5,066,668.00
23-Oct-2003 to 18-Nov-2004	11 Purchasers	Affinity Response (2003) Inc. - Units	2,709,008.00	1,548,006.00
16-Jun-2004	15 Purchasers	Anaconda Gold Corp. - Flow-Through Shares	2,341,600.00	7,317,500.00
10-Jun-2004	6 Purchasers	Aquest Energy Ltd. - Common Shares	2,504,749.50	910,818.00
10-Jun-2004	Jean Wile	Atlantis Systems Corp. - Common Shares	261,631.60	6,540,790.00
31-May-2004	118 Purchasers	Automated Benefits Corp. - Units	983,583.43	5,195,001.00
09-Jun-2004 to 11-Jun-2004	Mark Shoom Stephen Rider	Black Ice Capital Corp. - Debentures	80,000,000.00	80,000,000.00
01-Sep-2003	Royal Bank of Canada	Cantillon Europe Ltd. - Shares	2,081,550.00	15,000.00
01-Dec-2003	RBC Asset Management Inc.	Cantillon Technology Ltd. - Shares	1,823,220.00	14,000.00
01-Oct-2003 to 01-Jan-2004	5 Purchasers	Cantillon World Ltd. - Shares	21,524,936.00	162,540.00
30-Apr-2004	Harjeet Grewal	Capital Alliance Group Inc. - Units	5,400.00	9,000.00

28-May-2004 to 07-Jun-2004	Jonathan Ibbotson Frank W. Rowden	Caribou Resources Corp. - Common Shares	136,125.00	60,500.00
31-May-2004	4 Purchasers	Contemporary Investment Corp. - Units	56,869.00	56,869.00
04-Jun-2004	Royal Bank of Canada Skypoint Capital Corportion	Core Networks Incorporated - Debentures	235,500.00	235,500.00
10-Jun-2004	13 Purchasers	Dimethaid Research Inc. - Special Warrants	2,893,760.00	4,989,241.00
31-May-2004	14 Purchasers	Echoworx Corporation - Common Shares	1,205,638.00	1,722,326.00
10-Jun-2004	34 Purchasers	FactorCorp. - Debentures	2,580,000.00	2,580,000.00
01-Jun-2004	Patrick S. Leung	FrontAlt Investment Management Limited Partnership - Units	25,000.00	5.00
01-Jun-2004	4 Purchasers	F&G, L.P. - Limited Partnership Interest	800,000.00	4.00
10-Jun-2004	Canada Dominion Resources 2004 Limited Partnership CMP 2004 Resource Limited Partnership	Gold Canyon Resources Inc. - Common Shares	2,030,000.00	2,900,000.00
10-Jun-2004	Steelhouse Incorporated	Gold Canyon Resources Inc. - Units	100,000.00	166,667.00
10-Jun-2004	Dundee Securities Corporation	Gold Canyon Resources Inc. - Warrants	52,200.00	87,000.00
15-Jun-2004	20 Purchasers	Goldcrest Resources Ltd. - Units	912,500.00	3,650,000.00
29-Apr-2004	Global Maxfin Capital Inc.	Great Pacific International Inc. - Option	140,000.00	200,000.00
09-Jun-2004	WCC Services Inc.	Greenstone Resources Ltd. - Units	101,486.00	1,395,956.00
04-May-2004	Ian MacKellar	Helena Resources Limited - Common Shares	15,000.00	75,000.00
10-Jun-2004	6 Purchasers	Helptrain Inc. - Common Shares	1,350,000.00	1,080,000.00
09-Jun-2004	Continental (CBOC) Corporation	H.A.L. Concepts Ltd. - Common Shares	490,000.00	4,900,000.00
09-Jun-2004	Continental (CBOC) Corporation	H.A.L. Concepts Ltd. - Preferred Shares	10,950,000.00	438,000.00
27-May-2004 07-Jun-2004	8 Purchasers	IMAGIN Diagnostic Centres, Inc. - Shares	77,000.00	77,000.00
03-Jun-2004	Stephen Case	International Frontier Resources Corporation - Debentures	25,000.00	25,000.00
01-Jun-2004	K. Dino Tyrovolas	International PetroReal Oil Corporation - Convertible Debentures	25,000.00	25,000.00

31-May-2004	Lancaster Balanced Fund II	Lancaster Canadian Equity Fund - Trust Units	1,776,863.93	119,883.00
31-May-2004	Lancaster Balanced Fund II	Lancaster Global Fund - Trust Units	1,628,717.72	167,810.00
04-Jun-2004	13 Purchasers	Lemontonic Inc. - Units	885,000.00	1,966,668.00
04-Jun-2004	4 Purchasers	MAAX Corporation - Notes	2,405,227.36	4.00
15-Jun-2004	1245841 Ontario Inc.	Med-Emerg International Inc. - Common Shares	1,069,411.20	93,480,000.00
15-Jun-2004	4 Purchasers	Med-Emerg International Inc. - Common Shares	1,502,679.21	13,135,308.00
14-Jun-2004	3 Purchasers	Microsource Online, Inc. - Common Shares	48,000.00	8,000.00
06-May-2004 to 29-May-2004	15 Purchasers	New Hudson Television Corp. - Shares	36,300.00	121,000.00
11-Jun-2004	33 Purchasers	O'Donnell Emerging Companies Fund - Units	6,015,248.76	874,309.00
31-May-2004	Robin D'Arcy Cotton Mather	Paragon Pharmacies Ltd. - Common Shares	125,500.50	83,667.00
26-May-2004	CIBC World Markets Inc.	Planet Trust - Notes	25,000,000.00	25,000,000.00
14-Jun-2004	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	3,839.10	510.18
07-Jun-2004	Don Rolfe	Recognia Inc. - Notes	5,000.00	1.00
09-Jun-2004	7 Puchasers	Red Back Mining Inc. - Special Warrants	3,607,000.00	1,803,500.00
15-Jun-2004	9 Purchasers	Rider Resources Ltd. - Common Shares	5,892,750.00	1,215,000.00
14-Jun-2004	Sprott Securities Inc.	Roman Corporation Limited - Warrant	1.00	50,120.00
07-Jun-2004	Business Development Bank of Canada Business Development Bank of Canada	S2IO Technologies Corp. - Shares	2,018,551.03	1,422,138.00
11-Jun-2004	Leonard Latchman	San Telmo Energy Ltd. - Common Shares	210,000.00	300,000.00
09-Jun-2004	Chancery Investments Inc. NH Holdings Inc.	SF Fund Limited Partnership II - Units	700,000.00	70,000.00
14-Jun-2004	C.O. Fairbank;Inc.	Spelimi Real Estate Company, Inc. - Royalties	31,750.27	1.00
27-May-2004 31-May-2004	Stylus Asset Management Richard and Marni Przybylski	Stylus Asset Management - Units	1,020,954.12	102,095.00

22-May-2004 to 31-May-2004	3 Purchasers	Stylus Asset Management - Units	654,310.00	65,401.00
27-May-2004 to 31-May2004	3 Purchasers	Stylus Asset Management - Units	1,515,091.56	151,429.00
11-Jun-2004	Steven Godron	The Goldman Sachs Group Inc. - Notes	71,000.00	71.00
07-Jun-2004	10 Purchasers	The Learning Library Inc. - Units	235,000.00	2,350,000.00
22-Jul-2003	The Presbyterian Record	The Trustee Board of The Presbyterian Church in Canada - Units	200,000.00	20.00
30-Jul-2003	Glebe Presbyterian Church	The Trustee Board of The Presbyterian Church in Canada - Units	150,000.00	15.00
01-Apr-2004	Knox Presbyterian Church	The Trustee Board of The Presbyterian Church in Canada - Units	175,000.00	18.00
11-Feb-2004	St. Paul's Presbytherian Church	The Trustee Board of The Presbyterian Church in Canada - Units	170,000.00	17.00
01-Apr-2003	St. Andrew's Presbyterian Church	The Trustee Board of The Presbyterian Church in Canada - Units	430,960.43	44.00
01-Jun-2004	3 Purhcasers	Tower Hedge Fund L.P. - Units	564,475.00	54,237.00
01-Jun-2004 to 04-Jun-2004	1470093 Ontario Inc. 1437110 Ontario Inc	Triacta Power Technologies Inc. - Common Shares	55,000.00	220,000.00
09-Jun-2004	Epic Capital Management Inc.	Vector Aerospace Corporation - Units	752,500.00	3,500,000.00
31-May-2004	TD Securities Inc.	Vortex Corp. - Debentures	14,700,000.00	14,700.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Armtec Infrastructure Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 17, 2004
Mutual Reliance Review System Receipt dated June 18, 2004
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Promoter(s):
ONCAP Investment Partners Inc.
Project #661054

Issuer Name:
Art In Motion Income Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated June 21, 2004
Mutual Reliance Review System Receipt dated June 21, 2004
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Promoter(s):
N.W. Art In Motion Inc.
Project #661303

Issuer Name:
Beutel Goodman Canadian Dividend Fund
Beutel Goodman Canadian Equity Plus Fund
Beutel Goodman Corporate/Provincial Active Bond Fund
Beutel Goodman Long Term Bond Fund
Beutel Goodman Canadian Intrinsic Fund
Beutel Goodman International Equity Fund
Beutel Goodman American Equity Fund
Beutel Goodman Money Market Fund
Beutel Goodman Balanced Fund
Beutel Goodman Income Fund
Beutel Goodman Small Cap Fund
Beutel Goodman Canadian Equity Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated June 16, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
Class A, F and I Units
Underwriter(s) or Distributor(s):
Beutel Goodman Managed Funds Inc.
Promoter(s):
Beutel Goodman Managed Funds Inc.
Project #660270

Issuer Name:
DiagnoCure Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated June 16, 2004
Mutual Reliance Review System Receipt dated June 16, 2004
Offering Price and Description:
$ * - * Common Shares
Price: $ * per Common Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Desjardins Securities Inc.
Dundee Securities Corporation
Haywood Securities Inc.
Promoter(s):
-
Project #660349

Issuer Name:
FairPoint Communications, Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 18, 2004
Offering Price and Description:
US$ million (C$ million) Income Deposit Securities (IDSs)
US $ million % Senior Subordinated Notes due 2019
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Citigroup Global Markets Canada Inc.
Deutsche Bank Securities Ltd.
Banc of America Securities Canada Co.
Credit Suisse First Boston Canada Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #661004

Issuer Name:
Motapa Diamonds Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated June 14, 2004
Mutual Reliance Review System Receipt dated June 16, 2004
Offering Price and Description:
* Units - $ * - consisting of one Common Share and one-half of a Common Share Purchase Warrant Offering Price: $* per Unit. and $7,619,928 - 6,626,025 Common Shares issuable upon the exercise of previously issued Special Warrants
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Paradigm Capital Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #660223

Issuer Name:
Provident Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated June 17, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
$125,840,000 - 12,100,000 Trust Units
$50,000,000 8%Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #660817

Issuer Name:
Red Back Mining Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated June 22, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
$25,000,000 - 12,500,000 Units to be issued upon the exercise of
12,500,000 previously issued Special Warrants
Price: $2.00 per Special Warrant
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
Haywood Securities Inc.
Macquarie North America Ltd.
Promoter(s):
-
Project #661851

Issuer Name:
Seder Capital Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated June 16, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
Minimum Offering: $999,999 or 3,333,330 Common Shares
Maximum Offering: $1,899,999 or 6,333,330 Common Shares
Price: $0.30 per Common Share
Underwriter(s) or Distributor(s):
Research Capital Corporation
First Associates Investments Inc.
Canaccord Capital Corporation
Promoter(s):
G. Michael Newman
Project #660438

Issuer Name:
Union Gas Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated June 16, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
$400,000,000.00 - Debt Securities (unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #660445

Issuer Name:
Viking Energy Royalty Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated June 21, 2004
Mutual Reliance Review System Receipt dated June 21, 2004
Offering Price and Description:
$51,300,000 - 9,000,000 Trust Units
Price: $5.70 per Trust Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
FirstEnergy Capital Corp.
Raymond James Ltd.
Promoter(s):
-
Project #661534

Issuer Name:
Avenir Diversified Income Trust
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated June 17, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
$25,000,000 (Maximum Offering); $15,000,000 (Minimum Offering) Price: $7.50 per Trust Unit
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Acumen Capital Finance Partners Limited
GMP Securities Ltd.
Promoter(s):
William M. Gallacher
Gary H. Dundas
Project #639596

Issuer Name:
Bonterra Energy Income Trust
Principal Regulator – Alberta
Type and Date:
Final Short Form Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 18, 2004
Offering Price and Description:
Up to 1,100,000 Units $19.50 per trust unit
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
FirstEnergy Capital Corp.
GMP Securities Ltd.
Promoter(s):
-
Project #659451

Issuer Name:
Borealis Retail Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 21, 2004
Mutual Reliance Review System Receipt dated June 21, 2004
Offering Price and Description:
$50,000,000.00 - 6.75% Convertible Unsecured Subordinated Debentures due June 30, 2014 $60,217,500 5,550,000 Units at a Price of $10.85 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
TD Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Raymond James Ltd.
Promoter(s):
Borealis Real Estate Management Inc.
Project #652178

Issuer Name:
Canada Mortgage Acceptance Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 21, 2004
Offering Price and Description:
$270,377,000 (Approximate) Canada Mortgage Acceptance Corporation Mortgage Pass-Through Certificates, Series 2004-C1
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
Promoter(s):
GMAC Residential Funding of Canada, Limited
Project #657574

Issuer Name:
Centerra Gold Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 22, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
C$253,175,869.00 - 16,333,927 Common Shares Price: C$15.50 per common share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
HSBC Securities (Canada) Inc.
Scotia Capital Inc.
Salaman Partners Inc.
Promoter(s):
Cameco Gold Inc.
Project #643223

Issuer Name:
Clean Power Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 18, 2004
Offering Price and Description:
$55,000,000.00 - 6.75% Convertible Unsecured Subordinated Debentures due December 31, 2010
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #658927

Issuer Name:
Dexit Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
$25,000,002.00 - 4,166,667 Common Shares Price: $6.00 per Common Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Dundee Securities Corp.
Paradigm Capital Inc.
Haywood Securities Inc.
McFarlane Gordon Inc.
Promoter(s):
-
Project #642897

Issuer Name:
Disciplined Leadership High Income Fund
Disciplined Leadership U.S. Equity Fund
Disciplined Leadership Canadian Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 17, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
Series A, F and O Units
Underwriter(s) or Distributor(s):
n/a
Promoter(s):
Rockwater Asset Management Inc.
Project #599115

Issuer Name:
EuroZinc Mining Corporation
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated June 16, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
$78,480,000.00 - 130,800,000 Common Shares issuable upon exercise of
special warrants sold at a price of $0.60 per special warrant
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Haywood Securities Inc.
Orion Securities Inc.
Pacific International Securities Inc.
Promoter(s):
-
Project #654180

Issuer Name:
Home Equity Income Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated June 22, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
$50,000,000.00 - Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #658981

Issuer Name:
NewGrowth Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 17, 2004
Mutual Reliance Review System Receipt dated June 17, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #658566

Issuer Name:
Northwater Five-Year Market-Neutral Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated June 18, 2004
Mutual Reliance Review System Receipt dated June 22, 2004
Offering Price and Description:
$100,000,000 Maximum (4,000,000 Trust Units @ $25 Per Unit)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
Northwater Fund Management Inc.
Project #635566

Issuer Name:
PBB Global Logistics Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated June 17, 2004
Mutual Reliance Review System Receipt dated June 18, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Canaccord Capital Corporation
National Bank Financial Inc.
Promoter(s):
-
Project #656889

Issuer Name:
Sprott Energy Fund
Principal Regulator - Ontario
Type and Date:
Amendment No. 1 dated June 9, 2004 to Final Simplified Prospectus and Annual Information Form dated March 24, 2004
Mutual Reliance Review System Receipt dated June 16, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sprott Asset Management Inc.
Sprott Asset Management Inc.
Promoter(s):
Sprott Asset Management Inc.
Project #614695

Issuer Name:
Sprott Canadian Equity Fund
Principal Regulator - Ontario
Type and Date:
Amendment No. 2 dated June 9, 2004 to Final Simplified Prospectus and Annual Information Form dated October 7, 2003
Mutual Reliance Review System Receipt dated June 16, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sprott Asset Management Inc.
Sprott Securities Inc.
Promoter(s):
Sprott Asset Management Inc.
Project #569938

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Amalgamation	Berkshire Investment Group Inc./Groupe D'investissement Berkshire Inc. with TWC Financial Corp. To Form: Berkshire Investment Group Inc./Groupe D'investissement Berkshire Inc.	Mutual Fund Dealer and Limited Market Dealer	March 1, 2004
New Registration	Integral Wealth Financial Limited	Mutual Fund Dealer	June 18, 2004
Name Change	From: SG Cowen Securities Corporation To: SG Cowen & Co., LLC	International Dealer	April 23, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Settlement Hearing - Robert Binnington

News Release
For immediate release

NOTICE TO PUBLIC: SETTLEMENT HEARING

IN THE MATTER OF ROBERT BINNINGTON

June 18, 2004 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing date has been set for the presentation, review and consideration of a Settlement Agreement by the Ontario District Council of the Association.

The Settlement Agreement is between Staff of the Association and Robert Binnington and relates to matters for which Binnington may be disciplined by the Association. The conduct that is the subject of the hearing occurred during the period between November 1998 and December 2002 while Mr. Binnington was employed at the Hamilton office of CIBC World Markets Inc. or its predecessor, CIBC Wood Gundy Securities Inc.

The proceeding is scheduled to commence at 10:00 a.m. or soon thereafter on June 30, 2004 at the offices of Atchinson & Denman, Court Reporting Services Ltd. located at 155 University Avenue, Suite 302, Toronto, Ontario. The proceeding is open to the public except as may be required for the protection of confidential matters.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's mission is to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

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

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

13.1.2 IDA Regulation 100.2(f)(i) - Margin Treatment of CNQ Exchange Traded Securities

INVESTMENT DEALERS ASSOCIATION OF CANADA –

MARGIN TREATMENT OF CNQ EXCHANGE TRADED SECURITIES - REGULATION 100.2(F)(I)

I OVERVIEW

A Current rules

IDA Regulation 100.2(f)(i) stipulates the margin requirements for securities listed on any recognized stock exchange in Canada. Following the recent recognition of Canadian Trading and Quotation System Inc. (CNQ) by the Ontario Securities Commission (OSC) as a stock exchange[1], CNQ listed securities have automatically become eligible for loan value.

B The issue

As a recognized Canadian stock exchange, CNQ securities are margin eligible unless IDA Regulation 100.2(f)(i) specifically denies them loan value. Capital Pool Companies, Tier 3 listings and Inactive Tier 2 listings all of which are listing classes on the TSX Venture Exchange, are all classes of Canadian listed securities currently denied loan value.

The listing standards set by the CNQ are less strict than those of the TSX Venture Exchange's Capital Pool Companies listing class and therefore granting loan value to CNQ listed securities would result in unequal margin treatment of certain classes of Canadian listed securities.

C Objective

The proposed amendment to Regulation 100.2(f)(i) seeks to specifically deny loan value to CNQ listed securities.

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1 On May 7, 2004, the Ontario Securities Commission issued an order recognizing the Canadian Trading and Quotation System Inc. (CNQ) as a stock exchange. Prior to recognition, CNQ operated as a recognized quotation and trade reporting system (QTRS) under Section 21.2.1 of the Securities Act (Ontario) and as such provided an electronic marketplace for Ontario investment dealers to trade non-exchange listed securities of Ontario reporting issuers. As a result of recognition, CNQ will provide a listing opportunity to emerging companies and quoted issuers will automatically become Ontario reporting issuers.

D Effect of Proposed Rules

Adoption of the attached proposed amendment will have no effect on market structure, as at present CNQ securities are not eligible for loan value. There is also no effect on member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

II DETAILED ANALYSIS

A Present rules, relevant history and proposed policy

As stated earlier, IDA Regulation 100.2(f)(i) sets out the margin requirements for securities listed on any recognized stock exchange in Canada. Following OSC recognition of the CNQ as a recognized exchange its securities will automatically become eligible for margin unless a rule amendment specifically denying loan value to CNQ listed securities is made. CNQ quoted issuers are mostly emerging companies and the minimum listing standards of the CNQ are lower than the minimum standards for issuers listed on Toronto Stock Exchange or TSX Venture Exchange. Because of the lower minimum listing requirements (including a lower market capitalization requirement) for CNQ listed securities, the proposed amendments seek to treat CNQ listed securities in the same manner as TSX Venture Exchange listings for margin purposes and deny them loan value.

B Issues and alternatives considered

An alternative of permitting loan value for CNQ listed securities with prices or capitalization above a certain threshold level was considered. However, it was decided that securities with higher prices or capitalization are likely to migrate to senior exchange and therefore a price or capitalization based rule was considered unnecessary.

C Comparison with similar provisions

For margin purposes, the proposed amendment will treat CNQ listed securities the same manner as Capital Pool Companies, Tier 3 listings and Inactive Tier 2 listings.

D Systems impact of rule

It is not believed that there is any system impact on Members or the public by implementing the proposed rule.

The Bourse de Montreal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E Best interests of the capital markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public interest objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposal. The purpose of the proposal is to:

- standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in other jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

The proposed rules are believed to be effective in ensuring equal margin treatment of Capital Pool Companies, Tier 3 listings, Inactive Tier 2 listings and CNQ listings.

C Process

This proposed amendment was developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- IDA Regulation 100.2(f)(i)
- Section 21.2.1 of the Securities Act (Ontario)
- CNQ Recognition as a Stock Exchange - Notice of Commission approval.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest.

Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Specialist, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist, Regulatory Policy
Investment Dealers Association of Canada
Suite 1600, 121 King Street West
Toronto, Ontario
M5H 3T9

Tel: (416) 943 4656
Email: amian@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

Margin treatment of CNQ exchange traded securities - Regulation 100.2(f)(i)
Board Resolution

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

1. Regulation 100.10(f)(i) is repealed and replaced as follows:

"(i) On securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States, on the Tokyo Stock Exchange First Section or on the stock list of the London Stock Exchange:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange, securities of companies classified as Tier 3 or Inactive Tier 2 issuers on the TSX Venture Exchange and securities traded on the Canadian Trading and Quotation Systems Inc. may not be carried on margin.

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

Notwithstanding the foregoing, the margin required in respect of positions (other than firm positions to which Regulation 100.12(e) applies) of warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or

other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof shall be the greater of:

A. the margin otherwise required by this Regulation according to the market value of the warrant; or

B. 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant."

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

Margin treatment of CNQ exchange traded securities - Regulation 100.2(f)(i)
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Amended Regulation 100.2(f)(i)

(i) On securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States, on the Tokyo Stock Exchange First Section or on the stock list of the London Stock Exchange:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange, securities of companies classified as Tier 3 or Inactive Tier 2 issuers on the TSX Venture Exchange and securities traded on the Canadian Trading and Quotation Systems Inc. may not be carried on margin.

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

Notwithstanding the foregoing, the margin required in respect of positions (other than firm positions to which Regulation 100.12(e) applies) of warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof shall be the greater of:

A. the margin otherwise required by this Regulation according to the market value of the warrant; or

B. 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

INVESTMENT DEALERS ASSOCIATION OF CANADA

Margin treatment of CNQ exchange traded securities - Regulation 100.2(f)(i)
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THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.10(f)(i) is repealed and replaced as follows:

"(i) On securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States, on the Tokyo Stock Exchange First Section or on the stock list of the London Stock Exchange:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50, securities of companies designated as Capital Pool Companies on the TSX Venture Exchange, ~~and~~ securities of companies classified as Tier 3 or Inactive Tier 2 issuers on the TSX Venture Exchange and securities traded on the Canadian Trading and Quotation Systems Inc. may not be carried on margin.

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

Notwithstanding the foregoing, the margin required in respect of positions (other than firm positions to which Regulation 100.12(e) applies) of warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or

other listing organization referred to above and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof shall be the greater of:

A. the margin otherwise required by this Regulation according to the market value of the warrant; or

B. 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant."

13.1.3 IDA - Amendments to Schedule 9 of Form 1 Relating to the Calculation of a Securities Concentration Charge for Positions in Broad Based Index Securities

INVESTMENT DEALERS ASSOCIATION OF CANADA –

AMENDMENTS TO SCHEDULE 9 OF FORM 1 RELATING TO THE CALCULATION OF A SECURITIES CONCENTRATION CHARGE FOR POSITIONS IN BROAD BASED INDEX SECURITIES

I OVERVIEW

A Current rules

Schedule 9 of Form 1 requires disclosure of the largest ten issuer security positions that are being relied upon for loan value so that over exposure to an individual issuer and applicability of a concentration charge can be determined. The Notes and Instructions to Schedule 9 of Form 1 codify the definitions and the procedures to be followed.

B The issue

Schedule 9 of Form 1 intends to identify significant issuer risk and capture issuer exposure. In order to focus in significant issuer risk the current Notes and Instructions to Schedule 9 exempt debt securities with margin rate of 10% or less from consideration. Other securities, namely broad based index securities, warrant different treatment in determining whether positions held represent significant issuer risk. This is because the issuer risk associated with these products is lessened as they provide the performance on a diversified basket of securities.

C Objective

The objective of the proposed amendments is to allow Member firms the option of treating positions in broad based index products in the same manner as the underlying basket of index securities for security concentration purposes. This will be achieved by including a definition for the term "broad based index" in the General Notes and Definitions to Form 1 and by providing in the Notes and Instructions to Schedule 9 of Form 1 the option of reporting the "amount loaned" exposure for each index constituent security position held in determining whether any concentration charge applies.

D Effect of proposed rules

It is believed the proposed amendments set out in Attachment #1 will have no impacts in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

II DETAILED ANALYSIS

A Present rules, relevant history and proposed policy

Schedule 9 of Form 1 requires disclosure of the largest ten issuer security positions that are being relied upon for loan value so that over exposure to an individual issuer and applicability of a concentration charge can be determined. In determining whether an exposure to a particular issuer is a concern, the combined inventory and customer account collateral "amount loaned" exposure is calculated and compared to the Member firm's risk adjusted capital.

Broad based listed index products (i.e., index participation units) have become popular vehicles for both Member firms and their clients to invest in a broad range of companies without having to invest individually in the companies themselves. A broad based index product (as opposed to a index sector product) also has the advantage of reducing both the issuer and sector risk that may be associated with individual security holdings. As a result, it is believed that broad based index securities warrant different treatment in determining whether they represent significant issuer risk to the Member firm.

The proposed amendments seek to allow Member firms the option of treating positions in broad based index products in the same manner as the underlying basket of index securities for security concentration purposes. This will be achieved by including a definition for the term "broad based index" in the General Notes and Definitions to Form 1 and by providing in the Notes and Instructions to Schedule 9 of Form 1 the option of reporting the "amount loaned" exposure for each index constituent security position held in determining whether any concentration charge applies.

To qualify as a "broad based index" an index must, among other things, be comprised of twenty or more securities with an average market capitalization of at least $50 million that represent a broad range of industry and market sectors. The requirement that a broad range of industry and market sectors must be represented ensures that sector index products are considered for securities concentration purposes in the same manner as they are today, as sector risk in many situations may be as high as individual issuer risk (i.e., gold sector).

For products that qualify as broad based index products, Member firms will be given the option of treating these positions in the same manner as the underlying basket of index securities for security concentration purposes. Therefore, the proposal does not suggest that there is no issuer risk associated with holding broad based index securities, but rather suggests that the risk is no different than if positions were held in the underlying basket of index securities. The specific optional calculation proposed would allow the broad based index product position to be reported as though individual positions in the underlying securities to the index were held. These "constituent" issuer securities position held would be combined with other positions held for the same issuer to determine the overall amount loaned exposure to an individual issuer.

B Issues and alternatives considered

No alternatives have been considered.

C Comparison with similar provisions

Both the United Kingdom and the United States have issuer concentration rules. Since the amendment being proposed is a technical amendment designed to address the treatment of broad based index products under the IDA rules a detailed comparison to these rules was considered unnecessary.

D Systems impact of rule

The proposed amendments seek to ensure that the concentration calculation continues to focus on significant issuer risk exposures. Members firms will generally only take advantage of the optional "amount loaned" calculation for broad based index securities when it is likely that a securities concentration charge will otherwise result. It is therefore not believed that this rule proposal will result in significant costs or systems impacts.

The Bourse de Montreal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E Best interests of the capital markets

The Board has determined that this public interest rule is not detrimental to the best interests of the capital markets.

F Public interest objective:

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposal. The purposes of the proposal are to:

- Facilitate an efficient capital-raising process and fair and open competition in securities transactions by imposing capital and margin requirement in relation to the inherent risks associated with the broad based index positions, and
- Standardize industry practices by spelling out more specific procedures for Members to follow.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is to ensure that the concentration calculation continues to focus on significant issuer risk exposures. It is believed that this proposal is effective in achieving this objective with respect to the treatment of broad based index products.

C Process

These proposed amendments were developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV Sources

- Form 1, General Notes and Definitions
- Form 1, Schedule 9

V OSC requirement to publish for comment

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on these proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Jane Tan or Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
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M5H 3T9
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INVESTMENT DEALERS ASSOCIATION OF CANADA

Amendments to Schedule 9 of Form 1 relating to the calculation of a securities concentration charge for positions in broad based index securities

Board Resolution

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

1. The General Notes and Definitions to Form 1 are amended by adding the following words after definition (e):

   “(f) “broad based index” means an equity index whose underlying basket of securities is comprised of:

   1. twenty or more securities;

   2. the single largest security position by weighting comprises no more than 35% of the overall market value of the basket of equity securities;

   3. the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million;

   4. the securities shall be from a broad range of industries and market sectors as determined by the Joint Regulatory Bodies to represent index diversification; and

   5. in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange, as set out in the definition of “regulated entities” in the General Notes and Definitions.”

2. The General Notes and Definitions to Form 1 are amended by renumbering definitions (f) through (i) to definitions (g) through (j).

3. The Notes and Instructions to Schedule 9 of Form 1 are amended by adding the following after Note 4:

   “4. For the purpose of this schedule, an amount loaned exposure to “broad based index” (as defined in the General Notes and Definitions) positions may be treated as an amount loaned exposure to each of the individual securities comprising the index basket. These amount loaned exposures may be reported by breaking down the broad based index position into its constituent security positions and adding these constituent security positions to other amount loaned exposures for the same issuer to arrive at the combined amount loaned exposure.

   To calculate the combined amount loaned exposure for each index constituent security position held, sum

   a. the individual security positions held, and

   b. the constituent security position held.

   [For example, if ABC security has a 7.3% weighting in a broad based index, the number of securities that represents 7.3% of the value of the broad based index position shall be reported as the constituent security position.]”

4. The Notes and Instructions to Schedule 9 of Form 1 are amended by renumbering Notes 4 through 10 to Notes 5 through 11.

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.

13.1.4 IDA Regulation 100.2 - Capital and Margin Requirements for Money Market Mutual Funds

INVESTMENT DEALERS ASSOCIATION OF CANADA –

CAPITAL AND MARGIN REQUIREMENTS FOR MONEY MARKET MUTUAL FUNDS – REGULATION 100.2

I OVERVIEW

A Current rules

For capital and margin requirement purposes Regulation 100.2(f)(ii) treats securities of mutual funds qualified by prospectus for sale in any province of Canada on the same basis as listed stocks.

B The issue

For money market mutual funds this requirement is overly conservative as the underlying securities to such funds are inherently less risky than equity securities. The MFDA rules recognize the lower risk associated with money market mutual funds by assigning a 5% margin requirement to such funds. The result is that the current IDA margin requirements for money market mutual funds are both overly conservative and inconsistent with those of the MFDA.

C Objective

The objective of proposed Regulation 100.2(f)(I) is to permit Member firm account and customer account positions in money market mutual funds, as defined in National Instrument 81-102, to be margined at a rate of 5%.

D Effect of proposed rules

Adoption of the proposed amendment will have no impacts in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

II DETAILED ANALYSIS

A Present rules, relevant history and proposed policy

As stated earlier, the current capital and margin requirements for money market mutual funds are overly conservative when the risk of underlying securities is considered and therefore it is proposed that the money market funds be margined at a rate of 5%. Due to the simplicity of this rule change proposal, a detailed discussion of the proposed amendments was considered unnecessary.

B Issues and alternatives considered

No alternatives were considered.

C Comparison with similar provisions

In arriving at the recommendation to reduce the capital and margin requirement for money market funds the margin rates for securities underlying these funds as well MFDA's margin rate for money market mutual funds were considered.

D Systems Impact of Rule

It is not believed that there will be any system impacts associated with implementing this proposed rule amendment.

The Bourse de Montreal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E Best interests of the capital markets

The proposed amendment will reduce costs, both in terms of capital usage and margin to be provided for Member firms and their customers respectively. The Board has determined that the public interest rule is not detrimental to the best interests of the capital markets.

F Public interest objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposal. The purpose of the proposal is to:

- standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in other jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

The proposed rule effectively revises the margin rate to more accurately reflect the risks associated with holding

positions in money market mutual funds and conforms the requirements to that of the MFDA.

C Process

This proposed amendment was developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- IDA Regulation 100.2(f)(ii)
- MFDA Financial Questionnaire and Report, Schedule 1 Notes and Instructions, Note 1(c)

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Specialist, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist, Regulatory Policy
Investment Dealers Association of Canada
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M5H 3T9
Tel:(416) 943 4656
Email: amian@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

Capital and margin requirements for money market mutual funds
Regulation 100.2
Board Resolution

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

1. Regulation 100.2(f)(ii) is amended by deleting the text “Securities of mutual funds qualified by prospectus for sale in any province of Canada;”

2. Regulation 100.2 is amended by adding new section 100.2(l) as follows:

   “(l) Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:

   (i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

   (ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.”

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA
Capital and margin requirements for
money market mutual funds
Regulation 100.2
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Amended Regulation 100.2(f)(ii)

(ii) Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:

Securities of insurance companies licensed to do business in Canada;

Securities of Canadian banks;

Securities of Canadian trust companies;

Other senior securities of listed companies;

Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

All securities listed on The Nasdaq Stock Market℠ (Nasdaq National Market® and The Nasdaq SmallCap Market℠).

New Regulation 100.2(l)

(l) Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:

(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

INVESTMENT DEALERS ASSOCIATION OF CANADA
Capital and margin requirements for
money market mutual funds
Regulation 100.2
Black Line Copy

Amended Regulation 100.2(f)(ii)

(ii) Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:

Securities of insurance companies licensed to do business in Canada;

Securities of Canadian banks;

Securities of Canadian trust companies;

~~Securities of mutual funds qualified by prospectus for sale in any province of Canada;~~

Other senior securities of listed companies;

Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

All securities listed on The Nasdaq Stock Market℠ (Nasdaq National Market® and The Nasdaq SmallCap Market℠).

New Regulation 100.2(l)

(l) Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:

(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

13.1.5 IDA By-law 17.19 - Business Continuity Plan Requirement

INVESTMENT DEALERS ASSOCIATION OF CANADA –

BY-LAW NO. 17.19 - BUSINESS CONTINUITY PLAN REQUIREMENT

I OVERVIEW

A Current rules

The Association's rules require that all Member firms have the appropriate financial and operational safeguards in place to protect customer assets. These safeguards include the requirement:

- to maintain adequate risk adjusted capital at all times (By-law No. 17.1 and Form 1);
- to keep and maintain adequate books and records (By-law No. 17.2 and Regulation 200);
- to establish maintain adequate internal control systems (By-law No. 17.2A and Policy No. 3);
- to segregate fully paid and excess margin securities held for a customer (By-law Nos. 17.3, 17.3A and 17.3B); and
- to maintain adequate insurance coverage at all times (By-law Nos. 17.6 through 17.9, Regulation 400 and Form 1);

There is no current requirement for a Member firm to establish and maintain a business continuity plan.

B The issue

The customer asset safeguard requirements are only effective when the Member firm service (both staff and systems based) is relatively uninterrupted. Any disruption in service can quickly impair the ability of the firm to honour its obligations, both to its customers and other capital markets intermediaries.

C Objective

The adoption of proposed By-law No. 17.19 (enclosed in Attachment #1) would make it a requirement for all Member firms to have a business continuity plan. The requirement to have and the existence of a plan will not in itself guarantee that a Member firm will not suffer service interruptions. Rather, the objective of requiring a Member firm to have a business continuity plan (including the regular testing of such plan) would be to ensure that it has made adequate preparations to deal with significant business interruption scenarios and is able to resume service within an acceptable period of time.

D Effect of proposed rules

Since proposed By-law No. 17.19 seeks to require that each Member firm have a business continuity plan, there will costs borne by those Member firms that do not currently have a business continuity plan. The proposed amendment will not impact market structure or competition between Member firms and non Member firms or others.

II DETAILED ANALYSIS

A Present rules, relevant history and proposed policy

There is no current requirement for a Member firm to establish and maintain a business continuity plan.

The development of the proposal was undertaken by the FAS Business Contingency Subcommittee (the Subcommittee). In addition to the development of proposed By-law No. 17.19 the Subcommittee has also developed guidance on how to develop a business continuity plan.

Given the complex interdependencies of the markets, there is a potential for a sudden business disruption to cascade into a significant market-wide crisis. This issue has become a major concern for the securities industry and the subject of much discussion, both nationally and internationally, particularly in response to the serious new risks posed in the post-September 11th environment. The resilience of the securities industry and the financial sector as a whole in the event of a market-wide disruption is contingent upon the rapid recovery and resumption of many critical activities that support financial markets.

The proposed rule amendment would make it a requirement for all Member firms to have a business continuity plan. The requirement for and the existence of a plan will not in itself guarantee that a Member firm will not suffer service interruptions. Rather, the objective of requiring a Member firm to have a business continuity plan (including the regular testing of such plan) would be to ensure that it has made adequate preparations to deal with significant business interruption scenarios and is able to resume service within an acceptable period of time.

B Issues and alternatives considered

The Subcommittee considered the passage of more prescriptive business contingency plan requirements than those being proposed. The Subcommittee decided against a more prescriptive approach due to concerns that procedures/processes that might be critical to the resumption of service for a large Member firm (i.e., permanent disaster recovery backup location) would be both inordinately costly and inappropriate for a small Member firm. A more principles based rule was therefore developed to give Member firms of varying sizes and business focus the flexibility to establish a business continuity plan that addresses the key business resumption risks and is cost effective.

C Comparison with similar provisions

United Kingdom

The Financial Services Authority (FSA) requires financial institutions to have a business contingency plan, but it has not set out any prescriptive guidance/requirements. In July 2002, the FSA issued a paper dealing with the management of operational risk. This paper contained high-level guidance on some of the main operation risks areas that a firm should consider, including business continuity risk management. The paper was followed in March 2003 by a policy statement that confirmed respondents (to the paper) had broadly approved the FSA's high-level approach to business continuity risk management. The policy statement reassured firms that the FSA had no intention of being prescriptive in its guidance on business continuity. Instead the policy was designed to be flexible and to be interpreted in accordance with the nature, scale and complexity of a firm's activities.

United States

Proposed NASD Rule 3510, Business Continuity Plans, deals with business continuity planning. Proposed NASD Rule 3510 would require NASD member firms to create and maintain written business continuity plans. As with proposed IDA By-law No. 17.19, the proposed NASD Rule 3510 recognizes that business continuity plans should reflect the particular operations and activities of a dealer. Therefore, the proposed rule would allow members to tailor or customize plans to suit their size, business and structure. However, there are minimum standards that this plan must meet including data back-up and recovery of mission critical systems, financial and operational assessments, alternate communications, counter-party impact, regulatory reporting and communications with regulators. Plans must be reviewed annually to determine if modifications are necessary. In addition, plans must be made available to NASD staff for inspection during routine examinations and promptly on request by NASD staff. NASD will limit its review of a member firm's business continuity plan to the categories listed above to ensure that NASD is not micromanaging business operations.

D Systems impact of rule

The systems impact of this rule may be significant. The level of impact on an individual Member firm will be highly dependent on the extent of current preparedness for business interruptions, something that can only be determined once a firm specific business impact assessment has been performed. It is believed that while system impacts may be felt in varying degrees at individual Member firms, the industry benefits of requiring a business contingency plan, in terms of improved securities industry preparedness for business interruptions, are far greater.

The Bourse de Montreal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E Best interests of the capital markets

The Board has determined that the public interest rule is not detrimental to the best interests of the capital markets.

F Public interest objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change, "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effect of the proposal with respect to the proposed amendment.

The specific purpose of proposed By-law No. 17.19 is to make it a requirement for all Member firms to have a business continuity plan. As a result, the related general purpose of this proposal is:

- To standardize industry practices where necessary or desirable for investor protection

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in other jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

It is believed that the proposed amendments will be effective in improving securities industry preparedness for business interruptions.

C Process

The proposed by-law was developed and recommended for approval by the FAS Business Contingency Planning Subcommittee and recommended for approval by the Financial Administrators Section.

IV SOURCES

References

- FSA Consultation Paper 142, Operation Risk Systems and Controls
- FSA Policy Statement, Feedback on FSA Consultation Paper 142, Operation Risk Systems and Controls

- Draft ICSA Business Continuity Planning Guidelines for Securities Firms

- Proposed NASD Rule 3510, Business Continuity Plans.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying proposed by-law so that the issue referred to above may be considered by OSC staff. The Association has determined that the entry into force of the proposed by-law would be in the public interest. Comments are sought on the proposed by-law. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Richard J. Corner, Vice President, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5T 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Richard J. Corner
Vice President, Regulatory Policy,
Investment Dealers Association of Canada
416.943.6908
rcorner@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

By-law No. 17.19 - Business Continuity Plan Requirement

Board Resolution

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

1. By-law No. 17 is amended by adding the following:

"**17.19.** Every Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Member's assessment of its critical business functions and required levels of operation during and following a disruption.

Every Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Association, in its discretion, may require this annual review to be performed by a qualified third party."

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.

13.1.6 IDA Regulations 100.9 and 100.10 - Amendments to Capital and Margin Requirements for Positions in and Offsets Involving Long Options

INVESTMENT DEALERS ASSOCIATION OF CANADA –

AMENDMENTS TO CAPITAL AND MARGIN REQUIREMENTS FOR POSITIONS IN AND OFFSETS INVOLVING LONG OPTIONS - REGULATIONS 100.9 AND 100.10

I OVERVIEW

As part of an ongoing review of the capital and margin requirements that apply to securities and related derivatives, amendments are proposed to revise the Member firm capital requirements for certain positions in and offsets involving long option contracts and to conform the client margin requirements with these revised Member firm rules.

A Current rules

The current capital requirements for unhedged long option positions (both call options and put options) in Member firm accounts grant regulatory value to the extent the option is "in-the-money". The equivalent current margin requirements grant no regulatory value to unhedged long option positions (both call options and put options) in customer accounts.

B The issues

The current capital and margin requirements for long options are inconsistent in their treatment of positions held in Member firm and customer accounts and in some instances may not address the risk associated with the option position.

As previously indicated, the current rules grant regulatory value to long options held in a Member firm account to the extent they are "in-the-money". Specifically, a long option held in a Member firm account is granted a regulatory value of 50% of its "in-the-money" value. Granting a long option this regulatory value may not be appropriate in situations where the option is not "deep-in-the–money". This is because an option is a leverage instrument whose risk is directly relating to the risk associated with the option's underlying security.

The current rules also assume that an option's "time value"[1] should be given no regulatory value under any circumstances. For a long dated option[2] this can be an overly punitive assumption since time value tends to be the least volatile component of a long dated option's market value.

[1] An option's "time value" is the excess, if any, of an option's market value over its "in-the-money" value.

[2] A long dated option for the purposes of this paper is an option with nine or more months to expiry.

C Objectives

One objective of the proposed amendments is to more accurately reflect the risk associated with holding long options by giving regulatory value:

- to any "in-the-money" portion of the long option market value when it is greater than the normal margin on the underlying security; and
- to any "time value" portion of the long option market value when the option expiry date is 9 or more months away.

Another objective is to permit the same margin treatment of Member firm account and client account positions in long options. The wording of a related offset strategy involving long call options and long put options has also been amended to be consistent with these proposed changes.

D Effect of proposed rules

The proposed amendments are not believed to have any impact on market structure and are believed to promote fairness by permitting the same margin treatment of Member firm account and client account positions in long options. An impact analysis indicates that adoption of these amendments would result in margin requirement decreases for client account positions and capital requirement increases for Member firm positions in long options. In order to mitigate any unnecessary impacts of these proposed amendments, it is intended that they will be implemented in conjunction with the Equity Margin Project margin rate methodology.

II DETAILED ANALYSIS

A Present rules, relevant history and proposed policy

A detailed analysis of the present rules, relevant history and proposed policy was considered unnecessary due to the specific nature of the proposed amendments.

B Issues and alternatives considered

Due to the specific nature of the proposed amendments, no other alternatives considered.

C Comparison with similar provisions

United States

Pursuant to SEC Rule 240.15c3-1[3] the capital required for long option positions in a Member firm account is 50% of the option market value. NASD Rule 2520(f)(2) indicates that the margin required for long option positions in a client account is 75% of the option market value for long dated options and warrants and 100% of the option market value for short dated options and warrants.

[3] Specifically, the Alternative Strategy Based Method set out in Appendix A to SEC Rule 240.15c3-1

United Kingdom

The Financial Services Authority specifies a Member firm must treat a long call option or written put option as a long equity equivalent position and a long put option or written call option as a short equity equivalent position.

D Systems impact of rule

As previously stated, it is intended that the proposed amendments be implemented in conjunction with the Equity Margin Project margin rate methodology. The amendments are not believed to have any material system implications.

The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the Association and the Bourse have received approval to do so from their respective regulators.

E Best interests of the capital markets

The Board has determined that the public interest rule is not detrimental to the best interests of the capital markets.

F Public interest objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change, "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effect of the proposal. The proposal is designed to:

- facilitate fair and open competition in securities transactions generally, by permitting equal margin treatment of Member firm account and client account positions in long options.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

It is believed the proposed amendments will be effective in ensuring the capital and margin requirements for long options more accurately reflect the risk associated with such positions.

C Process

This proposed amendment was developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- IDA Regulations 100.9 and 100.10
- Securities Exchange Act of 1933, Alternative Strategy Based Method set out in Appendix A to SEC Rule 240.15c3-1
- NASD Rule 2520(f)(2)
- The Interim Prudential Sourcebook for Investment Businesses, Chapter 10: Financial resources for Securities and Futures Firms which are Investment Firms, Rule 10-82(7)

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Jane Tan, Information Analyst, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

Amendments to capital and margin requirements for positions in and offsets involving long options - Regulations 100.9 and 100.10
Board Resolution

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

1. Regulation 100.9(a) is amended by adding the defined term after paragraph 100.9(a)(xxiv):

   "(xxv) "time value" means any excess of the market value of the option over the in-the-money value of the option."

2. Regulation 100.9(a) is amended by renumbering paragraphs 100.9(a)(xxv) through 100.9(a)(xxvii) to paragraphs 100.9(a)(xxvi) through 100.9(a)(xxviii).

3. Regulation 100.9(c)(i) is repealed and replaced as follows:

   "(i) Subject to sub paragraph (ii), the margin requirement for long options shall be the sum of:

   (A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

   (B) the lesser of:

   (I) the normal margin required for the underlying securities; and

   (II) the option's in-the-money amount, if any."

4. Regulation 100.9(f)(iii) is repealed and replaced as follows:

   "(iii) **Long call – long put**

   Where a call option is carried long for a customer's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be the lesser of:

   (A) the sum of:

   (I) the margin required for the long call option position; and

   (II) the margin required for the long put option position;

   or

   (B) the sum of:

   (I) 100% of the market value of the long call option; and

   (II) 100% of the market value of the long put option; minus

   (III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;"

5. Regulation 100.10(c)(i) is repealed and replaced as follows:

   "(i) For Member accounts, subject to sub-paragraph (ii), the capital requirement for long options shall be the sum of:

   (A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

   (B) the lesser of:

   (I) the normal capital required for the underlying securities; and

   (II) the option's in-the-money amount, if any."

6. Regulation 100.10(f)(iii) is repealed and replaced as follows:

   "(iii) **Long call – long put**

   Where a call option is carried long for a Member's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be the lesser of:

   (A) the sum of:

(I) the capital required for the long call option position; and

(II) the capital required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.

Amendments to capital and margin requirements for positions in and offsets involving long options - Regulations 100.9 and 100.10
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Amended Regulation 100.9(a)(xxv)

(xxv) "time value" means any excess of the market value of the option over the in-the-money value of the option.

Amended Regulation 100.9(c)(i)

(i) Subject to sub paragraph (ii), the margin requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal margin required for the underlying securities; and

(II) the option's in-the-money amount, if any.

Amended Regulation 100.9(f)(iii)

(iii) **Long call – long put**

Where a call option is carried long for a customer's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be the lesser of:

(A) the sum of:

(I) the margin required for the long call option position; and

(II) the margin required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;

Amended Regulation 100.10(c)(i)

(i) For Member accounts, subject to sub-paragraph (ii), the capital requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal capital required for the underlying securities; and

(II) the option's in-the-money amount, if any.

Amended Regulation 100.10(f)(iii)

(iii) **Long call – long put**

Where a call option is carried long for a Member's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be the lesser of:

(A) the sum of:

(I) the capital required for the long call option position; and

(II) the capital required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;

Amendments to capital and margin requirements for positions in and offsets involving long options - Regulations 100.9 and 100.10
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Amended Regulation 100.9(a)(xxv)

(xxv) "time value" means any excess of the market value of the option over the in-the-money value of the option.

Amended Regulation 100.9(c)(i)

(i) Subject to sub paragraph (ii), ~~all purchases of options shall be for cash and long positions shall have no loan value for margin purposes.~~the margin requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal margin required for the underlying securities; and

(II) the option's in-the-money amount, if any.

Amended Regulation 100.9(f)(iii)

(iii) **Long call – long put**

Where a call option is carried long for a customer's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be the lesser of:

~~(A) 100% of the market value of the call option; plus~~

~~(B) 100% of the market value of the put option; minus~~

~~(C) the greater of:~~

~~(I) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or~~

~~(II) 50% of the total of the amount by which each option is in-the-money.~~

(A) the sum of:

(I) the margin required for the long call option position; and

(II) the margin required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;

Amended Regulation 100.10(c)(i)

(i) For Member accounts, subject to sub-paragraph (ii), the capital require~~d~~ment for ~~a~~ long options shall be the sum of:~~ is the market value of the option. Where the option premium is $1.00 or more, the capital required for the option may be reduced by 50% of any in-the-money amount associated with the option.~~

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal capital required for the underlying securities; and

(II) the option's in-the-money amount, if any.

Amended Regulation 100.10(f)(iii)

(iii) **Long call – long put**

Where a call option is carried long for a Member's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be the lesser of:

~~(A) 100% of the market value of the call option; plus~~

~~(B) 100% of the market value of the put option; minus~~

~~(C) the greater of:~~

~~(I) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or~~

~~(II) 50% of the total of the amount by which each option is in-the-money.~~

(A) the sum of:

(I) the capital required for the long call option position; and

(II) the capital required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option;

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Royal Securities Corp. - cl. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager for approval to act as trustee of a mutual fund trust and future mutual fund trusts that it manages.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

June 15, 2004

Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Attention: Leslie Erlich

Dear Sirs/Mesdames:

Re: Royal Securities Corp. (the "Applicant") Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) (the "LTCA") for approval to act as trustee Application No. 509/04

Further to the letters dated May 12, 2004 and June 10, 2004 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the Commission) in clause 213(3)(b) of the LTCA, the Commission approves the proposal that the Applicant act as trustee of the Royal China Fund Series I and other pooled funds that may be established and will be managed by the Applicant, the securities of which will be offered pursuant to a prospectus exemption.

"Paul M. Moore" "Suresh Thakrar"

25.2 Exemptions

25.2.1 First Associates Investments Inc. - s. 4.1 of OSC Rule 31-502

Headnote

Previously extra-provincially registered salespersons of the Applicant are exempt from the post-registration proficiency requirements under paragraph 2.1(2) of Rule 31-502 Proficiency Requirements for Registrants, subject to conditions.

Rules Cited

Ontario Securities Commission Rule 31-502 Proficiency Requirements for Registrants, s. 2.1(2) and s. 4.1.

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

AND

IN THE MATTER OF
FIRST ASSOCIATES INVESTMENTS INC.

EXEMPTION ORDER
(Rule 31-502)

WHEREAS First Associates Investments Inc. (the **Applicant)** has applied for an exemption pursuant to section 4.1 of Ontario Securities Commission Rule 31-502 – *Proficiency Requirements for Registrants* (the **Rule**) from the provisions of paragraph 2.1(2) of the OSC Proficiency Rule (the **OSC Requirement**).

AND WHEREAS, the OSC Requirement provides that the registration of a salesperson is suspended on the last day of the thirtieth month after the date registration as a salesperson was granted to that salesperson unless the salesperson has completed the Professional Financial Planning Course (the **PFP Course**) or the first course of the Canadian Investment Management Program (the **CIM Program**) and has delivered the prescribed notice to the Director of the Ontario Securities Commission;

AND WHEREAS unless otherwise defined or the context otherwise requires, terms used herein have the meaning set out in Ontario Securities Commission Rule14-501 – *Definitions*;

AND WHEREAS the Director has considered the application and the recommendation of staff of the Ontario Securities Commission;

AND WHEREAS the Applicant has represented to the Director that:

1. The Applicant is registered under the Act as a dealer in the category of investment dealer and is a member of the Investment Dealers Association of Canada (the **IDA**);

2. The requirement of the IDA that a registered representative (a **Salesperson**) of an investment dealer that is a member of the IDA (a **Dealer)** complete the first course of the CIM Program within thirty months of registration (the **IDA Requirement**) first became effective on January 1, 1994 (the **IDA Effective Date**);

3. Salespersons who were registered to trade on behalf of a Dealer in a jurisdiction immediately prior to the IDA Effective Date are exempt from the IDA Requirement;

4. The Rule, which became effective on August 17, 2000 (the **OSC Effective Date**), adopted and expanded the IDA Requirement but did not exempt Salespersons who were registered to trade on behalf of a Dealer in another jurisdiction prior to the IDA Effective Date from the OSC Requirement; and

5. Salespersons of the Applicant who have been registered to trade on behalf of a Dealer under the securities legislation of a jurisdiction other than Ontario immediately prior to the IDA Effective Date and who were first registered to trade on behalf of a Dealer under the Act after the OSC Effective Date are subject to the OSC Requirement;

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

NOW THEREFORE, pursuant to section 4.1 of the Rule, Salespersons of the Applicants are not subject to the OSC Requirement;

PROVIDED THAT:

(A) immediately prior to the IDA Effective Date, the particular Salesperson was registered under the securities legislation of one or more jurisdictions other than Ontario as a salesperson of a Dealer that was then registered under such legislation as an investment dealer (or the equivalent) and the registration of the Salesperson was not specifically restricted to the sale of mutual funds or non-retail trades; and

(B) after the IDA Effective Date, that Salesperson was either registered to trade on behalf of a Dealer continuously in one or more jurisdictions other than Ontario, or any period after the IDA Effective Date in which the Salesperson’s registration to trade on behalf of a Dealer was suspended or in which the Salesperson was not so registered does not exceed three years;

(C) that Salesperson either is first registered under the Act to trade on behalf of a

Dealer in Ontario after the date of this exemption order or was first so registered no more than 30 months prior to the date hereof.

June 11, 2004.

"Marsha Gerhart"

25.3 Consents

25.3.1 Wellington Cove Explorations Ltd. - ss. 4(b) of Reg. 289

Headnote

Consent given to an OBCA Corporation to continue under the laws of Canada.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., 181.
Securities Act, R.S.O. 1990, c. S.5., as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, ss. 4(b)

IN THE MATTER OF
ONT. REG. 289/00 (THE REGULATION)
MADE UNDER THE BUSINESS
CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c. B.16, AS AMENDED
(THE OBCA) AND

AND

IN THE MATTER OF
WELLINGTON COVE EXPLORATIONS LTD.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Wellington Cove Explorations Ltd. (the "**Applicant**") to the Ontario Securities Commission (the "**Commission**") requesting the consent of the Commission to continue into another jurisdiction pursuant to subsection 4(b) of the Regulation;

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

AND UPON the Applicant having represented to the Commission that:

1. the Applicant proposes to make an application (the "**Application for Continuance**") to the Director under the OBCA pursuant to section 181 of the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "**CBCA**");

2. the Applicant is an offering corporation under the provisions of the OBCA and a reporting issuer within the meaning of the *Securities Act* (Ontario) (the "**Act**");

3. pursuant to clause 4(b) of the Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission;

4. the Applicant is a corporation existing under the OBCA by virtue of its incorporation thereunder on July 12, 1989;

5. the authorized capital of the Applicant consists of an unlimited number of common shares, an unlimited number of Class B shares and an unlimited number of Class C shares, of which approximately 1,708,654 common shares and no Class B shares or Class C shares are issued and outstanding;

6. the Applicant is party to a securities exchange agreement dated March 26, 2004 providing for the purchase by the Applicant of all of the issued and outstanding shares of Exploration & Discovery Latin America (Panama) Inc.("E&D");

7. E&D, through its subsidiaries, holds interests in mineral exploration properties in the Dominican Republic;

8. following completion of the transaction with E&D, the Applicant's business will have an international focus and, as a result, the Applicant considers it desirable to be able to attract directors with international experience, which directors may not be Canadian residents;

9. the Applicant is not in default of any requirements of the Act or the regulations or rules promulgated thereunder;

10. the Applicant is not a party to any proceeding or to the best of its knowledge, information or belief, any pending proceeding under the Act;

11. the Applicant currently intends to continue to be a reporting issuer under the Act;

12. approval for the continuance under the provisions of the CBCA was received at the annual and special meeting of shareholders of the Applicant held on May 31, 2004;

13. the continuance is proposed to be made in order for the Applicant to conduct its business affairs in accordance with the provisions of the CBCA; and

14. the material rights, duties and obligations of a corporation existing under the CBCA are substantially similar to those of a corporation governed by the OBCA.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Applicant as a corporation under the CBCA.

June 8, 2004.

"Robert W. Davis" "H. Lorne Morphy"

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